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Identity of views

THE DIALOGUE between the captains of industry and the representatives of government at the 49th annnal session of the Federation of Indian Chambers of Commerce and Industry (FICCI) clearly brought out not only the broad identity of views on various subjects but also the determination to march forward in complete harmony in the larger interests of the nation. The President, Mr Fakhruddin Ali Ahmed, who inaugurated the session on May 1, 1976, in the over-crowded hall of Vigyan Bhavan, reminded the businessmen that the progress of the nation was not the responsibility of the government alone and that all sections of society, whether industry, trade, worker or farmer had to carry on their tasks with devotion and discretion, He however conceded the point that government policies were required to create the right environment in which national work was carried out to secure the well-being of all citizens, more particularly the less privileged.

Earlier, while welcoming the President, Mr Harish Mahindra, President of the FICCI, had unequivocally acknowledged the fact that it was not government alone that had to attune policy to development. Industry too, he added, had to reorient its attitudes and adopt new techniques. He listed no less than six points through which industry could play a more useful role in furthering the process of industrialisation.

First, Mr Mahindra wanted the entrepreneurs to endeavour to raise larger finance from the public by marketing shares, particularly in rural areas. The President, Mr Fakhruddin Ali Ahmed, had endorsed this viewpoint and had urged the industry "to make a sincere effort to raise resources on its own". Mobilisation of savings equal to one per cent of the national income, in his opinion, would provide finance to industry equal to nearly Rs 600 crores which would help to make the process of industrial development self-reliant.

Second, Mr Mahindra urged the industry to give utmost attention to improvement in quality, reduction in costs and efficiency in distribution. The President, Mr F.A. Ahmed, while commending the evolution of techniques and know-how suited to the stage of development which we have achieved, suggested the adoption of such development processes as would ensure "maximum efficiency, minimum costs and fair distribution."

Third, Mr Mahindra asked the fellow industrialists to undertake research for Indianising technology and adopting anti-pollution measures. Surely, the private sector units, barring a few enlightened business houses, had tended to neglect this important aspect. However, the FICCI awards for outstanding research in different fields had tended to enthuse the researchers in both the public and private sectors and the President, Mr F.A. Ahmed, congratulated the Federation for rewarding those who had attained distinction in this area.

The other three points made by Mr Mahindra related to the setting up of consultancy services, the provision of liberal assistance by large units to small units so as to make the latter "technically efficient and financially viable" and the giving of full support by trade to its constituents. Surely, there could be no disagreement between industry and government on all of these, signifying remarkable sameness in approach.

The President, Mr F.A. Ahmed, felt that the FICCI could be rightly proud of its achievements and that, its Golden Jubilee Year, was the time for introspection and planning "a more purposive role in the socio-economic programmes that are being framed by the government." A Golden Jubilee Organisation

Committee has already been formed under the chairmanship of Mr B.M. Birla. It is now for this committee to chalk out a programme which may not only highlight the role that the Federation has played in industrialising the country but should also indicate the lines on which it will work in the concluding years of this century.

perspective plan

Mr Mahindra in his address made a reference to a ten-year perspective plan listing substantial expansion in the production of steel, cement and power. Some of the targets indicated did appear ambitious but it would be worthwhile for the Golden Jubilee Committee to pool together its resources and even induct some from the universities and the research institutions and prepare the blue-print of an Economic Plan which should spell out the shape of things to come in this country by the end of the current century. Cowed down by the failures of recent years, the Planning Commission had turned timid in outlook. Let the Federation indicate if the country could raise its per capita gross national product to at least US \$1,000 by the year 2000 AD as against the current level of US \$120.

While Mr Mahindra's address was marked by a spirit of cooperation and friendliness, it did exhibit some uneasiness regarding the under-utilisation of capacity in industry due to the recessionary tendencies in some sections of industry. In Mr Mahindra's words, "recession implies waste of capital, and more importantly waste of human resources". There could be no two opinions on the wasteful character of recession which, in Mr Mahindra's view, had made idle capital equipment valued at Rs 6,000 crores. It did not hurt industry and the shareholder alone; it also adversely affected the tax revenue of the government which in turn subdued the development plans of the government.

What was the way to bring the recession to an end? Mr Mahindra suggested the use of money and credit to

irrigate economic activity". And for this, he suggested an increase of Rs 1,600 crores of bank credit to industry and trade. He felt that the supply of this much credit would bring about the desired impact on the health of industry. The President, Mr F.A. Ahmed, refused to buy this prescription. He made a reference to the bitter experience of a high-speed inflation in 1972-73 and felt that it would be too dangerous to allow the inflationary forces to regain strength once again. Thus, the government's case was that it would inject only as much money in the system as would not allow the demon of inflation to raise its head again.

It seemed that Mr Mahindra had perhaps overshot the mark. Granted that during the past one year prices had tended to fall despite the increase in money supply with the public and that the usual money-price relationship had not prevailed, could a sum of Rs 1,600 crores be injected into the system at this time without hurting the price level? And in the same breath, he advocated the cheapening of credit by reducing the interest rate to 11 or 12 per cent. Both of the suggestions may be technically feasible but there was

certainly some doubt about their being financially possible.

But to say this is not to deny the fact that the deepening gloom in industry needs to be removed by slowly increasing the doses of credit, step by step. By a process of trial and error, the incremental credit over the next half year may be around Rs 600-800 crores. Only after it is proved that the resulting increase in production has nullified the inflationary impact of this rise in money supply, that the process of inducting additional credit should be continued.

While supporting the resolution on fiscal and monetary policies, Mr K.K. Birla (see page 1013) drew a graphic picture of the anaemic state of the economy which in his view needed a good tonic. He also said that flow of money was vital for rapid industrialisation—no one would disagree with him on this—and he also, like Mr Mahindra, suggested an increase in credit, though neither he nor the resolution set any limits to it. Liberalisation of credit policy undoubtedly was the key to the revival in demand but without sacrificing the gains which the economy has made on the price front.

Sugar policy needs change

EVEN WITH adequate supplies of cane, the sugar industry will be achieving a production of only 4.250 million tonnes in 1975-76 crushing season as compared with the all-time record of 4.794 million tonnes established in 1974-75. The country can ill-afford this drop in output as exports can be raised to even 1.5 million tonnes in 1976-77 (financial year). In 1975-76, actual exports were around 1.3 million tonnes having a value of Rs 450 crores. In 1974-75, exports were a little over 800,000 tonnes valued at Rs 339 crores. Because of the failure of sugar mills to repeat the performance of the last season, the carry-over of 1.221 million tonnes from the last

season will have to be eaten into for sustaining internal consumption of 3.550 million tonnes and exports of 1.3 million tonnes.

The carry-over at the end of September this year may not thus be more than 600,000 tonnes, which is a dangerously low level. With the monthly off-take around 400,000 tonnes, including exports, and a low level of production in October and November, acute scarcity may be experienced in the next crushing season if immediate steps are not taken to raise output to over 5.0 million tonnes or even 5.2 million tonnes. On account of an increase in the incomes of the agricultural sector

and the scope for maintaining exports around the present levels there will have to be a minimum output of 5.0 million tonnes in 1976-77 if the export effort is not to be thwarted or internal consumption restricted.

The scope for maintaining exports around 1.5 million tonnes annually in the foreseeable future has made it imperative that the output cannot decline to below 5.0 million tonnes at any stage. With internal consumption likely to increase at the rate of 400,000 tonnes yearly, if a five per cent growth in national income is sustained, the target for production by 1980-81 will have to be at least 6.5 million tonnes.

new trend

The importance of establishing a new trend in production, after the spectacular performance in 1975-76 has not been realised and the tinkering with policies pertaining to the fixation of levy prices for sugar and the payment of remunerative prices to cane-growers in the last season has been mainly responsible for the setback sustained in 1975-76. The Tariff Commission's formula for determining levy sugar prices on a statewise basis has not been fully adopted and the Bhargava Commission's recommendation for equal sharing of profits realised on sales of free sugar between sugar mills and cane growers, has also not been properly implemented. Even when the equal sharing principle was accepted the share of the growers was larger than 50 per cent as levy sugar prices were lower than the realistic level on the basis of minimum price for cane, reasonable conversion charges and a minimum return on employed capital.

An unusual procedure was adopted in July last year when an entirely new concept was introduced for fixing levy prices. The government assumed a fixed cane price for each region on the basis of ad hoc payments by sugar mills and it was also assumed that an average price would be realised for

free sale sugar. The levy prices were then adjusted on the assumption that reasonable profits will be available if the assumed average price for free sale sugar is realised. As no adequate allowance was made for conversion charges and return on capital (after taking into account the interest burden), and as open market prices realised were less than the assumed average, sugar mills in many regions have suffered a severe setback.

The anticipated decline in sugar output in the current season to 4.250 million tonnes from 4.795 million tonnes in 1974-75 is mainly on account of Uttar Pradesh and Bihar in north India and Tamil Nadu in the southern region. The output of UP and Bihar will be declining by 309,000 tonnes to 1.334 million tonnes and that of Maharashtra, Karnataka, Andhra Pradesh and Tamil Nadu by 237,000 tonnes to 2.399 million tonnes. Other states will be making the same record contribution, the estimate of production for 1975-76 being 513,000 tonnes against 515,000 tonnes in the previous season. Uttar Pradesh and Bihar have not fared well even with adequate supplies of cane (particularly in western and central regions of UP) and the grant of fairly high levy prices.

large diversion

The absence of excise duty rebate for early and late season crushing and severe competition from the manufacturers of khandsari and gur have resulted in a large diversion of cane from factory areas. Even after the downward revision in levy prices, south Bihar will still be getting Rs 286.62 per quintal and yet its output is expected to be lower at 4000 tonnes. North Bihar has a levy price of Rs 240.67 per quintal and an output of 170,000 tonnes. Central UP has a levy price of Rs 176.03 per quintal and its output will be dropping to 450,000 tonnes from 607,000 tonnes. Only Maharashtra in the tropical states will be achieving a higher output of 1.6 million tonnes against 1.519 million

tonnes, even with a levy price of Rs 142.96 per quintal against Rs 156.99 per quintal for 1974-75. This rate was however not fully applicable for that season, as there was a short downward revision in the price in July last. Karnataka and Andhra Pradesh however are suffering from competition from khandsari and gur producers and it has not also been considered profitable to prolong the crushing season in the absence of excise duty rebate. Tamil Nadu could not have in any case fared well as there had been a large diversion of area under cane for cultivation of rice. Also due to the prevalence of drought conditions some acreage formerly under cane had to be switched over to other crops requiring less water. The output of Tamil Nadu will thus be only 174,000 tonnes against 384,000 tonnes in 1974-75 and 443,000 tonnes in 1973-74. The poor performance of sugar mills in Tamil Nadu was also on account of lower recovery and competition from gur producers.

rebound expected

It can certainly be expected that there will be rebound in production in Tamil Nadu with the cultivation of cane in a larger area. Maharashtra cannot probably be expected to maintain the recent improvement in performance as additional production can be achieved only with a prolongation of the crushing season. Under optimum conditions, the four states of Tamil Nadu, Andhra Pradesh, Karnataka and Maharashtra can easily account for 3.2 million tonnes. UP on its part can repeat the performance of 1969-70 when it established a peak output of 1.624 million tonnes. Bihar cannot achieve more than a marginal increase in output, while other states can be expected to contribute their 600,000 tonnes. There is, thus, scope for raising production to even 5.6 million tonnes under favourable conditions.

Even assuming that the area under cane in Tamil Nadu will not increase to the previous levels in 1976-

77 and only in 1977-78 normalcy will be restored with the prevalence of reasonable prices for rice, it should be possible to achieve an output of 5.4 million tonnes in the next season. Only if this level can be attained internal consumption can be allowed to rise to 3.8 million tonnes and exports of 1.4 million tonnes achieved. The carry-over can then increase to 800,000 tonnes or at least prevented from being reduced if for any reason the output of sugar is not more than 5.2 million tonnes.

The policy in regard to the fixation of minimum price for cane and the administration of partial control have to be properly streamlined apart from

careful examination of incidence of differential excise duties. In the altered circumstances, the desired incentives should be provided for Maharashtra, Karnataka, Andhra Pradesh and Tamil Nadu as they are now accounting for over 55 per cent of total production with the share of Bihar and UP being less than 35 per cent. A refashioning of the policy relating to pricing of cane and levy sugar and duties on levy sugar, re-sale sugar and khandsari has become imperative and early decision should be taken in order to eliminate many uncertainties that now exist. It will ensure a defined rate of growth in sugar production. It will also be highly helpful if the new decisions are announced in the next few weeks.

"The greatest threat to the existence of the jute industry today is the lack of its viability. The losses suffered in manufacturing and marketing the products at the current levels of cost and sale prices are eating into the very vitals of the industry. Revival can only come if the industry is financially capable of undertaking development projects. The responsibility for the present state of the industry should be shared both by the government and the industry. Whenever we have introduced fiscal reliefs this has always been done too late. The industry also has not taken advantage of periods of prosperity to modernise its equipment and reduce costs".

reduction of costs

Prof Chattopadhyaya rightly emphasised the need for the industry to reduce its costs. He explained how this was to be achieved. "Reduction of cost of manufacture", he said, "need not necessarily mean a reduction in the prices being paid to the various inputs like raw material and labour. Reduction in cost will have to be brought about, more effectively, by increasing productivity. Reduction in wastage, for example, will lead to savings in raw material consumption and measures for increasing the productivity of labour will bring down the proportion of wage cost to the total cost of manufacture". Mr Goenka also referred to the importance of cost reduction but he pointed out that in this process both the government of India and the state governments concerned should also play their part. He regretted that the yield per acre of jute had not registered any significant breakthrough in the last 20 years. He said that "more dynamic action is required on the part of the state governments and the concerned agencies of the central government".

The union Commerce ministry should take a keen interest in this aspect and persuade or pressurise the state governments to give greater attention to increase the yields of raw jute and

improve its quality. The government of India should also provide substantial financial assistance to the industry to expedite its modernisation schemes. Equally important it is for the industry to secure the active cooperation of labour in implementing the rationalisation programme. Prof Chattopadhyaya did not refer to this aspect. How far will his ministry be able to help the industry to rationalise its labour complement and fix the work-load at realistic levels? Will the government of West Bengal be prepared to offer its full cooperation to the industry in improving the productivity of labour?

state trading

Prof. Chattopadhyaya revealed that the union government had asked the State Trading Corporation to enter the jute goods export trade. But why did he not mention this proposal in his prepared speech? Was it because the government had not taken a final decision at the time when the speech was under preparation? It seems doubtful whether the Commerce ministry has evolved clear and definite ideas as to the items that the STC should handle and the markets on which it should concentrate. The minister referred to the "very stiff competition" that the industry was facing from synthetics and the need for "aggressive salesmanship". Caution therefore is necessary in order to ensure that the STC's entry does not dislocate the trade channels or create uncertainty among exporters in India as well as importers in foreign countries. In any case, why was the Commerce ministry in a hurry to take a decision about the entry of the STC into the jute goods export trade? Should not the ministry have referred this question to the Development Council and sought its views?

Mr Goenka said that the Development Council would deal with all aspects of research, development, training, export promotion, standardisation, cost control, quality control, produ-

ctivity and product diversification. Prof. Chattopadhyaya said that it would be "unwise" on the part of the Council to attempt to give attention to all these functions. He suggested that the Council should concentrate on those functions "which are of immediate importance, thereby seeking to make an impact which would be of benefit both to the industry and the nation". But the Commerce ministry could have laid down some broad guidelines to

the Council regarding the order of priority in which it should take up problems. Neither Prof. Chattopadhyaya nor Mr Goenka said anything about the Development Council maintaining liaison with the jute industry in Bangladesh. As Dacca is also concerned with the threat from synthetics, it will be to the advantage of both countries if they cooperate with each other in undertaking programmes of research.

The Talcher giant

ENERGETIC EFFORTS by a management to bring on stream a giant industrial project without much overshooting the scheduled time of commissioning depends to no small extent on close cooperation from all concerned, particularly from the major suppliers of equipment; more so if the project is located in a backward area lacking in adequate infrastructure facilities, which in itself is no small hinderance to the completion of a project according to a tight time-table. It, therefore, is not at all surprising that the commissioning of the Fertilizer Corporation of India's Talcher project, which has already overshoot the original three-year schedule ending in June, 1975, is likely to be delayed by at least six months from even the revised deadline of completing it by the middle of the current calendar year. On current assessment, the first of the two streams of the project is expected to be ready for integrated trials only by December next. The start of commercial production from this stream may take another six months by which time, it is hoped, the second stream also would be ready for trial runs.

The delay from the revised schedule of completion is said to have been caused by two main factors. First, on advice from the West German collaborators, Messrs Krupp-Koppers, the design of the coal gasifiers—unlike

the Sindri project which in the early 1950's produced fertilizers from coke, the Talcher unit is based on the coal gasification process—had to be modified in the light of the experience of a similar plant in Johannesburg, South Africa, which pioneered the commercial exploitation of the new technique of coal gasification.

The modification, of course, is stated to have been carried out quite expeditiously. The current delay is attributed primarily to the lack of adherence by the indigenous suppliers of some critical equipment to the new supply schedule given to them. The prospect of completing the project's first stream by the end of December, in fact, depends on the delivery of the above critical equipment in the next three months. If the supplies are delayed further, the upsetting of the December-end completion schedule too is not ruled out. The imported equipment is more or less all on the site; most of it has also been erected.

With a view to cutting short further delay in commissioning the project, it, of course, is heartening to note that sectoral testing of the equipment already installed has been taken up. Among the units already completed are included the nitrogen compressor complex, the coal preparation unit, water treatment plant, main power

Will Jute Council deliver the goods?

INAUGURATING THE Jute Manufactures Development Council in Calcutta on April 18, Prof. D.P. Chattopadhyaya, the union minister of Commerce, expressed surprise at the fact that the Council was not thought of earlier even though the industry was a premier export earner and had a crucial role to play in the economy of the eastern region. The minister seemed to suggest that the government had no responsibility for the delay in setting up the Council. However, he heartily welcomed its formation on the principle "better late than never". But what are the prospects for the effective functioning of the Council? How soon will it be able to achieve at least some of its major objectives?

Mr J.P. Goenka's presidential address at the inaugural function gave the impression that though the Council had been entrusted with responsibilities over a wide field it was unlikely to be able to deal with them effectively due to the paucity of funds. He referred to the "very inadequate financial resources" that would be available to the

Council. He said that the net amount that could be collected from the cess at the present rate would be hardly sufficient to maintain the existing level of activity of the Indian Jute Industries' Research Association. He suggested that the possibility of collecting the cess through self-assessment by the industry as in the case of excise duty realisation should be examined since this procedure would save the payment of collection charges of Rs 8 lakhs to the government. The union ministry of Finance should agree to this arrangement so that it could help to augment the availability of funds with the Council for promoting research and other activities.

Mr Goenka also proposed that the jute industry should consider the possibility of increasing the cess when its viability improved and that, in the meantime, the Council of Scientific and Industrial Research should continue its matching grant, taking the cess as industry's contribution. But the prospects of the industry achieving viability seem to be rather remote. As Mr Goenka said,

receiving station, demineralised water plant and one service boiler. While the latter four have already been tested individually to the extent possible, the former two are undergoing trial runs. The trial runs of the nitrogen compressor started about a fortnight ago during the visit to the project of a press party from Delhi of which this writer was a member. The civil works of the project had been almost complete by then. The mechanical equipment work had been completed to the extent of 81 per cent, the piping work to the order of 87 per cent and electrical work to the extent of about 93 per cent. A better idea of the progress of construction can be had from the fact that even the instrumentation work had been completed to nearly 78 per cent. Insulation work was taken up in March last. It is progressing well.

capital cost

As could be expected, the delay in completion has had its impact on the capital cost of the project. Originally estimated to cost Rs 94.6 crores with a foreign exchange content of Rs 33.5 crores, the scheme would have cost approximately Rs 149.6 crores with a foreign exchange component of Rs 43.3 crores had it been completed by June last year. The major factor responsible for this escalation in cost was the inflationary tendencies in the economy which not only pushed up the prices of indigenous materials and equipment but also labour and other costs. On expectations that the project would be completed by December next, it is now estimated to cost Rs 162 crores, out of which the foreign exchange expenditure would come to about Rs 45.5 crores. This cost, however, includes an expenditure of Rs 6 crores for putting up a fourth, standby gasifier and another Rs 2 crores on the setting up of the argon recovery plant. The expenditure of the fourth gasifier was not included either in the original or the last June-end completion schedule estimate, but that on the argon recovery unit was included in the latter

estimate, though not in the original one.

Another fact that is said to have pushed up both the last year's and the current estimates is that contrary to the original arrangement of the state government meeting the raw water requirements of the project on unit payment charges, the project authorities have been obliged to spend nearly Rs 2.5 crores on ensuring these supplies on their own through constructing a pump house at the nearby Bramhani river. A small part of this expenditure, of course, is likely to be reimbured by the state government if water supplies are shared by the industrial estate being established in the neighbourhood of the project. Since the arrangements for water supply have been made by project's management, it has asked for, quite legitimately, exemption from the proposed levy of water cess by the state government.

The escalation in cost is bound to affect the economics of the project. Its break-even point is stated to have already shifted from the original 52 per cent capacity utilisation to nearly 60 per cent. On current estimates, the project is expected to yield 17.71 per cent return on equity while running on

90 per cent capacity utilisation. The pay-back period is now assessed at seven years. Had the break-even point remained around 52 per cent, both the return on equity and the pay-back period would have been significantly better.

In retrospect, however, the decision to go in for coal-based fertilizer plants has not been injudicious though when the decision was taken in the late 1960s, several misgivings were entertained about the feasibility of such projects due to their high capital costs. The hike in crude oil prices in 1973 and the escalation in the costs of setting up new fertilizer plants based even on petroleum feedstock in the last two years have almost wiped out the investment disadvantage of both the Talcher project and its twin at Ramagundam, in Andhra Pradesh, vis-a-vis the new petroleum-based units. The current estimates of their capital costs around Rs 162 crores compare with Rs 150-155 crores needed for putting up a new naphtha-based plant of similar capacity and Rs 180-185 crores for a fuel oil-based units. The Talcher project's production cost at the current coal price is now estimated around Rs 903 per tonne, compared to Rs 912

per tonne of a new naphtha-based project and Rs 1,042 per tonne of a new fuel oil-based plant.

The profitability of the Talcher project, thus, is no longer in doubt. With the Marathe Committee currently going into the cost of production of the various fertilizer manufacturing units in the country with a view to suggesting retention prices for every unit, this issue should even otherwise get resolved satisfactorily. The report of this committee is expected to be available in none-too-distant a future.

advance action taken

Apart from the efforts being made by the management at completing the scheme as expeditiously as possible in the face of equipment supply constraints—for all this, the management deserves credit—it is encouraging to note that a good deal of advance action has also been taken by it to train the personnel who are going to run the project. A wide variety of training programmes have been instituted for the personnel at all levels; a very significant number of personnel has already been imparted the necessary training. This should stand in good stead in containing the gestation period. But much depends on how well the coal gasification sector of the plant behaves. Direct inplant training facilities for the persons who will be managing this sector could not be arranged, for the only plant in operation using this new method of ammonia production is in a country—South Africa—with which we do not have any dealings because of well-known reasons. It is hoped this handicap will not prove a big hurdle in the successful running of the project.

In a way, the South African experience also could be of only limited assistance to the Talcher management as the scale of operation of the gasifiers here is twice that of the South African project. Though of a similar capacity, the South African plant has six gasifiers whereas the Talcher project will be having only three (the fourth one, as stated earlier, will be only a

stand-by unit). The successful working of the Talcher project, thus, should mean a new breakthrough in the manufacture of fertilizers from coal. Though the know-how for the process has been procured from West Germany, the tasks of detailed engineering and fabrication of a major portion of equipment have been handled by the Planning and Development Division of the FCI. This should open up avenues of export for our experience and capabilities not only to the developing countries placed in a position similar to us but also to the developed nations interested in diversifying the feedstock of their fertilizer industries to the inclusion of coal in view of the growing tightness of global crude oil market.

transforming economy

The Talcher project can be expected to help significantly in transforming the economy of the backward state of Orissa. A number of ancillary units have been identified for establishment in the industrial estate being set up in the neighbourhood of the project. These include (i) manufacture of polythene-lined jute bags; (ii) production of alum, (iii) dry ice and compressed carbon-dioxide units, and (iv) industries based on fly ash. The scope for the last mentioned industries is particularly good in view of the proximity of a large-sized thermal power station. Incidentally, unlike in the case of the Ramagundam project, a heavy water plant with a capacity of producing 62 tonnes of heavy water per annum, entailing a capital outlay of Rs 33 crores, is already being put up by BARC in the Talcher fertilizer plant complex.

The development of agriculture as a result of larger availability of fertilizers in the state should also assist in the setting up of some agro-based industries. With the Rourkela fertilizer project already meeting a sizeable proportion of the nitrogen requirements of the state, a substantial part of the production of the Talcher project, however, will have to be exported to the neighbouring states for some time,

despite the efforts being made by the marketing division of the FCI to foster consumption of fertilizers within the state through its seeding programme.

This calls for a good deal strengthening of the railway and road transport facilities. The present facilities are grossly inadequate. If this problem is not attended to expeditiously, the marketing of the Talcher fertilizer can be expected to pose a serious problem with its inevitable adverse effect on the production programme. The project authorities, of course, are fully aware of this. What is needed is a helping hand from the railways and more particularly from the state government, which, though committed to provide a motorable approach to the project site from the national highway about 12 kms away, has not been able to fulfil its obligation, presumably for want of resources. The present link—the Talcher thermal power station road—entails a fairly long detour, which will push up fertilizer transportation costs significantly. The new approach road has still to be metalled, although the expenditure involved is not more than about Rs 35 lakhs.

fulfilling commitments

The state governments which vie with one another in making tall promises for attracting giant projects must endeavour fully to fulfil their commitments. Any dilly dallying in this respect will obviously mar their image and hamper their future industrialisation programmes.

The feedstock requirements of the Talcher project, of course, are not expected to pose any problem as adequate potential for raising coal from the nearby South Balnida and Nandira mines has already been created. These collieries have also been linked to the project with a conveyor belt of the requisite capacity. Though the coal price has yet to be finalised by the FCI and Coal India Limited, this issue too is expected to be resolved satisfactorily in the near future.

Eastern Economist 30 Years Ago

MAY 10, 1946

Nearly three quarters of the year have gone by since the end of the war and the movement of goods and services across political frontiers and across the oceans has not yet become as free as might have been wished for. The demand has changed from war to peace materials. Reconversion has therefore to be got on a large scale before any trade in the peace time goods can be resumed in any considerable volume. The war has left a legacy of scarcities of several commodities especially those generally in common and widespread demand and use, thus necessitating continuance of controls. But the general tendency is one of increased relaxations. About the end of the last year the combined Raw Material Board and the Combined

Production and Resources Board have been discontinued. A limited number of industrial material and products that are still in short supply have compelled joint international control. Thus five special international commodity committees are controlling some industrial materials still in short supply. They are Rubber, Tin, Hides, Skins and Leather, Textiles and Coal. The Combined Food Board is scheduled to be liquidated next year. The question naturally arises as to how long the present situation of a sellers' market will continue and when change over to a condition where real efforts will again be needed to maintain sales, and where considerations of price, quality, style and selling terms will again become significant.

Capital's Corridors

R. C. Ummat

Boosting engineering exports • New projects for machine tool development

AN IMPORTANT decision that will not only facilitate modernisation of industrial units and replacement of plant and equipment but will also add to some extent to the industrial capacity in the country was announced this week by the minister for Industry and Civil Supplies, Mr T.A. Pai, in his inaugural address to the second annual general meeting of the Association of Indian Engineering Industry (AIEI). The decision envisages creation of a technical development fund to take care of the foreign exchange requirements of industrial units for the import of small value balancing equipment having a large impact on quality or quantity of output or for reasons leading to substantial benefits in enhancing export capabilities. The fund would also cater for matters connected with higher capacity utilisation, cost deduction, technology upgradation and product-mix rationalisation.

integrated imports

A special committee under the chairmanship of the secretary, Heavy Industry, would administer the scheme. The committee would meet once a month and approve cases for integrated imports of different inputs up to a maximum aggregate value of \$ 250,000 per undertaking per annum. The resources for the scheme have been recently obtained from the International Development Association under industrial import-export credits.

To begin with, the scheme would apply to a few select industries—commercial vehicles, tractors, forgings and castings, machine tools, and textile

machinery industries. The other industries would be considered on a case-to-case basis for the time being. If the scheme proves successful, it would be extended to other industries in course of time.

special assistance

Mr Pai also referred to the scheme announced by the Finance minister in his this year's budget speech for providing special assistance on soft terms—low interest, some moratorium on repayment and long period of repayment—for modernisation and rehabilitation of various industries. He disclosed that the details of this scheme were being worked out. It would be made operational as soon as possible. The four industries whose requirements of modernisation and rehabilitation are to be catered for by this programme are textiles, jute manufacture, cement and engineering.

Mr Pai commended the efforts being made by the engineering industry to step up exports. He welcomed the target of Rs 1,000 crores set by the industry for exports by 1978-79 and assured that all governmental help would be available for achieving this objective. He, however, stressed that *inter se* undue competition ought to be avoided by exporters in the interest of creating a wholesome image for the country's exports as well as for creating confidence among foreign buyers of our products. In-fighting among exporters, he said, created many a complication.

Mr Pai also emphasised the need for

evolving our own standards and specifications for industrial products, except, of course, where different specifications were required to be followed for export orders. The evolving of our own standards and specifications, he felt, would help in fostering industrial development as well as in bringing down production costs.

The minister commended the efforts of the engineering industry for taking up turn-key projects abroad as well as for adopting consortia approach for this purpose. He said that the stage had now been reached when this country must also export technology to the extent possible, particularly to the developing countries for which it was quite suitable. Government's approach towards joint venture abroad, he said, was very pragmatic and forward looking. The industry should take advantage of it.

Mr Pai as well stressed the need for horizontal transfer of technology. This could obviate repetitive imports of technology. The fostering of ancillaries too was stressed by Mr Pai. He further disclosed that a company was being set up for holding a permanent exhibition of industrial products in Delhi and also to look after participations in exhibitions and trade fairs abroad.

industry's response

Mr Pranab Kumar Mukherjee, minister of state for Revenue and Banking, who too addressed a special session of the AIEI dealing with the rehabilitation of sick industries, urged that the industrial sector should respond in an adequate manner to the stimuli provided by the government for raising production. The industry, he advised, should constantly search for new markets. In the present-day conditions of recession in demand both at home and abroad, what was needed was aggressive marketing. Adaptability to changing circumstances and conditions, Mr Mukherjee stressed, was the hallmark of good management. It could go a long

way in avoiding industrial units falling sick.

The secretary, ministry of Steel, Mr Wadud Khan, assured the AIEI that the current drive to step up exports of steel would not be allowed to have any adverse impact on the availability of raw materials for our engineering industry. The domestic requirements could be met fully along with a step-up in exports.

11-point programme

In his presidential address, Mr K.G. Khosla referred to the problems of engineering export and suggested the adoption of an 11-point programme to attain the target of Rs 1,000 crores worth exports by 1978-79. This programme takes into consideration the findings of a preliminary study conducted recently by the AIEI concerning exports of some selected sectors of the engineering industry such as commercial vehicles, jeeps, transmission lines, foundry, auto ancillaries, wire ropes, diesel engines, farm equipment, steel tubes and bicycles. The programme outlined by Mr Khosla was as follows:

(i) Many steps have been taken recently to simplify and liberalise export financing arrangements, provision of bid bonds, bank guarantees, etc., but this is an area of some constraint to the export effort. The delays in decision-making are a source of anxiety to exporters. This probably reflects the traditional security consciousness of bankers especially at the branch level. With the increasing role of export finance in booking exports, there is need for a joint study by the Standing Committee on Export Finance and the industry of the specific issues and the cases involved.

(ii) Industrial and import licensing has been streamlined and the complaints about delays have come down. The scheme of advance licensing will no doubt help greatly to resolve import

licensing problems. We need now to aim at decision-making within 7 days in place of one to three months which itself is a considerable improvement over the past. This will help to resolve the remaining constraints.

(iii) For turnkey projects, totally indigenous supplies can rarely be made by Indian firms and there is usually an element of third country imports. The percentage now prescribed for third country imports is flexible but decisions on cases necessarily take some time. Another aspect is that where indigenous components and inputs are available, prices quoted are generally far above international prices. To strengthen our competitive ability, indirect exporters should be supported and encouraged through incentives, to market at world prices. The handling of turnkey projects requires review and the industry has reported that the Projects Export Committee's role and authority need further consideration.

raw materials

(iv) Availability of raw materials at economic prices is a must for export effort. Alternative formulae have been tried depending on the relative Indian and international price levels. Probably, there is no single formula to satisfy all situations.

(v) A common apprehension relates to uncertainty about government's supports such as replenishment licences or compensatory arrangements for taxes paid locally. An exporter's pricing and long-term market strategy is built around these factors. It is, therefore, essential to maintain stability and continuity in regard to government's supporting policies.

(vi) Shipping freight rates are excessive when compared to our competitors; also sailings are infrequent. Alternative ports combined with road routes are being used, but there are limitations to this approach. We cannot increase exports without the surface

transport carrying capacity, and this will be perhaps the most important infrastructural problem facing engineering exports over the next few years.

(vii) Manufacturing capacity is not a constraint in most sectors of the engineering industry. There are only a few cases where additional plant is required to maintain the momentum of growth. In certain sectors industrial licenses or letters of intent are in hand, which can be implemented if required; in some cases built-in capacity for increased production exists.

support facility

(viii) In industrial machinery and heavy engineering industries the supporting facility of export credit is required. More advanced countries are extending long-term credit on easy terms. Whilst we, as a capital-scarce country, cannot offer easy credit, the extension of five to seven years credits would support export increases especially to such countries as Zambia, Indonesia and Kenya. These credits, if provided, need to be earmarked for certain products with a limitation of time for placement of orders by the buyers on Indian firms.

(ix) *Inter se* competition is weakening the overseas sales effort and we have started export consortia to ensure a unified approach. These consortia, however, are yet a few and need to be extended to more industries. Such consortia need to be recognised for the useful role they can play and this can best be done through official support and involvement. The AIEI has set up a Task Force on Export Consortia and the report and recommendations will be submitted to government shortly.

(x) To compete and to enter new markets or to consolidate sales, we must have a permanent presence in selected countries. Industry must open business offices to serve 5 to 10 firms

in a market and to supplement the local agent's work. On this, we need the support of government so that sales promotion offices can be opened.

(xi) To direct business investment towards export sectors, and to make exports attractive, there is need to consider some form of fiscal incentive, either tax credit certificates or export investment rebate, etc.

* *

The department of Science and Technology has identified several projects for the strengthening of the existing facilities in the public sector. Designing and development of these projects will meet the demands generated during the fifth and subsequent Plans so that imports may be drastically reduced. Some of these projects are: (a) development of sophisticated material-removal machinery such as jig borers, jig grind-

ers, and precision lathes; (b) establishment of a metal forming tools institute for RDD in modern metal forming process, around the existing nucleus at CITD, Hyderabad; (c) establishment of a foundry research institution around the nucleus at the NIFFT (Ranchi); (d) strengthening of facilities for heat treatment at laboratories like NML, NAL, CMERI, CGCRI, and CFRI; (e) development of raw materials required for measuring instruments and testing equipment manufacture by various CSIR laboratories; (f) process and equipment design and development in the field of vacuum heat treatment, flame hardening, medium and high frequency heat treatment equipment; and (g) establishment of an institute for RDD in abrasives, bonding procedures and new processes around the existing expertise at IIT, Madras.

The need to take up, on a priority basis, development of machine tools for which capacities exist in the public or private sector has been stressed by the department. Several instruments, though simple, are being presently imported due to lack of financial and other assistance to units which have the capability to develop and manufacture them. For example, in the manufacture of measuring and testing equipment, prototypes of a few instruments have been made by some RDD units. Their commercial exploitation will certainly help to cut the import bill.

The establishment of new research, design and development institutes is considered essential for filling the gaps in fields where there is currently no organised activity.

POINT OF VIEW

Anaemic economy needs a tonic

K. K. Birla

This article consists of excerpts from the speech of Mr K. K. Birla at the 49th annual session of FICCI on May 2, 1976.

ECONOMIC policies have diverse objectives—higher growth, better distribution, price stability, larger employment, balanced external payments position—it is a large list. Each objective by itself is unobjectionable. But when taken together they sometimes tend to conflict; they even appear to nullify each other. I feel that this conflict emerges from the fact that the objectives have a natural time sequence. For example, higher growth has to precede better distribution; greater employment automatically follows higher growth; and so on. When this time sequence is disturbed, problems arise. Economic growth too obeys the laws of balance, order and harmony.

I mention this aspect only to emphasise that the budget presented to Parliament in March this year, perhaps for the first time in recent years, recognises the problem and tries to achieve first things first. This, I believe, is the most distinctive feature of the budget, marking it out from the traditional budgets presented in the past few years. I congratulate the Finance minister on his bold and pragmatic approach.

sharp contrast

During the last year the economy underwent a change. National income—up by about 6 per cent; prices—down by 8 per cent; exports—higher by 16 per cent; agricultural production—larger by 9 per cent. These achievements are in sharp contrast to world economy which is still reeling under recession as well as inflation. The turn in our fortunes is due to the dynamic leadership given by our prime minister.

The eminently pragmatic 20-point programme enunciated by her has given a new direction to the economy and a new hope to the people. When its goals are achieved we are bound to emerge a much stronger nation. The new sense of discipline and responsibility that is witnessed all around in the wake of the declaration of national emergency adds to this hope. The nation is on the move. We march towards a brighter tomorrow.

correcting imbalance

This year's budget contains a number of measures designed to correct the imbalances in the economy and to impart a sense of dynamism. The most welcome feature is the step-up in Plan outlay by 31.6 per cent. The increase in outlay will speed up circulation of money in the economy and help remove the shadow of recession which has fallen on a large section of industry. What is therefore necessary is that outlay is finalised, the Plan implemented and necessary resources are made available to different departments for this purpose. Only then can the economy revive. And in this matter urgency is of the essence.

Government has recognised the doldrums in investment in the past few years. An investment allowance has been introduced to make up for the drop in investment rate. However, the allowance in its present form is insufficiently effective. Modelled on the lines of development rebate, it is restrictive in respect of the use to which funds can be put or the number of industries that are eligible. The development re-

bate was available in respect of all plant and machinery installed in any industry. A higher rate was also provided for the priority sector up to 35 per cent of the actual cost. The investment allowance as introduced is only a half way house; it seeks, to meet only partially a universal problem created by inflation. I propose that the benefits of investment allowance be extended to every industry. Since however priority industries are more crucial in our development logic, the rate of investment allowance to these industries will have to be higher. But it is imperative that the investment allowance is immediately extended at least to export industries and industries located in backward areas.

While on this subject, I put forward a philosophy of taxation. There always has to be a degree of flexibility in the incentives or concessions granted to the industry. But, side by side, there should be a long-term policy too, because vacillation and change in basic concepts cause setbacks to industrial growth. One such concept is provision for development rebate or investment allowance—call it by what name you will—a rose by any other name smells as sweet. Depreciation reserve in a period of rising prices falls short of the replacement value of assets. Result: Capital formation suffers; and the industry is left with no resources to replace worn out machinery in the face of rising costs. Investment allowance seems to be the only remedy. And yet this basic concept was forgotten when development rebate was withdrawn some time back. The harm done to the economy by the withdrawal of the benefits of development rebate is enormous. We should not make the same mistake again. I

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hope therefore there will be continuity of this policy with such refinements as the situation warrants in the years to come.

The Finance minister indicated last year that a high-powered committee was examining the issue of rise in the prices of capital goods whereby new units found it difficult to face competition from existing enterprises. I understand that the Bureau of Industrial Costs and Prices has submitted reports on several industries suggesting steps for improving their viability. I urge the Finance minister to implement the recommendations of these reports, as quickly as possible.

Another direct stimulus to production of selected commodities is the proposal for introducing a new scheme of excise duty relief to the extent of 25 per cent of duty payable on goods produced in excess of production in a base year. Such an incentive is undoubtedly effective, particularly in a period of recession. A similar scheme was, in fact, introduced in 1967-68 with encouraging results. Here too I would urge a continuity of policy rather than withdrawing the concession all of a sudden.

stimulating demand

Besides excise relief, the budget has made provision for restructuring some of the excise duties in order to stimulate demand. Excise duty has been increased on items like cotton fabrics, paper and paper boards, patent medicines, cigarettes, etc. It has been lowered on TV, aluminium, automobiles, etc. Relief notwithstanding, the automobile industry is in a really bad shape as a result of recession and a steep rise in the price of petrol over the last few years. Unless and until the price of petrol is reduced by lowering the excise duty on it, this industry will not revive. It directly and indirectly employs over 90 lakhs of people; it is the second largest employer after agriculture. The plight of this industry deserves sympathetic consideration.

For the first time the Finance minis-

ter has accepted the basic principle that high rates of taxes are self-defeating. The orthodox fiscal theory that higher taxes alone could provide larger revenues has long been rejected by most countries. It is proved all over the world that lower taxes lead to higher revenues and impart dynamism to economic growth. The USA and Japan applied fiscal stimulus to secure growth, and found that with every tax cut the economy progressed and thus the exchequer gained. The correct approach is to make revenue grow not by increasing taxes but by enabling income and Gross National Product to grow. The method of eradicating economic inequalities by confiscatory taxation is irrational.

better tax compliance

The success of the Voluntary Disclosure Scheme has in fact confirmed this cannon of taxation. Consequently it was wise on the part of the Finance minister to have reduced the rates of taxes on individuals and Hindu Undivided Family all along the line. This measure will encourage better tax compliance and promote savings. Personal taxes in this country however are still among the highest in the world. Some further consideration is needed in this direction. Last year, the Finance minister reduced the rate of personal taxes. This did not affect the government's revenue; on the contrary, the volume of tax collection increased. I feel confident that this year's result too will justify the action taken by the Finance minister.

What is good for the gander should be good for the goose. What is true of income tax is true of the corporate tax. But the rate of income tax on companies continues to be high. By comparison the rate of taxes on companies in other countries is much lower. In the UK, for example the corporate tax is 40 per cent; in the USA 42 per cent; in West Germany 36 per cent; in Japan 40 per cent; in Malaysia 40 per cent; and in Philippines 35 per cent. These low rates generate funds in the corporate

sector thereby leading to greater developmental efforts.

Besides high tax rates, the corporate sector in India has to pay surcharge on income tax. The levy of surcharge on companies was introduced in 1971 to meet the extraordinary burden on government imposed by the Bangladesh crisis. The Bangladesh crisis is over but the levy continues.

tax on profits

That apart, many concessions which were earlier available to the corporate sector have been withdrawn in recent years; The concession to priority industries has been discontinued: The tax credit certificate scheme for increased production and for exports has been allowed to lapse. Many legitimate business expenses like those on guest house, entertainments, part of interest payment etc. are also being disallowed. The net result is that the actual incidence of taxation is of a much larger percentage of the corporate profits. In other countries both developing and developed, a host of generous exemptions and reliefs under their tax systems actually bring down the effective tax burden from the prescribed tax rates. Experts all over the world have felt that the maximum tax on corporate profits should not exceed 45 per cent. In the present context of our economy, there is a strong case for implementing this suggestion. Moreover the surtax is a tax on efficiency and should be regarded as out of place in a developing economy like ours.

Partly as a result of recession and partly due to bad management a number of industrial units have fallen sick. Sickness in industry implies idle capital, and what is more disconcerting, idle manpower. This situation of sick units can be rectified through their takeover by well run undertakings. The tax system has, therefore, to be amended in such a way that the losses of sick units are allowed to be set off against the profits of the well-run units. Sickness in industry as in

life is often unpreventable; but a perpetual convalescence is unforgiveable, specially when an excellent remedy is available.

It is somewhat disappointing that in spite of the necessity of expanding export, fiscal policy of the government does not give due encouragement to export drive. My view is that exports have to be given at least internationally comparable incentives. The time is now when our economy is faced with an unprecedented trade deficit of around Rs 1300 crores. And why not, in order to accelerate export effort, tax at a lower rate a part of profits, equal to the ratio of exports to production?

So far I have confined my observations to fiscal measures. The other part of the resolution relates to monetary policy. Finance to the economy is

like the circulation of blood in the human veins. My impression is that the economy has become anaemic and needs a good tonic. We must wake up to the fact that flow of money is vital for rapid industrial revival. The choice is quick liquidity or slow liquidation.

Recession in the aftermath of the squeeze came in October 1974 when severe restrictions were imposed by the Reserve Bank of India on credit expansion. Under the circumstances it seems unreasonable to continue with the same policy when conditions have reversed. The enemy today is not inflation but recession. Shortage of finance has adversely affected industry and trade, particularly at a time when these sectors are faced with piling up of stocks due to low offtake. Credit policy needs to be liberalised and bank

credit to industry and trade enlarged so as to revive demand and facilitate production and distribution.

The budget for 1976-77 does not provide any support to food procurement and fertiliser distribution; almost the entire finance will have to come from the banking sector. This is a sound business approach inasmuch as Plan expenditure has to be put up without additional resource mobilisation. However, it has to be ensured that genuine financial needs to other vital sectors like industry and trade do not remain unmet. Significant deposit mobilisation and rational sectoral distribution of credit are, therefore, called for. The banks should also be advised to refrain from implementing the restrictive recommendations of the Tandon Study Group.

M. M. Kothari

The rupee after delinking

The rate of exchange of rupee against pound sterling has improved since delinking.

THE DELINKING of the rupee was widely welcomed in our country because it was adopted at a time when pound sterling's exchange value was drifting downward without bounds. On the other hand, rupee's exchange rate could fluctuate only within acceptable margins (2.25 per cent upward and downward of the central rate accepted since the December 20, 1971 realignment). Limited fluctuations and linking the rupee with a floating currency were contradictory in character. Floating of the rupee was a debatable issue. Hundred per cent free float of the rupee was not possible for a controlled economy such as ours and floating under IMF surveillance was also not good for certain obvious reasons. Finally we chose to delink the rupee from pound sterling and attached it with the value of a secret basket of currencies.

On the night of September 24, 1975 the government of India

announced that "the delinking would follow the determination of daily exchange rate from the movement of selected currencies of the countries which were her major trading partners." (The USA, the UK, West Germany, Japan and West Asian countries could be considered as our major trading partners.) The sterling would continue to be an intervention currency for the Reserve Bank of India. These new arrangements may continue until a durable system of exchange rates is devised by the International Monetary Fund.

Immediately after the delinking of the rupee, the authorities had to solve the problem of weights to be assigned to different currencies included in the currency basket to which rupee was attached. Although the currencies in the basket remain a secret and hence their weights too (which seems to have been kept so just to save the rupee from the speculators' profit-earning activities

and disturbing the rupee's stability), to provide some indications here, the currencies of eight countries have been taken which have had major trade relations with our country for the last three years. On the basis of average yearly percentage of India's total trade for three years with these countries weights have been calculated which might be effective at the time of delinking.

The US dollar, Japanese yen, UK's pound sterling, Iranian rial and West Germany's Deutsche mark have been given here the highest weights. The Russian rouble has not been included in the calculation of weights as it is not convertible in the western foreign exchange markets. It is also presumed that as our trade relations change during the course of time, weights therefor should also be changed accordingly.

The rate of exchange of rupee against pound sterling has improved since the delinking. The rupee has witnessed four official revaluations vis-a-vis the pound sterling. The pound

is cheaper today by Rs 1.70 as compared to its pre-delinking rate.

Rupee's strength in international markets is more due to disinflationary measures adopted in this country and less due to any other factors. Although of late the pound is sinking to a new low (as on April 9, 1976) at \$1.8375 in place of \$ 1.8710 previously on April 2, 1976 due to additional selling pressure it is not likely to regain substantially in spite of a fall in the rate of inflation evidenced in the British economy. Rupee's revaluation has also come forth not only on pound's performance but on the net impact of changes in the basket of currencies of selected countries.

The official revaluations of rupee have not only cheapened pound sterling but also the US dollar, Canadian dollar, Belgian franc, Deutschmark, Dutch guilder, Swiss franc and Italian lira, though through different magnitudes. But now the Deutsche mark, the US dollar, Belgian franc, Japanese yen and Swiss franc have shown reversal in trend and the rupee is losing after the latest revaluation.

heartening feature

In the current atmosphere when the British pound, French franc and Italian lira are sliding downwards in spite of the respective governments' monetary efforts to save them, rupee's strength is heartening. It is expected that during the year 1976-77 rupee's value will remain stabilised in terms of major world currencies except the US dollar, and the mark which are likely to emerge stronger. The currencies of OPEC nations might remain sluggish in terms of the rupee which will help us in procuring cheaper oil imports.

Now the question is whether the strengthening of rupee will benefit all the segments of the economy. Strengthened rupee will bring us cheaper imports of fertiliser and fuel and the long-drawn trend of import dominance over export earnings will be put to a halt provided, on the export front, non-traditional items including

capital exports go on increasing with improved financing facilities. Traditional exports may not fall because of the fact that the rate of inflation is higher in competing countries and hence the cost of production of exportables is comparatively less in this country. Because of increased emphasis on research and development, our export goods are expected to compete successfully both in quality and prices.

Further, the rupee trade with socialist countries, especially with the USSR, will not suffer on the excuse of downward trend in rupee's value in foreign markets. Our debt repayment burden in terms of rupees will fall although in terms of foreign currencies it will remain the same.

Most of the world currencies are now floating but the ultimate aim for all such currencies is to stabilise at a position best suitable to them. For a developing economy such as ours, rupee

should be stabilised after it floats for a year or two and later on multiple rates of exchange should be adopted according to the needs of the economy. Most of the experts say that jerky upvaluations of the rupee under the present floating are not wholesome for the economy. Since exporters get reduced earnings they need additional incentives to avoid losses. It will be better if a multiple system is started now. If this system is adopted, rates should be revised within 12 months to 36 months. Import and export items should be divided into two or three groups and different exchange rates should be applied to them. Multiple exchange rate system is superior to exchange control system and saves the economy from confusion. It restores power in administrative hands and market forces cannot freely disrupt the pre-set objectives of the government.

TABLE I
Currency Basket and Weights for Indian Rupee

Trade partners currencies	Total		Trade		Average		weights
	1972-73 Rs crore	%	1973-74 Rs crore	%	1974-75 Rs crore	%	
USA—Dollar	510.54	13.3	844.32	15.4	1184.89	15.3	14.7
UK—Pound Sterling	409.73	10.7	515.60	9.4	520.40	6.7	8.9
Japan—Yen	396.66	10.3	618.25	11.3	748.75	9.7	10.4
Iran—Rials	146.77	3.8	310.43	5.7	687.17	8.8	6.1
W. Germany—D.Mark	234.88	6.1	293.69	5.4	412.33	5.3	5.6
Canada—Dollar	235.80	6.2	146.90	2.7	174.75	2.2	3.7
Sudan—Sudanese £	66.51	1.7	40.49	0.7	71.46	0.9	1.1
Arab Republic of Egypt—Egyptian £	60.62	1.6	40.78	0.7	75.25	1.0	1.1

Source : Journal of Industry & Trade

TABLE II
Rates of Exchange

	Pre-delinking rate	Post-delinking upvaluation				
		Sept 24, 1975	Dec 5, 1975	Mar 8, 1976	Mar 11, 1976	April 3, 1976
1. Medium Rate (Spot buying + spot selling)						
2						
(Rs per £)	18.60	18.3084	18.1284	17.75	17.25	16.90
2. Percentage change	—	+1.575	+0.98	+2.1	+2.82	+2.03
3. £ cheaper by	29 paise	18 paise	38 paise	50 paise	35 paise	

Self-financing in public enterprises

Dr R. K. Mishra

The author unfolds the causes of low rate of self-financing in our public sector enterprises and offers suggestions for the generation of larger funds internally

FOR A public enterprise established with the aim of accelerating industrial growth on the socialistic pattern, self-financing is more crucial than in the case of an enterprise in the private sector. This is because it helps in the rapid expansion of the public sector enterprises, enlarges the scope of their autonomous functioning, effects constant improvements in their economic working, and enables to contribute to the growth of the economy as a whole. Thus in the absence of self-financing by public enterprises, it is very difficult to attain the goal of "socialist industrialisation" for the Indian economy. In this context, the present article proposes to examine the trends in the size of self-financing in public enterprises, to unfold the causes responsible for their low rate of self-financing and to offer suggestion to generate larger funds internally.

running undertakings

The scope of this article has been restricted to the running undertakings of the central government including both the industrial and commercial enterprises. The undertakings under construction have not been included in this study as they cannot naturally be expected to generate any surplus. Similarly, the enterprises engaged in developmental and promotional activities have also been excluded as they may not be able to build up any sizeable surplus. The coverage of this article ranges from 1964-65 to 1974-75, for which the information is available in the Annual Reports of the Bureau of Public Enterprises (ministry of Finance; government of India, New

Delhi). The techniques applied in analysing the data and the terminology used relate to the discipline of "Financial Management".

Table I gives the data on investment and internal resources generated in public enterprises.

It shows that on an average, for the periods 1964-65 to 1974-75, the internal resources generated by public enterprises constituted 5.3 per cent of the investment made therein. On the basis of this result it can be concluded very safely that the quantum of internal resources generated for the purpose of self-financing in public enterprises is not adequate. It may be pointed out

here that the internal sources of funds for assets formation for 1501 selected medium and large non-financial, non-commercial public limited companies in the private corporate sector rose from 41.2 per cent in 1965-66 to 55.0 per cent in 1969-70.¹ For 1650 selected medium and large non-financial companies in the private corporate sector the percentage of such resources turned out as high as 58.2 per cent in 1971-72.² It may also be noted that in most of the big private enterprises in the United Kingdom, self-financing counts for 75 per cent of the total capital expenditure.³ According to Professor G.S. Bhalla, most of the British public enterprises have been financing their development programmes through self-financing.⁴

Instead of using funds from retained profits, the public enterprises have been

TABLE I
Investment and Internal Resources Generated in Public Enterprises During 1964-65 to 1974-75

(Rs in crores)					
Year	Investment	Internal resources generated			Col. 5 as percentage of Col. 2
		Depre- ciation	Retained profit/loss	Total	
1	2	3	4	5	6
1964-65	1646.8	57.2	18.2	75.2	4.6
1965-66	1860.2	69.5	16.0	85.2	4.6
1966-67	2782.0	81.1	(-) 5.9	75.2	2.7
1967-68	3093.3	113.3	(-) 9.1	104.2	3.6
1968-69	3552.4	134.2	7.5	141.7	4.0
1969-70	3794.2	146.1	47.9	194.0	5.1
1970-71	4010.0	148.9	52.3	204.2	5.0
1971-72	4201.0	169.4	45.4	214.8	5.1
1972-73	5426.0 *	193.6	66.7	260.3	4.8
1973-74	6103.0 *	233.0	154.0	387.0	6.3
1974-75	7261.0 *	—	—	580.0	8.0

*Includes investment in promotional and developmental undertakings.

employing funds arising out of the depreciation provision. For instance, from 1964-65 to 1972-73 the depreciation and retained profits provisions contributed 82.1 per cent and 17.9 per cent respectively to the amount of internal resources generated by them. In this period, the percentage of retained profits as a constituent of internal resources generated by public enterprises to their investment had been only 0.8 per cent. It is worth noting here that the share of depreciation provision in the private corporate sector for 1501 selected medium and large non-financial and non-government public limited companies was 65.0 per cent in 1969-70.⁵ For 1650 selected medium and large non-financial, non-commercial companies in the private corporate sector, the share of depreciation provision in internal resources was 70.0 per cent during 1971-72.⁶

percentage relationship

A study of the percentage relationship between internal resources generated and investment in public enterprises shows that it was neither stable nor appreciably progressing. From 4.6 per cent in 1964-65, it came down to 2.7 per cent in 1966-67 and then from 5.1 per cent in 1969-70, it declined to 5.0 per cent in 1970-71. Registering again an increase of 0.1 per cent in the following year, it recorded a fall of 0.3 per cent in 1972-73. This was sufficient to indicate that no set policy for self-financing in public enterprises existed and they probably took no interest to correct their working in this regard.

The causes responsible for the low rate of self-financing in public enterprises have been as follows:—

- (a) Lack of a definite policy in regard to self-financing,
- (b) Poor profitability,
- (c) Managements' helplessness, and
- (d) Easy availability of finances.

One important reason for the low

rate of self-financing in public enterprises has been the lack of a definite policy in this regard. They have not made any attempt so far to fix the self-financing targets. In the absence of such a policy public enterprises fail to indicate as to how much they would contribute from their own resources towards their capital requirements, working capital and growth of the economy as a whole.

It is no secret that the profitability of public enterprises in India has been extremely poor. Table II shows the overall net profits/losses of the running public enterprises in India and their percentage to "investments" made therein.

Table II shows that the percentage of net profit on investment declined from 1.2 per cent in 1964-65 to 0.6 per cent in 1965-66 and after this period only in 1972-73, 1973-74 and 1974-75 some

profit could be earned. To add to this, many running enterprises had incurred cash losses during the time-span of the present study. It may be noted that profits after tax as a percentage of net worth in the case of 1650 medium and large public limited companies in the private corporate sector were 10.5 per cent in 1970-71.⁷ The RBI's study on finances of 1001 non-financial-non-government medium and large limited companies for the year 1972-73 shows that profits after tax as a percentage of net worth for these companies were 7.7 per cent.⁸

Profitability has much to do with self-financing in public enterprises. Unless profits are earned and the rate of profitability is improved constantly, and considerably, the reservoir of retained profits cannot exist and rise to a satisfactory level. The retained profits are considered to be the most

important and the most appropriate constituent of internal finance.

The helplessness of managements of public enterprises has also been responsible for a very low rate of self-financing. The generation of internal resources depends largely on the freedom to formulate a policy in this regard. This has not been done. While it is agreed that public enterprises of the industrial and commercial nature should secure profits, their disposal is not within the purview of these enterprises. Under the existing arrangements, it is very difficult for the managements to undertake a bold policy of self-financing. In fact, they can undertake self-financing only to the extent of the depreciation funds and reserve funds which they have been able to build up.

easy availability

Another reason responsible for the absence of any compact and integrated policy of self-financing in public enterprises has been the easy availability of finances to them. In spite of incurring cash losses year after year, most of the running enterprises have not faced any serious shortfall in funds. On the contrary, they have been provided with funds for expansion programmes and meeting working capital deficits.

The terms and conditions on which finances are obtained by public enterprises leave no initiative for them to take recourse to self-financing to square their financial requirements regarding expansion as well as for working capital. About half of the long-term funds supplied to them were in the form of equity and the rest in the form of unsecured long-term loans on which the rate of interest charged varied from 6.5 per cent per annum to 7.5 per cent per annum. Instead of financing the working capital requirements from resources generated internally or from the State Bank of India or the nationalised banks, the running enterprises have preferred to divert the long-term funds for this purpose which has caused only

deterioration in their financial discipline.

For improving the pace of self-financing in public enterprises a number of suggestions may be offered.

To begin with, the government may formulate a compact and an integrated policy of self-financing for these enterprises. In consultation with public enterprises, the government may lay down the targets of self-financing for each running enterprise. While laying down such targets, it should be made amply clear to each public enterprise as to how much of its development and working capital requirements have to be financed from the finances generated internally and how much of it are they required to contribute to the government for the growth of the economy as a whole. The information

as regards the progress in this sphere should be furnished by public enterprises to their parent ministries and the Bureau of Public Enterprises. In case a public enterprise does not attain its target, the parent ministry and the Bureau of Public Enterprises should find out reasons responsible for such a situation, suggest correctives for the same and see that they are carried out in the desired manner.

improving profitability

Second, steps should be taken to improve the profitability of public enterprises. The improvement in profitability necessitates the introduction of several measures. The production costs should be ruthlessly pruned and capacity utilisation should be substantially improved by public enterprises. Steps should be taken to remove over-capitalisation. The implementation of these suggestions is expected to quicken the pace of assets formation and boost their profit margins. Besides this, the profit target for each public enterprise may be laid down by the government specifically and the secretariat culture in public enterprises should

give way to the managerial culture.

Third, for self-financing to be a success in public enterprises, the decision regarding the disposal of profits should be taken by the public enterprises. This would enable them to divert a respectable part of their profits to the reservoir of internal resources. This will correct the imbalance in the composition of internal resources.

new policy

Finally, the situation of easy availability of finances must end. The policy regarding the "capital structure" for public enterprises should be such as may compel them to bear a justified capital cost. Besides this, it may be made obligatory on public enterprises to finance their expansion and working capital requirements from their own resources.

Self-financing for expansion and providing additional resources to the government for the growth of the economy as a whole should be taken as a specific obligation of public enterprises operating in the industrial and commercial fields. This is a prerequisite for the 'socialist industrialisation' of the Indian economy.

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TABLE II

Overall Net Profit/Loss of the Running public Enterprises and Its Percentage to Investment during 1964-65 to 1973-74

Year	Net profit/loss (Rs in crores)	Percentage of net profit/ loss to investment
1964-65	19.5	1.2
1965-66	10.3	0.6
1966-67	(=) 21.6	(-) 0.8
1967-68	(-) 34.7	(-) 1.1
1968-69	(-) 26.9	(-) 0.8
1969-70	(-) 3.7	(-) 0.1
1970-71	(-) 2.5	(-) 0.1
1971-72	(-) 19.0	(-) 0.5
1972-73	(+) 18.0	(+) 0.3
1973-74	(+) 65.0	(+) 1.7
1974-75	(+) 183.5	(+) 2.5

“The road to serfdom”

Jossley Hennessy, London

I BOTTOMLESS SPENDING

EVER SINCE the great depression of the 1930's there has been a widespread tendency to transfer increasing responsibility to the state. More recently, the onset of the latest and most virulent of the post-war recessions has led to growing pressures to revive economies by stepping up government spending even at the cost of massive budget deficits—a formula first advocated by Keynes in 1936. Wagner's “law of growing public expenditures” has nevertheless convincingly proved its validity in the recent past. As we shall attempt to show in the following article, the trend is alarming.

The non-stop growth of public investments and state consumption is a matter of concern. Governments are, for instance, not bound by any profit and loss equation nor, in most cases, by any cost-benefit analysis. On top of this, the scope of private enterprise is restricted. Along with the other tax-payers, it has to subsidise the growing costs of government activity through higher taxes and duties. This again involves a redistribution of income. Finally the state also competes directly with private enterprises on the capital market.

If we attempt to characterise an economic system in terms of the government spending component in GNP, we can certainly speak of a free market economy as long as the ratio is below 20 per cent. In this type of economy government influence is relatively slight and it is the private sector that largely determines how the means

of production are employed. When the ratio ranges between 20 per cent and 30 per cent we move into a “mixed” economy. If it rises to 50 per cent or more, the market economy is so cramped and debilitated that it can no longer function satisfactorily. In the classic phrase of Friedrich von Hayek such a country is on the “road to serfdom”.

Let us briefly trace the trend of government expenditure in the United States, the United Kingdom, France, West Germany and Switzerland since the period between the two world wars.

welfare expenditure

In 1929 government spending in the United States amounted to 10 per cent of GNP. Ten years later it was approaching 20 per cent. Discounting a war-related bulge at the beginning of the 1940's (up to 49 per cent in 1944), the 1929 ratio has more than tripled. Social security expenditure has risen by 487 per cent since 1929 and so-called “traditional” expenditures by “only” 138 per cent: outlays on defence on the other hand have gone up by 914 per cent. Plans are afoot in Congress and the administration which would increase the government spending component still further. Consequently, the United States seems to be heading further along the “road to serfdom”.

The UK is widely held to be an example of what lies in store for other countries. The graph shows in fact, that all the countries examined followed a similar pattern of development since World War II.

British government expenditure pro-

bably exceeded 50 per cent of GNP for the first time in 1975. Expenditure on roads, housing and public utilities accounted for the bulk of the increase. A comparison of social security expenditure reveals the claim that the welfare state is more developed in the United Kingdom than in the USA to be erroneous. British social insurance expenditure for 1975 probably rose to 22 per cent of GNP, only marginally higher than the corresponding US figure of 19 per cent. The percentage for Switzerland works out at 13 per cent.

There can be no doubt that the level of state spending in the UK is detrimental to a market economy. There is an obvious danger that the incentive to work in a competitive firm with its relatively high performance requirements will be seriously diminished if the majority of employees can count on a secure job in a government subsidised or nationalised industry.

a broad pattern

In France, state expenditure is broken down differently from other countries and for this reason we confine ourselves to the broad pattern. By 1959, France was no longer a free market economy as defined earlier. For that year the share of state expenditure in GNP was 34 per cent. Thereafter, with few interruptions, it rose gradually to 36 per cent in 1973 and to an estimated 38 per cent in 1975.

The pattern in West Germany is more favourable than in the countries mentioned so far. Between 1950 and 1974 government spending in the GNP moved in a 28 per cent to 32 per cent

range, except for 1960 when it was noticeably lower. The graph also includes per-war figures although these are not fully comparable with later statistics.

In Switzerland, the share of federal, cantonal and municipal expenditure in GNP remained relatively constant in 1938 and from 1950 to 1960. In 1938 it amounted to 18 per cent, rose to 20 per cent by 1952 only to drop back to 18 per cent again by 1960 and 1960 can in fact be regarded as the turning point. Since then, government expenditure has steadily increased its share of the GNP and in 1973 stood at 25 per cent.

If this trend continues, the Swiss economy would cease to be a mixed economy before the end of the decade. A comparison between state spending and gross domestic investment is revealing. In the 1960's when the private sector was subject to a number of

restrictions in order to cool the economy, the figures show that the public authorities were actually stoking it up again.

In terms of GNP government spending climbed from 19 per cent in 1962 to 22 per cent in 1968, while private investments fell back from 30 per cent to 26 per cent. Up to the beginning of the 1960's the latter had seen steady growth and since then have fluctuated at between 25 per cent and 30 per cent; in 1974 they amounted to 26 per cent. Sizable shifts have taken place between the various sub-groups classified according to functional relationship. In terms of overall expenditure, health, social welfare, education, research and culture, regional planning, communications, energy and tourism have all increased their percentage share. Outlays on defence and financial expenditure on the other hand have decreased proportionally. The remain-

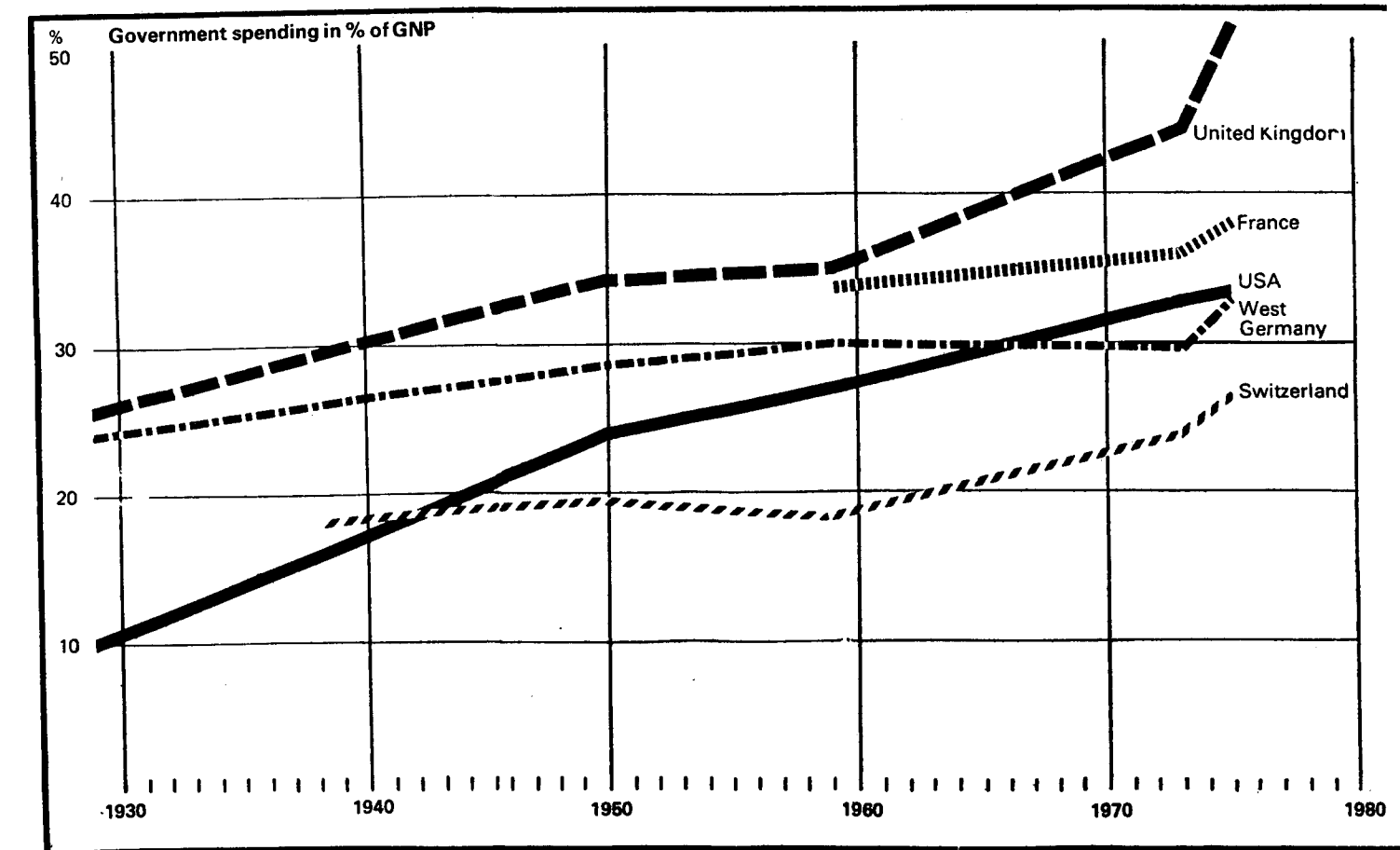
ing categories have seen virtually no change.

II

INSTRUMENTS OF POLICY

In an economic phase like the present in which underemployment of production factors is preventing economies from exploiting their full growth potential, the immediate aim of fiscal policy is to increase aggregate demand. This target can be achieved either by expanding government expenditure or by increasing private consumption and/or private investments by lowering taxes.

Expanding public spending increases the total volume of expenditure and hence the GNP, provided it does not cause a drop in consumption and investment in the process. The increase in GNP is determined by the multiplier and the acceleration effect. The



latter diminishes when unemployment increases and there is a low level of capacity utilisation. If the economy is tending towards full employment, however, the accelerator effect is that much higher.

To gauge the effect of an increase in government spending we have to take three factors into account.

Firstly, the extent of the multiplier effect depends on the marginal propensity to save by recipients of government payments. If these payments take the form of wages paid to low-income earners, the marginal saving quota will be smaller and consequently the multiplier greater than if the payments went to people in higher income brackets.

Secondly, state expenditure can positively influence industrialist's expectations regarding income from private investments and in this way give economic activity a new boost. (There is, however, one reservation here involving what is known as the "crowding out" effect, which we will deal with in more detail later on.)

additional stimulus

Thirdly, an expansion of state expenditures can result in private consumption spending simply being replaced by public consumption spending. In such a case no additional stimulus results. Varying the level of its expenditures is not the only way in which the state can influence economic activity; two effective alternatives are tax cuts and transfer payments. More recently, tax relief has gained in popularity as an instrument, as current American practice shows. Reductions in tax produce an increase in disposable income. After a certain time-lag expenditure on consumption starts to rise followed by investments. This helps to stimulate economic activity. The effectiveness of tax reductions, however, depends on the volume of

funds released and the current propensity to consume.

The second alternative, transfer payments, does involve increased government expenditures but no corresponding purchases of goods and services. Socially, these payments are desirable to the extent that they supply people in need with income. By and large, however, they are less favourable to economic stability because they do not involve the provision of any services in return.

III

THE CAPITAL MARKET

One negative aspect of rising government expenditure is what is known as "crowding out". This consists in the state financing its extra expenditure by issuing bonds, thereby competing with the private economy on the capital market. The private sector uses its own borrowings to finance investments which are the determining factor for future growth.

"Crowding out" can manifest itself in the following ways:

1. The state takes over more and more of the tasks previously belonging to the domain of the private economy—a process Adam Smith was already familiar with.

2. The state borrows in order to finance its deficit, leading to additional pressure on the capital market and pushing interest rates up. As a result of the growing cost of money private investments start to decline.

Many economists even held the view, based on money supply theory, that in the case of a steadily increasing government debt the drop in investment activity outweighs any expansionary impulses generated, with the result that there is actually a net decline in economic activity. The state, however, can only continue to

finance its deficit through loans as long as the supply of savings lasts.

If demand for capital outgrows supply, the government can resort to printing new money in order to choke off any rise in interest rates. In this way it would be possible to satisfy both the public and private borrowing requirement. However, there is a big risk of accelerating the price rise in the process. In such a case, nominal interest rates will also start to move up. Whilst it is true that investments tend to react more readily to real changes in interest rates, there eventually comes a point when the higher nominal rates will have a dampening effect on any upturn.

There are no near-term objections to a policy of deficit spending in the form of substantial government purchases of goods and services, tax reductions, higher transfer payments or any judicious combination of these, since the multiplier effects should be favourable. Moreover, with capacity utilisation at a low level there is in any case unlikely to be much competition on the capital market.

government borrowing

The medium-term view is less reassuring. In order to be able to give the economy the impulse demanded in many quarters, the government will have to borrow increasingly on the capital market. Whether the market can furnish the necessary funds without causing a drastic rise in interest rates is doubtful—we have only to look at the budget trend in the United States and West Germany. Even in Switzerland difficulties could arise. A heavier government borrowing requirement could, for instance, severely affect the financing of the annual Sfr 500 million needed according to the Swiss Hotel Association's estimates to reconstruct and modernise existing facilities. As the economic recovery progresses, interest rates are liable to rise more sharply owing to collisions between

public and private issuers. As a result many private entrepreneurs would be kept off the market. This could mean that the future supply of goods would suffer from chronic bottlenecks which would help to fuel inflation.

The burning question asked everywhere today is: Can we afford the future? The whole problem has been compounded by the leap in demand for capital in connection with the energy crisis, environmental protection and the unsatisfactory state of the labour market.

Leading on from this, we have to find answers to the following questions: How much growth do we want in the foreseeable future? How high a standard of living should we aim

at? How is inflation going to develop?

Once we have tackled issues such as these the problem of capital requirements will be that much easier to solve. What is certain is that we must switch from a policy too heavily geared to bolstering consumption and pay more attention to promoting investments. Studies by Bosworth, Duesenberry and Carron as well as by Sinai and Brinner show clearly that a return to budget stability in the United States is absolutely essential. Provided the US budget is square in 1977 or 1978, it will certainly be possible to cover future capital requirements. Bosworth, Duesenberry and Carron hold the view that the economy can cope with the demand for capital for the rest of the 1970's, "with normal growth and without

unusual sacrifices, but very careful fiscal management will be required to avoid a capital market crunch or a renewal of inflationary pressures".

It is to be hoped that the US authorities will present a monetary and fiscal package capable of lifting the economy out of recession and keeping it on the rebound. As for Europe, efforts in the next few years will have to be aligned on reversing the trend of government spending.

Sources and acknowledgement; The foregoing summarises an exclusive report by Adriano zaroni in the latest issue of *Prospects*, the Business news survey published quarterly by the Swiss Bank Corporation, but the bank is not responsible for the wording of my summary.

E. B. Brook, Vienna

The uncertain upswing

THE UNITED States, becoming irritated and maybe a trifle alarmed at the apparent growth in influence of communism in west Europe, is beginning to throw its economic weight about. To read the European and US newspapers at the present time one would imagine, if not a trifle better informed, that the Italian Communist Party is certain to win any general election held in that country this year or even next and that France staggers in some financial and economic weakness towards a sinister victory of the combined left-wing forces of socialism and communism.

Secretary of State Henry Kissinger has warned the world that if communists entered the Italian government the result might be a long-term dangerous trend in west Europe because "other countries might be tempted to move in the same direction." This weekend he has insisted that further advances by the communists in west Europe must be stopped, urged the few strong in west Europe to help the many weak to check the danger and threatened a trade war and some

withdrawal of US troops from west Europe to convince everyone that he was talking seriously.

The communist parties in Italy and France have, it is true, achieved successes in legally held elections; the Italians have the biggest party in parliament and the largest total vote in the last Italian elections. If there were an election this year—an event all parties other than the communists are trying so hard to avoid that they add to the impression that the communist party would sweep the board—the Italian Communist Party might repeat its success. But it would be very unlikely to win more parliamentary seats that all the other Italian parties put together and the probability of it forming a government even in the best of circumstances for it is extremely remote.

The French Communist party, for the time being in an uneasy alliance with the socialists, has achieved some advances in provincial elections in a general left-wing swing. But the suspicion between the socialists and their communist colleagues is so deep

that the threat of a general election would be almost certain to rend them apart. In no other west European country, with the possible troubled exception of Portugal, has the communist party anything more than marginal influence.

Why, then, the scare and the threats? The potential new chairman of the Socialist International, former West German Chancellor Willy Brandt, remarked recently that ideas and activities that are called communist in Italy and France would not be described as communist at all in Germany. There is some truth in his remark, but Herr Brandt might care to explain how Italian and French communists are accepted as such by the Soviet party if they are not truly communists at all. At the same time, to anyone living in west Europe and aware of its politics the present US political and newspaper scare about communists advancing in Italy and France is almost laughable.

The source of the campaign and the pressure on west Europe is to be

found first in the fact of the US presidential election, in which an anti-Red scare is a godsend, and the feeling of need to divert angry public attention from the international bribery revelations in which the biggest names in multinational companies have been involved and the frank admission of sizeable payments to foreign non-communist political parties. If communism has, in fact, advanced at all in west Europe it is the result over the last two years of a US president disappearing in disgrace and the biggest international firms having been proved to ease their sales' path with bribes and some general collapse in the repute and morality of those held in esteem in political and commercial leadership.

upswing in economy

West Europe has enough real troubles of its own without needing any bogeys to be foisted on it, with or without threats if the bogey is not accepted. The European Economic Community area and several of the EFTA countries are experiencing the beginning of an upswing from the depth of recession in the last two years. But the pace, duration and scale of that upswing are uncertain and that fact provides far more problems than the temporary successes of communists anywhere. In general, reasonable prospects for this and next year are of slower growth in Gross National Product, a steeper rise in consumer prices—already forbidding and still high unemployment. The latter fact is truly alarming, especially since it includes almost a quarter of potential workers between 18 and 25 years of age, a proportion that will inevitably grow when schools and colleges empty of their leavers next summer. If there were any prospect of cooperation on this subject between governments, management and trade unions the outlook would not be so unhappy, but this cooperation appears only in West Germany and Austria. Management is, in fact, eliminating many jobs by making

its production more capital-intensive and structure-rationalising.

The employment dilemma grows, even in the most fortunate or the wisest countries. Short-time working, extended holidays and earlier retirement ages are all used to hide the fact that worklessness is steadily growing. In the Market area alone last year unemployment compensation payments cost nearly 11.5 billion dollars. There is need for much more capital spending but this will not increase unless corporate profits improve from the depressed levels of the recession. Austria is almost the only west European country where the government and the "social partners"—capital and workers—agree on joint growth and stability policies for a specified number of years. It is largely due to this wise cooperation that Austria has one of the lowest workless rates in west Europe and one of the strongest currencies.

The prospect for the near future, possibly till nearly 1980, is a continuance of insufficient productivity, growing worklessness, with inflationary price rises for food and raw materials.

crying wolf

In circumstances where currencies sink steadily in exchange value—these have been almost tragic weeks for the British Pound—production remains insufficient, worklessness becomes for many almost a way of life and GNPs rise sluggishly it is easy to find bogeys in communist parties, in trade unions, in employers who invest too little capital to improve production or to modernize their factories. All are, probably, at fault in their various ways but too little thought is given to evolving a product which will fit into the modern work scene and be adaptable to contemporary and future requirements in production and work habits. In other words, a school or college-leaver for whom there is not only a place but who is capable of fitting into it.

This problem of new entrants to the

work market with a few or almost no qualifications fitted to requirements and with mentalities unable to comprehend the new shape of industrial requirements and social demands has grown menacingly in the last decade. Into a world needing engineers, scientists and technicians come young people capable only in the humanities, in languages or in art. In this matter of fitting the work-seeker to the work-market east Europe, especially the USSR, is far ahead of west Europe. Fortyfive per cent of Soviet students are trained in engineering-related courses. The West Germans—a long way behind the East Germans in this matter—train only 20 per cent of their young people for engineering and the French, who are having a lot of student trouble again, only four per cent.

human material

If the human material coming into industry were more closely suited to it; if education in the leading manufacturing and commercial countries gave greater emphasis to studies suited to those activities and if manufacture, industrial research and commerce were placed before students as among the most worthwhile life activities a new impetus would be given to what are now often jaded and almost cynical efforts to keep west Europe's commercial reputation from becoming as outdated as its colonial past.

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Announcement regarding the issue of 15,00,000 Equity Shares of Rs. 10 each for cash at par.

Applications have been made to the Bombay, Calcutta and Delhi stock exchanges for permission to deal in and for an official quotation for the Equity Shares of the company now being issued. The subscription list will open at the commencement of banking hours on Wednesday the 12th May, 1976, and will close at the close of banking hours on Monday the 24th May, 1976, or earlier at the discretion of the Board of directors of the company, but not before the close of banking hours on Saturday the 15th May, 1976. Copies of the prospectus and application forms may be obtained from the registered office of the company, brokers, underwriters and the bankers to the issue named herein.

HISTORY AND BUSINESS OF THE COMPANY

Introductory:

The company is a subsidiary of British India Steam Navigation Co. Ltd. (B.I.), a company incorporated in England which is a wholly owned subsidiary of the Peninsular & Oriental Steam Navigation Company (P & O), a company incorporated by Royal Charter in England. The P & O group is reputed to be the largest shipping group in the world. After the issue of shares pursuant to this prospectus, B.I. along with its nominee will hold 40% of the total capital of the company.

BUSINESS OF THE COMPANY:

Upon incorporation, the company took over the business of the partnership firm of Mackinnon Mackenzie & Co., which had been in existence in India since the eighteen fifties. Until 1956, the company acted mainly as managing agents for the B.I. and was responsible for operating, manning and technical services to the ships on India based trades. The company also acts as agents at Bombay and or Calcutta for vessels belonging to the P & O group, Cunard-Brocklebank, Blankline, Elder Dempster and Waterman and several Indian companies. The company thus became wellknown both in India and abroad for expert knowledge of shipping in all its branches.

The managing agency of B.I. was terminated in 1956 when that company's operational headquarters moved to London. The company expanded its traditional activities of port agency, ship manning, clearing and forwarding etc. It diversified into allied activities, like air cargo, travel, tourism and shipbroking. It also assisted Indian entrepreneurs to establish and operate shipping companies. As part of its programme of expansion and diversification, the company obtained permission of the Reserve Bank of India to:

- enter the field of exports of seagoing craft,
- acquire and operate ships in its own right.

The company's project studies indicated that the Persian Gulf provided an excellent opportunity for employment of Indian built barges. As a pilot project, the company is using in the Gulf an Indian barge and is planning for the employment of more barges. The company studied in depth export potential to the Gulf of Indian built small craft such as pontoons, self propelled barges, coasters, tugs and landing craft. In less than a year, with the help of its world wide connections, the export orders totalling Rs. 2 crores and 75 lakhs have been recorded.

The company has obtained a dispensation from the Government of India to acquire a ship pending reduction of its foreign equity to 40%. Pursuant to this dispensation a secondhand 16229 DWT bulk carrier was acquired in September 1975. The Government of India's target for shipping tonnage in the Fifth Plan is 8.6 million G.R.T. in operation with 1 million G.R.T. on order. The tonnage of the Indian merchant marine at present is only 4.16 million, with 1.7 million G.R.T. on order. The Government is anxious that Indian shipping is provided with incentives to expand. The company has, therefore, developed plans for acquisition of handy-sized bulk carriers in the 15,000 to 30,000 DWT class which in the company's view are best suited to Indian port conditions and to the world wide tramp market.

In the other activities, a wider market would be available for tapping upon the company ceasing to have to operate with several restraints placed by the Foreign Exchange Regulation Act.

The company's main strength lies in its diversified range of activities. Being an ongoing as opposed to a new company and the recent profit record supports the directors' confidence for the future.

SHARE CAPITAL

Authorised:	Rs.
25,00,000 Equity Shares of Rs. 10/- each	2,50,00,000
15,00,000 Unclassified Shares of Rs. 10/- each	1,50,00,000
	4,00,00,000

(Formerly the shares were of the denomination of Rs. 100/- each, which were pursuant to a special resolution passed at the extraordinary general meeting held on 9th March, 1976 subdivided into shares of Rs. 10/- each)

Issued, Subscribed and fully paid-up:

10,00,000 Equity Shares of Rs. 10/- each: 1,00,00,000
(Shares of the total face value of Rs. 99,99,300 had been allotted as fully paid-up pursuant to a contract without payment being received in cash. The entire issued share capital is presently held by B.I. and its nominee)

Present Issue:
15,00,000 Equity Shares of Rs. 10/- each for cash at par 1,50,00,000

Out of the Present Issue:

50,000 Equity Shares of Rs. 10/- each for cash at par will be allotted to the directors' friends on or prior to the date of opening of the subscription list 5,00,000

50,000 Equity Shares of Rs. 10/- each for cash at par will be allotted to the employees of the company on or prior to the date of opening of the subscription list 5,00,000

Now offered for public subscription in cash:
14,00,000 Equity Shares of Rs. 10/- each for cash at par (to which will be added the unsubscribed portion of 1,00,000 Equity Shares reserved for firm allotment to the directors' friends and the employees of the Company) 1,40,00,000

1,50,00,000

TERMS OF PAYMENT

On application Rs. 2.50
On allotment 2.50

The balance of Rs. 5 per share in one or more calls as may be determined by the Board of directors, but so that not less than one month shall elapse between allotment and call or between two successive calls 5.00

10.00

BOARD OF DIRECTORS

Name	Occupation
*Mr. NAZIR LATIF	CHAIRMAN AND MANAGING DIRECTOR Trustee, Bombay Port Trust Chairman, Shipping Sub-Committee of the Bombay Chamber of Commerce & Industry
Mr. AKBAR HYDARI	COMPANY DIRECTOR Chairman, Wimco Limited and on the board of several other companies
Mr. ARVIND RAGHUNATH KHARE	GOVERNMENT SERVICE Director, Scindia Steam Navigation Co. Ltd. and on the board of several other companies
Mr. BHASKAR MITTER	COMPANY DIRECTOR Chairman, The Metal Box Company of India Ltd. and on the board of several other companies
Mr. CLIFFORD JOHN NANCARROW	COMPANY DIRECTOR Director, The Peninsular and Oriental Steam Navigation Company and on the board of several other companies
Mr. JAGDISH NARAYAN SAXENA	COMPANY DIRECTOR Director, Atul Products Ltd. and on the board of several other companies
*Mr. NIRODE KUMAR SEN	DEPUTY MANAGING DIRECTOR Trustee, Calcutta Port Trust Chairman, Shipping Sub-Committee of The Bengal Chamber of Commerce & Industry

*Mr. PRADIP CHANDRA SEN
DEPUTY MANAGING DIRECTOR
Director, Hill Properties

*Mr. RUSTOM PHEROZE VACHHA
DIRECTOR
Member of the Managing Committee, Breach Cancer Hospital Trust

* Executive Directors
ACTING SECRETARY Mr. J. N. Shastri

AUDITORS:
LOVELOCK & LEWES,
Chartered Accountants, Wavell House,
15, Graham Road, Bombay 400 038.

SOLICITORS TO THE ISSUE:
ROMER DADACHANJI SETHNA & CO.,
Solicitors & Notary, 14K, Hamam Street, Fort,
Bombay 400 023.

REGISTRARS TO THE ISSUE:
INDUSTRIAL INVESTMENT TRUST LTD.,
61, Bombay Samachar Marg, Bombay 400 023.

BANKERS TO THE COMPANY:
AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION
BANK OF INDIA
CHARTERED BANK

(Addresses of bankers as in bankers to the issue)

BANKERS TO THE ISSUE
AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION
Mahatma Gandhi Road, Bombay 400 001.

OR any of its Main Offices at:
Calcutta and New Delhi.

BANK OF BARODA,
Bombay Samachar Marg, Bombay 400 023.

OR any of its Main Offices at:
Ahmedabad, Calcutta, Cochin, Gwalior, Jaipur, Jamshepur (Bistapur Main Road), Jodhpur, Kottai, New Delhi (Parliament Street), Trivandrum and Udaipur.

BANK OF INDIA,
Mahatma Gandhi Road, Bombay 400 001.

OR any of its Main Offices at:
Ahmedabad (Bhadra), Bangalore (Kempegowda Rd), Calcutta (J.N. Road), Cochin (Bazar Road), Hyderabad (Sultan Bazar), Madras (Errabalu Chetty St.), New Delhi (Parliament Street), Vijayawada and Visakhapatnam.

BANK OF MADRAS LTD.,
Bazar Gate Street, Fort, Bombay 400 001.

OR any of its Main Offices at:
Ahmedabad, Bangalore (Avenue Road), Calcutta (Synagogue St.), Coimbatore, Hyderabad, Madras (Mount Road), Madurai (Avanmoola Street), New Delhi (NDSE-Part-I) and Madras (Kondi Ch Street).

BANK OF MAHARASHTRA,
Bombay Samachar Marg, Bombay 400 023.

OR any of its Main Offices at:
Ahmedabad, Bangalore, Calcutta, Cochin, Hyderabad, New Delhi, Nagpur, Poona (Bajrao Road) and Raichur.

CHARTERED BANK,
Mahatma Gandhi Road, Bombay 400 001.

OR any of its Main Offices at:
Amritsar (Gandhi Bazar), Calcutta, Cochin, Jaipur (M.G. Road), Madras and New Delhi.

CENTRAL BANK OF INDIA,
Mahatma Gandhi Road, Bombay 400 001.

OR any of its Main Offices at:
Ahmedabad (Lal Darwaja), Amritsar (Katra Ahluwalia), Aurangabad (Station Road), Bangalore (Kempegowda Road), Baroda (Panigat), Bhavnagar (Ballard Estate Bombay), Calcutta (N. S. Road), Cochin, Cuttack, Ernakulam, Gauhati, Hyderabad (Bank Street), Hubli, Indore (Mill Area), Margao (Goa), Panaji (Goa), Pondicherry, Gandhinagar, Jaipur.

placement and not a prospectus

Mackinnon Mackenzie & Company Ltd.

The Indian Companies Act, VII of 1913 and changed into a private limited company on 22nd March, 1976, and obtained a fresh certificate of change of name as a public limited company on 22nd March, 1976).

Vallabhdas Marg, Bombay-400 038.

15,00,000 Equity Shares of Rs. 10 each for cash at par.

Permission to deal in and for an official quotation for the Equity Shares of the company now being issued.

The subscription list will open at the commencement of banking hours on Monday the 24th May, 1976, and will close at the close of banking hours on Monday the 24th May, 1976, or earlier at the discretion of the Board of directors of the company, but not before the close of banking hours on Saturday the 15th May, 1976.

Copies of the prospectus and application forms may be obtained from the registered office of the company, brokers, underwriters and the bankers to the issue named herein.

of the company, brokers, underwriters and the bankers to the issue named herein.

Jamnagar (Mandvi Tower Road), Kanpur (Karachi Khana), Mangalore, Madras (2nd Line Beach), Nagpur (Station Road), Navsari, New Delhi (Janpath), Poona (City), Surat (M.G. Road), Secunderabad, Srinagar, Tiruchirappalli Town, Vijayawada and Visakhapatnam.	1.00
STATE BANK OF INDIA, Bombay Samachar Marg, Bombay 400 023.	0.25
OR any of its Main Offices at: Ahmedabad (Bhadra), Bangalore (St. Mark's Road), Baroda, Calcutta (Strand Road), Chandigarh, Cochin, Jammu, Indore, Ludhiana, Madras, New Delhi (Parliament Street), Patna, Poona and Srinagar.	0.25
UNITED BANK OF INDIA, 25, P.M. Road, Bombay 400 001.	0.25
OR any of its Main Offices at: Calcutta, Delhi, Dibrugarh, Gauhati, Jorhat, Kanpur, Madras, Shillong, Tezpur and Tinsukia.	0.25
MANAGERS TO THE ISSUE STATE BANK OF INDIA, Merchant Banking Division, Central Office, Madame Cama Road, Bombay 400 020.	0.25
UNDERWRITERS TO THE ISSUE The Equity Shares presently offered for subscription in terms of the prospectus and the shares offered to the directors' friends and the company's employees have been fully underwritten as follows:	0.25

Institutions & Banks	Amount Underwritten (Rupees in Lakhs)
The Industrial Credit & Investment Corporation of India Ltd., 163, Backbay Reclamation, Bombay 400 020	12.00
Life Insurance Corporation of India, "Yogakshema", Jeevan Bima Marg, Bombay 400 020	10.00
Unit Trust of India, Bombay Life Building, 45, Veer Nariman Road, Bombay 400 001	8.00
General Insurance Corporation of India, Industrial Assurance Building, Churchgate, Bombay 400 020	2.50
National Insurance Co. Ltd., 3, Middleton Street, Calcutta 700 016	5.00
New India Assurance Co. Ltd., New India Assurance Building, Mahatma Gandhi Road, Bombay 400 023	2.50
Oriental Fire & General Insurance Co. Ltd., A-25/27 Asaf Ali Road, New Delhi 110 001	4.00
United India Fire & General Insurance Co. Ltd., Maker Bhavan, 1, Marine Lines, Bombay 400 020	6.00
Bank of Baroda, "Baroda House", Cawasji Patel Street, Bombay 400 001	5.00
Bank of India, Express Towers, Nariman Point, Bombay 400 020	27.75
Bank of Madras Ltd., East Veli Street, Madurai 625 001	5.00
Bank of Maharashtra, Bombay Samachar Marg, Bombay 400 023	9.00
Central Bank of India, Chander Mukhi, Nariman Point, Bombay 400 021	10.00
United Bank of India, 16, Old Court House Street, Calcutta 700 001	7.50
Industrial Investment Trust Ltd., 61, Bombay Samachar Marg, Bombay 400 023	3.00
Investment Corporation of India Ltd., Ewart House, Horni Mody Street, Bombay 400 023	3.00
OTHERS BOMBAY BABUBHAI MAGANLAL GANDHI, Stock Exchange Central Building, Dalal Street, Fort	0.25
BATLIVALA AND KARANI, United Bank Building, Dalal Street, Fort	0.75

BHUPENDRA CHAMPAKLAL DEVIDAS, Bhupen Chambers, Dalal Street, Fort	1.00
CHIMANLAL MANEKLAL, 45, Tamarind Street, Fort	0.25
D. S. PURBHODAS & CO., Stock Exchange, Bombay Samachar Marg	1.00
DALAL & BROACHA, Stock Exchange, Dalal Street, Fort	0.25
HARISH CHANDRA GUTT & CO., 45-47, Bombay Samachar Marg	0.75
JAMNADAS MORARJEE & CO., 5-A Hamam Street	1.50
JASVANTLAL CHHAGANLAL, Bhupen Chambers, 9/10, Dalal Street	0.25
JASVANTLAL CHHOTALAL & CO., Bhupen Chambers, Dalal Street	0.50
L. K. PANDAY, Bank of Maharashtra Bldg., 45/47 Bombay Samachar Marg	1.00
LEWIS & JONES, Bank of Baroda Building, Bombay Samachar Marg	0.50
MERWANJEE BOMANJEE DALAL, Allahabad Bank Building, Bombay Samachar Marg	0.75
NARENDRA M. DALAL, Stock Exchange, Dalal Street	0.25
PORECHA BROTHERS, 19, Stock Exchange Building, Bombay Samachar Marg	0.50
PRABHUDAS LILLADHER, Stock Exchange, 5-A, Hamam Street	1.50
VALJI BHIMJI & CO., 24, Stock Exchange Building, Dalal Street	1.50
CALCUTTA BRIJNATH KHANDELWAL & CO., 13, India Exchange Place	1.00
C. MACKERTICH, 7, Lyons Range	0.25
DAYCO, 7, Lyons Range	0.25
G. M. BOSU, 7, Lyons Range	0.25
M. M. MURARKA & CO., 7, Lyons Range	0.75
PLACE, SIDDONS & GOUGH (PRIVATE) LTD., 6, Lyons Range	1.50
DELHI BEHARILAL & CO., 15, Stock Exchange, Asaf Ali Road	0.25
BHARAT BHUSHAN & CO., H-45, Connaught Place	1.50
H. P. MEHTA & CO., 304, Surya Kiran, Kasturba Gandhi Marg	1.00
HARBANS SINGH MEHTA & CO., 33, Regal Building, Parliament Street	1.25
J. C. MEHTA & CO., 44, Stock Exchange, Asaf Ali Road	0.75
J. S. SAINI & CO., 25, Stock Exchange Bldg., Asaf Ali Road	0.25
JALAN & CO., Stock Exchange Building, Asaf Ali Road	1.00
R. K. CHUGH & CO., 6-54, Stock Exchange Building, Asaf Ali Road	0.25
R. K. RELAN & CO., United India Life Bldg., F. Connaught Place	0.50
RAJA RAM BHASIN & CO., Jewan Mansion, 8/4, D. B. Gupta Road	0.75
SURINDER ROSE & CO., 3, Stock Exchange, Asaf Ali Road	0.25
VINOD KUMAR & CO., A-6 Connaught Place	1.50

BROKERS TO THE ISSUE: The underwriters under the heading 'OTHERS' have also agreed to act as brokers to the issue.

IMPORTANT

How to Apply
A. Obtain copies of prospectus and application forms from the Registered Office of the company, any of the brokers, underwriters and bankers to the issue listed above.

B. Complete and sign the application form (applications must be for 50 shares or multiples thereof). Deliver applications and cash or cheques to the bankers to the issue or any of their branches shown above. Cheques or drafts should be on banks at the places where they are despatched by post or delivered by hand.

ISSUE OPENS: Wednesday, 12th May 1976
ISSUE CLOSES: Monday, 24th May 1976
or EARLIER BUT NOT BEFORE Saturday, 15th May 1976.

Issue managed by
STATE BANK OF INDIA
Merchant Banking Division

Save with grace

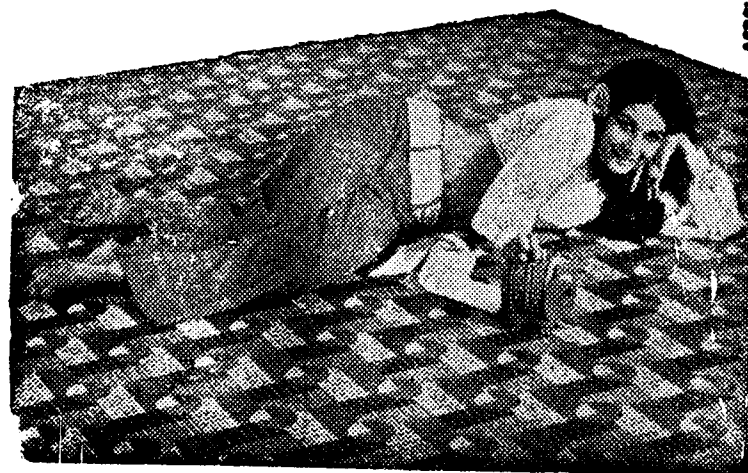
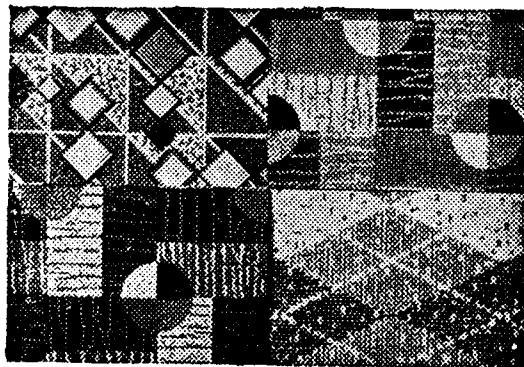
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P.O. Birlapur, 24 Parganas, West Bengal.



TRADE WINDS

Dry Batteries

THE CENTRAL government's budget for 1976-77 provided a number of incentives and tax reliefs. A section of the dry battery manufacturers—those manufacturing metal clad batteries—was given a five per cent relief in excise duty (from 25 per cent to 20 per cent) on finished products. The reason advanced for this preferential treatment was that the new entrants in this industry who had taken up the manufacture of metal clad batteries, were under financial strain.

A spokesman of the Indian Dry Battery Manufacturers' Association stated in the capital recently that the excise relief was discriminatory because some of the manufacturers of paper clad batteries had also been under financial stress. It was stated that Estrela and Geep—two well-known manufacturers—had been making no profit. Estrela had made no profit for two years in a row while Geep had shown steady erosion of profits with loss during the year 1975-76. In short, the problem of financial loss was not confined to the metal clad batteries manufacturers alone.

On the other hand Toshiba Anand, a metal clad batteries manufacturer had made

a profit of Rs 4.34 lakhs during the year ending September 30, 1975. It was therefore argued that if the relief was given due to the financial stress faced by the manufacturer, it was justified for the total industry including the older manufacturing units which employed more than 10,000 persons.

Some of the manufacturers used cellulose acetate or polyester for the covering of the battery and it gave as good performance as the metal clad one. They were being sold almost at identical prices before the relief was provided by the budget. These leak-proof batteries have sturdy internal construction and are covered with four layers of polyethylene and an anti-corrosion polyester or cellulose acetate jacket, thus avoiding the use of imported tinned plate as is the case with metal clad batteries. A large quantity of such batteries are being currently exported. Because such batteries are likely to lose a part of the domestic market to the metal clad ones due to the new relief in excise duty, the capacity of the exporting units to bear losses on exports has been reduced. Consequently, this discriminatory relief in excise duty is likely to

jeopardise the export of dry batteries. The spokesman of the Indian Dry Battery Manufacturers therefore pleaded that the relief which the government had granted should cover both the metal clad and the polyester clad batteries.

Indo-Rumanian Trade

Indo-Rumanian trade will be doubled to Rs 200 crores by 1980. A protocol to this effect was signed in New Delhi on April 28 by the Petroleum minister, Mr K.D. Malaviya, and the Rumanian Metallurgy minister, Mr N. Agachi, who are co-Chairmen of the Indo-Rumanian Joint Commission. Both described the protocol as "a document of great importance." They also signed a three-year executive programme for cooperation in science and technology.

Fertiliser Prices Reduced

The union ministry of Agriculture and Irrigation has announced a further reduction in the prices of imported phosphatic and complex fertilizers. These reductions are in addition

to those announced on March 16, 1976.

The latest price reductions are applicable to four types of fertilizers. The retail price of di-amm-phosphate, has been brought down from Rs 2600 per tonne to Rs 2210 per tonne. NPK (15-15-15) will now sell at Rs 1570 per tonne against Rs 1645 per tonne. The price of NPK (17-17-17), which was brought down from Rs 2425 per tonne to Rs 2125 per tonne on March 16 last will now be further reduced to Rs 1970 per tonne. The price of ANP (24-24-0) which was Rs 2650 per tonne before March 16 and Rs 2295 per tonne since then has been fixed at Rs 2270 per tonne.

The current retail prices of these fertilizers from the central pool compared to the retail prices in the corresponding period of last year are as shown in the below.

The prices of various types of fertilizers have been brought down more than once in the last year, the first reduction having been made on July 18, 1975, the second on December 1,

Fertiliser Prices

(Rs per tonne)

Fertilizer	Price in corresponding period of last year	Current price
Di-Amm-Phosphate	3,005	2210
ANP (24-24-0)	3,080	2270
NPK (15-15-15)	1,700	1570
NPK (17-17-17)	2,590	1970

1975, the third on March 16, 1976 and now again.

Namrup Expansion

The Namrup Expansion Project of the Fertilizer Corporation of India has gone into production. The plant started producing ammonia for the first time on April 23, 1976. Urea production is expected to follow in a few days. The Planning & Development Division of the Fertilizer Corporation of India did the complete design and engineering of the plant. Licence and process design for the Vetrocoke CO₂ removal section, ammonia synthesis loop and urea synthesis were obtained from Tecnimont of Italy. The Planning & Development Division was also responsible for procurement, inspection of equipment, supervision of erection and commissioning of the project. Site construction was carried out by FCP's Project Organisation at Namrup.

Indo-Tanzania Agreement

A formal agreement between India and Tanzania was signed in Dar-es-Salam recently under which the two countries would cooperate in the establishment of 52 small-scale industrial projects in the rural areas of Tanzania. The small-scale industrial projects will be expeditiously completed. The assistance includes supply, installation and commissioning of plant and machinery, training of Tanzanian personnel in India and the deputation of Indian experts and technicians. It was agreed that small pro-

jects to meet the ancillary needs of existing industrial projects in Tanzania would also be established at the earliest. According to the agreement, measures would also be taken to establish common facilities-cum-training-cum-service centres to provide necessary technical support for industrial programmes of the government of Tanzania.

Unauthorised Mining Banned

An ordinance prohibiting unauthorised mining of coal has been promulgated by the President on April 29, 1976. The ordinance amends the provisions of the Coal Mines (Nationalisation) Act 1973, to meet adequately the situation created by certain private parties taking up unauthorised mining operations. With the promulgation of the ordinance all unauthorised mining of coal was expected to cease forthwith. The ordinance would help in the healthy development of the nationalised coal industry. It provides that all persons engaged in unauthorised coal mining "shall be punishable with imprisonment for a term which may extend to two years and also with fine which may extend to Rs 10,000."

Among the exceptions to the ordinance were: the central government or a government company or a corporation owned, managed or controlled by the centre or sub-lessee of the government company or corporation or a company engaged in the production of iron and steel. All other

coal mining leases in force immediately before the commencement of the ordinance "shall stand terminated."

Railway Construction Company

A new company known as the Indian Railway Construction Company Pvt., Limited has been set up in the public sector under the ministry of Railways. The company has been formed with the object of taking up, on a turn-key basis in India and abroad, the construction of new railway lines, setting up of production units for the manufacture of rolling stock, signalling and telecommunication equipment, construction of locomotive repair shops and maintenance depots, modernisation of existing signalling and telecommunication systems and other railway works. The authorised capital of the company is Rs 10 crores and the paid up capital is one crore of rupees.

Madhya Pradesh Abolishes Octroi

The Madhya Pradesh government's decision to abolish the age-old octroi came into effect at midnight of April 30. Four ordinances have been promulgated replacing the levy with alternative sources of revenue. Under these, property tax has been made over to civic bodies. The rate of turnover tax has been increased from 0.4 per cent to 1.25 per cent, while a new levy called entry tax has been introduced. Its rate is 1.25 per cent of the value of goods

entering a municipal area. This will be collected by the sales tax department and made over to the local bodies. The octroi revenue of all civic bodies in MP is estimated at Rs 18 crores. The new levies, announced are expected to make good the octroi loss of the civic bodies.

Changes in IMF Rules

India has voted for comprehensive amendments to the articles of arrangement of the International Monetary Fund (IMF) providing for the reduction in the role of gold and exchange arrangements of each country's choice, subject to firm surveillance by the Fund.

The package of amendments is described by the Fund as an important step in the evolutionary process of international monetary reform. These changes had been proposed by the Fund's interim committee at its meeting in Kingston (Jamaica) in January last.

The board of governors of the Fund, namely the Finance ministers of member-countries, were to cast their votes on the resolution setting out the amendments by mail by April 30. A majority of votes cast is required for approval by the board of governors as a whole.

The amendments will be later submitted for acceptance to member-countries, and in many cases legislative approval will be required. The entire procedure for ratification of amendments by member-countries is likely to take 12 to 18 months.

The amendments provide

for elimination of the functions of gold as common denominator of the par value system, abolition of official prices of gold and stoppage of obligatory payment in gold by the members of the Fund.

Thus, gold will no longer be the common denominator of the par value system or the unit value of SDR (Special Drawing Rights).

Joint Ventures

The government has approved 134 proposals for India's joint ventures with other countries till the end of December 1975. Of these, 64 have already gone into production and 70 are under active implementation. The approved investment in these projects is of the order of Rs 32.8 crores.

The joint venture covers a wide field of projects such as textile mills, jute mills, oil mills, sugar mills, pipes and pumps, hard board, cork products, engineering goods, electric fans and sewing machines. The list further includes razor blades, asbestos, cement products, steel furnitures, pharmaceutical products, cosmetics, paper plants, re-rolling steel mills, glass factory, electric motors and transformers, diesel engines, vanaspati plant, confectionery and setting up of Indian hotels and restaurants.

While majority of the projects, which have been or are being established, are for locating in African and South-East Asian countries, some cover the developed countries of West Europe

and North America. The ventures initiated in these advanced countries include plants of oil engines, hardboard, asbestos, cement and magnet wires.

In addition to the industrial manufactures, as fields for joint venture collaborations, the service ventures, consultancies, trading and marketing ventures are also being explored.

Besides, the usual advantages of providing a ready market for capital goods, recurring exports of raw materials, semi-processed goods, spare parts and components, the investment in the joint ventures abroad effectively serves to retain the export markets and open up new areas for exports.

Rural Development

The two-day symposium on industry and rural development, organised by the Associated Chambers of Commerce and Industry, ended in New Delhi on April 24, with the participants undertaking a commitment to involve industrial and business houses in rural development.

Twelve specific areas where industry can assist in improving the standard of people living below the poverty line in rural areas were identified at the symposium.

The president of the association, Mr Akhar Hydari, announced at the concluding session that a permanent committee would be set up in the chamber to study the action programmes sugges-

ted at the symposium and give directions to constituent units to implement the programme.

The areas are: Adoption of villages; formation of consortium of companies to deal with the specific problems of specific areas; efforts to increase productivity per hectare through assistance by individuals or associations; helping agrocentres; starting linkage effect industries which are labour intensive in rural areas; releasing finance for conceptual activities; contribution to research and development either collectively or individually; spreading the message of family planning and water conservation; evolving equitable price structure between agriculture and industry; Identification of projects at district level; training programmes for people in rural areas; and assist in development of appropriate technology for rural areas.

Dr M.S. Swaminathan, Director-General of Indian Council of Agricultural Research, and Mr I.J. Naidu, Secretary, Department of Rural Development, had agreed to participate in the deliberations of the committee.

Mr H.P. Nanda, incoming president of the chamber, said that a separate cell would be created at the headquarters of Assocham to follow up the recommendations. He announced a donation of Rs 1 lakh to-

wards meeting the expenditure of this cell.

Satellite Tracking Station

The Department of Space is setting up a satellite tracking station at Kavaloor in Tamil Nadu with Soviet collaboration to study closely the earth in relation to other planets. India and the Soviet Union had recently entered into an agreement for the setting up of the station at the Indian Institute of Astrophysics at Kavaloor. The station would be ready for tracking by the end of the year.

New Mineral Reserves

The Mineral Exploration Corporation is conducting a number of detailed explorations with major emphasis on coal, because of energy crisis. Its main activities for coal are confined to Godavari; Panch Kanhan, Wardah Valley coal fields in Madhya Pradesh and Maharashtra and in the Raniganj and Jaharia coal fields in Bengal-Bihar region. The corporation has about 20 coal investigations in hand at present. It has drawn up a blueprint of exploration activities for proving coal deposits to meet the increasing demands for coal in years to come.

The corporation has also been entrusted with the high priority exploration of the east-coast bauxite project extending from Orissa to AP. Its other investigations include: (i) Exploration for iron ore at Chiria (Phase I) in Bihar on behalf of the Iron Ore Board. (ii) Cement grade limestone at

Walayar on behalf of the Kerala government. (iii) Copper at Malanjhand in Madhya Pradesh and Mailaram in Andhra Pradesh on behalf of Hindustan Copper Limited and Andhra Pradesh government respectively. The corporation is also conducting investigations for lead-zinc at Paduna and Rajpura-Dariba in Rajasthan, at Shiskkhani in UP and at Zangamarajupalle in Andhra Pradesh and for bauxite at Kalyanpur in Gujarat and Chintapalle in Andhra Pradesh.

Electro-Chemical Research Centre

Union Carbide's Electro-Chemical Research Centre was inaugurated in Calcutta recently. The centre will engage in the technological investigations directed to closer understanding of the electro-chemistry of a dry cell, to the design and development of flashlights and to the products such as photo-engravers' plates, cinema carbons, gouging electrodes and other shaped carbon products.

IDPL

The state-owned Indian Drug & Pharmaceuticals Ltd. achieved an all time high production of Rs 61 crores comprising of Rs 31 crores worth of essential and life saving bulk drugs, Rs. 30 crores worth of formulations and Rs 50 lakhs worth of instruments. This represents a net growth rate of 36 per cent for IDPL as compared to and average of 15 per cent of the drug industry. The corresponding sales turnover

for the year is Rs 58.7 crores representing a growth rate of 28 per cent. The company has earned a net profit of Rs 273 lakhs in 1975-76 as against Rs 249 lakhs in the previous year. The slightly lower percentage of profit for this year has been due to the fact that the company did not raise the price for any one of its products in spite of higher cost of raw-materials and higher incidence of production costs, wages & salaries, power, fuel, excise, interest etc.

Due to this significant rise in production, IDPL has contributed towards self-sufficiency in the production of essential bulk drugs. Indeed its own imports have gone down by as much as 25 per cent. Also for the first time, the antibiotics plant at Rishikesh has attained a break-even point.

IDPL is now engaged in expanding its production activities for leading the country forward towards self-sufficiency in the production of important drugs and pharmaceuticals. Production facilities at its synthetic drugs plant at Hyderabad are being expanded from the present capacity of 1900 tonnes to about 3400 tonnes and at the antibiotics plant at Rishikesh, production of antibiotics is scheduled to be doubled during the fifth Plan period. Setting up of the two new units, one for the production of basic drugs at Bettiah in Bihar and the another for formulations at Gurgaon in Haryana, is

scheduled to begin in the current year.

In Brief

The Asian Development Bank ADB accepted on April 21, 1976 from the government of Austria its Instrument of Contribution of Austrian schillings 114 million (equivalent to US \$6.9 million) to the Asian Development Fund (ADF).

The Asian Development Bank has approved a loan of US\$23.6 million to the Public Utilities Board (PUB) of Singapore for the second water supply project. The Bank of America (BOA) has agreed to extend a loan of US\$5.0 million to the PUB for this project under a co-financing arrangement with the ADB. The total cost of the project is estimated at US \$ 62.2 million of which US \$ 28.6 million represents the foreign exchange component that would be financed under the ADB and the BOA loans. The project aims at expanding indigenous water supply sources and supporting facilities to help meet Singapore's domestic, commercial and industrial water demand up to 1985.

The country's widest Hot Strip Mill, at Bokaro, was formally inaugurated by the prime minister Mrs Indira Gandhi on May 1.

The stamp of Hindustan Steelworks Construction Ltd. (HSCL) which today is the biggest construction company in the country, is immediately discernible at Bokaro, the construction and commissioning of which involved civil engineering works, structural fabrication

and erection, refractory works, erection of electrical and mechanical equipment and laying of all out door and technological pipelines. HSCL can take credit for having carried out all these jobs primarily through departmental labour.

Names in the News

Mr Sisir Mitra Managing Director of Cyanamid India Ltd., has been elected president of the Organisation of Pharmaceutical Producers of India (OPPI), Bombay, for 1976-77.

Mr C.D. Khanna, former chairman of Industrial Finance Corporation of India has joined the board of directors of Swedeshi Polytex Ltd., in place of Mr R. Venkatraman.

Mr Bansil Dhar, a director of Delhi Cloth and General Mills Ltd., has been elected chairman of the Vanaspati Manufacturers' Association of India for 1976-77.

Mr H. C. Kothari was elected as Chairman of the All-India Manufacturers' Organisation (Tamil Nadu State Board) for the year 1976. Mr H. C. Kothari is a Managing Director of Kothari (Madras) Ltd.

Mr Ashok Goenka has been appointed Chairman-cum Managing Director of the United India Fire and General Insurance Company Limited, a nationalised insurance company. Mr Goenka was previously General Manager of the General Assurance Society Limited. After nationalisation, he was the General Manager of the National Insurance Company Limited.

COMPANY AFFAIRS

Nirlon Synthetic

NIRLON SYNTHETIC Fibres and Chemicals Ltd, is entering the capital market on May 25 with a public issue of 790,000 equity shares of Rs 10 each at a premium of Rs 22.50 per share. The primary purpose of the public issue is to list the company's shares on the Bombay Stock Exchange and utilise the proceeds of the issue amounting to Rs 2.57 crores for financing the company's depolymerisation project estimated to cost Rs 1.92 crores. The object behind the installation of the depolymerisation plant is to recover unreacted caprolactum from the waste yarn obtained during normal manufacturing operations. This would lead to increased efficiency and reduction in costs of raw materials consumption and also enhance raw material availability.

New Activity

The company is also venturing into a new line of activity for the manufacture of conveyer belts. This plant will have a capacity to produce 1200 tonnes of conveyer belts and 12 lakh fan and V belts per annum. The project will be set up at Roha, a backward area in the state of Maharashtra. This is likely to be a profitable venture in view of the acute shortage of conveyer belts in the country.

The company has been

declaring very high rates of dividends during the past few years. It paid a dividend of 40 per cent for 1974-75 and it is likely that the distribution may be maintained or even enhanced in the coming years. Considering its excellent past record, high profitability, huge reserves and anticipated growth, expansion and diversification in its manufacturing activities, the response to the public issue is expected to be extremely encouraging.

Union Bank of India

Mr Pranab Kumar Mukherjee, union minister for Revenue and Banking, declared open the Union Bank of India's branch on April 25, 1976 at Bishnupur. The branch at Bishnupur will be Union Bank's second branch in Birbhum district and the bank's 18th branch in West Bengal state.

On the eve of nationalisation, the bank had 17 branches in the eastern region, comprising of the state of Assam, Bihar, Orissa and West Bengal, and Tripura. During the 6½-year period of post-nationalisation, the bank has more than tripled its branch network in this region, bringing the total number of branches to 56 by end December 1975. Of the 39 branches opened during this period, as many as 31 were in the rural and semi-

urban centres. During the same period, the deposits of the bank in the region increased from Rs 9.96 crores (as of June 1969) to Rs 44.09 crores (as of December 1975), registering more than four-fold increase.

Credit-Deposit Ratio

The credit extended by the bank in the eastern region has more than doubled during this period, from Rs 10.47 crores (as of June 1969) to Rs 23.25 crores (as of December 1975). The bank maintained credit-deposit ratio of about 57 per cent in the region during this entire period. The bank's priority sector advances (excluding exports) in the eastern region have increased sharply during the post-nationalisation period, the figure rising from Rs 1.32 crores (as of June 1969) to Rs 7.93 crores (as of December 1975). Consequently the share of priority sector advances (excluding exports) in the total advances has gone up from 12.62 per cent as of June 1969 to 34.12 per cent as of December 1975. It is noteworthy that the bank's share of priority sector advances is more than 50 per cent in the backward states of the region, viz: Assam, Bihar and Orissa.

A few months back, Union Bank of India's innovative,

Night Banking Service was introduced at the bank's three branches in the Calcutta metropolis, viz. Ezra Street, Shyom Bazar and Ballygunj. The bank is also considering extension of this facility to some other branches, in view of the encouraging response from the public.

Sandvik Asia

Sandvik Asia Limited has recently been granted an industrial licence to step up substantially its present manufacturing capacity.

The company is a subsidiary of the world-wide Sandvik Group which is a pioneer in the field of tungsten carbide for metal cutting and metal forming applications, rock drilling products and speciality steels. Sandvik Asia Limited was incorporated in 1960 with a licensed capacity of 24 tonnes per annum which was subsequently increased to 84 tonnes per annum in 1965.

Within the terms of the industrial licence now received by the company, it is proposed to further increase this capacity of 84 tonnes per annum to a level of 150 tonnes per annum.

While implementing the expansion programme the company will also increase its production of tungsten carbide cutting tools, wear-resistant and rock drilling products.

The company has also planned to modernise some of its manufacturing facilities and this will enable the company to introduce some of the latest processes and

techniques, such as the titanium coating of carbides which are not presently in use in the country.

The growth of the company since its inception has been rapid and the turnover for the year ended December 31, 1975, is of the order of Rs 147 millions. Exports by the company have also been impressive and it has received recognition certificates for its export efforts from the Engineering Export Promotion Council and the government of Maharashtra. The company has agreed to a stipulation by the government that 60 per cent of the additional products manufactured are to be exported.

IFFCO

During the cooperative year 1974-75, Indian farmers Fertiliser Cooperative Ltd (IFFCO) commenced commercial production at all the three plants, namely NPK plant at Kandla and the Ammonia and Urea plants at Kalol. The total cost of these plants as finally computed came to Rs 97.58 crores, as against the original estimates of Rs 91.60 crores—the small over-run being largely due to increases in customs duty and interest accruals on account of slight delay in commencement of production.

In so far as financing of this 'over-run' of Rs 6 crores is concerned, Rs 1.3 crores have already been collected from the shareholders by way of additional subscriptions to the share capital. For the remaining amount, the LIC and IDIB have agreed to

contribute Rs 2.35 crores each.

The total production of ammonia, urea and NPK for the period November, 1974 to June 1975 amounted to 62,900, 56,400 and 60,000 tonnes respectively.

Buyer's Market

Though the IFFCO's plants commenced production at a time when fertiliser market changed over from a seller's to a buyer's market and there was tremendous resistance among farmers to the purchase of fertilisers on account of very heavy increase in their prices, it was able to sell by June, 1975, 36,241 tonnes of urea and 29,827 tonnes of NPK. In addition, it also sold 10,775 tonnes of ammonia to FCI and sundry buyers. Thus IFFCO was able to do because of its intensified programme of promotional activities at the grass-root level through a field force of more than 250 highly trained and motivated agricultural graduates.

IFFCO, during 1974-75, laid out 519 crop demonstrations, organised 148 field days and 604 farmers meetings, adopted 16 villages in different states and conducted training for about 6,000 cooperative salesmen at 150 sales-points.

During 1974-75, the Phulpur plant of IFFCO made substantial progress. The feedstock for this plant was changed from fuel oil to naphtha. This change over was approved by the government of India and the World Bank.

The selection of main con-

tractors for the plant was completed. The agreement for construction, supervision and engineering of urea plant was signed with M/s Snamprogetti of Italy, for steam, power plant and offsites with Messrs Development Consultants and for ammonia plant with Messrs Kellogg International Corporation of the USA.

The designs of townships are ready and construction work has commenced. Plant and machinery is expected to arrive starting from July, 1977. Site works will be in good progress by then and the project is expected to be completed and in production by early 1979.

Kores

The Kores Business Machines and Systems Division has announced the introduction of India's first fully automatic copier, the KOREFAX. This division had in August 1971 pioneered the indigenous manufacture of the first Xerographic Copier for industrial and business applications.

The KOREFAX, the completely automatic tabletop, flat-bed copier, shall meet the need for clear and sharp copies at the rate of a copy every six seconds. Being a flat-bed copier, copies could be made of any written or printed matter drawings or half tones, from single sheets, books to three dimensional objects. The roll of paper used for obtaining copies is automatically cut by a random length cutter, to size of the original. Adjustment of the length of this paper could be made to

between 148 mm, and 364 mm, an advantage not existing in conventional copiers. KOREFAX also has an automatic system, to obtain the required number of copies.

Sandoz

Sandoz (India) Ltd, has reported substantial improvement in its working result during the year ended December 31, 1975. The gross turnover advanced by 19.8 per cent to Rs 23.47 crores from Rs 19.59 crores in 1974 while the profit after tax and tax adjustments too recorded a smart rise to Rs 0.69 crore from Rs 0.55 crore in the preceding year. The directors have recommended a dividend of 12 per cent per equity share of Rs 10 for 1975. The dividend however is payable on the enlarged capital of Rs 1.88 crores.

Larsen & Toubro

Mr S.B. Chavan, chief minister of Maharashtra laid the foundation stone of the state's largest dairy products plant at Udgir, in Osmanabad district, on April 25, 1976. The plant, to be erected by Larsen & Toubro Limited (L&T), will have a production capacity of 16 tonnes per day—the product mix comprising milk power, butter and ghee. Included in L&T's supply for the Udgir milk powder plant are evaporating and drying plants and service equipment for steam raising and refrigeration. L&T will also carry out the entire mechanical and electrical erection. The Udgir milk powder

plant is expected to boost the dairy economy in this backward area of Maharashtra.

Tata Chemicals

During the nine months ended March 31, 1976, the sales (inclusive of excise duty) of all products of Tata Chemicals were appreciably higher at Rs 25.93 crores and it exceeded the turnover of the corresponding period of the previous year by Rs 1.02 crores or 4.1 per cent. Among the company's major products the output of soda ash during the nine months at 235,591 tonnes was higher by 17,498 tonnes (8.0 per cent) over the similar period of last year.

Rajasthan Financial Corporation

Out of the total loan sanctioned by the Rajasthan Financial Corporation, more than 58 per cent share has gone to the units being set up in industrially backward district of the state in the financial year ended on March 31, 1976. Thus the corporation's endeavour to remove regional imbalance by giving incentives and concessions to entrepreneurs establishing industries in backward areas of the state gained further momentum.

RFC sanctioned a sum of Rs 4.66 crores to 136 industrial projects located or to be located industrially backward districts of the state in 1975-76 as against Rs 3.22 crores to 80 industrial units in 1974-75, showing an increase of 45 per cent in the amount

of loan and 70 per cent in the number of units.

The corporation has sanctioned loans aggregating more than Rs 8 crores to 289 industrial units in 1975-76 as compared to the total assistance of Rs 7.06 crores sanctioned in the preceding year. RFC has disbursed a sum of Rs 3.87 crores in the year 1975-76 as against Rs 2.83 crores in the previous year showing an increase 36.75 per cent in disbursement.

IFCI

The Industrial Finance Corporation of India (IFCI) has decided to augment its resources by a fresh issue of bonds for Rs 17.5 crores from May 10, 1976.

The corporation has already issued 20 series of bonds since 1952 for an aggregate amount of Rs 155.43 crores but of which the amount outstanding is Rs 127.19 crores.

The present six per cent 1986 bonds are fully guaranteed by the central government as to repayment of principal and payment of interest, and are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act.

The issue price will be Rs 99 for every Rs 100 of the bonds applied for.

The subscription list will open on May 10 and will close on May 12 or earlier as soon as the issue is fully subscribed. Applications will be received at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay, Cal-

cutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna.

The corporation has sanctioned assistance to industry all over the country in a variety of ways such as loans in rupees and foreign currencies, guarantees for deferred payments in respect of imported and indigenous machinery and for foreign currency loans and underwriting of subscription to issue of share capital and debentures.

The total assistance sanctioned up to March 31, 1976, was of the order of Rs 545.58 crores to 776 industrial projects covering a large variety of industries. The total assistance disbursed amounted to Rs 465.67 crores, as on the same date.

Over the years the IFCI has built up reserves of the order of Rs 22.11 crores against its paidup capital of Rs 10.00 crores.

Unit Trust

During the first three months of the current year i.e. January-March 1976, units of the face value of Rs 3.35 crores were sold under the unit scheme with 4,183 new investors joining the Trust as compared to Rs 3.07 crores under 3,233 applications during the corresponding period of the last year. Sale of units to non-residents during the quarter amounted to Rs 13.56 lakhs. Repurchases during the quarter were of the order of Rs 2.33 crores, (Rs 3.69 crores).

During the first nine

months of 1975-76 (July '75-March '76) total sales of units amounted to Rs 16.23 crores as against Rs 12.89 crores during the corresponding period last year. Repurchases at Rs 10.18 crores were considerably lower than those of last year. As a result, there was a net inflow of Rs 6.05 crores.

As at the end of March 1976, units of the face value of Rs 161.37 crores were outstanding under more than six lakh accounts.

The sales of Capital Unit Scheme 1976 launched from January 1, 1976, aggregated Rs 6.59 crores under 15,761 applications.

MAMC

At the extraordinary general meeting held on April 27 resolutions for reorganisation of the capital structure of Mining and Allied Machinery Corporation Ltd (MAMC) were passed. The government has granted sanction for strengthening the capital structure of MAMC by increasing the paid-up share capital from the existing level of Rs 20 crores to Rs 43.8 crores. The capital reorganisation will help in further improving the viability of its operations in the forthcoming years.

For enhancement in production, MAMC revised its target production for 1975/76 upwards to Rs 29.67 crores. The actual production for 1975/76 was 102 per cent of the revised target and reached a record figures of Rs 30.25 crores. Not only is the production

well above the increased target, it is also 20 per cent higher than the production for the previous year. The increase in production and sales during 1975/76 is expected to result in a higher profit for the year.

The indigenous manufacturing programme of the corporation has saved foreign exchange to the tune of Rs 25 crores upto the year 1975-76. The corporation has set itself a target of exports and are in fact currently negotiating for exports of MAMC products from India to third countries.

In response to the prime minister's 20 point programme, amongst other activities being implemented, the corporation this year also proposes to provide engineering extension services to five selected villages—so that ancillary workshops in these villages, apart from working for MAMC, will be able to progressively meet the light engineering requirements of the villages and their surrounding areas, especially in regard to those items which are essential for the betterment of the village communities.

News and Notes

Sunil Synchem Ltd. will manufacture, for the first time in India, 'Lock' capsules at the company's hardshell gelatine capsule plant at Alwar, Rajasthan. The Re 1 crore plant is the first in the north manufacturing gelatine capsules. The lock capsules have distinct advantages over the standard two piece capsules. Lock capsules gives less re-

jection on filling machine and also prevent loss of drugs in vitals and strip packs. The company has entered into sales agreement with Mylan Pharmaceuticals of Pittsburgh for the export of these capsules.

The Thana Works of **Vol-tas** has been adjudged as the "Best Establishment" in the 16th All India Skills Competition for apprentices held recently. It is the second time in succession that the voltas works has won this distinction. The company will be awarded the President's running trophy. The Thana works of voltas manufactures air conditioning & refrigeration equipment, drilling & mining machinery and materials handling equipment including fork lift trucks. It has an up-to-date training centre for apprentices.

New Issues

Keltron Component Complex Ltd., a joint sector company, is coming to the market with a public issue of 7,00,000 equity shares of Rs. 10 each and 20,000 preference shares of Rs. 100/- each. The company's public issue opened for subscription on May 5, 1976. The issue is being made for part-financing the project for the manufacture of 18 million numbers of Aluminium Electrolytic Capacitors per annum of industrial and consumer grades at Keltron Nagar, Mangatparamba, Kalliasseri, Cannanore, a notified industrially backward district of Kerala. The public issue of Rs 90 lakhs, which is being managed by the Merchant Banking Divi-

sion of State Bank of India, is fully underwritten.

The company has been promoted jointly by Kerala State Electronics Development Corporation Limited (KSEDC) and Kerala Employment Promotion Corporation Limited (KEPCO) both fully-owned Kerala state government companies. KSEDC, a company well-known for its professional management, has successfully promoted several other companies for manufacturing various types of electronic components, equipment and systems.

The project is being set up in technical collaboration with N.V. Sprague Electromag Belgium S.A., a wholly owned subsidiary of Sprague Electric Co. of North Adams Massachusetts, USA., one of the world's pioneers in the capacitor field. It will provide technical know-how for the manufacture of aluminium electrolytic capacitors and training to Indian

technical personnel at the Sprague plants abroad. In addition, all the major production equipment required for the project will also be supplied by them.

The product has both internal and international market. Seventy-five per cent of the production will be exported during the first five years. The collaborators, Sprague Electromag Belgium S.A., have offered to buy back under mutually agreed terms and conditions 6.48 million pieces during the first year and 10.8 million pieces during the subsequent four years, corresponding to 60 per cent of the annual production for distribution through their channels in USA and Europe.

The construction of the factory and service buildings is in an advanced stage and is expected to be completed by the end of May, 1976. The company hopes to start commercial production by April, 1977.

Dividends		(Per cent)	
Name of Company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Elecon Engineering	Dec. 31, 1975	14.0	12.0
India Carbon	June 30, 1975	18.0	12.0
Orissa Cement	Dec. 31, 1975	20.0	10.0
Same Dividend			
Sandoz (India)	Dec. 31, 1975	12.0	12.0
Bank of Madurai	Dec. 31, 1975	10.0	10.0
Indian Rayon Corporation	June 30, 1975	Nil	Nil
Arunoday Mills	Dec. 31, 1975	12.0	12.0
Reduced Dividend			
Tata Mills	Dec. 31, 1975	Nil	15.0
Sri Balasubramania Mills	Dec. 31, 1975	Nil	8.0
Hukamchand Mills	Dec. 31, 1975	6.0	10.0

*On the enlarged capital.

E. I. D.—PARRY LIMITED

ADDRESS BY

MR. R. VENKATASWAMY NAIDU, *Chairman*
TO THE SHAREHOLDERS

The Seventy-eight Annual General Meeting of the Company was held on the 28th April, 1976. Presiding over the Meeting the Chairman Mr. R. Venkataswamy Naidu made the following Statement to the Shareholders

Ladies and Gentlemen,

I have pleasure in welcoming you all to the Seventy-eighth Annual General Meeting which, almost certainly, will be the last General Meeting of the Shareholders of this Company.

Following upon the Class Meetings of the Shareholders held on 1st March 1976, in pursuance of the directions of the High Court of Judicature at Madras and the High Court of Justice, England, whereat the resolutions approving the Scheme of Arrangement and Amalgamation dated 3rd February, 1976 were passed by an overwhelming majority, petitions have been filed in the High Court here and in London, *inter alia*, for the purposes of obtaining sanction to the abovesaid Scheme and for transfer of the assets and liabilities of the Company to the new Indian company, E.I.D.-Parry (India) Limited. I may mention that the petition to the High Court of Judicature at Madras is expected to be heard tomorrow and the petition to the High Court of Justice, England, soon thereafter. All going well, I expect all the formalities to be completed soon thereafter and the Scheme

becoming effective from end June 1976 and the new Indian company will, on its own, carry on the business operations of this Company.

It has been a long road we have had to traverse to reach this stage from the time when a formal proposal was put forward to the Government of India in August 1972. We were one of the very first companies to embark upon a scheme of conversion even before the Foreign Exchange Regulation Act, 1973 came into force. As early as 1970 we commenced deliberations and discussions with Government of India on this matter which ultimately resulted in a concrete scheme being evolved. Unlike the normal process of dilution of foreign holdings required to comply with statutory requirements, our scheme of amalgamation of a foreign company having a large body of non-resident shareholders, with a newly formed Indian Company has been unique and at the same time complicated in view of the complex and varied nature of the problems involved. It therefore necessarily took us some time to progressively resolve these problems one by one and to place initially before Gov-

ernment and thereafter the Shareholders definitive proposals.

We are extremely grateful not only to the shareholders—institutional and others—for their massive support to the Government of India, more particularly in the Ministries of Economic Affairs, Company Law and Industrial Development, the Reserve Bank of India and the Bank of England for their sympathetic understanding of the problems involved and help and support.

Our own officials, solicitors and legal advisers both in England and in India, have toiled very hard towards the successful fruition of this complicated task and I would like to communicate my appreciation to them.

GROUP RESULTS:

Turning to the Report and Accounts for the 15 months period ended 31st December, 1975 which were sent to you earlier this month in accordance with statutory regulations, Shareholders will recall that in order to facilitate the Scheme of Arrangement and Amalgamation the financial year-end of the Company and its subsidiaries

had to be extended upto 31st December, 1975. Whilst, with your permission, I will take the Report and Accounts as read, I sincerely trust shareholders will agree that the dividend of 12 per cent recommended on the Ordinary Share Capital, viewed in the context of the results to which I shall make a reference little later, is satisfactory.

In the Interim Report to the Shareholders reviewing the results of the Group for the six months ended 31st March, 1975 which revealed a Group Net Profit of Rs 100.75 lakhs before taxation, it had been stated that there were a number of factors beyond our control which adversely affected the operations of the Group. These factors, to which a reference was made subsequently in the circular letter dated 27th January, 1976 issued to the Shareholders reporting the preliminary results of the Group for the 12 months period ended 30th September, 1975 and reiterated in the Report of the Board of Directors on the Accounts for the period under review, hampered our performance and adversely affected the trading results. It is not necessary for me to repeat these once again but suffice it to say that the conditions under which the Group had to operate during the 15 months under review were extremely difficult. We were faced with a number of problems in relation to two of our main operations, viz, sugar and fertilisers. Several factors inhibited sales volume and profitability. The un-

usually heavy burden of fertiliser inventories we had to carry resulted in a severe incidence of interest charges. Moreover, we benefited last year from certain non-recurring factors which were not expected to be repeated this year.

In the event, the Group's net profit before taxation for the period under report was Rs 202.12 lakhs as against Rs 560.85 lakhs for the previous year. From all points of view, the results for the year 1974 were exceptional and cannot be easily repeated. Considering all these circumstances, the results reported should, in my view, be considered satisfactory.

Notwithstanding the steep decline in the net profit before taxation, Shareholders will be heartened to note that the incidence of taxation in relation to the net profits is considerably lower this year consequent upon certain exceptional factors with the result that the profit after taxation at Rs 110.35 lakhs is lower by only Rs 49.27 lakhs as compared with the after-tax profit of Rs 159.62 lakhs for the previous year.

DIVIDENDS:

In my address to you last year I had referred to restrictions imposed on the Ordinary Share Capital by the provisions of the Companies (Temporary Restriction on Dividends) Act, 1974. I had then informed the Shareholders that when fuller details of the relaxa-

tion of such restrictions announced by the Finance Minister in the Central Budget for 1975 became available, these will be taken note of in considering the dividend payments for the period under review. In recommending the dividend on the Ordinary Share Capital this year, your Directors have given full consideration to liberalised provisions relating to payment of dividends keeping in view the available disposable profits and consistent therewith the necessity to plough back profits for augmenting our internal resources for working capital as well as for future expansion schemes. Although the Government had recently announced that the Companies (Temporary Restriction on Dividends) Act, 1974, will cease to apply when it expires early in July 1976, we had necessarily to hold the Annual General Meeting before the end of this month and recommend a dividend on the Preference Share Capital and Ordinary Share Capital for approval by Shareholders before the petition in pursuance of the Scheme of Arrangement and Amalgamation came up for hearing before the Courts in India and in England. As such, the recommendation for payment of dividend had to be in consonance with existing provisions of the abovesaid Act. Consequently, the dividend of 12 per cent on the Ordinary Share Capital in respect of the 15 months period ended 31st December, 1975 on approval by the Shareholders at this meeting, will be paid in three

equal instalments as outlined in the Directors' Report.

SUGAR:

Nellikuppam Sugar Factory crushed 6.44 lakh tonnes cane during the 15 months ended 31st December, 1975 and produced 49,408 tonnes sugar at an average recovery of 7.67 per cent. The quality of cane was poor due to adverse weather conditions and overaged cane crushed during the hot months June and July 1975 which could have been avoided but for a prolonged strike at the factory in October-November 1974.

The statutory cane price fixed for the factory was Rs 88 per tonne but we actually paid a price of Rs 100 per tonne on the advice of the State Government. Despite an increase in the cane price and escalations in various elements of cost, the levy price for 1974-75 fixed in November 1974 remained at the same level as for 1973-74. Several representations were made whereafter the Government announced that whilst there would be no revision in the price for levy sugar, the ratio of levy sugar to free sugar would be changed from 70:30 to 65:35. Even with the increase of 5% in free sugar ratio, the levy sugar price was uneconomical and the sugar factories in the State filed writ petitions in the Madras High Court, the hearing of which is still pending. In the meantime, excise duty on free sugar was increased from 37.5% to 45% with effect from 1st March, 1975. Contrary to expectations, the levy prices were reduced in

July 1975 based on a new formula which left little or no room for absorbing from the free sugar realisations the cost escalations that had taken place. Here again, the question of the method of fixation of levy price is before the Madras High Court through writ petitions filed by the sugar factories in the State.

For the year 1975-76 the Central Government have fixed cane price on the same basis as for 1974-75 and the price fixed for Nellikuppam factory is Rs. 88 per tonne. The percentage of levy sugar to free sugar remains at 65:35. Taking into account the shorter crushing period due to lack of cane, the Government of India have increased the levy price from Rs. 151.56 per quintal to Rs. 183.39 per quintal on the basis of the same formula adopted in July 1975. Even the price continues to remain uneconomical and does not fully compensate the escalation in costs and the matter is before the Court.

Nellikuppam Factory crushed 1.74 lakh tonnes cane for the period from 1st January, 1976 to 26th March, 1976. The season had to be closed for want of cane due to lower yields. The plantings for 1976/77 season are quite satisfactory and the factory is expected to start crushing in September/October 1976.

As I stated last year, a Letter of Intent has been received to expand the capacity of Nellikuppam factory from 2,750 TCD to 4,000

TCD. The incentive Scheme announced by the Government of India on 25th November, 1975 to encourage setting up new sugar factories and expansion of existing capacity together with the Investment Allowance announced in the Central Budget 1976 provide sufficient incentive to expand.

Steps have been initiated to undertake an expansion initially to increase the crushing capacity of the Nellikuppam factory to 3,000 TCD by the end of the 1976 off-season. With the ultimate expansion to 4,000 TCD in view, steps are being taken to increase the plantings of cane to ensure an adequate supply thereof.

SPIRIT

With the re-introduction of prohibition in Tamil Nadu as from 1st September, 1974 the bulk of our production during the year under review was sold outside the State. The possibility of locating our IMFL plant outside the State of Tamil Nadu is being explored.

CO₂ production and sales continued to be satisfactory in spite of competition that prevailed during the period under review.

FERTILISERS

The year witnessed a rather sudden transformation in the market conditions from one of shortage to easy availability and sluggishness of demand. Several factors but predominantly price fluctuations, distribution controls, credit constraints, and

unfavourable seasonal conditions contributed to a decline in demand, leading to higher inventory levels and carrying costs.

Recognising the difficulties that prevailed in the fertiliser market last year, both the Central and the State Governments took steps to encourage free flow of fertilisers to the farmers. At the State level, the distribution control system was considerably relaxed, short of total removal. The import programme for fertilisers have been suitably staggered and pruned by the Government of India to afford relief to the industry. I hope that the various steps taken and the reduction in the prices of phosphatic fertilisers recently announced by the Central Government will assist in marketing the large inventories of finished stocks currently carried by manufacturers of phosphatic fertilisers.

Weather conditions were generally satisfactory in Karnataka, Kerala and Andhra Pradesh but Tamil Nadu experienced severe drought due to the failure of the North-East monsoon in 1974. The belated South-West monsoon relieved, to a large extent, the seasonal adversity in Tamil Nadu and the North-East monsoon of 1975 was generally good except certain parts of Tamil Nadu.

It was through intense promotional efforts, aggressive selling, enlargement of sales force and distribution net work and extension of the marketing territory that

we were able to achieve, during the period under review, a sales volume representing 95 per cent of the previous financial year.

While all available Urea from Madras Fertilisers Limited was marketed, sales of complex fertilisers were lower than the previous year. The availability of products of Coromandel Fertilisers Limited was restricted but the available tonnages were marketed. I would like to take the opportunity to record our appreciation of the help and support of our Principals.

We continued to pursue schemes aimed at educating smaller farmers towards a higher level of agricultural productivity and also schemes in collaboration with nationalised banks for integrated village development.

The availability of basic technical grades for pesticide formulations improved and a substantial increase over the previous year in dust formulations was recorded. Delayed arrival from abroad of technical grades suitable for formulation of liquid formulations affected sales.

With the commencement of production at Dharwar in Karnataka State, hybrid millet sales had nearly doubled. There was a marginal shortfall in high-yielding varieties of paddy seeds due to restriction on movement of paddy seeds to other States from Tamil Nadu.

Our Animal Feeds continued to enjoy consumer

preference as a quality product. Sales of Cattle Feed have been maintained at last year's level but production of Poultry Feed had to be restricted in line with the demand.

ENNORE:

During the 15 months period, Ennore factory achieved a production level higher than its rated capacity for phosphatic fertiliser. Due to power cut ranging upto 40%, the production of Ammonium Sulphate had to be restricted, and for several months during the period this unit remained shut down.

CERAMICS:

Production and sales showed an improvement over last year and the overall performance of Ceramics Division was satisfactory.

It is gratifying that notwithstanding the tight monetary conditions and the temporary setback in building activities, sales volume was maintained. Parryware continues to enjoy the patronage of large builders and has acquired for itself an excellent brand image. Exports of sanitaryware have also shown an upward trend.

EXPORTS:

I am happy to be able to say that we have made considerable strides in the field of exports.

I had stated last year that we were developing marine

exports in furtherance of which we were to import two trawlers from Italy and also acquire two local trawlers. We have now placed orders for two trawlers from Mexico—in lieu of Italy—by virtue of arrangements made through Government of India. In the meantime, in order to acquire sufficient experience and build up the required infrastructure to successfully operate the new trawlers when they arrive, some trawlers have been chartered and are now in operation.

As envisaged by me last year a substantial volume of export of textile garments has been built up. Our attempts to export other Indian products have commenced bearing fruits.

MERCHANTING BUSINESS ;

Our merchanting and trading activities consisting mainly of engineering and consumer products continue to lend steady support forming an integral part of the mainstream of our business. New lines have been added although in some of these, turnover can be built up only over a period of time. Our shipping activities and pharmaceutical trading continue to maintain a steady rate of growth

Whilst on the whole our merchanting turnover registered an increase, continual spiralling of selling and administration costs cut into profit margins.

We, as a Group, are fully aware of our obligations

not only to Principals whose products we distribute but also the consumer public in general. Our distribution net-work is fully geared to lend them the fullest support and to ensure fair trade practices at the same time.

Our Principals' sympathetic understanding of our problems in a year in which trading conditions were none too comfortable, was a source of strength to us which we deeply appreciate.

OUTLOOK FOR 1976 :

I would like to take this opportunity to congratulate Prime Minister of India for ushering in the 20-point economic programme. In furtherance of this new programme various measures have already been taken by the Government.

As far as our Group is concerned, it is difficult to foresee what the current year's results are likely to be as the beneficial effect of the recent reduction in fertiliser prices is yet to become visible.

Assessing the overall position, I take the view that the worst of the recession is over as a consequence of the various measures taken by the Government and if, as I expect, of the economic situation and trading conditions improve, we may expect profitability to be maintained at a satisfactory level.

DEVELOPMENT :

From time to time, I have reiterated that the long-term interests of the Group is

in enlarging the manufacturing base of our operations. A Letter of Intent has recently been received for the diversification of production at Ennore factory for manufacture of Methanol, STPP and Argon gas. A second unit for manufacture of Animal Feeds at Tadepalligudem has already gone into production and the establishment of a third unit is under consideration. Schemes for diversification and expansion are under constant review.

LABOUR RELATIONS:

Taking into account the wide variety of Unions committed generally to particular political trends, it may be said that industrial relations and peace in a Group of our kind was a hallmark of the period under review except for some stoppage of work at the Nellikuppam factory.

Complex and ticklish issues which arose in the form of supplementary demands were settled at the bipartite level with the various Unions. Recently we were able to come to a good arrangement with the Union at Ranipet on Incentive/Productivity oriented schemes which augurs well for the Group. Under the 20-point economic programme the Group has taken on the required number of apprentices for selective training so as to provide trained personnel of job opportunities in the country.

Mention must also be made of the question of Bonus for the year 1973-74 which came up during the

period under review. I am happy to record that although the negotiations with the array of Unions was protracted, the issue was amicably settled through direct talks to the satisfaction of all concerned.

I am quite confident that the employees and the Union in the Group are aware that their own prosperity depends on the prosperity of the Group.

I would like to take this opportunity of expressing my appreciation of the efforts of the Company's managerial staff at various levels.

E.I.D. — PARRY (INDIA) LIMITED

At the last Chairman of this great Sterling Company which has functioned in the Indian Sub-continent from 1897, I wish to say in conclusion how happy I am to have been associated with it since 1956 and to have been its Chairman from 1971.

Although there is unlikely to be any structural change either in the shareholdings or organisation of E.I.D. Parry (India) Limited when it commences its operations, I would like to express the sincere hope that with the process of transformation being completed, the years ahead will see a continuing and rapid expansion in the area of the operations, volume of business and overall profitability of the House of Parrys.

N.B. : This does not purport to be a report of the proceedings of the General Meeting.

RECORDS AND STATISTICS

Supreme Court's judgement on MISA during the emergency

NO DETENU held under the Maintenance of Internal Security Act can move a court and seek release so long as the enforcement of fundamental rights remains suspended during emergency, the Supreme Court ruled on April 28, 1976.

By a four to one majority verdict, the five-judge Constitution Bench of the Court also ruled that the presidential order of June 27, 1975 under Article 359(1) of the Constitution took away the locus standi of detenus to move any writ petition under Article 226 before a High Court for habeas corpus or any other writ or order of direction to, challenge the legality of the order of detention on the

ground that the order is not under or in compliance with the Act or is illegal or is vitiated by malafides, factual or legal, or based on extraneous considerations.

The majority verdict as handed down by the Chief Justice, Mr A.N. Ray, and three judges on the bench Mr Justice M.H. Beg, Mr Justice Y.V. Chandrachud and Mr Justice P.N. Bhagwati, held that habeas corpus petitions by MISA detenus are not maintainable in High Courts.

Rule of Law

Mr Justice H.R. Khanna was the only judge on the bench who delivered a dissenting judgement. He held that in spite of the existence of the Presidential Order, a detenu can challenge his detention on the ground that either there was no law authorising his detention or that the law has not been complied with.

Mr Justice Ray held that Article 21 of the Constitution is the sole repository of rights to life and personal liberty against the state.

The Chief Justice, in his 70-page judgement, also declared Section 16A(9) of the Act prohibiting disclosure of grounds of detention to detenus as valid.

"It is rule of evidence

and it is not open either to the detenu or to the court to ask for grounds of detention," he further declared

The Chief Justice also held that no court was competent to go into question of malafide of the order of detention or ultra vires character of the order of detention or that the order was not passed to the satisfaction of the detaining authority.

The Chief Justice accepted a batch of 14 appeals—eight filed by union of India and two by Uttar Pradesh, one each by Madhya Pradesh, Maharashtra, Rajasthan, and Karnataka governments against the decisions of the High Courts of Allahabad, Bombay (Nagpur bench), Delhi, Karnataka, Madhya Pradesh, Punjab and Rajasthan—rejecting preliminary objections raised by the state against the maintainability of habeas corpus petitions by MISA detenus. In all, about 43 detenus, including four opposition members of Parliament held under MISA are involved in these appeals.

Main Question

Two main questions, were involved in these appeals. First, whether in view of the Presidential Orders of June 27, 1975, and January 8, 1976, under Article 359(1), any writ petition under Article 226 before a High Court for habeas corpus to enforce the right to personal liberty of a person detained under the Act on the ground that that the order of detention or the continued detention is for

any reason not under or in compliance with the Act is maintainable.

Second, if such a petition is maintainable what is the scope or extent of judicial scrutiny, particularly in view of the Presidential Order, mentioning inter alia, Article 22 of the Constitution and also in view of Section 16A(9) of the Act.

Judicial Authorities

Citing at length the English and judicial authorities of other countries on the habeas corpus laws during peace and war time, the Chief Justice held, the effect of the Presidential Order suspending the enforcement of fundamental rights amounts to barring the locus standi of any person to move the court on the ground of violation of a fundamental right.

It was not the object of the Constitution makers, the Chief Justice said, that a person could not move this Court, for the enforcement of fundamental rights mentioned in the Presidential Order but could do so under Article 226.

"The bar created by Article 359(1) applies, to petitions for the enforcement of fundamental rights mentioned in the Presidential Order whether by way of application under Article 32 or by way of application under Article 226," he further said.

The Chief Justice said, "a person can enforce a fundamental right both in the case of law being made in violation of the right and also of the Executive Acts in

non-compliance with valid laws or Acts without the authority or law.

"It cannot be said that the scope of Article 359(1) is only to restrict the application of the Article to the legislative field and not to the Act of the Executive. The reason is that any enforcement of the fundamental rights mentioned in the Presidential Order is barred and any challenge either to the law or to any Act of the Executive on the ground that it is not in compliance with the valid law or without authority of law will amount to the enforcement of fundamental rights and will, therefore, be within the mischief of the Presidential Order."

The Mandate

Describing the Constitution as "the mandate" and "the rule of law above which no one can rise" the Chief Justice held that it was incorrect to say that the jurisdiction and powers of Supreme Court under Article 32 and of the High Courts under Article 226 are virtually abolished by the Presidential Order without any amendment of the Constitution.

He held that no amendment of the Constitution is necessary because no jurisdiction and power either of Supreme Court or of the High Court is taken away. "When a Presidential Order takes away the locus standi of the detenus to move any court for the enforcement of fundamental rights for the time being, the jurisdiction and powers of Supreme

Court and of High Courts remain unaltered. It is directed against an individual and deprives him of his locus standi," the Chief Justice further held.

Referring to earlier rulings of the Supreme Court in various cases, notably in Mohan Chowdhury's case, Makhan Singh's case and Dr Ram Manohar Lohia Vs. State of Bihar cases, relating to right to liberty, the Chief Justice further held that Presidential Order in the present case is on the face of it, an unconditional order and as such there is the vital and telling difference between the effect of the Presidential Order of 1962 and the present Presidential Order.

He also held that decision in Makhan Singh's case and subsequent cases following it have no application to the present cases where the suspension is not hedged in with any condition of enforcement of any right under Article 21 and 22. The conclusion is that Presidential Order is a bar at the threshold.

Sole Repository

Holding that Article 21 is the sole repository of rights of life and personal liberty, the Chief Justice said that fundamental rights including the right to personal liberty are conferred by the Constitution. "Any pre-Constitution rights which are included in Article 21 do not, after the Constitution, remain in existence which can be enforced, if Article 21 is suspended."

"If it be assumed that

there was any pre-Constitutional right to personal liberty included in Article 21 which continued to exist as a distinct and separate right then Article 359(1) will be an exercise in futility," the Chief Justice said.

The Chief Justice held that Article 21 relating to personal liberty is not a common law right.

There was no pre-existing common law right which corresponds to a fundamental right, can exist, as a distinct right apart from the fundamental right.

Common Law Remedy

He said: "If there is a pre-Constitution right which is expressly embodied as a fundamental right under our Constitution, the common law remedy to habeas corpus, he said, and added, no common law right has no separate existence under our Constitution. If any right existed before the commencement of the Constitution and the same right with its same content is conferred by part three as a fundamental right, the source of that right is in part three and not in any pre-existing right."

The Chief Justice also held that the MISA is a valid law and it has laid down procedure of applying the law. He said, "the validity of the Act has not been challenged and cannot be challenged. The legislature has competence to make the law, and its procedure cannot be challenged because Article 21 and 22 cannot be enforced."

"The contention of the respondents that the power

of the executive is widened is equally untenable," Chief Justice Ray said.

On the question whether rule of Law overrides the Presidential Order, the Chief Justice said that the Presidential Order does not alter or suspend any law.

Not a Catchword

"Rule of law is not a catchword or incantation. Rule of law is not a law of nature consistent and invariable at all times and in all circumstances," he said.

Pointing out that the rule of law is not identical with a free society, the Chief Justice further held that the suspension of right to enforce fundamental right has the effect that the emergency provisions in part 18, are by themselves the rule of law during the times of emergency.

"There cannot be any rule of law other than the Constitutional rule of law. There cannot be any pre-Constitutional or post-Constitutional rule of law which can run counter to the rule of law embodied in the Constitution, nor can there be any invocation to any rule of law to nullify the Constitutional provisions during the times of emergency," the Chief Justice said.

Dealing with the validity of Section 16A(9) of MISA which provides for the non-disclosure of grounds of detention to detenus, the Chief Justice held that this provision cannot be said to be an amendment to Article 226 relating to powers of High Courts.

The jurisdiction to issue

writs is neither abrogated nor abridged, he said.

Mr Justice Ray said that a claim to privilege arises in regard to documents or information where a party to a suit or proceeding is called upon to produce evidence. Section 16A(9) enacts provisions analogous to a conclusive proof of a presumption. Such a provision is a genuine rule of evidence. It is in the nature of an explanation to Sections 123 and 162 of the Evidence Act. Section 16A(9) is a rule of evidence.

He said, "Therefore, when detaining authority is bound by Section 16A(9) and forbidden absolutely from disclosing such material, no question can arise for an adverse inference against the authority.

"If a detenu makes out a prima facie case and the court calls for a return, the affidavit or the authority will be an answer. The court cannot insist on the production of the file or hold that the case of the detenu stands un rebutted by reason of such non-disclosure.

Reckless Averments

"To hold otherwise would be to induce reckless averments of malafides to force production of the file which is forbidden by law. This provision in the Act cannot be read down implying an exception in favour of disclosure to the court as was suggested by the Bombay High Court (Nagpur bench). Such disclosure to the court alone and not to the detenu will introduce something un-

known to judicial procedure: This will bring in an element of arbitrariness and preclude both parties from representing their respective cases. Further, it would substitute or superimpose satisfaction of the court for that of the executive", the Chief Justice said.

Concurring with the majority judgement, that the Presidential order of June 27 last bars maintainability of a petition for a writ of habeas corpus, Mr Justice P.N. Bhagwati said that in a crisis situation such as war or threat of war or internal subversion the government had to assume a situation and that meant that people would have fewer rights.

Public Safety

"The maximum that public safety was the highest law of all, must prevail in times of crisis and the people must submit to temporary abdication of their Constitutional liberties in order to enable the government to combat the crisis situation which might otherwise destroy the continued existence of the nation", Justice Bhagwati said in his judgement.

Dealing with the emergency provisions under the Constitution, Justice Bhagwati said, "it was not necessary that there should be actual occurrence of war or external aggression or internal disturbance in order to justify a proclamation of emergency under Article 352.

"It is enough if there is imminent danger of any such crisis." The Constitutional implications of a declaration

of emergency under that Article, he said, were much wider than in the United States or Great Britain.

If the court were to accept the view of counsel for detenus that the Presidential Order of June 27 last under Article 359(1) suspending enforcement of Article 21 (right to life and personal liberty) did not bar the remedy to seek release on ground that detention was illegal, the consequence would be that even in a perilous situation like that of a war, courts would be free to examine the legality of detention even if such detention had been made for efficient prosecution of the war or for protecting the nation against enemy activity.

Mr Justice Y.V. Chandrachud, joining the majority judges in the habeas corpus case, held in the Supreme Court, on April 28, that the June 27 Presidential Order took away the legal capacity of MISA detenus to move a court and secure release.

No Bar

The order did not, however, bar the court from granting "relief other or less than the release of the detenu from detention," he ruled.

Justice Chandrachud broadly summarised his conclusions thus: "The Presidential Order did not suspend the fundamental principle that all executive action must have the authority of law to support it."

The order, however, deprived a person of his locus

standi to move any court, be it the Supreme Court or the High Court, for the enforcement of fundamental rights mentioned in the order. Such deprivation ensued during the period that the proclamation of emergency was in force or for such shorter period as might be specified in the order.

Question of Malafides

He ruled that the order also barred any investigation or inquiry into the question whether the detention was vitiated by malafides, factual or legal, or whether it was based on extraneous considerations or whether the detaining authority had reached his subjective satisfaction validly on proper and relevant material.

Justice Chandrachud said, "the relief by way of release from detention was barred whatever be the source of the right to personal liberty and whether or not Article 21 of the Constitution was the sole repository of such right."

The Presidential Order did not bring about any amendment of Article 226 (writ jurisdiction of High Courts) and was not open to challenge on that ground.

He also ruled that the order "neither bars the right of an accused to defend his personal liberty in the court of first instance or in a higher court, nor does it bar the execution of decrees passed against the government.

Justice Chandrachud held, that Section 16A(9) of MISA (non-disclosure of grounds of detention) did not con-

stitute an encroachment on the writ jurisdiction of the High Court. The view of the Bombay High Court that the Section might be "read down" so as to enable the court to examine the forbidden material was impossible to sustain. What use could a court make of material which it could not disclose to the detenu and how could it form a judicial opinion on matters not disclosed to a party before it?

At best, the High Court could, "satisfy its curiosity by tasting the forbidden fruit" but he observed "its secret scrutiny of the ground and of the file containing the relevant information and material could not enter into its judicial verdict."

Mr Justice H.M. Beg held, that a court could not inquire into the vires of the detention of a petitioner under MISA, once the court was shown a prima facie valid detention order passed by an authorised officer recording his purported satisfaction.

Validity or Vires

In his judgement, he said, "once such a detention order was shown to exist in response to a notice for a writ of habeas corpus, the High Court cannot inquire into validity or vires on the ground of either mala fides of any kind or of non-compliance with any provision of MISA in habeas corpus proceedings."

"The preliminary objection of the State must be accepted in such a case", he held.

He allowed the appeals by the State against the judge-

ments of the nine High Courts in the 42 cases of detenus and directed the concerned High Courts to pass an order in each petition in accordance with the law laid down by the Supreme Court on April 28, 1976.

Noting that his attention could not be drawn to a single case by way of illustration of the alleged misuse of power of the executive, he said that it was significant that "no case of alleged malice in fact, could be even brought to our notice."

Mr Justice Beg said that: "I do not think that it is either responsible advocacy or the performance of any patriotic duty to suggest that powers of preventive detention were being misused in the current emergency",

Basic Structure

Referring to the strongly emphasised point of the basic structure of the Constitution which formed a main plank for the detenus, Mr Justice Beg said, "I do not look upon the theory of the basic structure of the Constitution as anything more than a part of a well recognised mode of constructing a document."

"The Constitution, like any other document, has to be read and construed as a whole". He went on to add that the theory could not and did not build and add a new part to the Constitution.

Referring to the arguments on rule of the law, he said, that, the term rule of law was not a magic wand which

could be waved to dispel every difficulty.

He said, "it (rule of law) is not an Aladin's lamp which can be scratched to invoke a power which brings to any person in need whatever he or she may desire to have. It can only mean, for lawyers with their feet firmly planted in the realm of reality, what the law in a particular state or country is and what it enjoins."

Locus Standi

Mr Justice Beg said that, the locus standi of the person to move the court has gone and the competence of the courts to enquire into the grievance is also impaired by inability to pursue the grounds of executive action or their relationship with the power to Act, it was no use appealing to the concept of the rule of law. He added that the concept was thus inapplicable to the present situation.

The Constitution does not confer any power on any "authority" to suspend the power of the high courts to issue writs of habeas corpus during the period of emergency, Mr Justice H.R. Khanna held in his dissenting Judgment in the habeas corpus case.

Article 226 of Constitution, under which the High Courts can issue writs, was an integral part of the Constitution and the same could not be suspended by putting a particular interpretation on the Presidential Order issued under Article 359 (1), Mr Justice Khanna held.

The question of construc-

tion of the Presidential Order, issued on June 27 last, suspending the enforcement of fundamental rights conferred by Articles 14, 19, 21 and 22, arose in view of the arrangement raised by the Attorney General, Mr Niren De, That since the June 27 order was a "blanket" order, the Supreme Court's decision in the celebrated Makhan Singh's case will not apply.

In the Makhan Singh's case, the Court had held in 1964 that if a detenu challenged his detention on the ground that it violated some statutory provisions, the challenge could not be barred because of the Presidential Order under Article 359 (1).

No Precedent

The Attorney General had argued that unlike the present case, the 1962 Presidential Order under Article 359 which was considered by the Court in the Makhan Singh's case, was a conditional order as it related to only those persons who had been detained under the Defence of India Act.

Referring to this argument of the Attorney General, Mr Justice Khanna observed, "the difference in phraseology of the Presidential Order dated June 27, 1975 and that of the earlier Presidential Orders would not justify the conclusion that because of the new Presidential Order a detention order need not comply with the requirements of the law providing for preventive detention.

Consumption loans for landless & small farmers

THE TEN-MEMBER Expert Committee on Consumption Credit presented its report to the government on April 26, 1976. The report was presented by the Chairman of the Committee Mr B. Sivaraman, Member, Planning Commission to Mr Pranab Mukherjee, minister of Revenue and Banking. The committee in its report has recommended consumption loans for landless and small farmers.

In Stages

Soon after the prime minister enunciated the 20-Point Economic Programme, the state governments following the guidelines issued by the central government, took urgent steps to liquidate rural indebtedness in stages, first by declaring moratorium on, and then by scaling down and discharging such debts. The state governments took these measures in so far as the debts of a small/marginal farmers, landless labourers and rural artisans to the village money-lenders etc. are concerned.

As a result of these measures, the sources of credit, especially the consumption

credit to the poorer sections of the village community, totally dried up causing sufferings to these classes of people. It was felt that some urgent alternative arrangements were called for to mitigate their sufferings. Accordingly, government of India set up an Expert Committee with Mr B. Sivaraman, Member, Planning Commission, as Chairman on March 10, 1976. This committee was entrusted with the responsibility of studying the impact of the measures taken by the state governments in so far as the difficulties being faced by these categories of rural populace in arranging their genuine and inescapable consumption credit requirements, are concerned. The committee was also asked to make recommendations as to the purposes for and the agencies from which such consumption credit is to be provided.

Various Issues

The committee obtained the views of the state governments and the public sector banks on the various issues relevant to the terms of reference of the committee. The steps taken by the public sector banks in meeting consumption credit need of the poorest section of the village community were also obtained from them. After assessing the views of the state governments and the various schemes introduced by the public sector banks in this behalf, the expert

committee reached certain unanimous conclusions. The committee thought that the lowest stratum of the village community which would be hit hardest as a result of the recent debt legislations are those that have 'nil' holdings or have holdings measuring 0.01 to 0.50 acres. The committee concluded that this is the class of rural folk which would need pure consumption credit as apart from production credit.

Consumption Credit

The next higher class of rural people, viz., possessing land above 0.50 acres but not more than 5 acres will also need consumption credit, but this credit will be linked to production credit. All farmers and tenants cultivating lands above 0.50 acres and including five acres can meet their consumption credit needs from the general production credit obtained from the cooperative structure and the commercial banking sector including the regional rural banks. The committee is of the view that by strengthening the cooperative credit structure and by determined attempt by the commercial banks including rural banks, the bulk of the consumption credit requirements of this class should be looked after by the production credit system in operation today.

In order to fulfil this role, the committee has stressed that the measures already prescribed by the Reserve Bank of India to strengthen

the cooperative credit structure including universal membership system should be implemented without any delay. It was pointed out by the committee that cooperative credit system for agricultural production already provided an element of consumption credit for the producer-borrower.

On the basis of the figures given in the All-India Debt and Investment Survey 1971-72 and after taking into account the consumption expenditure required for meeting social obligations like marriage ceremonies and funeral and other religious rites, educational and medical expenses, the committee arrived at the figure of Rs 340 crores for those holding size groups 'nil' and '0.01 to 0.50 acres' together. On the same basis, the consumption credit requirements for all purposes for the holding size groups above 0.50 acres and upto including five acres would be of the order of Rs 250 crores.

Misleading Figures

The committee, however, felt that these figures did not represent the actual borrowing. These were the liabilities built up over a substantial period of time following usurious practices and never allowing capital to be shown as paid. The committee was, therefore, obliged to apply a more realistic method to arrive at an estimated figure of Rs 170 crores that would be required for meeting the consumption credit

needs of the groups of people having land holdings 'nil' and from 0.01 to 0.50 acre. Under this method, the committee has assumed that every borrowing family would borrow the maximum of loans recommended by the committee. On this basis the amount required for general consumption loans and loans for birth and death ceremonies comes to Rs 90 crores.

Softer Terms

The committee has estimated that credit requirements for marriage, medical and educational purposes would amount to about Rs 40 crores. The total requirement for all consumption purposes listed above would thus be Rs 130 crores. To this, the committee considers, should be added the requirement of those poorer sections who could not avail of the credit because of the various usurious methods applied by the money-lenders but who are now likely to come forward to obtain loans for consumption purposes for the simple reason that they would be now available from institutional sources at softer terms. For the first year and for the reasons explained by the committee, the total requirement of consumption credit for all these poorer sections of the village people would be of order of Rs 170 crores.

For the same reasons, the estimated figure of Rs 250 crores, as indicated above, for the all households owning land above 0.50 acres and upto 5 acres will have to

be reduced substantially. The committee considers that credit of the order of Rs 125 crores should look after the present needs of these classes of borrowers. This class of borrowers will generally be taking productive credit for agricultural production. The production loans that the institutions can give and do provide has an in-built consumption credit element. The committee felt that the institutional agencies could take care of the pure consumption needs of this class of rural community without making any change in the existing policies and procedures except marginally. The committee, therefore, considers that no special arrangement for providing credit of this type to this class of people is necessary except taking steps to strengthen the network of institutional credit agencies, especially the cooperatives.

Role of Cooperatives

Out of the consumption credit requirements of Rs 170 crores for those having holdings upto 0.50 acres of land, the various types of cooperative societies, after their speedy reorganisation, on the lines recommended by the committee, can at best take care of consumption credit requirements to the extent of Rs 70 crores only. The committee has stressed that only those primary agricultural societies as have full-time paid secretaries should alone be entrusted with the responsibility of extending consumption credit. But since less than 1/3rd of the societies

have full time paid secretaries, the committee has recommended that during the next two months, the societies should strengthen their organisations on a war footing so that at least half of the societies in the country are made viable and have whole time paid secretaries.

Special Laws

But even then there will still remain large areas in the country where institutional arrangements for providing consumption credit will not be feasible. In such 'grey' areas, the state governments will have to step in to cater to the needs of the people through their revenue and other administrative departments. Special laws may have to be enacted for the purpose and to ensure recovery.

The fact that there are agricultural labourers and marginal farmers who live mainly on wages for whom pure consumption credit is required, a system of controlled employment scheme would be of great advantage. To solve the twin problem of provision of employment and collection of consumption loans, the committee has recommended that on the model of the scheme enumerated by the Maharashtra government, the borrowers be put on an employment scheme worked out by government departments. The committee has recommended that each state should identify such production schemes so that the can loans be recovered promptly. In the case of

artisans, the cooperative marketing structure will play his role.

They 'grey' areas will account for the remaining 100 crores to be met out of the budgetary resources of the state governments. But since the states may find it difficult to mobilise this big amount even by imposing special tax as the government of Maharashtra have done, there will be need for some special assistance from the centre. The committee has therefore advised that the state governments and the central government should enter into immediate dialogue for the purpose.

Grey Areas

In order to keep the 'grey' areas to the minimum the state governments will have to make earnest efforts to strengthen the cooperative structure. For this an additional allocation of Rs 20 crores, in the Plan, both centre and state, will be needed.

The committee has expressed the definite view that the primary agricultural credit societies organised into viable units, farmers' service societies, large sized multi-purpose societies in the tribal areas, each having a full-time paid secretary/managing director, will be best suited to handle the business of providing consumption credit to the various categories of the rural community.

Where, however, the central cooperative banks are weak and are not in a

position to give the necessary financial support to all the societies in their areas.

The committee has recommended that some societies may be attached to commercial banks for the purpose of credit facilities, both production and consumption purposes.

The committee has stressed that immediate steps should be taken to ensure that as much of the minor forest produce as possible for the tribal areas, is collected through departmental arrangement at fair prices.

The state governments should straightaway open fair price shops through their Forest Department in all the areas where tribals conglomerate and where the LAMPS cannot be found immediately.

Risk Involved

As there is a high degree of risk involved in extending pure consumption credit to the class of people envisaged, a risk margin assistance limited to 10 per cent of the total quantum of loans advanced should be given to the lending institutions in the following manner:

(i) where the primary cooperatives give loans, the 10 per cent will be divided in the proportion of 3:1 i.e. 7½ per cent in favour of primary society and 2½ per cent financing bank;

ii) where cooperative or a commercial bank advances money directly to the

loanees, the entire 10 per cent go to the bank concerned.

The risk fund of the order of Rs 17 crores should be borne equally by the central government and the state governments.

Ceilings on Loans

The types of purposes of which consumption loans have been recommended and the ceiling laid down in respect of such loans are given below:

Type of loan	Ceiling of loans
(a) Medical expenses relating to borrowers and members of their families.	Rs 250
(b) Education expenses for school.	Rs 100
(c) Marriage expenses	Rs 250
(d) Expenses on funeral ceremonies as well as birth ceremonies.	Rs 75
(e) Expenses on religious ceremonies which are deeply rooted and considered inescapable by certain sections of society.	Rs 75

The ceilings have been suggested on the basis of the general experience as to the levels of borrowing of the classes of people the committee is dealing with. The actual loan to be given to a person must have relation to his minimum needs and his capacity to repay.

In making the recommendations, the committee took care to consolidate their recommendations in a separate chapter, which were meant for immediate implementation by the end of June, 1976.

Action Points

The committee has also enumerated the action points to be implemented by different agencies. Thus, the state governments will have to take immediate steps for strengthening the cooperative credit structure by taking suitable legislative measures for universal membership in the cooperatives, by making the primary societies into strong and viable units and by professionalisation of the managements of such societies by full-time paid secretaries or managing directors in the case of farmers' service societies.

Suitable employment programme should also be drawn by state governments on the model of the Maharashtra scheme. State governments would also demarcate the areas, which cannot be covered by cooperative credit system and commercial banks etc. during the ensuing season and make necessary arrangements for provision of loans to state governments

own agencies in these 'grey' areas.

Central government have been entrusted with the responsibility of:

(i) holding discussions with Reserve Bank of India for finding the resources required by the cooperative banking system for providing consumption credit;

(ii) issuing guidelines to commercial banks including regional rural banks to fall in line with the recommendations of the committee and providing consumption credit as recommended by the committee.

Reorganisation

(iii) issuing directives to state government departments to take full advantage of the facilities being extended by government of India and Reserve Bank of India to complete the reorganisation of the cooperative structure.

Reserve Bank of India will issue guidelines to the cooperatives and commercial banks in order to implement the recommendations of the committee and make an immediate assessment of the requirements of the different state governments for drawal from the LTO Fund of the Reserve Bank of India to strengthen the equity base of the cooperatives.

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FICCI resolutions

The 49th Annual General Meeting of the Federation of Indian Chambers of Commerce and Industry was held in New Delhi from May 1 to 3. The meeting discussed the world economic situation in the wake of rise in oil prices and its effects in the global context in general and India in particular. The meeting passed resolutions the texts of which are given below:

Pivotal role of export in our economy

IN the past two years the deficit on external trade account has been running at the average rate of nearly Rs 120 crores a month. The large deficit reflects primarily the impact of oil price hike. The increase in oil prices has more or less come to stay and temporary expedients to tide over the trade deficit cannot be relied upon. It is imperative that our exports are substantially pushed up quickly as possible to finance the import bill and debt servicing.

The world economic situation is somewhat distorted. Recession which had gripped most of the developed countries has only marginally abated. To conserve domestic demand some countries have sought greater tariff and non-tariff protection. The redistribution of income internally has also caused a demand shift in world markets. Trade potentialities in West Asia have diversified and enlarged.

While in most countries prices are rising, in ours they have very significantly dropped. Also some stability to the external value of the Rupee has been achieved by linking it with a basket of

currencies. The opening of the Suez Canal has brought European markets nearer. The US GSP Scheme which became effective since January 1, 1976 has opened up opportunities, though the Scheme excludes some of the items which are of importance in our export trade. Though these developments have given us some advantage in international trade, our exports still need to be made more competitive for any major escalation in them.

Pragmatic Approach

On the whole, the international situation is difficult but not totally unfavourable and larger exports are possible with more pragmatic policies, speedy implementation and closer coordination between government and industry.

Apart from export of goods, considerable scope also exists for export of consultancy services, turnkey projects, and undertaking other large value contracts, and for sub-contracting arrangements between Indian and developed country firms, specially in West Asia in the fields of construction and engineering.

In this context the Federation welcomes emphasis placed in the new Import Policy on improvement of procedures and stimulation of export production. To utilise the growing opportunities and for mounting an ambitious export drive, Federation makes the following suggestions for implementation by exporters and government.

Role of Business

1. Industry and trade, on their part, should give the greatest attention to cost, quality, packaging, delivery schedules, market surveys and publicity so as to face international competition better.

2. A mechanism for consortium of exporters of turn-key projects and large value contracts should be created, so that Export Houses, contractors and consultancy firms, and manufacturers, both in the public and private sectors, are able to combine resources and undertake large export programmes jointly.

3. Export Promotion Councils should be strengthened for receipt and dissemination of commercial intelligence to ensure against any loss of trade opportunity for want of timely information.

4. Exporters should make a more determined effort to take advantage of the GSP concessions, as they are being lost to other developing countries. At the same time, government should continue its efforts, bilaterally and through international forums,

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Hindustan Aluminium Corporation Limited

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NOTICE is hereby given that the Seventeenth Annual General Meeting of the Shareholders of the Company will be held on Monday, the 14th June, 1976, at 4-00 P.M. at Birla Matu-shri Sabhaghar, 19, Marine Lines, Bombay 400 020, to transact the business as contained in the Notice dated 15th April, 1976. The notice relating to the business to be transacted at the said meeting, together with the Explanatory Statement thereto as required by Section 173 of the Companies Act, 1956, is being posted to all the members individually at their registered addresses.

Notice is also hereby given pursuant to Section 154 of the Companies Act, 1956 that the Register of Members and Transfer Books of both Equity and Preference Shares of the Company will remain closed from 14th May, 1976 to 2nd June, 1976, both days inclusive.

By order of the Board of Directors,
M. K. Jain
Secretary,
Bombay
Dated the 26 day of April, 1976

Notes:

(A) 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.

(B) Shareholders are requested to intimate to the Company changes, if any, in their registered addresses.

for liberalisation of the US GSP Scheme and the schemes of other developed countries.

5. Institutional arrangements should be made at the level of Indian and foreign business and industry organisation for exchange of information and ideas, and implementation of decisions reached between joint commissions government has set up with a number of foreign countries for trade, technical and economic cooperation. The progress made in the implementation of agreed decisions should be periodically reviewed.

More Incentives

1. To enable Export Houses and exporters to plan their future strategies, and carry on future contracting without any inhibition, the facilities and incentives by government should not be reduced at least for five years. At the same time these facilities should be strengthened whenever world conditions so require.

2. The facilities provided to stimulate export effort often get diluted for lack of inter-ministerial and inter-departmental coordination, and complicated and time-consuming administrative procedures and rules. To handle this problem, a standing committee consisting of representatives of government, industry and exporters should be established to review position and suggest improvement.

3. Government should widen the scope of the schemes to apply essential raw materials both indigenous and imported, at economic

prices to manufacturers for export production.

4. The interest rates on export credit, which are currently very high, should be administered with greater flexibility, so that downward adjustments are possible whenever the situation in a particular market warrants so, as is being done by many developed countries.

Prerequisites of economic growth

One the major objectives of national policy is to improve the standard of living of the people. This objective can be secured mainly through provision of productive whole-time employment which in itself is an outcome of rapid, sustained and adequate development in all sectors of the economy.

The single largest source of employment in our country is agriculture. Opportunities for additional employment in this sector depend upon the expansion of irrigation facilities, use of fertilisers and high yielding varieties of seeds as well as land improvement and adoption of the requisite techniques for dry farming. Besides, the generation of productive employment will depend on the growth of industry, infrastructure and other tertiary sectors. In recent years growth in these areas has been subdued and, as such, unemployment has increased.

The two aspects that need to be considered, are fuller utilisation of production capacities that have been already established, and acceleration of new investment. Currently, capacity utilisation

5. Liberal foreign exchange may be made available for establishing business contacts advertising goods abroad and setting up offices in foreign markets.

6. Infrastructural facilities in the fields of port and harbour, shipping & transport, and power need to be rapidly enlarged and improved.

tion is extremely low in a very large sector of industry in spite of better production conditions.

Greater industrial harmony has been achieved since the Emergency. Power and raw material supply position has also improved, though it is not absolutely satisfactory. In addition, concerted efforts have to be made for proper maintenance of equipment and machinery, as has been emphasised in the case of power industry, on an urgent basis.

A new adverse factor which has emerged is fall in the level of aggregate demand. As a result, sickness in industry is spreading.

In this situation new investment has been sluggish. Besides, capital goods today cost substantially more than did about two or three years back. The return on new investment has become inadequate and in some cases even negative. In this context, a reasonable rate of return on investment through remunerative prices, as recommended by the fifth Plan document, should be ensured in order to encourage invest-

ment and stimulate production.

To set the course right and expedite growth, the Federation suggests the following measures:

— Anti-inflationary measures under the three categories—monetary, fiscal and administrative—require to be substantially eased. There is an urgent need for reduction of the Bank Rate and the lending rates of the banks.

— Liberalisation of investment procedures which finds an important place in the 20-Point Programme of the Prime Minister has to be undertaken speedily.

— The policy decision to do away with unnecessary controls affecting production and distribution must be vigorously implemented.

Liberal Credit

— Term lending institutions must be provided with greater funds and their lending terms in respect of promoters' contribution and debt equity ratio should be liberalised to support investment programmes of industry.

— Dry farming methods should be improved as a matter of urgency and agricultural production raised even further, both to provide additional employment in large numbers and achieve surpluses for export. Infrastructure facilities that will directly improve the standard of living of the people as also those that will provide inputs to agriculture and industry should be adequately augmented.

— As fuller exploitation of oil and mineral resources

can contribute in significant measure both to national production as well as to export effort, the services of all productive agencies, whether national or foreign should be fully utilised.

— Having regard to the

Fiscal and monetary policies

It is gratifying that government had adopted a constructive approach to the budget for 1976-77. Quite a few proposals contained in the budget should help in correcting the imbalances in our economy and pave the way for accelerated economic growth. However, certain issues remain to be resolved in the spheres of the both fiscal and monetary policies. This calls for immediate attention and early action.

The 25 per cent investment allowance which is restricted to specified industries covers but partially the escalation in capital costs. This is particularly so in respect of new capital heavy industries. Bank credit continues to be scarce and may be made even more difficult with the financing of the food procurement and the fertiliser distribution by the banking system.

The capital market is still depressed, especially in view of the prevailing high interest rates, and the corporate sector is not in a position to raise equity finance to support a high investment effort. Even the surcharge which has been withdrawn will not improve the cash

economic and social conditions of our country, action to develop rural and backward areas, promote young entrepreneurs and assist small-scale industries needs to be stepped up. This is a responsibility of both government and business.

flow since the amount has to be deposited with the IDBI. The income-tax laws obstruct uneconomic units being made viable through amalgamation.

The budget, in spite of its welcome feature, requires to be supplemented by other measures to quicken the pace of growth. The Federation suggests action on the following lines:

— The inbuilt procedural delays in the sanctioning and allocation of funds to various government departments for Plan outlays should be cut down and the implementation of projects started expeditiously.

— The general rate of corporate taxation needs to be reduced in accordance with the new approach to taxation.

— The investment allowance should be made applicable to all industries, with a higher rate for priority industries.

— The benefit of the proposed 25 per cent excise relief should be widely extended.

— In view of the high capital cost of large projects, a beginning should be made by way of expeditiously

implementing the recommendations of the high-powered committee appointed by the union Finance ministry to go into their problems. Further, refinements in policies can be conceived later to accelerate the pace.

— When sick units are taken over by a healthy enterprise, the losses of the former should be allowed to be set off against the profits of the latter.

— Capital gains from sale of any assets should not be subject to tax if these are reinvested in approved productive activities. This will go a long way in bringing about a healthy pattern of assets which will heighten economic growth.

— The ceiling on the rate of interest on bank credit has to be brought down considerably, so as to reduce

Trading and marketing

In the past one year the economic conditions in the country have dramatically changed and have occasioned a shift from seller's to buyer's market. This has necessitated readjustment as well as new marketing techniques.

The distribution system in our country has been evolved over centuries in response to changing conditions. At the same time, the cost of distribution by private trade in our country has continued to be lowest in the world. Trade has also shared larger burdens to promote socio-economic objectives. The packaging order promulgated last year

operating costs of industry and trade and improve conditions in the capital market.

— The developmental expenditure in the budget has to be further enhanced, on select lines, like housing, self-employment schemes, rural uplift programmes so as to generate more employment, income and demand.

— There has to be substantial expansion in bank credit to invigorate demand in the economy and facilitate production and distribution. Higher utilisation of capacity as well as sales depend on this crucial measure.

— As an incentive to attain greater volume of exports a part of the profits of enterprises, equivalent to the proportion of exports to production, should be taxed at a lower rate.

has added a new dimension to the responsibilities of trade. Greater uniformity is imperative in respect of price display orders which have been issued by various states. Government have also modified the Prevention of Food Adulteration Act to take note of practical problems. The spirit behind this Act requires to be fully respected in the process of implementation of its various provisions.

It is also welcome that the 20-point Programme announced by the Prime Minister has made special reference to rationalisation of the road transport sys-

tem and the need for issuance of national transport permits. The Inter-state Transport Commission created under Section 63(A) of the Motor Vehicles Act should be made the agency for grant of national permits instead of the state governments. This would achieve greatest uniformity and place emphasis on national interests. However, attention requires to be given to avoidable obstacles to smooth movement, such as octroi, which have diluted the potential benefits.

There is considerable scope for streamlining the distribution system and

considering the various aspects, the Federation has the following suggestions to offer:

—Sales tax which has created considerable administrative problems should be replaced by excise duties in all possible cases.

—Octroi posts which hamper free movement of goods should be abolished and the local authorities compensated from other means.

—Trade in controlled items should be allowed to be handled by private traders since the supply position of almost all controlled com-

modities has substantially eased.

—Trade organisations should be associated with the handling of essential goods. The evolution of this mechanism would be crucial whenever shortages of any essential goods arise in the future.

—Inter-state movement of foodgrains should be completely liberalised in view of the vast increase in production.

—Advisory committees should be set up for each state representing government, municipalities, trade and industry to help orderly

implementation of the Prevention of Food Adulteration Act.

Trading organisations should realise their responsibilities to the consumers and gear themselves to changing marketing conditions. The Chambers of Commerce should make traders aware of modern marketing techniques and undertake training programmes for this purpose.

—Banks should provide adequate finance to meet the genuine needs of trading and marketing and thus promote effective distribution.

eastern ECONOMIST

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Negotiations at Nairobi

THE DEVELOPING countries are trying at Nairobi, the venue of the United Nations Conference on Trade and Development (UNCTAD-IV), to wrest some substantial concessions from the developed countries in terms of the Manila declaration so as to bring about a new economic order in the world. If the US secretary of State, Dr Henry Kissinger's 10,000-word address to this conference is taken as representative of the attitude of all the rich countries, the fate of UNCTAD-IV does not look very promising. Perhaps the organisers of this conference took an unwise step in holding it in the year of US presidential election.

The bloc of developing countries numbering 110 had sought relief through a programme which was designed to yield fair prices for raw materials and commodities. Past experience had clearly shown that the economies of the poor countries were severely hurt by sharp declines in the prices of the few export commodities which were the main earners of their income. The plan drawn up by the UNCTAD secretariat envisaged the establishment of a common fund (initially equivalent to \$3000 million) to finance buffer stocks of at least 10 commodities. The central idea behind the creation of the buffer stock was to iron out violent fluctuations in the prices of these commodities. It enjoyed the support of the UN Secretary-General, Dr Kurt Waldheim, and the UNCTAD Secretary-General, Dr Gamani Corea; both of them felt that it was the best way to help in strengthening as well as stabilising the commodity markets and that without a binding element the programme would lose much of its essence.

Dr Kissinger agreed that the developing countries needed economic security against cycles which devastated export earnings and undermined development but he was against making the developed countries responsible for stability in the prices of the agreed 10 commodities. He advocated the case-by-case basis of working out the corrective measures for stabilising export prices. He further stated that the USA had already signed agreements on coffee and tin and that his country would participate in negotiations on sugar. Later on, measures would be worked out to support copper and cocoa prices. In short, on this ticklish question the developing countries found themselves back to hole one.

Understandably, the sharp shift in reserves consequent upon the success of the oil cartel unnerved the rich countries who are now keen to thwart any attempt of the developing countries to establish similar arrangements in the case of other commodities as well. The Manila declaration is, however, based on the willing cooperation of the rich and the poor countries and does not depend for its success on the cartels. This has naturally caused great resentment among the developing countries whose representatives have given expression to their frustration with the tactics of the industrially-advanced countries in unmistakable terms. For instance, the Philippine president Ferdinand Marcos advocated the creation of the "Third World economic system". Because the major issues of global economic order had remained where they were 12 years ago, he also envisaged grim prospects of protracted confrontation over these problems. The moot question was whether the poor countries of the world could unitedly force their demands on the unwilling rich countries.

Recent studies have shown that the prophesy of the club of Rome relating to the exhaustion of raw materials during the next two or three decades was baseless. For example, the world reserves of iron ore in 1966 were estimated to be five times the level computed in 1954. Copper reserves in 1972 were 3½ times higher than the estimate made in 1939. Similar was the case with other

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raw materials such as bauxite. An increase in the prices of raw materials enhanced the reserves by bringing in new areas for exploitation. Even in the case of crude oil, new areas were being exploited after the sharp increase in prices. And an increase in the number of suppliers of a commodity made united action somewhat difficult. In short, the suppliers of raw materials and commodities have no option but to thrash out, through moral pressure and persuasion, a working arrangement with the industrially-advanced

Jossleyn Hennessy

Eastern Economist learns with sorrow that Jossleyn Hennessy, who had been contributing a London Letter to its columns for many years, passed away in London last week. It shares with its readers a deep sense of loss.

countries. Cooperation and not confrontation holds the key to this highly complex problem.

For a number of years the developed countries had agreed to bridge the gap in levels of living between the rich and the poor countries by transfer of resources through grants and loans. Unfortunately, their record in this regard had been rather depressing. In the case of the USA, for example, economic assistance as a percentage of gross national product dropped from 0.53 in 1960 to 0.25 in 1974 and is expected to fall further to 0.17 in 1977. In the case of the UK the corresponding percentage fell from 0.53 in 1960 to 0.38 in 1974 and is expected to drop further to 0.30 in 1977. West Germany alone has shown some improvement in aid from 0.31 per cent in 1960 to 0.37 per cent in 1974.

Even indexation of prices of raw materials in line with the price of manufactured goods and machinery is disliked by the industrialised countries because it will deny them a major instrument of increased income through perpetually favourable terms of trade. The possibility of persuading the

developed countries to the acceptance of indexation is therefore remote. If by any chance the developing countries should succeed in selling this idea to the developed countries, they should then give up all hopes of increased economic assistance from the rich of the world.

Surely a way will have to be found sooner or later to reduce the gap between the standard of living of the rich and the poor countries. But in the meantime the developing countries must join hands among themselves for promoting industry and trade relations. These countries must learn to help one another before seeking assistance from the rich countries. The recent experience

of the newly-rich oil exporting countries which once belonged to the group of developing countries and have now formed a group of their own, is rather disappointing. They have not come forward to patronise the developing countries to any significant extent. In fact, they have placed orders for industrial products and machinery increasingly with the developed countries of the world even though many of the developing countries possessed similar capabilities. Before they entertain hopes of generous gestures from the developed countries, the developing countries should inculcate a sense of comradeship among themselves.

Vanaspati: which oil to use?

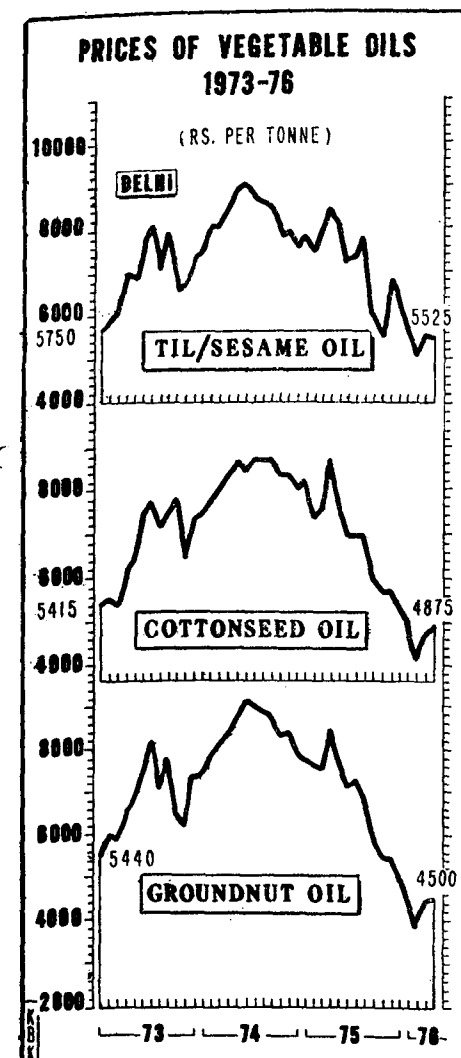
AT THE 30th annual general meeting of the Vanaspati Manufacturers' Association of India held in Bombay on April 30, 1976, the chairman, Mr C.V. Mariwala, gave full-throated support to the decision of the government to lift statutory price control on vanaspati in January last year. Citing figures of steady increase in the production of vanaspati in the post-decontrol 16 months, he rightly came to the conclusion that removal of superfluous and illogical constraints helped industrial growth and that the supply of essential articles of mass consumption such as vanaspati could be increased by lifting all controls. Currently not only vanaspati is freely available in the market, its price has also registered a sharp decline.

Since 80 per cent of the cost of vanaspati depends on edible oils, there is a very close relationship between the prices of vanaspati and edible oils. The prices of edible oils in turn are dependent upon the oilseed crops which are not infrequently victims of the vagaries of the monsoons. As the graph on the next page shows, the prices of edible oils tend to fluctuate violently.

Groundnut oil price in Delhi rose to the peak of Rs 9150 per tonne and dropped to less than half at Rs 3950 per tonne in February this year. The movements in the prices of cottonseed oil and sesame oil were broadly sympathetic though minor variations between themselves were inevitable. With fall in the prices of edible oils and consequently of vanaspati, the demand for the latter has picked up leading to increased use of available capacity.

In some parts of the country, the consumer prefers to use groundnut oil instead of vanaspati which is no more than hydrogenated edible oil. If the manufacturers of vanaspati are given a free hand in the use of oils for conversion into vanaspati, they will naturally go in for one which is the cheapest. In recent months, groundnut oil has been cheaper than cottonseed oil or sesame oil. Fearing that the industry would tend to use a larger share of groundnut oil in the composition of vanaspati, the government directed the industry not to utilise more than 25 per cent of groundnut oil. Rightly the government took the

stand that such a measure would lead to increased production and consequently consumption of cottonseed oil, edible grade rice bran oil, niger-



seed oil, sunflower oil and other minor oils. Unfortunately, when the vanaspati industry was poised to boost its production, cottonseed oil and other minor oils were not available in sufficient quantity. The industry had two choices open to it. It could either abide by the directive issued by the ministry of Agriculture and Irrigation causing curtailment in output or flout Krishi Bhavan's mandate and increase production by using whatever oil was available in the market. A majority of the units opted for the latter alternative which earned it the displeasure of the government but brought

bouquets from the consumer who felt relieved because of easy availability and reduced prices of vanaspati. Among the vanaspati manufacturers there were some who were too timid to ignore the instructions from Krishi Bhavan and continued to use high-priced oils instead of the cheaper groundnut oil. The industry produced about 50,000 tonnes of vanaspati every month which more than met the full demand of the market.

And now the vanaspati manufacturers who have used groundnut oil more than the prescribed limit are being urged to switch over to other oils and make for the excessive use of groundnut oil. The dilemma facing the industry has been explained by Mr Mariwala in these words: "Groundnut, mustard, coconut and sesame oils account for 2.3 out of 2.6 million tonnes of edible oils produced in the country. The industry is not allowed to use mustard and coconut oils at all. There is not enough sesame oil to meet even the 10 per cent liquid use requirement of the industry. It is

impossible to draw out every drop of the minor oils like niger, kardi, sunflower produced in different nooks of the country. Therefore, if the industry is to comply with the 25 per cent ceiling on the use of groundnut oil, the output of vanaspati cannot rise above 400,000 or 450,000 tonnes when the demand is of the order of 600,000 tonnes."

Industry's admission

The industry has conceded that a large number of manufacturing units have failed to conform to limits specified by the government in regard to the use of different oils for the manufacture of vanaspati. The government also is fully aware of the peculiar circumstances in which the industry was placed. While the industry was expecting a generous pat on the back from the government for having increased production of vanaspati, it has now to face the charge of ignoring the instructions of the government in regard to the utilisation of different oils. Surely a way can be found by which the industry can be made to utilise increased

Eastern Economist 30 Years Ago

MAY 10, 1946

Nearly three quarters of the year have gone by since the end of the war and the movement of goods and services across political frontiers and across the oceans has not yet become as free as might have been wished for. The demand has changed from war to peace materials. Reconversion has therefore to be got on a large-scale before any considerable trade in the peace time goods can be resumed in any considerable volume. The war has left a legacy of scarcities of several commodities especially those generally in common and widespread demand and use, thus necessitating continuance of controls. But the general tendency is one of increased relaxations. About the end of the last year the Combined Raw Material Board and the Combined Production and Resources Board have been discontinued. A limited number of industrial material and products that are still in short

supply have compelled joint international control. Thus five special international commodity committees are still controlling some industrial materials still in short supply. They are Rubber, Tin, Hides, Skins and Leather, Textiles and Coal. The Combined Food Board is scheduled to be liquidated next year.

The question naturally arises as to how long the present situation of a seller's market will continue and when changeover to a condition where real efforts will again be needed to maintain sales, and where considerations of price, quality, style and selling terms will again become significant. The existing situation is one of competition among consumers for the available stocks of goods and no return to normalcy would have been made until this is displaced by a competition between manufacturers to sell their products.

quantities of other than groundnut oil in the next season so as to make up for the shortfall. It is no use blaming the units for making increased use of groundnut oil because under the prevalent circumstances they found themselves absolutely helpless.

It is the claim of the vanaspati manufacturers that they have done considerable extension work regarding the development of oilseeds, though this claim is countered by the Northern India Oil Millers' Association. The millers feel that the Vanaspati Manufacturers' Association has done next to nothing for the increased output of oilseeds in northern India parti-

cularly. At a time when the emphasis is being shifted by the government to the furtherance of the rural economy, it is essential that the vanaspati manufacturers should devote more attention and resources to the promotion of the oilseeds crops. While the Associated Chambers of Commerce and Industry in its recent annual session in the capital had suggested a strong link between industry and rural development, the Vanaspati Manufacturers' Association had better give careful thought to such measures as would increase the production of oilseeds thus making the raw materials needed for them easily available.

End of a dichotomy

ONE GOOD that the symposium held recently in the capital by the Associated Chambers of Commerce and Industry has done is to give a burial to the dichotomy that existed in our country between industry and agriculture. The captains of industry have come forth with an offer to help in a big way in rural regeneration.

Not long ago it was argued in this country that concentration on industrial expansion alone would carry the country into the modern age. With a spell of bad weathers the pendulum swung to the other end and it was sheer necessity which forced us to place increased emphasis on agriculture. The Assocham symposium has put the picture in the right perspective. At last it has been realised that industry and agriculture have a complementary role and, what is more encouraging, industrialists have come forward with specific proposals listing how they could assist in an integrated development of our economy.

As argued in these columns earlier, it is not to be expected that big industrial houses can substitute the extension work that is being carried

on in the countryside by the various governmental and other agencies which no doubt needs to be streamlined as well as expanded. Out of the 57,000 registered companies, it was argued, hardly the top 350 could adopt villages. These could at best provide nuclei for development over a limited area.

The idea of growth centres has caught the imagination of the planners as well as administrators. Mr A.D. Moddie elaborated the concept at the Assocham seminar; he said that growth centres can stimulate a coordinated effort by industry, commerce and banking by a two-way flow of produce from the farm and of industrial products and services to the farm. This could set in motion a "synergistic growth process for higher productivity, higher marketable produce, higher income, higher employment and a higher standard of rural living".

A growth centre is expected to be a focal point for the economic, social, cultural and industrial development of the area around it. In the past the rural sector was engaged exclusively in primary production and the urban

sector was mainly engaged in the secondary and tertiary activities. Growth centres should help the planning of secondary and tertiary activities in the rural areas.

The local market town, a road junction settlement, a tehsil or taluka town which has some market facilities and economic infrastructure could form a growth centre. The primary concern of these growth centres should be to stimulate productivity, generate increased employment, promote large consumption of goods and services and encourage movement of enhanced volume of marketable surpluses in agriculture, horticulture and fisheries through regulated markets. Industry can help growth centres by providing joint agricultural services and inputs in adequate quantities at the right time and at the right price. Manufacturers of farm equipment and the distributors of HYV seeds, fertilisers, pesticides and diesel could cooperate in the establishment of agro-centres to meet the farmers' requirements from under one roof.

major difference

The difference between the growth centre concept and the adoption of villages by business houses is that, whereas the growth centre will give opportunity to small and medium businessmen in large numbers to participate in the development process all over the countryside including the remotest corners, adopted villages will be essentially implantations in limited numbers and may or may not be in tune with the surrounding rural scene.

Dr Swaminathan, Director General, Indian Council of Agricultural Research, however, envisaged a singular role for industrial houses in the development process in a big way. Advocating a consortium approach, he cited four instances in which business houses could help in rural regeneration. Businessmen, he said, could join hands with rural agencies in making use of the millions of hectares of black soil in Madhya Pradesh where hardly 8 to 10

per cent of land was irrigated. He also suggested that industry could take up plantation crops in the Himalayan north-eastern region. In the Indo-Gangatic plain, industrialists could help in the reclamation of alkaline and saline lands. Viewed in human terms the developmental process should help to improve the quality of the lowliest and the poorest among our peasantry. It should put a little more money in the hands of the landless and the smallest farmers and relieve the housewife of dredgery in our villages. In this connection Dr Swaminathan referred to Gobar gas. As such, at present, Gobar gas plants could be set up only by the more affluent of the farming community who own at least four or five head of cattle. This again left the poorest among the peasantry with one or two cattle or none at all devoid of this facility. He suggested that industrial houses could help in devising community Gobar gas plants which would enable the whole village to avail of the facility of lighting their hearths and homes as well as fertilising the smallest farm holdings.

unlimited opportunity

Agriculture is the prime industry in the country. So far hardly 10 to 15 per cent of our farming community has availed of the technological improvements by way of high yielding varieties of seeds, fertilisers, pesticides or improved farm implements and even this little has given commendable results through improvement in the economic condition of the areas where these innovations have been introduced. There is a vast area that awaits development and all the resources of the nation, human, material as well as managerial, require to be pooled to bring technological improvements in our farming.

Realising this the Assocham has selected 12 specific areas where industry can assist in improving the standard of living of those peasants who live below the poverty line. Included

in the programme are adoption of villages by industrial houses for intensive development, formation of consortia of companies to deal with specific problems in specific areas, helping formation of agro-centres and contribution to research and training programmes. As an earnest of its determination to pursue this goal, Assocham has set up a permanent watchdog committee to oversee the actual implementation of the programme and give directions to its constituents where needed.

According to studies made, the ratio

of capital needed to create employment in agriculture and allied activities to that in industry is 1:20. Considering this potential, there has been belated though welcome appreciation of the complementary role of industry and agriculture. If agriculture prospers, industry as a consequence will thrive. It is imperative that planners, industrial houses and banking institutions work in close cooperation to bring a scientific temper to our villages, help in their balanced development and assist in extending modern farming activity with required inputs into areas hitherto unattended.

Reserve Bank and sick units

THE RESERVE Bank of India has recently decided to set up a cell to detect sickness in industrial units and to take effective and timely measures to restore them to health. This initiative is commendable. But how far will the cell be able to achieve its objective? The Reserve Bank held a seminar in Bombay on April 28 in which the representatives of the State Bank, the union ministries of Finance and Industry, commercial banks, the Industrial Development Bank of India, the Industrial Reconstruction Corporation and the National Institute of Bank Management discussed the various aspects of the problem of industrial sickness. The RBI could have invited also the representatives of the governments of those states where, as in West Bengal, this problem persists in an acute form, to participate in the seminar.

Dr K.S. Krishnaswami, the Deputy Governor of the RBI, rightly stressed the importance of preventing sickness in industries. He said that this involved the locking up of banks' resources, wastage of capital assets, loss of production and unemployment. He urged the financial institutions to look at the problem not as one of safeguarding their interest but of contributing to the long-term viability of the units. He

observed that it was necessary to devise some method by which an early warning would be given to the financial institution about the potential sickness of a unit so that preventive action could be taken sufficiently in advance. He also suggested that a suitable strategy should be evolved to go into the multiplicity of causes for the sickness.

But it is not clear how exactly the Reserve Bank's cell will operate. For instance, will the cell give any suggestion to the ministry concerned to modify its policy suitably with a view to preventing sickness in a unit or in an industry as a whole? To take a specific case, hundreds of auto ancillaries especially in the eastern region are sick because of the lack of demand for cars. The automobile industry has been saying that, so long as the price of petrol remains at the present high level, the demand for cars will not pick up substantially. The jute industry has been pleading for a variety of incentives and concessions in order to improve its viability. A few mills are already closed and more may follow suit in the near future. In situations like these where major policy decisions are involved, how far can the Reserve Bank and the other financial

institutions contribute to the prevention of sickness? It is not enough if the Reserve Bank's cell warns the financial institution concerned about the impending sickness of a unit. It is also necessary to pass on this information to the government with appropriate recommendations.

management assistance

The seminar suggested that since, in the case of many sick units, the remedy lay in providing management assistance, it would be necessary to constitute a pool of professional managers and financial and technical experts to which the financing institutions could have access. But it is not going to be easy to set up and operate such a pool. There is a dearth of financial and technical experts and even the Industrial Reconstruction Corporation has been finding it difficult to get the right type of men. Unless such experts are provided with attractive salaries and perquisites it will not be possible to obtain and retain their services. Incidentally, it is worthwhile to enquire why the Industrial Reconstruction Corporation has not been able to make much headway in restoring the sick units to health. A perusal of the annual reports of the Corporation since its inception will reveal that its task has been made extremely difficult not only due to the paucity of competent technical and financial experts but also because of various factors such as the credit restrictions, the high rate of interest, the levy of excise duties at excessive levels causing a sharp decline in demand, and so on.

Dr Krishnaswami emphasised the importance of an integrated approach to deal with the problem of sick units. But the implications of such an approach have to be clearly analysed and understood. It is seldom that a unit or an industry falls sick suddenly. In West Bengal, for instance, many major industries have been sick for a long time. In the tea industry, sickness of a serious nature has been persisting for more than a decade but

neither the central government nor the state government took prompt action to deal with the problem. The government both at the central and the state levels should be more sympathetic to the difficulties of industries and provide timely relief. Industries and their organisations have also to play their part in averting sickness. Apart from ensuring honesty and efficiency in management, industrial associations should be specific while highlighting their problems and suggesting solutions. For instance, in the past few years, it has been pointed out that the non-availability of bank credit has been affecting industrial production. But no industry has been able to prove that its production has actually suffered due to the lack of credit.

The seminar stressed on the need for a comprehensive information system as suggested by the Tandon committee. But banks and the other financial

institutions should have adequate information not merely about their borrowers but also about the trends in industrial production and consumption. They should also be correctly informed about the economic situation in other countries since a recession abroad may affect our export-oriented industries and make them sick. But the official statistics regarding industrial production and exports continue to be issued very late and, in many cases, they are not comprehensive. For instance, reliable data about the performance of small scale industries are not available. The problem of sickness in industries therefore has to be tackled from several angles. Success in this field will depend largely on how effectively government and industry cooperate with each other, and the banks and other financial institutions pursue realistic policies in providing financial and technical assistance.

Changing face of rural Bihar

DR JAGAN Nath Mishra, the chief minister of Bihar, (who also holds the Finance portfolio), proposed in his budget speech to cover the deficit of Rs 14.67 crores in the state's budget for 1976-77 through additional taxation, details of which were being worked out. He added, however, that the net estimated deficit might go up to Rs 51.67 crores if the state government was allowed to take up during the year development projects involving an expenditure of Rs 37 crores beyond the approved state Plan. The state has not yet received the consent of the central government for these schemes. As most of the new schemes are likely to benefit the rural poor, there is ample justification for the stepping up of the Plan expenditure.

With nearly 90 per cent of the state's population living in the rural

areas and nearly 40 per cent among them being landless agricultural labourers, the human pressure on land in Bihar is severe. Under such conditions, some positive steps to improve the face of rural Bihar are indeed essential.

Unfortunately a large number of small rural development schemes taken up in nearly 590 blocks of the state are lying incomplete. These include such vital projects covering the construction of 4,500 irrigation wells and 2,500 drinking wells. The schemes could not be completed in recent years largely because of the paucity of funds. As a first step, therefore, the Plan for 1976-77 has made adequate provision for the completion of these on-going small schemes.

An interesting development for the

improvement of the rural Bihar has been a pilot research project in Tankaulia block of East Champaran district. Originally it was sponsored as a central project but has since been passed on to the state sector. The project envisaged the setting up of a research and investigation cell to evolve a methodology for the development of emerging growth centres by providing social and economic overheads in delineated areas in terms of a carefully prepared inventory of local needs. As a follow-up, survey and investigation work in the entire district of East Champaran has been completed and the incorporated development plan of the district will be ready by the end of the current financial year.

During 1976-77, work will be taken up in the district of West Champaran too, so that a development plan for Champaran as a whole might be formulated. In the tribal areas too, the work has been started in Bero block in Ranchi district. During the next financial year, the area of operation is to be extended to cover one of the sub-divisions of this district. The Ford Foundation has sanctioned a grant of 45,000 dollars for obtaining technical assistance from the Indian Institute of Technology, Kharagpur, for completing this exercise in the districts of East and West Champaran and Ranchi. Both the ministries of Agriculture and Finance have already given their approval in this regard.

important factor

An important factor in the improvement of rural life in Bihar is the provision of assured irrigation in vast areas which are dependent upon the monsoons. In fact large areas of the state are periodically visited by floods or droughts, thereby making major and medium irrigation projects, which also have an element of flood control in them, important for the region. Some of the on-going projects and schemes that are being executed during the current financial year include the

Kosi Barrage and the Eastern canal, Gandak project, Western Kosi, Rajpur canal, Sone High Level canal, Chandan reservoir project, North Koel project, Udarasthan irrigation scheme, Belharna reservoir scheme and Sunder reservoir scheme. High priority given to the implementation of on-going projects is justified as the benefit from these projects will start flowing soon. Accordingly, out of the overall proposed outlay of Rs 70 crores for the next year, as much as Rs 43.55 crores are being provided for the continuing schemes.

The state is hopeful that the Chandan reservoir project in the district of Bhagalpur and Santhal Parganas with an ultimate irrigation potential of 62,750 hectares will be completed in all respects during 1976-77. The physical benefits from all the major and medium irrigation projects by the end of 1976-77 will amount to an additional irrigation potential of 105,000 hectares. The level of utilisation of irrigation potential is likely to go up to 121,000 hectares, thereby raising the level of utilisation to 70 per cent by the end of 1976-77, against 65 per cent at the end of the fourth Plan period.

intensive cropping

The plateau region of Bihar, where nearly 95 per cent of the people are living in rural areas, is all the more dependent upon the vagaries of the weather. Most of the cultivated land of Chhotanagpur and Santhal Parganas is monocropped. In fact a sizeable area is cropped once in two years or once in three years, thereby reducing the intensity of cropping. Dry farming experiments conducted under a centrally-sponsored scheme at Chandwa block of Palamau district have shown that with proper soil and water management practices rabi pulses and oilseeds can be grown after kharif paddy and maize. This is likely to increase the intensity of cropping and thereby the total foodgrains production. These practices are proposed to be applied in neighbouring blocks to

increase total foodgrain production during 1976-77. If these experiments succeed over a large area, the backward plateau region will receive the much deserved relief. The plateau region as well as parts of south Bihar, which are chronically drought-prone areas, are also being exposed to another experiment, namely drought prone area programme. It includes the demonstration and introduction of drought resistant crops in the area. As much as 50 per cent of the total cost is to be borne by the central government.

contingency plan

The state has prepared another contingency plan for flood and drought affected areas. It was observed that mostly the floods were delayed and the cultivators were left with no time to grow seedlings after the water receded. The state has proposed to grow paddy seedlings on government farms in flood free areas. These seedlings are to be supplied to farmers in the flood affected areas. Similarly in the drought-prone areas, seedlings of marua and other millets will be grown on government farm and will be supplied to the farmers. These measures will further help the farmers in adopting the crop rehabilitation programme in the affected areas and in providing considerable self-reliance among the rural population.

What is likely to be the net result of these varied programmes taken up by the state in improving the lot of the rural poor in Bihar? The answer to this question should be available after these schemes have gone on for a year or two. All these schemes appear fairly sound in their conception and the state seems to be fairly serious in their execution. It is essential, therefore, that the state administration should make available a separate assessment of the cumulative positive gains of these schemes for the benefit of those who have been watching the progress of these efforts with keen interest.

POINT OF VIEW

The budget and the export drive

Dr. R.S. Nigam and Sri Ram Khanna

Dr. R. S. Nigam is Professor and Head of the Department of Commerce, University of Delhi and Sri Ram Khanna is Research Scholar, Department of Commerce, University of Delhi. They believe that a comfortable foreign exchange position has come to India's rescue temporarily and medium-run outlook of our balance of payments continues to be uncertain.

THE CENTRAL government budget is an important instrument of economic policy which is usually designed to take care of the changing economic and social interests of the society. The 1976-77 budget has been framed with this basic objective in view and appears to be an excellent exercise in promoting the twin objectives of growth with social justice. In the process of promoting growth one should not forget that a developing country such as ours has been facing tremendous foreign exchange deficit for the last so many years which has recently been accelerated on account of phenomenal increase in import bill of oil and petroleum products.

evaluating the impact

As such it is natural for the budget makers to emphasise the role which fiscal and economic policies can play in earning more and more foreign exchange for financing the mounting import bill. This article examines the budget proposals of 1976-77 and attempts to evaluate their impact on India's export drive.

India's foreign trade deficit of Rs 1164 crores during 1974-75 widened to Rs 1235.62 crores for the ten months ended January, 1976. A comfortable foreign exchange reserves position has come to India's rescue temporarily but by all standards the medium-run

outlook for our balance of payments continues to be uncertain.

self-reliance

As opposed to the proclaimed national goal of 'economic self-reliance' our country seems to have accepted the continued dependence on foreign assistance as a measure of meeting the foreign payments deficits. Today, India is burdened with a gross external debt of Rs 12015.96 crores on which every year capital and interest payment of these loans must be made. External assistance received during the year 1974-75 was Rs 1055.54 crores as against the current year's figures of Rs 1023.93 crores. For the budget year 1976-77 it is estimated to be at Rs 1206.14 crores. We had to pay in foreign exchange amounts of Rs 341.64 crores and Rs 185.67 crores as capital repayment and loan interest respectively during the year 1975-76 (revised budget estimates). These figures in the 1976-77 budget proposals stand at Rs 391.29 crores and Rs 195.56 crores respectively.

The growth oriented budget proposals for 1976-77 involving an impressive outlay of Rs 7,852 crores are expected to increase considerably the internal demand for maintenance and developmental imports during the coming year. This increase in imports is borne out by the expected increase in state revenue from custom duties

to the extent of Rs 113 crores during 1976-77. With successively larger Plan outlays expected for future years in a growing and import hungry economy as ours, developmental and maintenance imports are bound to increase progressively. With all these one can expect a wider trade gap in coming years, if nothing substantial is done to arrest this trend by taking up crash programmes of export promotion.

Consistent with our national goal of 'self-reliance', the only magic that appears feasible is a progressive increase in India's export efforts to push the export figures from an estimated Rs 3,800 crores in 1975-76 to a progressive real growth of over 10 per cent per annum. A real growth rate of 10 per cent can be interpreted to mean a growth rate of over 18 per cent per annum in terms of value, keeping into account exchange fluctuation losses.

trade's expectations

Many exporters' organisations and chambers of commerce had expected that the government would recognise this need for a major export boost and announce concessions in the form of fiscal incentive to exporters and finance efforts at easier entry into foreign markets. In his budget speech the Finance minister, while recognising that an eight per cent real increase in exports was necessary, announced certain measures which would assist exporters. However, none of his budget proposals contained fiscal incentives specifically designed to boost exports. His statement regarding the revision of cash assistance for exporters and the new liberal procedure for payment of

duty drawbacks has been widely welcomed. It is pertinent to point out here that the absence of specific fiscal incentives for export-oriented sectors has also dampened the pre-budget enthusiasm of expectant exporters.

For developing industrial capacity and increasing production, major export oriented industries such as cotton textiles, jute and sugar (which have not devoted enough resources for expansion, modernisation and renovation in the past years) are being provided sufficient finance to carry out their long needed rehabilitation and modernisation programmes. The budget proposals provide Rs 12.2 crores to the Industrial Development Bank of India (IDBI) for financing requirements of these industries in collaboration with other term lending institutions.

investment allowance

The new scheme of investment allowances which replaces the present scheme of initial depreciation allowance has been consciously extended to eight priority and export oriented industries. These industries include inorganic heavy chemicals, organic heavy chemicals, synthetic rubber and rubber chemicals, industrial sewing machines and finished leather and leather goods including footwear. Under this new scheme of investment allowance in the corporate sector an allowance of 25 per cent on the cost of new machinery installed after March 31, 1976 will be granted. However, if the reserves from this allowance are not utilised within ten years they will become liable to taxation. The extension of this scheme to the export oriented industries will help to increase the competitive strength of these industries in the international markets.

Two concessions which have an indirect effect on exports through incentives for increased foreign exchange inflow have also been introduced. First, non-resident Indians making investment in the equity of

certain priority and export oriented industries will be exempt from wealth tax. Second, Indians returning from abroad will be exempt from wealth tax for seven years in respect of their savings repatriated to India. The second concession is expected to have only a marginal indirect effect on exports, but it is designed to increase inflow of foreign exchange.

Some concessions (whose details are not yet available) in respect of enhancing the international competitive strength of Indian tea are also proposed as a tea export promotion measure. The recent abolition of export duty on carpet-backing, hessian and sacking which involved a loss of Rs 20.65 crores in export duties to the state exchequer reflects the government's anxiety to enhance Indian exports of these commodities by making them more competitive. The government recognised this necessity in time as exports of jute goods had declined sharply due to a slump in the US market and tough competition from Bangladesh.

duty on groundnuts

The imposition of export duty on groundnuts and the increase in export duty on coffee will increase total export duty realisations from Rs 69.15 crores in the current year (1975-76) to Rs 84.60 crores in the coming year 1976-77. It is believed that these duties will not affect the exports of groundnut and coffee adversely.

Excise duty concessions on a number of items including synthetic plastics, consumer durables such as TVs, refrigerators and water coolers etc will have a favourable impact on effective demand for these items in the internal market. However, these concessions are expected to have no visible impact on exports of these items as current rules allow for duty drawbacks on exported items.

The expenditure outlay to increase our export efforts this year looks

impressive at the order of Rs 190.5 crores as against Rs 171.77 crores in 1975-76. This expenditure, proposed to be incurred under the ministry of Commerce in major part, also includes Rs 10,000 and Rs 40,000 to be spent by the Department of Food and the union territory of Delhi respectively towards export promotion. Another Rs 1.5 lakhs is proposed to be spent by the ministry of Industries and Civil Supplies towards export promotion. A capital outlay of Rs 63.84 lakhs is also proposed in respect of foreign trade and export production.

The Market Development Fund (MDF) which was allocated Rs 87.28 crores in 1975-76 for export promotion on activities such as product promotion, commodity development, export credit development, export development organisation, and market development abroad, and which was being administered by a committee in the ministry of Commerce has been discontinued this year. However, direct marketing promotion expenditure is proposed to be incurred on schemes of Compensatory Support for non-traditional items. Under these schemes, banks and other financial institutions are to be given a subsidy for concessional export credit interest rates. A comparative view of export promotion allocation can be had from the figures in the table on page 1062.

recurring grants

These expenditures also include recurring grants given by the ministry of Commerce to organisations such as export promotion councils, Indian Institute of Foreign Trade, Trade Development Authority, Federation of Indian Export Organisations, Indian Council for Trade Fairs and Exhibitions and Indian Institute of Packaging.

The State Trading Corporation of India (STC) and the Minerals and Metals Trading Corporation of India (MMTC) which were allocated Rs 2 crores and Rs 6 crores respec-

tively in 1975-76 are not allocated any money for 1976-77. The Cotton Corporation of India which purchases, sells, distributes and also imports cotton is allocated Rs one crore, while the Jute Corporation of India and the Tea Trading Corporation of India (TTCI) are allocated Rs one crore and Rs 51 lakhs respectively for 1976-77. Out of Rs 51 lakhs proposed for TTCI, Rs 26 lakhs are proposed for the acquisition of the Pathini Tea Estate. Both the Jute Corporation of India and the TTCI undertake important work for increasing exports of jute and tea respectively.

An outlay of Rs 7.73 crores as against Rs 7.36 crores in 1975-76 is envisaged for the development of plantation industry based on export items such as tea, coffee, rubber, cardamom and tobacco. Rs 353 crores as against Rs 260.02 crores in 1975-76 are proposed for technical credits to ensure a steady flow of Indian exports to the USSR, Egypt, Sudan and east European countries. Our trade and payment agreements with these countries provide for financing through rupee accounts with the Reserve Bank of India with the help of technical credits.

promotional expenditures

Other expenditures proposed in the budget designed to assist the Indian export efforts include Rs 16.5 crores for overseas communication service, Rs 9 lakhs for a testing and quality control cell for foreign trade electronics items, and Rs 10 lakhs to set up a Leather Corporation of India. The Shipping Development Fund will get a loan of Rs 70 crores to finance the shipping industry for acquiring new ships.

Many of the steps outlined in the union budget for 1976-77 as mentioned above are expected to serve as a positive incentive for our export trade and build up export capabilities. However, direct fiscal incentives to make investment more profit-

able in export-oriented industries are conspicuous by their absence. It is suggested that profits attributable to exports should be taxed at concessional rates both in the corporate and the non-corporate sector.

Another important suggestion which can be made here is for setting up a 'freight equalisation fund' to neutralise the freight disadvantage suffered by Indian exporters which can provide valuable help to our export competitiveness. In the context of easier and ready export finance, the need for an 'Indian Export Bank' has been voiced at many forums.

It is high time the government did something about this valuable suggestion.

The above assessment and analysis of the 1976-77 budget measures clearly shows the awareness of the government that the problem of export promotion is very important. In fact the export sector has been allotted priority both in planned and non-planned expenditure. Proposals have not come up to the expectations of the exporters as they lack sufficient direct incentives for export marketing. It is high time that the areas which require immediate attention in export marketing be identified and suitable fiscal and other measures be evolved to help Indian

Export Promotion Allocations for the year 1975-76 and 1976-77 (Proposed)

(in lakhs of Rs)

S. No.	Items	Revised budget estimate 1975-76	Proposed for 1976-77
1.	Foreign Trade Control	246.34	238.26
2.	Trade Commissioners Abroad	173.66	174.48
3.	Trade Information & Statistics	63.64	61.34
4.	Trade Demonstration & Publicity	169.35	176.04
5.	Export Inspection Council	21.45	22.16
6.	Directorate of Export Promotion	31.14	28.74
7.	Product Promotion	9,378.00	11,622.00
8.	Commodity Development	128.00	412.00
9.	Export Credit Development	1,006.00	1,000.00
10.	Export Development Organisations	3,682.00	4,666.00
11.	Market Development	1,709.00	150.00
12.	Marine Food Export Development Authority	43.02	79.30
13.	Contributions for International Cooperation	16.00	13.26
14.	Other Expenditure	510.48	406.04
TOTAL		17,177.08	19,049.62
Capital outlay items			
1.	Kandla Port Free Trade Zone	14.08	24.18
2.	Electronics Export Processing Zone	29.73	39.66
TOTAL		43.81	63.84

Source: Demands for Grants, Ministry of Commerce 1976-77

exporters to market their products competitively.

Direct assistance from the Marketing Development Fund which was so far received by the various

organisations of exporters should be continued on rational basis even after its proposed abolition. The types of financial and other incentives differ from commodity to commodity and

market to market. It is high time that the ministry of Commerce and other concerned offices had this realisation while deciding the policies and programmes of assisting Indian exporters.

Ceiling on lending interest rates **Dr C. D. Maheshwari**

The regulatory ceiling limits will go a long way in disciplining banks to promote efficiency and cost consciousness

THE PRESENT situation in our country demands an entirely new concept of banking operations to achieve the twin objectives of reorienting the credit facilities for socio-economic transformation together with giving a new dynamism to the national economy and to establish a judicious balance between resource-mobilisation and bank profitability. How far the recent announcement by the Reserve Bank of India (RBI) fixing a 16.5 per cent ceiling on the lending rates of scheduled commercial banks will improve their operational efficiency and sharpen their sense of priorities is proposed to be dealt with in this article.

levy on banks

The RIB has fixed, effective from March 15, 1976, a ceiling of 16.5 per cent on the lending interest rate chargeable by larger Indian and all foreign banks. The ceiling is inclusive of the seven per cent levy imposed in July 1974 by the government on banks' interest income from advances. This tax on banks' interest income from advances works out to about one per cent of advances. So, the tax reduces the ceiling to approximately 15.5 per cent. The interest rate ceiling will cover advances against commodities subject to selective credit controls.

However, this measure introduces a three tier system of ceiling rates. The 16.5 per cent ceiling does not apply to banks with deposits less than Rs 25 crores. Banks with total deposits between

Rs 25 crores and Rs 50 crores have been allowed to charge up to 17.5 per cent, i.e., a maximum of one percentage point higher than the ceiling rate. And for the third type of banks with deposits over Rs 50 crores, the lending interest ceiling rate is 16.5 per cent.

Bank Rate

The other rates of interest, however, continue to be the same as heretofore. The Bank Rate will continue to be nine per cent. No change has been made in the deposit interest rates nor has RBI altered the minimum lending rate of 12.5 per cent prescribed for advances other than categories specifically exempted. Further, the rediscounting and refinancing assistance of the RBI will continue to be discretionary so far as the amount, period of assistance and the rate of interest are concerned. The penal rates of interest on irregular accounts have also been kept out of the purview of the regulatory ceiling limits so as to provide the banks with little scope for flexibility. But the banks at the same time have been warned not to look upon the penal rates of interest as a source of revenue. Disciplining the borrower should in fact be the only criterion behind the penal rates.

In the context of the regulation of the interest rate structure, it may be pointed out that there is always the possibility of the banks enhancing their lending rates if the same are lower than the ceiling rates or reducing the deposit interest rates. To guard

against such an eventuality, the commercial banks have been further directed to ensure that there is no upward or downward readjustment of interest rates. The RBI does not want the average rate of interest within the framework of the ceiling to rise. However, within the ceiling of interest rates prescribed, the banks may realign their existing interest rates in such a manner that 'differential between demand cash credit, loan component and the term loan representing the excess borrowing to be amortised is maintained'.

The manner of calculating interest rates has also been changed a little. Many banks calculate interest on monthly basis which in fact enhances the total cost of credit. The RBI has therefore directed the banks to adopt a quarter as the unit, with a view to ensuring uniformity in practices.

rethinking on structure

With the containment of inflation and the acceleration in the growth rate of the economy to a prospective annual rate of six per cent, there emerged a re-thinking on the entire interest rate structure. Moreover, the increase in lending rates by banks after the Bank Rate hike (July 1974) had been rather high and arbitrary, with the result that smaller borrowers were the worst hit. The banks were charging as high as 17 to 18 per cent per annum and in some cases the penal rates went up to as high as 25 per cent, although the Bank Rate was nine per cent per annum and the minimum lending rate prescribed by the RBI was 12.5 per cent. The RBI's further complaint

against the banks was that there was a greater spread between the interest rates paid on deposits and those charged from customers. The entire difference between interest earned and interest paid was being dissipated on administration and establishment charges and not much was left for profits, reserves or transfer to government exchequer.

exchange commissions

The irony of the situation in fact was that 'exchange commissions' and 'service charges' were the only two items that contributed to the bank profits. So without an interest ceiling the banks were boosting their income and covering up their deficient cost control. It was in this context and more particularly with a view to bringing about a more 'appropriate relationship' between the Bank Rate and the maximum lending rates, the RBI had to announce a ceiling of 16.5 per cent per annum on bank lending.

The present ceiling on bank lending rate does not prescribe a uniform rate for all advances and for all banks. Not only the advances under the selective credit control but banks with deposits less than Rs 25 crores have also been kept outside the purview of the regulatory ceiling limits. Such banks have been left free to charge any interest rates and the small borrowers, if they borrow from these banks, would not be protected from the rigours of high interest rates.

As only about 15 per cent of the total bank credit is presently lent at over 16 per cent and bulk of the bank credit bears interest at 16 per cent and below, the present interest rate ceiling above the 16 per cent level has no meaning as benefit accruing to the prospective borrower would only be marginal. The impact of the ceiling on the lending rates in the case of the State Bank of India will probably be the least since its base

rate is the lowest among the banks. The State Bank of India is charging even lower rates than the prescribed ceiling.

However, to make the country's banking system more dynamic and less expensive, it is quite necessary for the banks which had hitherto been used to a larger spread, not to feel uneasy over the prospect of being asked to operate on the basis of the narrow 'spread'. All over the world, even with a spread of two to three per cent, the banks have been normally operating efficiently and even making some profits. The new regulatory ceiling limits would therefore go a long way in disciplining the banks in order to promote efficiency and make them cost-conscious. The banks shall have to economise on the amounts they spend on establishment and build up a surplus for helping the priority sector.

critical role

The banking industry today has to play a critical developmental role which has been necessitated by the prime minister's 20-point programme. The new role of an enlightened banker envisages creation of a demand for the new banking services from neglected sectors. This calls for banks to function as instruments of social policy for achieving social change of truly gigantic proportions. The 20-point programme with its anti-feudal and pro-peasant overtones has provided a wide field where the banks can adequately deploy their funds in rural and semi-urban areas.

Augmenting advances to priority sectors and maintaining the profitability at a high level by the banking sector is the greatest need of the hour. Priority sector lending and the banks' profitability are in fact negatively correlated since lending to priority sectors is certainly less profitable as compared to traditional advances. Moreover, even within the priority sectors them-

selves, there are certain specified activities such as cultivation, plantation, dairy, poultry, fishery, horticulture, small and cottage industries, retailing and exports etc. which can never be treated on an equal footing. A differential interest rate structure has got to be devised for various borrowers even within the priority sectors.

saving required

However, the loss incurred on priority sector lending has got to be made good by effecting considerable saving in expenses through a cut in bonus payments, curtailment of dearness allowance and cut in overtime payments. It is only then that the present regulatory ceiling will not reduce the banks' manoeuvrability in charging differential lending rates as between priority and non-priority borrowers. The banks' prejudicial approach to non-priority industrial borrowers is unwarranted and over-discrimination against them is certainly detrimental to industrial growth. This distortion has got to be corrected so that a change in attitude on the part of the banks is brought about.

The RBI has already constituted a working group to examine the operational efficiency and profitability of banks. The working group will suggest practical and realistic criteria for the evaluation of the performance of individual banks with reference to the fulfilment of socio-economic objectives of nationwide importance. The RBI panel will also advise on the nature of cost studies to be undertaken by the individual banks for effecting control, rationalisation of service charges and introducing suitable methods for profitability analysis of branches. It is hoped that the working group will come forward with suggestions to change the credit policy from an era of high interest rates to one of a realistic interest rate structure.

A taluk in transition

N. Desinga Rao

The author's findings are that unemployment is increasing alongside increase in literacy in rural regions. There is an urgent need for intensive rural industrialisation in Anakapalle taluk in Andhra Pradesh

A STUDY of Anakapalle taluk in Visakhapatnam district of Andhra Pradesh was undertaken in respect of certain demographic characteristics with special emphasis on workers engaged in various non-farm activities. This is an extension of a similar study presented by the author* in the light of the 1971 data. The major conclusions derived in the previous study were; (a) Electricity is a good substitute for both size and growth centre; (b) Electrified villages, though small in size and far away from the growth centre, fared better compared to their counterparts in the non-electrified group in terms of literacy and workers in non-farm activities; (c) The impact of electricity is observed to be more in trade and commerce, and manufacturing.

main objectives

The main objectives of this study are :

- (1) to verify the validity of the findings of the previous study in the light of the 1971 data; and
- (2) to examine the change in the variables over the decade.

The first part of this study is devoted to an analysis of the selected characteristics based on 1971 data. And in the second part, growth rates over a decade are computed for selected variables. In this context the formula used is the most elementary one, viz,

$$\frac{(\text{value in 1971} - \text{value in 1961}) \times 100}{\text{value in 1961}}$$

All the data are taken from the district census hand books, Visakha-

*"The impact of Electricity on Rural Industries" by N. Desinga Rao, *Eastern Economist* [Vol. 65, No. 15], dated October 10, 1975, Pp 681-687.

patnam, published by the government of Andhra Pradesh for various years.

Rural and Urban Differences: It is observed from Table I that the rural society dominates over the urban society in respect of area, population and working force (97.1% ; 79.4% and 84.6% respectively). But the urban society which constitutes only 20.6 per cent of the total population, has contributed 42.2 per cent of the total educated in the taluk. Similarly, the urban region dominates over the rural region in respect of percentage of workers engaged in trade and commerce (68.1%); non-household industry [manufacturing other than household industry] (53.9%) and other services (40.8%).

From Table II, it appears that the Similar differences are also ob-

TABLE I
Rural and Urban Differences

Items	Total	Percentage of which under	
		Rural	Urban
1. General Information :			
(a) Geographical area (in sq. miles)	787	97.1	2.9
(b) No. of houses	54,918	82.3	17.7
(c) No. of households	60,823	79.4	20.6
(d) Population	278,593	79.4	20.6
(e) Educated	59,067	57.8	42.2
(f) Workers	110,612	84.6	15.4
2. Workers in Selected Non-farm Activities :			
(a) Household industry	3,937	85.9	14.1
(b) Non-household industry	3,544	46.1	53.9
(c) Trade and commerce	7,100	31.9	68.1
(d) Transport and communications	2,769	74.5	25.5
(e) Other services	8,481	59.2	40.8

served between the villages nearer to the growth centre and the villages away from the growth centre. The former has a high ratio of educated population and a low ratio of workers to total population as compared with the latter category. And according to the per village data, there is a high density of habitation in the electrified villages and villages around

the growth centre as compared with the rest of the villages.

Comparison of Non-farm Activities by Group: In terms of ratios of workers engaged in selected non-farm activities to total workers, it is observed from Table IV, that the big villages, the electrified villages and the villages nearer the growth centre, have higher percentages over their counterparts. In

general, the big villages show much higher values. Thus it appears that size, electricity, and the growth centres have their respective spheres of influence over the magnitudes of workers engaged in non-farm activities.

Influence of Electricity Isolated: From Table V, it is observed that there is a difference in respect of the percentage of workers engaged in non-

farm activities, between the electrified groups and the non-electrified groups. The non-electrified groups have much lower values through out. And in general, the electrified big villages group within the growth centre sphere has the highest values for all observations made.

It is further observed that the electrified villages away from the growth centre, especially in the small villages category, have higher ratios of workers in non-farm activities (21.8%) as compared to the non-electrified big villages (8.4%) and the villages nearer the growth centre (9.2%).

The impact of electricity is seen even in the case of small villages in general and the small villages away from the growth centre in particular. This impact is more evident in the case of the manufacturing industry both at the

household level and at the factory level.

The apparent influence of such factors as the size and the distance from the growth centre on non-farm activities is disproved by the fact that the non-electrified villages, though big in size and nearer the growth centre, have fared very much worse than their counterparts in the electrified group. And comparing in between the non-electrified category it is found that the small villages and the villages away from the growth centre fared no worse than the big villages and the villages nearer the growth centres.

Growth Rates Over a Decade (1961-100) by Group: It is observed from Table VI that growth rates in population and literacy are very high in the urban region as compared to the rural region (23.43%; 43.87% and

11.70% and 33.63% respectively). There is also a marked difference in the growth rates of the number of households and the number of houses between the rural and urban regions. The urban region reveals a high paucity of housing facilities. There is a great reduction in working force in the rural area (16.80%) as compared to the urban area (0.75%) and there is simultaneous increase in the non-working force.

There is a reduction of farm workers in both the regions. And reduction in non-farm workers is much higher in the rural areas (31.70%). The workers in the household industry are reduced to more than 50 per cent in both the regions. But the workers in non-household industry have gone up at a higher rate (39.82%) in the urban area as compared to the rural area (12.30%). The rural regions suffered a set-back as far as the

TABLE II
Inter-Regional Disparities

Region	Educated as percentage to population	Workers as percentage to population	Percentage of worker engaged in					
			Household industry	Non-household industry*	Trade and commerce	Transport and communications	Other services	Total non-farm activities
Rural	15.4	42.3	3.6	1.7	2.4	2.2	5.4	15.7
Urban	43.6	29.8	3.3	11.2	28.3	10.0	20.3	75.6
Taluk	21.2	39.7	3.6	3.2	6.4	2.5	7.7	24.9

*Refers to 'manufacturing' other than household industry.

TABLE III
Comparison of General Characteristics—by Group

Name of the group	Percentage share of each group in				Educated as % to population	Workers as % to population	Per village data with respect to					
	Geo-graphical area	Population	Educated	Workers			Area (in sq. miles)	No. of houses	No. of households	Population	Educated	Workers
Electrified villages (46)	14.6	51.6	65.5	48.2	19.5	39.5	2.4	499	541	2485	486	980
Non-electrified villages (101)	85.4	48.4	34.5	51.8	11.0	45.2	6.5	220	232	1060	117	480
Big villages (5)*	3.9	18.2	21.1	16.7	22.0	38.6	6.0	1659	1811	8094	1781	3124
Small villages (142)	96.1	81.1	78.1	83.3	13.9	43.1	5.2	260	277	1280	178	550
Villages nearer to the growth centre (43)†	12.7	39.4	48.1	38.1	18.8	40.9	2.3	416	450	2029	382	830
Villages away from the growth centres (104)	87.3	60.6	51.9	61.9	13.2	43.1	6.4	263	278	1289	170	556
All villages (147)	100.0	100.0	100.0	100.0	15.4	42.3	5.2	307	329	1506	232	636

* Villages with more than 1000 households. † Villages around five miles to the growth centre (Anakapalle town).
Note: Figures in parenthesis refer to the number of villages in each group.

TABLE IV
Comparison of Non-Farm Activities—by Group

Name of the group	Total workers	Of which percentage workers engaged in					Per village total workers	Per village workers in				
		Selected non-farm activities	Household industry	Non-household industry	Trade and commerce	Transport and communications		Selected non-farm activities	Household industry	Non-household industry	Trade and commerce	Transport and communications
Electrified villages	45,084	20.9	4.6	2.9	3.5	3.0	6.9	980	205	46	28	34
Non-electrified villages	48,455	10.2	2.6	0.7	1.5	1.5	3.9	480	49	13	3	7
Big villages	15,622	25.4	3.5	5.3	5.6	3.0	8.0	3124	793	110	165	175
Small villages	77,917	13.3	3.6	1.0	1.8	2.1	4.8	550	73	20	6	10
Villages nearer to the growth centre	35,676	18.3	3.4	3.4	3.2	2.0	6.4	830	152	28	28	26
Villages away from the growth centre	57,863	13.5	3.8	0.8	2.0	2.0	4.7	556	75	21	4	11
All villages	93,539	15.4	3.6	1.7	2.4	2.2	5.4	636	98	23	11	15

working force in the trade and commercial activities is concerned (—18.10%). But the number of workers engaged in transport and communication activities has gone up by about 3½ times more

in the rural region. There is a great reduction in the number of workers in the services sector in both the areas.

From the same table one might further observe that growth of popula-

tion is high (33.07%) in the case of the villages electrified by 1971 whereas the educated ratio is high (40.91%) in the case of the villages electrified by 1961. There is a

TABLE V
Non-Farm Activities by Group

Name of the group	Total workers	Electrified villages						Total workers	Non-electrified villages					
		Of which % engaged in							Of which % engaged in					
		Selected non-farm activities	Household industry	Non-household industry	Trade and commerce	Transport and communications	Other services		Selected non-farm activities	Household industry	Non-household industry	Trade and commerce	Transport and communications	Other services
All villages	45084	20.9	4.6	2.9	3.5	3.0	6.9	48455	10.2	2.6	0.7	1.5	1.5	3.9
Big villages	13381	28.2	4.1	6.1	5.5	3.4	9.1	2241	8.4	0.1	0.1	6.5	0.2	1.5
Small villages	31703	17.8	4.9	1.4	2.6	2.8	6.0	462104	1.0	0.3	*	0.1	0.2	0.4
Villages nearer the growth centre:	27196	21.2	3.8	4.2	3.9	1.9	7.4	8480	9.2	1.9	0.5	0.9	2.6	3.3
(a) Big villages	10667	32.1	4.4	7.3	6.6	3.9	10.9	All villages in this group are electrified						
(b) Small villages	16529	14.1	3.4	2.2	2.1	0.6	6.4	8480	9.2	1.9	0.5	0.9	2.6	3.3
Villages away from the growth centre:	17888	20.4	6.0	0.8	2.8	4.6	6.1	39975	10.4	2.8	0.8	1.6	1.3	4.1
(a) Big villages	1714	14.5	4.6	2.4	1.7	2.5	3.3	2241	8.4	0.1	0.1	6.5	0.2	1.5
(b) Small villages	15174	21.8	6.6	0.6	3.2	5.2	6.9	37734	10.6	3.0	0.8	1.3	1.3	4.2

*Insignificant.

TABLE VI
Percentage Change Over the Decade (1961=100)—by Group

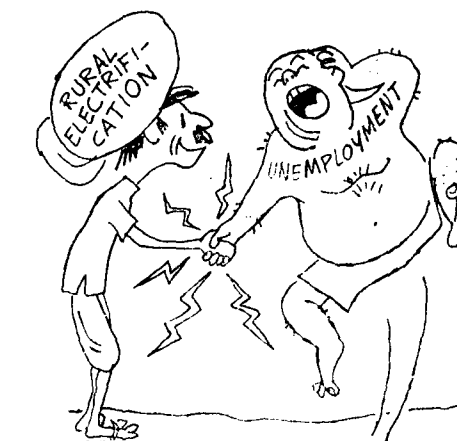
Category	Popu-lation	Educa-ted	Work-ers	Non-workers	Farm workers	Non-farm workers	Workers engaged in				
							Household industry	Non-household industry	Trade and commerce	Transport & communications	Other services
							try	try	merce	muni-cations	es
Taluk total	13.95	37.73	-14.49	45.91	-13.26	-18.00	-53.41	25.63	13.08	108.82	-40.15
Urban area	23.43	43.87	0.75	36.45	-12.79	6.10	-51.31	39.82	37.61	94.29	-30.83
Rural area	11.70	33.60	-16.80	49.17	-13.30	-31.70	-53.70	12.30	-18.10	359.90	-45.30
Electrified villages by 1961	15.26	40.91	-16.83	48.04	-11.86	-25.34	-46.74	47.02	9.73	243.69	-48.31
Electrified villages by 1971	33.07	28.71	-15.88	123.11	-18.50	-4.35	-57.24	25.44	13.09	311.61	-54.11
Non-electrified villages	1.15	29.08	-16.38	22.76	-12.05	-41.63	-55.96	-16.14	-46.79	717.05	-44.15

uniform reduction in the working force in all categories. And against this there is a general increase in the non-working force and it is the highest (123.11%) in the villages electrified by 1971. The reduction in the non-farm workers is the highest in the non-electrified group (41.63%). There are severe reductions in all sectors in the non-electrified group in respect of workers engaged in the selected non-farm activities (transport and communications sector is the only exception). The number of workers in the non-household industry has almost doubled in the villages electrified by 1961 and increased by one-fourth in the villages electrified by 1971 as against a reduction of 16.14 per cent in the non-electrified group.

Growth Rates Over a Decade by Size: From Table VII it is derived that the increase in population is the highest (57.28%) in the small villages which were electrified by 1961. Rate of increase in literacy is the highest (43.71%) in the big villages that were electrified by 1971. There is a reduction in the working force in all the categories, but this reduction is the smallest (3.53%) in the big villages that were electrified by 1961 and the

highest 23.56 per cent in the big villages that were electrified by 1971. Increase in non-working force is lower in the non-electrified group in general and the lowest (19.36%) in the small and non-electrified villages in particular.

Similarly, reductions in the farm workers are lower in the non-electrified group in general and the lowest (5.92%) in the small and non-electri-



fied villages in particular. In respect of non-farm workers there are small reductions, if at all, in the electrified villages as compared with the large reductions in the non-electrified villages. There is a reduction of working force in the household industrial sector

in all groups. As far as non-household industry is concerned, one finds that the non-electrified villages, particularly large sized ones have greater reductions (about 57%). Against this, the big villages electrified by 1961 have the highest increase (58.53%). Similarly, in respect of employment in trade and commercial sector, the non-electrified villages in general and the big villages in this group in particular have higher reductions. There is a multi-fold increase in respect of employment in transport and communications sector, in all groups and the increase is the highest (more than seven times) in the small but non-electrified villages.

Growth Rates Over a Decade—by Distance to the Growth Centre : From Table VIII, it is found that the growth rates of population, literacy, and working force are the highest in the villages away from the growth centre, that are electrified by 1971. Increase in the non-working force is the highest (65%) in the villages away from the growth centre that were electrified by 1961. Reduction in the farm workers is very high (41.41%) in the non-electrified villages that are nearer to the growth centre compared to only 0.88

TABLE VII
Percentage Change over the Decade by Size

Category	Popu-lation	Edu-cated	Work-ers	Non-workers	Farm workers	Non-farm workers	Workers engaged in				
							Household industry	Non-household industry	Trade and commerce	Transport and communications	Other services
Big Villages											
Electrified by 1961	-18.65	41.16	-3.53	-31.59	14.80	-28.73	-57.26	58.53	-2.64	224.22	-51.65
Electrified by 1971	12.17	43.71	-23.56	54.29	-23.55	23.79	-53.97	18.08	-2.31	205.88	-27.38
Non-electrified	9.13	32.97	-20.53	49.26	-8.56	-67.30	-84.62	-57.14	-70.45	400.00	-37.73
Small Villages											
Electrified by 1961	57.28	40.49	-21.67	163.85	-22.16	-19.05	-35.28	3.40	-29.80	275.64	-41.53
Electrified by 1971	28.89	9.00	-19.58	132.64	-22.02	3.01	-61.20	25.62	6.85	321.49	-65.44
Non-electrified	-0.06	29.22	-16.17	19.36	-5.92	-77.45	-60.06	-19.05	-34.39	705.56	-45.36

per cent reduction in the electrified villages away from the growth centre. When every group experienced a reduction in the non-farm working force, the villages away from the growth centre that were electrified by 1971 have enjoyed about 87 per cent increase. Household industry suffered in all groups but suffered severely in the non-electrified groups in general and the non-electrified villages nearer the growth centre in particular (74.92%)

Non-household industry received more attention in the villages away from the growth centre that were electrified by 1971 and the villages nearer the growth centre that were electrified by 1961. Trade and commercial activities increased in the electrified villages in general and the villages away from the growth centre that were electrified by 1971, in particular. There were severe reductions in the non-electrified groups in general and the non-electrified villages nearer the growth centre in particular in respect of the employment in trade and commercial sectors. There is a multi-fold increase in the transport and communications sector, and this is about nine times in the non-electrified villages that are nearer the growth centre.

Findings : Population and literacy have grown at higher rates in the urban society as compared to the rural society. Similarly, the urban region has higher growth rates in non-household industry and trade and commercial sectors. And excluding the transport and communications sector, the non-electrified villages have negative growth rates in the selected non-farm activities. The influence of size is observed only in the presence of electricity. It is the highest in the case of the big villages electrified by 1961. The non-electrified villages irrespective of size have negative growth rates in all non-farm activities excluding the transport and communications sector. Similarly, the influence of the growth centre is observed only in the presence of electricity. The non-electrified villages though nearer the growth centre, have negative growth rates in industrial activities both at the household and the factory levels. It can thus be concluded that :

- (1) The findings of the previous study are proved to hold good even in the light of the 1971 data;
- (2) Non-working force has outgrown the population; and
- (3) Employment rate has fallen, in

general, and at a higher rate in the non-farm activities in particular.

In this context reduction in the employment in the household industry is the highest followed by the services sector. And employment has increased at a tremendous rate in the transport and communications sector, specifically in the non-electrified villages. Employment in the non-household manufacturing activities has been increased in the electrified villages only.

It is suggested that, since literacy is increasing from one side and unemployment is soaring from the other in the rural regions, there is an urgent need for intensive rural industrialisation in order to rehabilitate the rural unemployed and literate people. A majority of them is now exposed to reading and writing techniques, they can be easily trained as semi-skilled technicians within a short period. If alternative living arrangements are not undertaken at the rural base itself, we have to face the danger of greater migration into urban centres which may lead to many socio-economic problems including slum-formations along with all its attendant evils.

TABLE VIII
Percentage Change over the Decade (1961=100) by Distance to the Growth Centre

Category	Popu- lation	Edu- cated	Workers	Non- workers	Farm workers	Non- farm workers	Workers engaged in				
							House- hold indus- try	Non- house- hold indus- try	Trade and com- merce	Trans- port and com- muni- cations	Other ser- vices
Villages Nearer the Growth Centre											
Electrified by 1961	13.98	38.99	-11.19	38.57	-4.15	-24.76	-58.82	42.11	1.37	222.86	-47.78
Electrified by 1971	-6.65	-5.29	-31.79	24.00	+28.90	-45.18	-71.24	15.75	7.17	77.91	-66.05
Non-electrified	-30.12	-24.77	-42.46	-10.29	-41.41	-50.95	-75.92	-16.98	-49.02	909.09	-65.06
Villages Away from the Growth Centre											
Electrified by 1961	19.27	48.76	-16.68	65.00	-12.42	-27.51	-16.02	-47.01	27.57	287.88	-50.06
Electrified by 1971	98.09	71.28	1.81	60.63	-7.97	87.39	-43.28	53.31	34.06	602.90	-36.78
Non-electrified	9.72	48.86	-7.01	28.34	-0.88	-39.39	-50.64	-20.05	-47.44	636.23	-39.41

WINDOW ON THE WORLD

Poland's ambitious plan

Josselyn Hennessy, London

RAPID 1971-75 GROWTH

THE ECONOMIC growth achieved in Poland in 1971-75 far exceeded the original plan estimates:

The population's standard of living increased considerably. Average net monthly wages and salaries, for instance, rose from 2,235 zloty (Zl) in 1970 to Zl 3,500. At the same time the legal minimum wage was raised from Zl 850 to Zl 1,200. Since the cost of living, according to Polish statistics, increased at an annual rate of only 2.5 per cent during the past five years, real wages rose by seven per cent a year. The biggest increase in Polish economic history since 1945. Private farmers' real income rose at almost the same rate—for the first time in Poland.

The increase in average real wages, however, was larger than the annual productivity increase in the economy as a whole (estimated at 6.5 per cent). This means an abandonment of the rule of distribution so far followed in Poland (and all other socialist countries) that the rise in wages must be kept below that in productivity to make room for social expenditure.

The rise in the standard of living was not achieved at the expense of the country's economic future. Real gross fixed capital formation, at an annual 14 per cent, rose faster than private consumption (9 per cent). Net fixed capital formation expanded even faster (22 per cent). The investment ratio rose steeply, from 22 per cent to 30 per cent (1974), causing capital stock in Poland's business sector to increase by more than a third. In industry, the increase in capacity was as much

as 60 per cent. In other words, every third piece of machinery now in operation in industry is no older than five years.

Thanks to the accelerated expansion of investment, 1.9 million new jobs outside the private farm sector were created between 1971 and 1975. Three million young people entered the labour market. With a labour force of 17 million, Poland at present has an employment ratio of 50 per cent. In contrast to the preceding medium-term planning periods, it has achieved full employment.

sharp deterioration

One of the less attractive aspects of this dynamic development is the sharp deterioration in 1971-75 in the structural imbalance in the Polish economy—above all a consequence of the one-sided development of heavy industry in the first industrialisation phase after 1945.

Bottlenecks in the transport sector and in the raw material and energy fields have caused disruptions in the production process.

The consumer goods industry, neglected by economic policy makers for years, was unable to raise its output sufficiently, either quantitatively or qualitatively, to keep pace with private demand.

As a result, a number of markets ran into supply difficulties in 1974 and 1975, despite higher imports. The food supply was made worse by a weather-induced drop in agricultural production in 1974-75 (the grain harvest, for instance, at 20 m tons was nearly 3 m tons below 1973-74. Animal

production has been dropping ever since, causing bottlenecks in the supply of meat which had previously been rising rapidly. Per-head consumption of meat and meat products rose from 53 kg in 1970 to 70.3 kg in 1975.

Since cutbacks in meat supplies continue to provoke a particularly strong reaction in Poland, the government is trying to push up livestock numbers by importing more grain and feed: food exports too are being cut back. This has meant that over the past five years Poland has become a net importer of agricultural products and foodstuffs, which totally contradicts conventional ideas about this country.

These supply problems made it politically advisable for the party leaders to maintain the price stop on basic foods imposed in early 1971. Food prices in the free markets did increase by about a third during 1971-75, but the share of free market purchases in the Polish population's total food consumption is relatively small, so this price increase has had only a minor impact on the cost of living.

money incomes

According to official information the population's nominal money incomes expanded by 15 per cent a year in 1971-75, faster than the appropriated national product. Monetary purchasing power was, however, unmatched by an adequate supply of goods, and this naturally caused inflation. Private savings since 1970 have been growing at an annual rate of 34 per cent, and part of this increase almost certainly represents forced saving. Private cash holdings have increased particularly

fast, from Zl 3000 million (1970) to Zl 18,500 million (1974); their share in the Polish population's total financial assets increased from 3 to 27 per cent.

II

TRADE WITH THE WEST

Among the most striking characteristics of the Gierek administration's "New Economic Policy" is the social role—at variance with the "Stalinist Model of Industrialisation"—accorded to foreign trade within the growth programme.

Through closer integration of the economy in the international division of labour, supported by a declared intention to take up credit to this end even in western countries, it is hoped that progress towards the ambitious economic targets will be accelerated.

This policy has been consistently pursued since 1970. The volume of exports and imports grew faster than the national product. The (estimated) export ratio for the economy as a whole (exports as a proportion of produced national income) rose from 22 per cent (1969) to 24 per cent (1974). The import ratio (imports as a proportion of appropriated national product) rose even faster, from about 25 to 31 per cent.

The import surplus was run up almost entirely in trade with western industrial countries, imports from which increased by a nominal 41 per cent a year in 1971-75 (21.5 per cent). The fastest rise was in imports from the United States (53 per cent), France (42 per cent) and West Germany (41 per cent), which in 1971-75 became Poland's second biggest foreign trade partner; still well behind the USSR but ahead of East Germany.

The ratio of exports to imports, which in trade with the CMEA countries tends to fluctuate around the 100-mark, over the past four years has shrunk markedly in trade with the western industrial countries; this is true particularly of trade with Japan, the United

States, Britain and—1975 apart—also West Germany.

Within the framework of the state trade and foreign currency monopoly, Poland's trade and payment transactions with the western countries are planned and cleared bilaterally, even though they are carried out on the basis of western convertible currencies. The four countries mentioned seem to have displayed the greatest willingness on the part of governments and/or private banks and exporters to grant credits to Poland during the past five years.

Since Poland does not publish its balance of payments figures, there is no knowing to what size the sum required for debt servicing has risen by now, i.e., how much of a burden on the balance of payments earlier loans represent. Remarks by leading Polish economic policy-makers suggest that this burden is already alarming.

III

THE 1976-80 PLAN

During the present five-year plan domestic output is supposed to grow by at least seven per cent a year. Industry should expand above average (8.2 per cent) and its contribution to

the national product rise to 62 per cent (1975 : 58 per cent). Production for export has been given absolute priority (annual increase : 14 per cent). Its share of gross industrial production should rise to at least 18 per cent by 1980 (1975 : 14.4 per cent, 1976 plan : 14.6 per cent).

The rise in employment assumed in the new plan is Poland's smallest since 1945. The rise in production will therefore more than ever depend on productivity increases. So the Polish party leaders are issuing a strong appeal to the workers pointing out that the rise in real wages envisaged (3.4 per cent a year) can be achieved only if the planned rise in productivity (6 per cent) is implemented (a fair day's wage for a fair day's work).

At the same time there is a return to the earlier policy of distribution: employees are no longer to get the full benefit of their increased productivity. Not only is some of the money needed for welfare spending and other social expenditure, but the planned export surplus in 1976-80, will have to be financed too. The rise in net money incomes is to be limited so that monetary demand increases more slowly than the sup-

ply of goods and services in the economy as a whole.

Fixed capital formation should rise only half as fast as in 1971-75, the investment ratio is not to go up any further. Private consumption, as far as it is possible to tell from the published data, should grow at the same rate as investment.

The government's price policy is to be "flexibly" adapted to economic needs. Whether the price stop on basic foods will be retained is to be decided during the year; the plan for 1976 implies an overall inflation rate of two per cent. It remains the main aim of the government's price policy during 1976-80 to safeguard the planned increase in real incomes.

The government's foreign trade policy will have undisputed priority during 1976-80. Its aim is surplus trade balance to be used for financing the repayments due between 1976 and 1980 on loans by both socialist and western countries. Poland will also by providing credits have to participate in developing the CMEA countries' common raw materials base.

doubling exports

This plan target must be achieved mainly through a fast rise in exports, with a big improvement in profits from exports. The new five-year Plan provides for an annual rise in export volume of 15.5 per cent. This means Poland's export ratio should rise to 26 per cent, by 1980 (1974 : 24 per cent). Polish exports to the other CMEA countries are to increase by 11 per cent a year, as laid down in the bilateral government protocols on the coordination of the 1976-80 plans signed with all CMEA partners last year. To implement the whole of the export plan, there would have to be an above-average increase in the volume of deliveries to all non-CMEA countries (about 20 per cent a year); particularly to the western industrial countries.

But such an export programme is

hardly realistic, particularly since the planned exports to the west are to be mainly of manufacturers, making great demands on the Polish export industry's competitiveness.

Exports of finished products as a whole are expected to rise by at least 18 per cent a year. A second important category of export goods comprises agricultural products and foodstuffs (plus agricultural machinery, food manufacturing machinery and fertilisers); in this field the rate of increase is also hoped to be 18 per cent a year, with exports to CMEA countries rising faster than average. Finally, fuels, raw and basic materials (coal, copper, sulphur, salts, timber, electric power, mining machinery, chemical products) have been put into a third planning category for which growth chances to 1980 are estimated at about 13 per cent a year; once again sales to the CMEA countries are scheduled to grow faster than those in western markets.

So far no plan figures for imports have been published. A model calculation based on the planned growth in exports, suggests that total imports must not grow by more than 11 per cent annually if the trade balance is to attain a surplus by 1980. This result fits in with the planned increase in imports from the CMEA countries (11 per cent a year). If trade with the western industrial countries—assuming an average annual increase in

exports to them of 20 per cent is at least to balance, the possible growth in imports from the west is about nine per cent.

The Polish economy, unlike that of East Germany, Czechoslovakia and Hungary, seems likely to continue to be spared additional balance of payments problems caused by a deterioration in its terms of trade.

The economic policy programme for 1976-80, approved by the VII Party Congress of Poland's Communist Party, is "open to new development needs and opportunities", in the words of the first party secretary. The new five-year plan—like its predecessor—provides a structural policy orientation for short-term planning intended to respond as flexibly as possible to unexpected developments. A good example is the 1976 economic plan which, approved by parliament two weeks after the party congress, exceeds the medium-term plan targets in its estimates for production and private consumption but falls below them in its figures for labour and capital as well as for exports.

Sources and acknowledgements : The foregoing is summarised from the latest *Economic Bulletin* of the Deutsches Institut für Wirtschaftsforschung (5 Koenigin Luise Str. Berlin 33) but the DIW is not responsible for the wording of my summary.

Price Index for Goods Sold Retail* and for Services

(1970=100)

	1971	1972	1973	1974	1975†
Price Index, Total	100.4	100.4	101.1	107.1	108.4
Goods	100.4	100.3	100.6	100.6	107.8
Of which : Foodstuffs	102.5	102.4	102.7	109.1	109.1
Of which : State and Cooperative Retail Trade	101.5	100.7	100.6	102.2	102.8
Restaurants	101.6	99.6	99.8	117.2	119.2
Free Markets for					
Foodstuffs	107.6	111.9	114.3	135.1	132.8
Alcoholic Drinks	100.0	100.0	100.0	124.6	127.3
Other Goods	97.2	96.9	97.1	98.6	100.6
Services	100.5	101.2	103.4	109.5	111.5

*Including restaurants and free markets. †January-September.

Source: *Biuletyn Statystyczny*, No. 11/75

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IMF and international banking community

H. Johannes Witteveen

This is the text of the address by H. Johannes Witteveen, Managing Director of the International Monetary Fund, before the Financial Times of London, "New York—World Financial Centre" Conference, New York City, on April 29, 1976.

I AM pleased to have this opportunity of speaking to you today since the IMF and the banking community share a deep involvement in the field of international finance. The demand for balance of payments financing has been unprecedented in the recent past, and the IMF and commercial banks have both been called upon to respond to this demand.

basic reform

The international payments system had, of course, been subjected to serious disturbances well before the recent difficult period and, for this reason, official discussions of a basic reform of the monetary system had been under way for some years. The first phase of reform, which it is recognized will have to be sought through an evolutionary process, has recently been set in train with the submission by the executive directors to the Board of Governors of a report and recommendations on a very substantial amendment of the Fund's Articles of Agreement. The new articles will give members both new rights and new obligations. These matters have been widely discussed in the press and elsewhere, and I need hardly expand on them, particularly to this audience. I would only stress that under the amended articles, the Fund has an increased role of consultation with members on all aspects of international adjustment policies and of surveillance of agreed codes of conduct.

I wish to concentrate today on some aspects of the role played by commer-

cial banks and the Fund in the financing of national balance of payments positions. Temporary balance of payments financing has always been an important means by which the Fund can achieve the general purposes entrusted to it, among them the maintenance of freedom of payments and the expansion and balanced growth of international trade. By contrast, for private commercial banks, balance of payments financing in some respects lies outside the mainstream of traditional banking operations. Leading commercial bankers have themselves, therefore, raised questions about the trend towards an increased role for private banks in the area of balance of payments financing and called for a return to more traditional forms of international banking, i.e., trade and project financing, which assure the generation of foreign exchange from which the loan may be repaid.

trend reversed

The need for balance of payments financing has, however, increased dramatically in the past two years. The overall current account position of industrial countries reversed itself from a surplus of \$11 billion in 1973 to a deficit of the same magnitude in 1974. That of the more developed primary producing countries switched over the same period from a surplus of \$1 billion to a deficit of \$14 billion. The less developed non-oil countries increased their deficit from \$9 billion in 1973 to \$28 billion in 1974. On the other hand, the surplus of the major

oil exporting countries increased from \$5.5 billion to \$68 billion.

For 1975, our estimates show a reduction in the current account surplus of the major oil exporters to \$35 billion, a reversal of the position of the industrial countries to a surplus of about \$15 billion, and a further increase in the large deficits for the more developed and the less developed non-oil primary producing countries to \$15 billion and \$35 billion, respectively.

increased deficits

That deficits of these magnitudes were generally financed without a serious decline in national reserves may be considered a sign that the international financial system has been able to rise to a task that at one time had seemed to some to be beyond its capacity. Foreign reserves of the oil importing countries indeed rose marginally from SDR 140 billion in 1973 to SDR 145 billion in 1975. Reserves of the industrial countries rose by SDR 8 billion, while those of the non-oil primary producing countries fell by SDR 3 billion. Reserves of the oil exporting countries rose from SDR 12 billion in 1973 to SDR 50 billion in 1975. The total increase of SDR 43 billion reflected an increase in reserve positions in the Fund of some SDR 7 billion, which, resulted from the Fund's transactions, and an increase of SDR 36 billion in foreign exchange holdings, mainly the US dollar component. There was no increase either in holdings of gold (officially valued) or in those of SDRs.

The financing provided by private commercial banks toward meeting

balance of payments deficits has been substantial. Precise data on the extent of such financing are not, however, available. Fund staff estimates, based on statistics made available in major financial centers, but the volume of total external bank claims against non-bank borrowers at about \$250 billion outstanding at the end of 1975, as against \$150 billion at the end of 1973, and \$60 billion at the end of 1970. United States banks and their branches abroad account for about 40 per cent of this total, with \$97 billion at end 1975, as against \$57 billion in 1973, which represented 37 per cent.

Traditional banking operations no doubt account for the largest share of these external claims, but an increasing

share is represented by bank lending to governments and public financial institutions. Unfortunately, no breakdown by purpose of credits or by type of borrower is available for these global estimates of international bank lending. We must look to publicised Euro-credits for an indication of this trend. Conclusions drawn on the basis of these data must be qualified because of their incomplete coverage and the relatively small share of syndicated medium-term credits in total international bank credits. Nevertheless, it is striking that in 1974 and 1975, loans to governments and public financial institutions accounted for about 50 per cent of total publicised Euro-credits. If public utilities were included, the share of what, in effect,

must be considered public sector financing would, of course, be substantially larger.

It should be noted that the sharp growth in the international operations of commercial banks was well under way long before the "oil crisis." This development involved important implications for monetary authorities in many countries. The dramatic increase in international reserves, and the role of national currencies as reserve assets against which monetary authorities would issue "high-powered money" that could serve a basis for a multiple expansion of bank credit set the stage for a development that in a way was self-propelling. That this development has, at times, greatly

—Over to page 1078

Distribution of the World's Monetary Reserves 1970-1975

Country	End of 1970		End of 1974		End of 1975	
	Mill. \$	% of total	Mill. \$	% of total	Mill. \$	% of total
INDUSTRIALIZED COUNTRIES	74,339	79.8	141,001	63.9	139,718	62.0
West Germany	13,610	14.6	32,398	14.7	31,018	13.8
USA	14,487	15.5	16,058	7.3	15,883	7.0
Japan	4,840	5.2	13,519	6.1	12,815	5.7
France	4,960	5.3	8,852	4.0	12,593	5.6
Switzerland	5,132	5.5	9,011	4.1	10,428	4.6
Great Britain	2,827	3.0	6,939	3.1	5,459	2.4
Canada	4,679	5.0	5,825	2.6	5,326	2.4
South Africa	1,012	1.1	1,159	0.5	1,216	0.5
OPEC COUNTRIES	5,226	5.6	48,007	21.8	56,144	25.0
Saudi Arabia	662	0.7	14,285	6.5	21,229	9.5
Venezuela	1,021	1.1	6,513	3.0	8,861	3.9
Iran	208	0.2	8,384	3.8	8,697	3.8
Nigeria	222	0.2	5,626	2.5	5,799	2.6
Iran	462	0.5	3,273	1.5	2,746	1.2
Libya	1,590	1.7	3,616	1.6	2,195	1.0
Kuwait	203	0.2	1,399	0.6	1,655	0.7
Algeria	339	0.5	1,689	0.8	1,353	0.6
Trinidad and Tobago	43	0.1	390	0.2	751	0.3
Indonesia	160	0.2	1,492	0.7	586	0.3
Ecuador	83	0.1	350	0.2	286	0.1
Gabon	15	0.0	103	0.0	147	0.1
Qatar	18	0.0	72	0.0	99	0.0
DEVELOPING NATIONS WITHOUT OIL	13,645	14.6	31,644	14.3	29,512	13.0
WORLD MONETARY RESERVES (WITHOUT EAST BLOC)	93,210	100.00	220,652	100.00	225,374	100.0

Announcement regarding issue of Rs. 12.50 crores 6½% debentures (1991) at applied for issue and allotment of further debentures of Rs. 1.25 crores and guaranteed

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THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED

(Incorporated on January 5, 1955 under the Indian Companies Act, VII of 1913)

Registered Office : 163, Backbay, Calcutta-600 018.
Regional Offices : 20, Old Court House Street, Calcutta 700 001. • 1, Cenotaph Road, Madras-600 018.

EXISTING AND PROPOSED ACTIVITIES :

The Company was incorporated on January 5, 1955 with the object of carrying on the business of assisting industrial enterprises in India, more particularly described in its Memorandum of Association.

The Debentures are being issued for the purpose of augmenting the resources of the Company to meet the demands of industry for financial assistance and to meet the other needs of the Company.

BOARD OF DIRECTORS :

H. T. Parekh (Chairman)
J. S. Raj (Vice Chairman)
K. K. Birla
D. P. Goenka
N. A. Palkhivala
L. J. Mulkern
N. M. Wagle
Bhaskar Mitter
M. V. Sohoni
R. V. Ramar
M. G. Balasubramanian (Government Director)
M. Sen Sarma
M. D. McWilliam
M. V. Arunachalam
S. S. Mehta (Managing Director)
Phiroze B. Medhora (Joint Managing Director)
J. M. Ahrens (Alternate Director for L. J. Mulkern)

SHARE CAPITAL :

(as on March 31 1976)

	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	8,300	
		14,99,91,700

PRESENT ISSUE :

25,000 Debentures (1991) 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.

Interest at the rate of 6½ per cent per annum (subject to deduction of tax at source) will be payable half-yearly on May 15 and November 15, except that interest will accrue on the Debentures allotted from the date of receipt of the application, and accordingly the initial proportionate payment of interest will be made on November 15, 1976.

12,50,00,000

97.50% with a right to retain excess subscription up to 10% of the Issue to be applied as regards repayment of principal and payment of interest by the Government of India.

The prospectus from the Registered Office or the Regional Offices of the Company.



MENT CORPORATION OF INDIA LIMITED

under the Indian Companies Act, VII of 1913)

Bay Reclamation, Bombay 400 020.

Madras-600 018.

• Hindustan Times House, 18-20, Kasturba Gandhi Marg, New Delhi-110 001.

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 6½%. 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 May 15, 1991.

The Company shall have the right to purchase Debentures from the open market and the same can be reissued during the unexpired 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:

- 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;
- pari passu* with all the rupee term loans, both present and future, and the 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 holders of the 8% Bonds (1977-88) for Swiss Francs 8 million, the holders of Rs. 13.75 crores 6½% (1990) Debentures and the holders of the present issue of Debentures to take recourse to the Guarantee of the Government of India issued in their favour.

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 Company has obtained the consent of the Reserve Bank of India under the Foreign Exchange Regulation Act, 1973, for the offer and allotment of Debentures to its non-resident shareholders.

DATES OF THE OPENING AND CLOSING OF THE SUBSCRIPTION LIST :

The Subscription List will open at the commencement of banking hours on Thursday, May 20, 1976 and will close at the close of banking hours on Tuesday, May 25, 1976 or earlier at the discretion of the Directors but not earlier than the close of banking hours on Saturday, May 22, 1976.

PROSPECTUS AND APPLICATION FORMS :

Application 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, Madras and New Delhi.

Applications Forms along with copies of the Prospectus can be obtained from the Registered Office and the Regional Offices of the Company.

ADROIT-525

complicated national and international efforts to control inflation should not need any elaboration.

An important aspect of this process has been the development, since the late 1950s, of foreign currency banking. International bank lending channeled through Euro-markets today accounts for more than 70 per cent of all traceable international bank lending. Moreover, the markets have become significant depositories for, and sources of, official foreign exchange reserves. For instance, in the period 1970-74, increases in Euro-dollar holdings by monetary authorities accounted for SDR 33 billion, which is one-third of the total increase in foreign exchange reserves.

The trend toward balance of payments financing by private banks raises several important questions. It is seen with some concern even by some of those banks which by virtue of the size and distribution of their capital and deposit base, and of their long-standing experience in the international sphere are best equipped for such operations. Their concern has partly centred on risks inherent in an apparently increased imbalance in maturity structure as between assets and liabilities. Particularly during a time when the main supply of additional funds placed in the market came from a small number of depositors with a high degree of liquidity preference, the competitive lengthening of variable-rate-loan maturities that had been observed for some time raised serious questions.

fall in Euro-credits

By 1974 over two thirds of all publicised Euro-credits fell in the maturity range of 7-10 years, and 10 per cent in the range of over ten years. More recently, this picture has changed sharply—in 1975 over two thirds of Euro-credits had maturities of between one and six years, and only one per cent more than ten years. At the same time, there has been a perceptible

lengthening of maturities in banks' liabilities.

This development has lessened some of the earlier concern over the stability of the financial markets, which was widespread in 1974 for other reasons as well. Widely publicised shortcomings in some banks' control over foreign exchange operations had reflected, somewhat irrationally, on banking practices in general, and on Euro-currency banking in particular, but tightened management controls and procedures have now allayed misgivings in this area. Other worries arose from the fact that not every bank that commands a strong position in its national or regional sphere can call on the resources in capital and deposits, as well as the specialised management skills, that are required for operations on an international scale.

good performance

Some retrenchment has now taken place and those banks that remain active in the international market can, generally, point to an exceptionally strong earnings performance on their international portfolios and to loan recovery records that are significantly better than those for domestic portfolios. I think that today we can look back at the uneasy period of 1974 and early 1975 with a certain relief that the industry proved able, with the assistance of a number of steps taken by national authorities, to adjust to the strains. Growth of international banking activity has resumed in 1975. In the variable rate market, growth has been at a distinctly slower pace than in the early seventies, but there has been a record volume of new issues in international bond markets.

The question remains, however, whether the participation by the banking system in balance of payments financing has been excessive either in general or in specific instances. This concern is especially relevant because, in contrast to the traditional banking

activities of trade and project financing, balance of payments loans inevitably involve judgments that go beyond strictly commercial considerations into the field of national financial and economic policies.

enlargement of role

Competitive enlargement of this role of private banks might well foster a climate of all-too-easy borrowing by deficit countries, thus facilitating inflationary financing and delaying the adoption of needed adjustment policies. From a world economic point of view, however, the abrupt increases in oil prices and consequent very large deficits of oil consuming countries in the last two years, brought an urgent general need for the temporary financing of these deficits. In this exceptional situation the banking system has certainly performed a very useful function overall, although lending may have been excessive in a few specific cases.

The banks themselves have, of course, a very direct concern in the increasing debt burden of a number of deficit countries and in their related ability to repay these loans. Certainly it is true that many of the non-oil developing countries have recently come to rely especially heavily on private bank financing. Indeed, by far the largest share of publicised Euro-credit in 1975 went to countries in this large and diverse group. According to our staff estimates, net extension of credit from private banks to these countries approached SDR 12 billion, a sum considerably in excess of total borrowing by those countries from all sources in any prior year. However, because of the large increase in the value of world trade—partly as a consequence of inflation—there has been no significant increase in the debt service burden for developing countries in general despite this heavy borrowing. For a group of the most important developing countries for which data are available the ratio of private and public debt service to

export receipts even shows some decrease between 1972 and 1975.

There are important differences between individual countries, however. In particular, for countries that have relied heavily on shorter-term borrowing in the past and already have a high debt service, the question arises as to how much further the indebtedness can be pushed before the mounting debt burden becomes hazardous. When situations of extreme difficulty have arisen in the past, they have been dealt with on a case-by-case basis by concerted action of the creditors and the debtor. Should such situations arise in the future, I believe they could again be satisfactorily resolved with the patience and cooperation of all concerned, including the banks. If they did arise, the latter would have to accept some share of responsibility for, in retrospect, there is little doubt that credits were sometimes granted in a market climate that was not very conducive to the maintenance of adequate standards.

In general therefore, a very careful and balanced policy by the international banks is needed. Lending for balance of payments purposes should not go so far that it would postpone necessary adjustments. On the other hand care must also be taken to avoid action that would shift an unduly rapid burden of adjustment on to those less developed countries which have been particularly hard hit by oil price increases or by the recent recession in industrial countries.

crucial judgements

From all this it can be seen that balance of payments financing must call for crucial yet difficult judgements on the appropriateness of financial and foreign exchange policies. These matters are at the center of the Fund's concern, and hence of the continuing dialogue in which the Fund engages with its members.

I should, therefore, like to say a little more about the role the Fund

has played in balance of payments financing and adjustment and will play in the future. In 1974 the Fund established a special facility to assist members with supplementary finance designed to meet the impact on their balance of payments of increases in the cost of petroleum and petroleum products. Up until the expiration of the facility last month, the Fund disbursed under it almost SDR 7 billion to 55 member countries.

In addition, members have continued to draw on the general resources of the Fund in support of financial programmes of balance of payments adjustment. Thus total drawings on the Fund in 1974 and 1975 averaged SDR 4.4 billion, compared to an average of somewhat less than SDR 1.2 billion in the preceding two years; in the first quarter of this year, there were further drawings of SDR 2.7 billion. As at the end of March 1976, total outstanding drawings by all Fund members rose to SDR 11.6 billion. The highest peak reached previously was SDR 5.7 billion in June 1968.

fall in surplus

As for the future, on present IMF projections of the current account positions of various groups of countries, the surplus of the major oil exporting countries is expected to fall in 1976 only slightly from its 1975 level. The industrialised countries will experience a decline from their 1975 surplus as they resume economic growth in the course of the year, while the deficit of the non-oil primary producing countries may decrease from the current estimate of \$50 billion in 1975 to the still very high figure of \$43 billion. Within this combined total, the deficit of the non-oil developing countries is projected at about \$31 billion as against \$35 billion in 1975.

Part of the balance of payments difficulty of the primary producing countries is attributable to cyclical

weakness in their export markets. As recovery of the world economy proceeds and demand for their exports picks up, these difficulties should lessen. In the context of an attempt to assist those countries whose difficulties had arisen in large part from the world recession, the Fund at the end of last year, liberalised its special facility to compensate for temporary shortfalls in export earnings suffered by members due to circumstances largely beyond their control. In the short time since the revision of the facility, there have been 16 drawings on this facility for a total SDR 620 million, and further substantial drawings are expected during the year.

degree of adjustment

The financing of balance of payments deficits must generally be accompanied by the appropriate degree of adjustment in domestic economic policies. It is the task of the Fund through its regular formal consultations and through its conditions for stand-by arrangements and drawings to promote sound general financial policies and to help create a climate that is conducive to steady development and the productive use of available external resources. The Fund can provide significant financial assistance in support of such policies. Because drawings on the Fund by most members in the past two years were made mainly under the special Oil Facility, the access to the regular resources of the Fund still remains largely unimpaired. Moreover, in order to equip the Fund to respond adequately to the financing need of its members in current circumstances, the access of members to the credit tranches has been increased by 45 per cent until increases in quotas take effect after the amendment of the Articles.

For the non-oil developing countries, the aggregate use of the Fund's resources in 1976 may be projected at something of the order of \$3

billion. Taking into account the flows of aid and direct investment which could be of the order of \$19 billion, there would still remain a large financing gap. However, the gap could be smaller than last year and does not seem unbridgeable in the light of the experience of the recent past, if we may assume that recent discussions of "problem loans" will not lead to an unwarranted turning away from creditworthy potential borrowers, and that any difficult situations will be addressed on the basis of case-by-case assessments.

In conclusion, I should like to express my conviction that the International Monetary Fund and the international banking community have both been playing essential roles in

meeting the unprecedented challenge of financing the very large payments imbalances of the recent past. These roles are different yet complementary. The relationship between them has always been implicit in the concept of the Fund as a "second line of reserves" for its members.

The banks have been able to provide the huge amount of financing needed through their ability to transform liquid short-term deposits into medium-term loans that provide balance of payments financing. The Fund has supplemented this private financing in critical areas and helped to preserve the necessary climate for it by exercising its powers of surveillance and by its ability to make its resources available on policy conditions aimed at the

restoration of balance of payments equilibrium in the medium term, without recourse to trade or payments restrictions. These functions of the Fund as a regulatory and financial organisations have enabled it to perform a unique service for both its members and for all institutions making credit available to them.

There are still serious problems, especially for many developing countries, but we have been able to overcome successfully some of the worst dangers. I trust that with continued cooperation, both between governments in the international institutions, and between the private and the public sectors, we will make further progress in solving these problems and meeting new challenges.

remained at about 1.3 per cent. The relatively faster growth of employment in the manufacturing sector resulted from workers being absorbed from other sectors, particularly agriculture. In the late 1950s and early 1960s, such absorption was not particularly costly, since a high level of "disguised" or "hidden" unemployment existed in these other sectors. Since the late 1960s, however, hidden unemployment has declined appreciably, and the manufacturing industry has been faced with increasing pressures for higher wages, while its labour recruitment has decreased.

As a result of the shift of workers to other sectors, agriculture's share of employment (including forestry and fishing) declined from 45 per cent in 1957 to 15 per cent in 1973. Compared with other industrial countries, where the average share is less than 10 per cent, however, Japan still has a relatively large working force in agriculture, partly owing to its fishing industry. A further shift of workers from agriculture is still possible but might require that manufacturers offer higher wages than in the past. The relative decline in agricultural workers and the expected slowdown in the growth rate of the labour force, from 1.4 per cent to less than one per cent a year in the medium term, could act as a constraint on the future expansion of the manufacturing industry, unless this decline is offset by large increases in productivity.

stable supply

The rapid growth in Japanese manufacturing output has also depended on a stable and plentiful supply of raw materials and energy from abroad. Japan imports almost all of its industrial raw materials and is one of the largest importers of many primary commodities. Furthermore, Japanese imports of many commodities have come from only a few countries where Japan has been major buyer. In a buyer's market, Japan had cheap sources of raw materials and energy.

However, recent developments in world markets make it questionable whether dependence on relatively few countries for raw materials and fuel is a good policy.

The inflationary pressures, if they prove to be of long duration, the emergency of physical limitations on investment, the possible decline in available workers in the medium term, and the unfavourable supply conditions for raw materials and fuels in overseas markets will be constraints on a continuing high rate of expansion in the manufacturing sector. These changes have price implications as well. A rapid expansion in output would now cause both faster cost increases and more rapid inflation than before for given demand-supply conditions in the market.

During the period 1958-69, prices of manufactures remained virtually unchanged in Japan because wage increases kept close to productivity increases and

prices of imported raw materials were stable, while output per unit of imported raw material input improved. Between 1970 and 1973, however, prices of manufactures rose at an average annual rate of about five per cent (with most of increase taking place in 1973), mainly reflecting the fact that wages were increasing faster than productivity and that import prices were rising at a more rapid rate. Thus the fast increase in prices of manufactures in the 1970s seems to have been related mainly to changes in the labour market and supply of raw materials from the overseas markets. Price performance in 1970-73 may be indicative of future price rises if the rapid expansion continues and if the basic changes in the labour market and in imports of raw materials are correctly assessed.

The movements in prices of manufactures—from stability in the 1960s to a fast rise in 1970-73—explain similar movements in Japan's wholesale

Japan : outlook for growth

Japan experienced phenomenal rate of growth during the last two decades, but due to increase in oil prices and rampant inflation serious doubts have arisen whether this economic pattern can continue.

IN THE last two decades, Japan has experienced a high rate of economic growth. However, with the emergence of environmental problems, the sharp increase in prices of overseas energy and raw materials, and the domestic inflation in 1972-73, widespread doubt and considerable debate have emerged on whether this economic pattern can continue. Questions are also being raised as to the appropriate growth rate for the medium term. The government's medium-term economic plans will not be completed until later this year but the generally accepted view in Japan seems to be that the real growth rate should be reduced from an average of 10 per cent a year to between six and seven per cent.

This article summarises the economic problems now envisaged in Japan for

the medium term and attempts to explain why a slowdown in the rate of economic growth seems unavoidable. Since economic changes for the longer run are estimated by abstracting cyclical movements, some of the points raised may appear unrealistic in the context of the present cycle.

The manufacturing sector has long been the expansionary force in the Japanese economy. Between 1958 and 1973, the sector's real gross domestic product (GDP) rose at an average annual rate of about 13 per cent, compared with a 10 per cent average for the economy as a whole, and its share in total GDP rose from 23 per cent in 1957 to 35 per cent in 1973. This average of 13 per cent in the growth of the manufacturing sector was achieved by average annual increases of nine per

cent in labour productivity (GDP per worker) and of about four per cent in labour input.

Large investment brought about this rapid increase in labour productivity, but recent changes have occurred which may limit investment. The important limitations on investment are: (1) limited water supply for industrial use; (2) shortage of new industrial sites, partly because of opposition to industrialisation of residential areas; and (3) issues relating to pollution and environment. Establishment of new plants under these conditions, particularly when facilities are required for reducing or eliminating environmental problems, is inevitably subject to increased constraints. For some industries, the addition of new plant is no longer economically feasible, given the present level of technology.

During the period 1958-73, employment in Japan rose at about the same rate (1.4 per cent a year) as the labour force, except for cyclical changes, the unemployment rate at that time

TABLE I
How Japan's Economy has Grown Since 1956
and Projections to 1980
(Average Annual Percentage Changes)

	Period*	Planned GNP	Actual GNP	
Five-year plan for economic independence	1956-60	5.0	9.1	
New long-term economic plan	1958-62	6.5	10.1	
Income doubling plan	1961-70	7.2	10.9	
Medium-term economic plan	1964-68	8.1	10.8	
Economic and social development plan	1967-71	8.2	10.9	
New economic and social development plan	1970-75	10.6	6.52**	
Basic economic and social plan	1973-77	9.4	2.73†	
Institution making projections	Projection period*	Real GNP	Government investment	Private equipment investment
Economic Council	1975-80	5.4-6.5	—	—
Council for Industrial Structure	1973-80	4.9	6.4	1.0
Japan Economic Research Center	1976-79	6.3	8.5	5.3
National Economic Institute	1975-80	8.1	7.6	8.2
Nomura Institute	1975-80	6.6	9.2	5.9
Nikko Research Center	1976-80	6.5	5.3	7.1

*Fiscal year. **Actual for 1970-74. †Actual for 1973 and 1974.

and export prices, both of which are largely based on prices of manufactures. In turn, the relative stability of export prices in the 1960s explains the strong competitiveness of Japanese exports of manufactures in that decade, a factor which eventually became important in the appreciation of the exchange rate in the early 1970s. But with the changes in the basic conditions supporting the stability of prices of manufactures, an excessively rapid expansion could jeopardise export competitiveness—and hence the balance of payments—unless the effects of such an expansion are offset by other development.

shift of workers

The shift of workers to the manufacturing sector in the past resulted from the higher productivity—and hence higher wages (or earlier wage increases)—in this sector over other sectors, since manufacturing wages rose in line with, or faster than, productivity increases. Although the labour productivity of other sectors also rose, due partly to the elimination of hidden unemployment, particularly in earlier years, and partly to investment in those sectors, the increase was not as large as that of the manufacturing sector. On the other hand wages in non-manufacturing sectors rose, although with considerable lags, along with the wages in the manufacturing sector. Given the differentials in the rates of increase in labour productivity, this implied a faster increase in agricultural and service prices than in prices of manufactures, or a faster increase in consumer prices (consisting largely of agricultural and service prices) relative to wholesale prices (mostly prices of manufactures).

To some extent, the faster increase in consumer prices relative to wholesale prices was thus a result of the more rapid expansion in the manufacturing sector than in the other sectors or, more generally, the high rate of economic growth. With the tightening of labour conditions in the agricultural and service sectors (elimination of

hidden unemployment or underutilised workers), the time lags between wage increases in the manufacturing sector and the non-manufacturing sector are likely to be shorter or wage differentials at a specific point in time are likely to be narrower.

The above analysis indicate the benefits of: (1) a slowdown in manufacturing investment and output or changes in the pattern of manufacturing growth to emphasise the saving of labour and raw material, and above all, to one less harmful to the environment; and (2) faster growth in investment and output in non-manufacturing sectors, particularly service sectors, including the government. The real location of investment within the manufacturing sector and from manufacturing to non-manufacturing sectors would generally lower the marginal ratio of output to investment and thus lower the growth rate for a given amount of investment.

A slower growth rate would help alleviate possible pressures on prices from the labour and raw material markets, but it would also be associated with a lower growth rate of labour productivity. It is widely considered in Japan that achievement of a relatively stable price performance would depend greatly on a reduction of real growth rate from the past average of 10 per cent.

The type of economic growth now envisaged in Japan also involves changes in allocation of domestic resources, as well as in international divisions of labour. Reformulation of government policies concerning mobilisation of resources, including a tax policy, and changes in the pattern of international trade are anticipated. Some additional measures to deal with the transition from a rapidly growing economy to a more stable one are also considered necessary.

Courtesy: IMF Survey

TABLE II
Japan's Imports of Selected Commodities

Commodity	Share of imports in total domestic supply (1973)	Japan's share in OECD imports		Imported from	Share of exporting country in Japan's imports (1973)	Share of Japan in exporting country's exports
		1965	1972			
Oil	99.7	16.5	19.6	Iraq	35.9	36.7 ¹
				Saudi Arabia	19.3	16.0 ¹
				Indonesia	15.1	66.2 ¹
Coal	71.7	18.7	39.6	Australia	43.5	85.8 ¹
				United States	28.9	31.0 ¹
				Canada	18.2	92.0 ¹
Iron ore	99.5	20.7	40.4	Australia	47.7	86.7
				India	14.2	86.6 ²
				Brazil	9.5	30.6 ¹
Copper	90.2	67.3	74.6	Canada	39.7	74.7 ²
				Philippines	26.7	82.4 ¹
				Papua-New Guinea	12.8	57.1
Bauxite	100.0	8.3	19.2	Australia	61.6	55.2 ²
				Indonesia	20.3	100.0 ²
				Malaysia	16.5	84.8

1. Based on 1972 data. 2. Based on 1971 data.

TRADE WINDS

Food Output at 116 m. Tonnes

THE AGRICULTURE minister, Mr Jagjivan Ram, announced on May 6 in the Lok Sabha that even very conservative estimates put food production this year at 116 million tonnes. Mr Jagjivan Ram said rice production had touched the record figure of 48 million tonnes this year—four million tonnes more than last year's production. This clearly showed that the green revolution had come in rice as well. Mr Jagjivan Ram said adequate arrangements had been made to store the available grains. Even airport hangars and private buildings had been requisitioned to store the procured grains. He said 10 million tonnes of foodgrains would be kept as a buffer stock.

Food imports

The minister defended the continuation of food imports this year under PL 480 as a deliberate decision to help build a stock of 14 million tonnes as quickly as possible. He made it clear that any grains coming under PL 480 were not a gift. The American government paid for the purchases made in the market and that was treated as a loan. The only accommodation was that India would be

paying the loan in instalments spread over nearly 30 years at an attractive rate interest.

Fertiliser Production by 1979

Fertiliser production is expected to reach three million tonnes of nitrogen and 900,000 tonnes of phosphatic fertiliser annually by the fifth Plan end. According to the annual report of the ministry of Chemicals and Fertilisers placed in Parliament on May 6, fertiliser production in 1975-76 was 1.535 million tonnes of nitrogen and 320,000 tonnes of phosphates. A large-scale programme of expansion of the industry to raise nitrogen capacity to about five million tonnes and phosphates to 1.3 million tonnes is now being implemented. At the beginning of 1975-76, 19 fertiliser units with a total capacity of 2.2 million tonnes of nitrogen and 690,000 tonnes of phosphates were in operation. With the commissioning of the private sector Tuticorin plant in June 1975, the total installed capacity had increased to 25,80,000 tonnes, making a total of 2.45 million tonnes of nitrogen. The plant is the biggest so far commissioned within the country.

In addition, the expansion of the public sector Gorakhpur plant raising its capacity from 80,000 tonnes to 131,000 tonnes was completed during the year. Production from Gorakhpur expansion, which increased the total nitrogen capacity in the country to 2,509 million tonnes, commenced from December 27, 1975. According to the report, efforts are now under way to commission three more large plants, two in the public sector and the third in the private sector. The commissioning operation for the two public sector plants at Namrup and Barauni each with an annual capacity of 1,52,000 tonnes of nitrogen is proceeding satisfactorily.

Punjab Tops in Per Capita Expenditure

Punjab has claimed highest per capita expenditure on the implementation of the 20-point socio-economic programme, according to the Finance minister, Mr Hansraj Sharma. In 1976-77 the state would be spending Rs 92.43 per head. Mr Sharma, in a statement, said Rs 125.23 crores had been earmarked for various programmes of economic and social upliftment in the state. Last year, the state had spent Rs 100.93 crores on this head. A sum of Rs 120.31 crores was to be utilised under planned schemes and the rest of the amount under non-Plan head. Mr Sharma said the work pertaining procurement and distribution of essential commodities and functioning of consumer co-operatives

would be strengthened at a cost of Rs 2.10 crores.

AP Gets World Bank Loan

The World Bank announced on May 4 the approval of a "Third Window" loan of \$145 million to assist in financing the development of irrigation works and command areas of major irrigation systems in Andhra Pradesh. The \$297 million composite project will help complete the construction of the irrigation and drainage works of the Nagarjunasagar project, and provide the first stage, covering three years of development on 72,000 hectares in the command areas of four irrigation systems in Andhra Pradesh. The project is the first step in a programme that will ultimately cover an area of over one million acres.

Reliable irrigation will be provided to 100,000 farms. Over a million people will get additional employment and wages. Net farm incomes, at present around \$144 per hectare per year on unirrigated land will double through the provision of irrigation and quadruple due to command area development and improved extension services.

The project is scheduled to be completed in 1982. The "Third Window" loan is for 25 years including 7 years of grace. It will carry interest at 4½ per cent per annum. An additional 4 per cent will be paid to the bank by the interest subsidy fund, representing the difference between the banks

standard interest rate and the charge to India.

No Change in Credit Policy

The overall policy of credit restraint and discipline will continue for the slack season—from May to October. This was announced recently by Mr K.R. Puri, RBI Governor, at a meeting he had with the chief executive of banks. Commercial banks will continue to have RBI's support through re-finance and rediscount assistance for being able to meet genuine credit requirements for public food procurement exports and other essential needs of production. There will be no change in the rate of interest and other terms and conditions of re-finance and rediscount accommodation. Banks henceforth will have to prepare a quarterly credit budget in line with the framework RBI has evolved for improving credit planning exercise.

Working Group

Mr Puri announced that a working group would be set up by RBI to examine the role of the banking system in providing finance for housing schemes. RBI has accepted the recommendations of the committee on penal rates and service charges and appropriate guidelines in this regard are to be issued soon. The RBI Governor noted that, of late, there has been some increase in prices with the wholesale prices index in mid-April rising 2.5 per cent after a continuous decline from 330.6 to 282.4 between September 1974 and March 20, 1976. Credit operations

of banks, therefore, had to be so conducted as to relate additional availability of bank credit to actual increases in real output and sales. Mr Puri projected an increase of about eight per cent in industrial production. The public food procurement credit which had already touched Rs 1,600 crores reflecting record procurement of goodgrains this year, may have to be further raised to facilitate procurement of rabi wheat.

Impounding Dearness Allowance

The Finance minister, Mr C. Subramaniam, on May 4, introduced in the Lok Sabha, a Bill to extend by a year the period over which half the increases in dearness allowance would be impounded. The Bill seeks to amend the Additional Emoluments (compulsory deposit) Act, which ceases to exist on July 6 next.

In the statement of objects and reasons for the Bill, Mr Subramaniam said the deductions made from July 1976 would be repaid in five equal annual instalments by crediting each such instalment to the provident fund account of the employee. Interest will be paid on the amounts so deducted at the same rate, that is 2.5 per cent above the maximum bank deposit rates, as for the amounts deducted up to June 1976, so long as such amounts remain in the deposit account.

For the amounts credited to the provident fund, the employer will not be required to pay any matching con-

tributions. In the case of the employee who does not subscribe to any provident fund, the amount deducted from July 1976 onwards will be repaid to him in cash in five equal annual instalments.

NCAER on National Economy

The National Council of Applied Economic Research has expressed the optimism that the trade gap in 1976-77 will be smaller and that the country is likely to accumulate further foreign exchange reserves. This, the Council says in its review of the economy for the first quarter of 1976, should give the government ample freedom to import machinery, equipment and raw materials for boosting production for the domestic market as well as for exports.

Referring to industrial growth, the Council says the industrial peace, decline in the price of wage goods and lowering of licensing and permits barriers, together with the concession given in the 1976-77 central budget, "have prepared the soil on which industry has to sow". It has to make use of the incentives which have been provided to get the best measure of growth. "If it does not, it will be inviting the return of inflation.

Referring to the outlook for exports and achieving the export target of Rs 3,800 crores for 1976-77, the Council is of the view that with the world recession slowly lifting and an expected increase in the world

trade by about five per cent India could hope for a larger share of this additional trade.

Consumer Fatigue

The NCAER has also expressed the view that in some consumer industries such as air conditioners, refrigerators and motor cars, the recession which has followed two bad monsoons, was a phenomenon that repeats a pattern of the past, but there was perhaps a new feature on this occasion that needed to be noted by industry especially consumer industries. Ever since 1940, for 35 years, prices had been rising consistently, but in many cases, quality had been falling. The consumer, according to NCAER, had therefore, paid more and received less. When he had at least a right to receive more by way of innovation. There had therefore set in a phenomenon of "Consumer fatigue" out of which he could be coaxed by an addition in real income, improvement in quality and innovation. Marketing and after sales service as well as packaging needed considerable improvement to attract the attention of the consumer.

Coal Production and Export

Nearly one and a half million tonnes of coal would be exported this year against 450,000 tonnes last year. The minister for Energy, Mr K.C. Pant, said in the Lok Sabha recently that it was expected that five million tonnes would be exported by 1978-79. He said coal production would be considerably stepped up this year. His minis-

try was taking steps to achieve a target of 108 million tonnes in 1976-77. Mr Pant said exports were necessary to ensure that the momentum of increased production was kept up. He said coal production had increased rapidly last year. India had surpassed West Germany and ranked fifth in coal production. Mr Pant said an expert committee, set up to work out the economics of converting coal into crude oil was expected to submit its report by the end of June.

Hathi Panel Suggestions

The government has decided to give licences and preferential treatment for the

manufacture of formulations to those Indian companies in whose case the ratio of bulk drug to formulations is within 1:10. Yet another condition is that such companies in the Indian sector of the drug industry will have to have their manufacturing activities on indigenous and imported bulk drugs in the ratio of 2:1. This was a recommendation of the Hathi Committee which has been accepted by the government. However, a final decision on the Hathi Committee report as a whole has yet to be taken.

With regard to the accepted recommendation, the condition will enable the government to discriminate between Indian parties only, without

giving any special benefit to foreign companies. The government has so far approved the grant of letters of intent and industrial licences to 16 proposals in line with the recommendations of the Hathi committee. Over a period of one year, up to the end of April, the government had received 36 proposals from the Indian companies for the manufacture of drug formulations.

UN-Aided Scheme for ESI Workers

A fifth of the 18 million beneficiaries of the Employees State Insurance Scheme (ESIS) in the country are to be covered by family welfare planning services through a UN-aided project

just under way. The three-year project in collaboration with the International Labour Organisation (ILO) has financial assistance from the UN fund for Population Activities (UNFPA) to the extent of \$737,150. This will help augment the ESIS corporation medical benefit scheme for education, motivation and provision of services for family planning. In spite of changes in the concept to medicare, family planning services have not yet been integrated into the ESI Scheme. As industrial workers can be easily and effectively approached, contacted and motivated through the extensive network of ESIS dispensaries and hospitals, the project

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ASP/R476/46 B

envisages family welfare planning centres attached to ESI dispensaries.

World Interest Rates

International Finance, a publication of Chase Man-

hattan Bank group has brought out world interest rates as on April 28, 1976. There are wide variations in Central Bank discount rates ranging from 12.00 (penalty rate 15.00 per cent) in Italy

to as low as 2.5 per cent in Switzerland. Bank sight deposit rates carry 1.00-3.00 (large deposits) in the Netherlands and 1.00 per cent in Switzerland to nil in the USA and Canada. In our

country also bank sight deposits (current accounts) do not carry any interest. On the contrary the banks charge a service charge irrespective of whether there is a service rendered or not.

World Interest Rates

(Rates as of April 28, 1976; bond yields as of April 23, 1976)

In percent per annum	US	Canada	Britain	Belgium	France	Germany	Italy	Nether-lands	Switzer-land	Japan
Central Bank Discount Rate	5.50	9.50	10.50	7.00	8.00	3.50	12.00 penalty rate 15.00	4.00	2.50	6.50
Day-to-Day-Money	5.00 April 29	9.25	9.8125	6.30	7.5625	1.30	n.a.	1.00	0.75	6.625
Treasury Bills 91-day, Middle Rates	4.82	8.98	9.875	9.25 120-day	n.a.	n.a.	n.a.	no dealing	no market	5.625 2 month
Commercial Paper prime, 3-month, asked	5.125 finance paper	9.815 finance paper 15% tax w/h	9.60 H.P. on discount basis	6.90 Certified	7.875 no market	no market	no market	no market	no market	not traded
Bankers' Acceptances 3-month, asked	5.15	9.60 15% tax w/h	10.00	9.10 Certified	not traded	5.15	no market	no market	4.50 not traded	no market
Government Bonds long-term, new and old issues, average yield	6.73	9.85	13.35	9.59 20% tax w/h	9.01	7.78	10.92	7.36	5.19	8.57
Industrial Bonds prime, long-term, new and old issues, ave- rage yield	8.76 Aa In- dustrials	10.40	14.94	11.66 20% tax w/h	10.72	7.86	10.28	8.34	5.98	7.32
Bank Short-Term Rate to Best Borrowers (prime rate)	6.75	10.25	10.50	11.25	10.30	7.25	18.25	6.00	6.75	6.75
Bank Sight Deposits	Zero	Zero	Zero	0.50	Zero	0.50	n.a.	1.00-3.00 large de- posits	1.00 residents only	Zero
Bank Time Deposits 3-month	5.00 Cert. of Dep.	9.75 Cert. of Dep.	10.0625 Cert. of Dep.	11.05	7.9375	3.35	n.a.	3.50 large de- posits	1.00 residents only	4.50 15% tax w/h
Exchange Rates— in US\$ rates floating against the £	—	1.0180	1.8315	0.25725	.2143	.3940	.001120	.3715	.3965	.003341
Forward Exchange Cover 3-month, in percent p.a. D=discount, P=pre- mium	—	4.25D	5.50D	6.375D	6.00D	2.125P	24.625D	2.00P	4.00P	.25D

Reproduced on opposite page is the table of world interest rates given by *International Finance*.

EEC Market for Indian Goods

The markets of the European Economic Community, comprising nine countries with a population of about 257 million, are ready to to receive, on a large scale, Indian products ranging from light engineering goods to cattlefeed. The Director General, "external relations" of Commission of the European Communities, Mr M. Drury, said that he was quite aware of India's potentialities in the manufacture of engineering goods. It was a question of making the European market interest ed. India's exports last year to EEC countries were about Rs 7 million and imports from them totalled nearly Rs 7.5 billion. This accounted for 24 per cent of India's total exports to the region. In spite of this apparently large volume of trade with the nine countries in EEC, India's share was less than one per cent of the Community's global import. Mr Drury said, in the case of diesel engines European manufacturers might use the Indian engines as components of larger units. The interest in the cattlefeed in EEC countries is so great that a broad-based team may visit India early next year to explore possibilities of lifting its major ingredients, he said.

Growth in Tourist Traffic

India registered a 10 per cent growth in tourist arri-

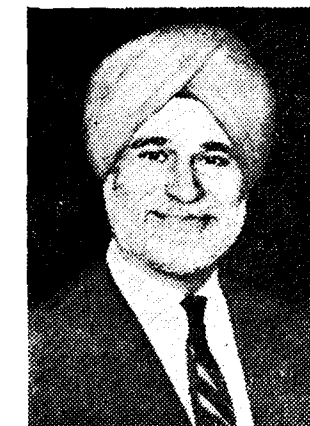
vals in 1975. A record number of 4,65,275 tourists visited India in 1975 compared to 4,23,161 in 1974. India's gross foreign exchange earnings from tourism in 1975 were estimated at Rs 104 crores. The Department of Tourism took advantage of the celebration of 1975 as South-Asia tourism year to focus attention on India's tourist attractions overseas and to create tourism consciousness within India. Among the important promotional measures undertaken during the year were the introduction of 'Discover India' and 'Travel as you like' tickets by the Indian Airlines and Indian Railways respectively. Foreign tourists were allowed entry into India without visa for 28 days on multi-entry basis.

In the field of hotel development fairly good progress was recorded. By the close of 1975-76 India had 15,000 hotel rooms approved by the Department of Tourism against 14,000 in 1975. Fourteen youth hostels and eight tourist bungalows had also been completed. The emphasis in the fifth Plan will continue to be on building up the tourist infrastructure development of selected areas. The entire effort in implementing the plan schemes was directed to meet the demands of one million tourists expected to visit India by 1980.

Names in the News

Bhai Mohan Singh, Managing Director, Ranbaxy Laboratories Ltd, has been elected chairman of the All India Manufacturers Organisation. Bhai Mohan

Singh has varied interests ranging from pharmaceuticals to manufacturing and marketing of cosmetics, food products, advertising, printing etc. He is chairman and director of a number of companies some of which are Jagatjit Industries Ltd, Hamira (Punjab), Bhai Traders



Bhai Mohan Singh

and Financiers Pvt Ltd, New Delhi, Sahib Singh Manufacturing Co. Pvt. Ltd, Bombay, Guptalon Ltd, Hyderabad, Triochem Products Pvt. Ltd, Bombay, and Universal Glass Ltd, New Delhi.

Mr Bansi Dhar who has been elected chairman of the Vanaspati Manufacturers' Association of India for 1976-77 is a director on the Board of the Delhi Cloth and General Mills Co. Ltd and chairman of Hindustan Vacuum Glass Ltd. He has been the president of a number of industrial associations, such as the Indian Sugar Mills Association, the Delhi Factory Owners Federation, the Sugar Technologists Association of India and

the Delhi Management Association.



Bansi Dhar

Mr Dilip Sen, Manager, Calcutta Branch of Clarion-McCann Advertising Services Ltd., has been appointed Regional Director, Calcutta and Delhi from



Dilip Sen

April, 1976. Mr. Sen joined the agency in 1967 as a Senior Account Executive and was given charge of Calcutta operations in 1972. A widely travelled man, he has participated in a number of professional courses and conferences in India and abroad, the last one being a re-orientation programme at the Interpublic Headquarters in New York.

COMPANY AFFAIRS

Mahindra Ugine Steel

THE BOARD of directors of Mahindra Ugine Steel Company Limited has recommended dividend of 14 per cent (subject to deduction of tax at source) for the year 1975. Sales (excluding other income) for the year amounted to Rs 1,376.05 lakhs as against Rs 1,442.89 lakhs during the preceding year. The output of finished alloy steel in the plant declined by about 3,700 tonnes as the operations of the plant were affected by power cuts in the state of Maharashtra.

Less Profit

The profit for the year, before taxation, amounted to Rs 223.42 lakhs as against Rs 322.08 lakhs last year after providing Rs 65.22 lakhs for depreciation as against Rs 60.96 lakhs in 1974. Provision for taxation for the year amounted to Rs 126.50 lakhs as compared to Rs 192.00 lakhs in 1974 leaving a net profit of Rs 96.92 lakhs as against Rs 121.23 lakhs last year.

After providing for prior years' adjustments, the total amount available for appropriation works out to Rs 97.91 lakhs. Proposed

dividend payments of 14 per cent on the expanded equity capital of Rs 377.50 lakhs and 9.3 per cent on cumulative redeemable preference shares will absorb Rs 57.49 lakhs. The directors have decided to transfer Rs 4.89 lakhs to a special reserve. The balance of Rs 35.52 lakhs remains to the credit of profit and loss account.

The merger scheme with the Bank of Baroda Limited became effective on September 22, 1975. Interests on convertible and non-convertible debentures payable to the shareholders of the Bank of Baroda Limited from July 1974 to December 31, 1975 have already been paid.

Additional Facilities

Construction work for creation of additional facilities to increase the capacity of the plant from 24,000 tonnes to 60,000 tonnes of finished alloy steel per annum is proceeding at a fast pace and the expanded facilities will go on stream by the end of 1977.

The company has executed investment agreements with IFCW and ICICI for \$ 9.5 million and \$ 3 million respectively. Security for the above loans has also

been created and the company is expecting disbursements against these investment agreements shortly.

R & D Achievement

Conspicuous success has been achieved in the field of Research and Development inasmuch as a breakthrough was achieved in establishing production of aircraft quality steel used for manufacture of components required for under-carriages of supersonic aircrafts. Progress made in earlier years for developing sophisticated grades of alloy steel such as torsion bars for tanks, stainless steel for critical applications, valve steel for engine, boron and creep resisting grades of steel etc. was consolidated further.

During first four months of the current year, the company has achieved a sales turnover of Rs 536 lakhs as against Rs 427 lakhs during the corresponding period of the preceding year. The company hopes to achieve significant increase in its output of finished steel and turnover during the current year by augmenting its integrated capacity through conversion of bought out blooms and

ingots into finished products.

ITC

With effect from April 1, 1975 the assets of the Indian Branch of Indian Leaf Tobacco Development Co Ltd, incorporated in the Isle of Man has been purchased by ITC Limited of 37, Chowringhee, Calcutta. Indian Leaf Tobacco Development Co Ltd is a 100 per cent UK company and its only business is the business which it carries on in India. The company started operation in India to develop 'Virginia' tobacco (which was previously imported) for local consumption. During the last four decades it has moved from import substitution to making India one of the leading exporters of tobacco. For the year ended March 31, 1975 the total sales of ILTD was Rs 42 crores, of which export sales comprised approximately Rs 24 crores.

Paid-up Capital

ITC Limited has a paid up share capital of Rs 18.95 crores and reserves of Rs 22.65 crores. Forty per cent of the share capital is presently held by the Indian public, the balance being held by three non-resident shareholders. It is planned to increase the Indian participation to 60 per cent within the next two years. For the year ended March 31, 1975 the sales of ITC was Rs 324 crores and profit before tax was Rs 7.8 crores.

Because of the synergy of

activities of ITC and ILTD, the arrangement will help in improving the viability of operations of both units which should be reflected in the dividends and share price of ITC Limited.

Indian Bank

It is a matter of gratification that the breakthrough made by the Indian Bank in the year 1971 in resources mobilisation has been well kept up, and the bank's total deposits in India (excluding inter-bank) smartly rose by Rs 82.37 crores during 1975 from Rs 266.97 crores at the end of 1974 to Rs 349.34 crores at the end of 1975, a rise of 30.85 per cent. Including inter-bank, deposits in India rose from Rs 270.66 crores to Rs 353.76 crores. Including overseas branches, the bank's deposits rose from Rs 279.46 crores to Rs 362.85 crores at the end of 1975. The average deposit per branch in India including inter-bank rose from Rs 54.35 lakhs at the end of 1974 to Rs 61.20 lakhs at the end of 1975.

The bank extended its branch network in 1975 to Madhya Pradesh, Himachal Pradesh and Meghalaya. With this the bank has branches in all the states and union territories in India except the states of Manipur, Nagaland, Tripura and Jammu and Kashmir, and the union territories of Arunachal Pradesh, Mizoram, Andaman and Nicobar Islands, Dadra and Nagar Haveli and Lakshadweep. As at the end of 1975 the bank had

578 branches in India spread over the 17 states and 4 union territories. 146 branches were in rural centres, 202 in semi-urban, 108 in urban and 122 in metropolitan areas. At 161 centres in the country, Indian bank was the only operating bank as at the end of 1975. It opened 80 branches in 1975 as against 71 in 1974.

Extension Counters

The bank is also providing customer service to institutions and groups of customers through extension counters. At the end of 1975 the bank has been operating 22 extension counters. Four extension counters were added in 1975, one at the Theosophical Society, International Headquarters in Madras, another at St. Michael's High School in Patna, one at the municipal office, Coimbatore, and another at the Taj Coromandel Hotel in Madras.

The 10 districts where Indian Bank has been assigned lead role has a fair coverage of commercial bank branch network. Only 19 blocks in the ten lead districts were unbanked as at the end of December 1975. We have already formulated plan for opening branches in nine of the unbanked blocks during the year 1976, the remaining to be covered in 1977.

The bank's credit-deposits ratio was brought down to 66.80 per cent at the close of the year against 68.34 per cent at the end of 1974, and the bank was generally able to meet its lending obligations fairly



*Your hands have spoken love.
We know.
They have smoothed wrinkled brows.
Wiped tears.
Awakened to ecstasy, a beloved.
Your hands can caress too
the implements of work
into a passion of productivity.
Work is your other love.
We respect your hands.*

Gedore respects your hands

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HANDTOOLS

comfortably. Total advances in India including due from banks rose by Rs 51.32 crores during the year, from Rs 184.98 crores to Rs 236.30 crores, 27.74 per cent rise during the year. The percentage increase since nationalisation was 294.29 per cent, from Rs 59.93 crores to Rs 236.30 crores. Average credit per branch increased from Rs 27.37 lakhs to Rs 40.88 lakhs.

Credit Operations

Bank credit operations of the bank's rural branches were maintained at high level. Contrary to national average, lendings at the bank's 146 rural branches, made 117.90 per cent of the deposits at these branches, a further improvement over credit-deposits ratio of 105.71 per cent at the end of 1974. The credit-deposits ratio of the rural branches of all scheduled commercial banks as of December 1974 was 52.64 per cent only.

Total income rose to Rs 32.99 crores (Rs 25.12 crores in 1974), a 31.33 per cent rise. Interest and discount earned was 32.90 per cent higher at Rs 28.96 crores (Rs 21.79 crores in 1974). Interest paid on deposits, borrowings, etc, increased to Rs 19.25 crores (Rs 13.85 crores in 1974), 38.99 per cent higher. Salaries, allowances, provident fund, etc, increased from Rs 7.47 crores in 1974 to Rs 8.97 crores in 1975, a rise by 20.08 per cent while percentage rise of 1974 over 1973 was 32.18. Percentage rise in total expenditure was slightly lower

than the percentage rise in income, 31.25 per cent, total expenditure for 1975 was Rs 31.75 crores (Rs 24.19 crores in 1974). The balance of profit for year 1975 amounted to Rs 1.24 crores against Rs 93 lakhs for 1974, a rise of 33 per cent. A sum of Rs 16 lakhs being excess provision for expenses in 1974 has been written back (net of tax) to the profit taking the net available surplus to Rs 1.40 crores. With the transfer of Rs 80 lakhs to reserve fund the amount of the statutory reserve fund moves up from Rs 63 lakhs at the end of 1974 to Rs 1.40 crores at the end of 1975.

Svadeshi Mills

Svadeshi Mills Company Ltd, has reported encouraging working results during the year ended December 31, 1975. Sales, net of excise, advanced from to Rs 5.56 crores from Rs 13.60 crores in 1974 but gross profit declined to Rs 99.26 lakhs from Rs 141.44 lakhs. Out of the gross profit, a sum of Rs 32.39 lakhs was appropriated to depreciation reserve, Rs 7.30 lakhs to development related reserve and Rs 28.00 lakhs for taxation as against Rs 33.90 lakhs, Rs 8.25 lakhs and Rs 60.00 lakhs provided respectively in 1974.

The board of directors of the company have recommended declaration of preference dividend of Rs 7.14 per share and equity dividend of Rs 20 per share (previous year: Rs 20 per share), aggregating Rs 25.27 lakhs. If this proposal is

approved by the shareholders at the annual general meeting to be held on May 27, 1976, out of the recommended equity dividend of Rs 20 per share, Rs 9.80 per share (previous year: Rs 12 per share) would become payable after the annual general meeting and the balance Rs 10.20 per share (previous year: Rs 8 per share) would become payable in two equal instalments on July 6, 1976 and July 6, 1977, together with interest at eight per cent per annum.

EID-Parry

After obtaining the shareholders' consent, petitions were filed in the Madras High Court and in London for obtaining their sanction and for transfer of assets and liabilities of EID-Parry Ltd to the new Indian Company, EID-Parry (India) Ltd. If all goes well all formalities are expected to be completed soon. According to current indications the scheme will become effective from end-June 1976. The New Indian Company will, on its own, carry on by and large the business operations of EID-Parry Ltd. This was disclosed by the Chairman, Mr R. Venkataswamy Naidu while addressing the annual general meeting of the company.

The conditions under which the group had to operate during the 15-month period ended December 31, 1975 were indeed extremely difficult. The group was faced with a number of problems in relation to two of its main

operations namely sugar and fertiliser. Several factors inhibited sales volume and profitability. The unusually heavy burden of fertiliser inventories which the group has to carry resulted in a severe incidence of interest charges. Moreover the benefits which the group derived last year from certain non-recurring factors were not expected to be repeated this year. Consequently, the group's net profit before taxation for the period under report was Rs 202.12 lakhs as against Rs 560.85 lakhs in the preceding year.

Steep Decline

Notwithstanding the steep decline in net profit before taxation, it is heartening to note that the incidence of taxation in relation to profits is considerably lower this year consequent upon certain exceptional factors with the result that the net profit after taxation at Rs 110.35 lakhs is lower by only Rs 49.27 lakhs as compared with the after tax profit of Rs 159.62 lakhs in the previous year. The directors have recommended an equity dividend of 12 per cent for the 15 months ended December 31, 1975.

Nellikuppam Sugar factory crushed 6.44 lakh tonnes cane during the 15 months ended December 31, 1975 and produced 49,408 tonnes sugar at an average recovery of 7.67 per cent. The levy price continues to remain uneconomical and does not fully

compensate the escalation in costs and the matter is before the court.

Lower Yields

Nellikuppam factory crushed 1.74 lakh tonnes of cane for the period January 1, 1976 to March 26, 1976. The season had to be closed for want of cane due to lower yields. The plantings for 1976-77 season are quite satisfactory and the factory is expected to start crushing in September/October, 1976. A letter of Intent has been received to expand the capacity of Nellikuppam factory from 2,750 TCD to 4,000 TCD. Steps have been initiated to undertake an expansion initially to increase the crushing capacity of Nellikuppam factory to 3,000 TCD by the end of the 1976 off-season. With the ultimate expansion to 4,000 TCD in view, steps are being taken to increase the plantings of cane to ensure an adequate supply thereof.

With the re-introduction of prohibition in Tamil Nadu as from September 1, 1974 the bulk of production during the year under review was sold outside the state. The possibility of locating the IMFL plant outside the state of Tamil Nadu is being explored.

CO₂ production and sales continued to be satisfactory in spite of competition that prevailed during the period under review.

The year witnessed a rather sudden transformation in the market conditions from one of shortage

to easy availability and sluggishness of demand. Several factors, but predominantly price fluctuations, distribution controls, credit constraints and unfavourable seasonal conditions, contributed to a decline in demand, leading to higher inventory level and carrying costs. It was through intense promotional efforts, aggressive selling, enlargement of sales force and distribution network and extension of the marketing territory that the group had been able to achieve during the year under review a sales volume representing 95 per cent of the previous financial year.

Rated Capacity Surpassed

During the 15 months period, Ennore factory achieved a production level higher than its rated capacity for phosphatic fertiliser. Due to power cut ranging up to 40 per cent, the production of ammonium sulphate had to be restricted, and for several months during the period this unit remained shut down.

The company has made considerable strides in the field of exports. A substantial volume of export of textile garments has already been built up and its efforts to export other Indian products have commenced bearing fruits.

The merchanting and trading activities consisting mainly of engineering and consumer products continue to lend steady support forming an integral part of the mainstream of the company's business. New

lines have been added although in some of these, turnover can be built up only over a period of time. The pharmaceutical trading continue to maintain a steady rate of growth. Whilst on the whole the merchanting turnover registered an increase, continual spiralling of selling and administration costs cut into profit margins.

Rajasthan Financial Corporation

The Rajasthan Financial Corporation (RFC) has signed an agreement with Indian Bank under which the Indian Bank will provide working capital on concessional rate of interest to small-scale units to whom RFC sanctions term loan for fixed capital. Under the agreement, Indian Bank would provide working capital loan to the extent of 100 per cent of the requirements to unemployed technocrats at reduced rate of interest to whom RFC sanctions 100 per cent term loan for fixed capital upto a total loan limit of Rs 2 lakhs.

The Indian Bank has agreed to provide bridging loans to the entrepreneurs in cases when the sanctions/disbursements of term loan by the corporation is in process. The corporation and Indian Bank have both agreed to extent their mutual cooperation and help in the inspection of units and in devising scheme of rehabilitation of industrial units which are facing difficulties in running their units. They will help each other

in the matter of recovery of loans also. RFC and Indian Bank have both agreed to make special efforts to guide the borrowers whose machinery requirements include imported machinery as such imports would make the entire term loan eligible for refinance from IDBI under IDA line of credit. This would help the borrower in obtaining import licenses expeditiously.

It may be recalled here that RFC has been making efforts to evolve arrangements with the commercial banks for cooperation and coordination in areas like appraisal of credit needs of the industrial units, sanction of fixed and working capital loans etc in order to provide package of financial assistance to small-scale industries. In this context the corporation has already come to an agreement with the Bank of Rajasthan, Central Bank of India, State Bank of India, Punjab National Bank and State Bank of Bikaner & Jaipur for integrated financial assistance.

Ahmedabad Advance

Ahmedabad Advance Mills has reported satisfactory working results during the year ended December 31, 1975. Sales, net of excise, was higher at Rs 16.62 crores as compared to Rs 16.15 crores in 1974 but gross profit was lower at Rs 103.68 lakhs as against Rs 130.31 lakhs in the preceding year. Out of the gross profit, a sum of Rs 60.48 lakhs was earmarked to depreciation reserve

as against Rs 41.46 lakhs in 1974 while no allocation has been made for taxation as against Rs 10.00 lakhs provided previously. No provision has been made for development rebate reserve as against Rs 50.00 lakhs allotted in the previous year. The board of directors of the company have recommended declaration of preference dividend of Rs 7.14 per share and equity dividend of Rs 16.00 per share) aggregating Rs 24.23 lakhs. If this proposal is approved by the shareholders at the annual general meeting, to be held on May 28, 1976, out of the recommended equity dividend of Rs 16.00 per share, Rs 9.30 per share (previous year : Rs 12 per share) would be payable after the annual general meeting and the balance of Rs 6.70 per share (previous year Rs 4 per share) would become payable in two equal instalments on July 6, 1976, and July 6, 1977, together with interest at eight per cent per annum.

Hindustan Organic Chemicals

Despite difficulties faced in the beginning of the year in getting sufficient quantities of raw materials like nitric acid and unfavourable market conditions, HOC could achieve better results on the production as well as sales front in the year 1975-76. Improvement in production was particularly spectacular. It reached all time record of 56,670 MTs as against 49,809 MTs in 1974-75 and 37,419 MTs in 1973-74,

the overall increase on the previous year's production being 14 per cent. In respect of two plants viz. Acetanilide and Sulphuric Acid, even the annual rated capacity has been exceeded. In many other plants, monthly capacities were exceeded in many months.

News and Notes

Curewell (India) proposes to clear arrears of preference dividends for 1973 and 1974.

The directors of **Sandvik Asia** have proposed to issue bonus shares in the ratio of one share for every three equity shares held. They have also recommended an equity dividend of 22 per cent for 1975, the same as that declared for the previous year.

Zenith Steel Pipes and Industries has shipped about 5,400 tonnes of galvanised steel pipes valued at about Rs 1.65 crores to Iran. This is stated to be the largest single shipment of galvanised pipes from India to any country in the world.

Mr Subodh B. Kaji, deputy general manager of Bank of India has been appointed general manager of the bank. Mr Kaji was the chairman of the foreign exchange dealers association for two years and that of the committee examining the formation of a corporation to take over foreign branches of the public sector banks. He held a number of important posts both in India and abroad and was elevated to the rank of deputy general manager of the bank in 1968.

New Issues

The Industrial Credit and Investment Corporation of India (ICICI) is entering the market with an issue of 6½ per cent debentures (1991) for Rs 12.50 crores, with a right to retain excess subscription money up to ten per cent of the issue. The debentures will be issued at 97.50 per cent. The subscription list will open May 20, on 1976. The debentures are guaranteed by the government of India as regards repayment of the principal and payment of interest thereon. With the government guarantee, the debentures become "approved security" under the Indian Trusts Act, 1882, the Insurance Act, 1938 and the Banking Regulation Act, 1949. The debentures, are therefore eligible securities for investment of provident fund monies in accordance with the formula for investment of such funds.

Andhra Pradesh Steels

Dividends

Name of the company	Year ended	(Per cent)	
		Equity dividend declared for	
		Current year,	Previous year
Higher Dividend			
Bajaj Tempo	Sep. 30, 1975	10.0	9.0
Bharat Bijlee	June, 30, 1975	12.0	8.0
Peirce Leslie India	Sep. 30, 1975	9.0	5.0
Same Dividend			
Ferro Alloys Corpn.	Dec. 31, 1975	12.0	12.0
Svadeshi Mills	Dec. 31, 1975	20.0	20.0
Antifriction Bearings	Dec. 31, 1975	12.0	12.0
Madras Aluminium	Dec. 31, 1975	Nil	Nil
Mahindra UGINE Steel	Dec. 31, 1975	14.0	14.0
Reduced Dividend			
Mysore Lamp Works	Dec. 31, 1975	Nil	12.0
J.K. Chemicals	Dec. 31, 1975	Nil	12.0

promoted by APIDC, will issue on May 26, 7.35 lakh equity shares of Rs 10 each and 33,000—11 per cent, cumulative redeemable preference shares of Rs 100 each at par. The public issue has been fully underwritten by financial institutions and commercial banks. The proceeds will be utilised for financing partly the company's Rs 5.35-crore project being set up at Paloncha a notified backward district of Khammam (Andhra Pradesh) for manufacturing mild steel and high carbon steel billets and wire rods.

The project is being implemented in two phases, the first phase covering the electric arc furnaces and continuous casting machine to produce 47,000 tonnes of steel billets per annum and the second phase covering the rolling, conditioning and heat treatment facilities to process the billets into finished steel.

RECORDS AND STATISTICS

Report of ministry of Industry and Civil Supplies: 1975-76

THE RATE of growth of industrial production has further accelerated and is likely to be between 4 to 5 per cent in 1975-76 according to the report of the ministry of Industry and Civil Supplies for 1975-76. In particular, production in some of the major industries, (e.g. steel, coal, cement, fertilisers and electricity during the first ten months of 1975-76 was substantially higher than the corresponding period of the last year. The rate of growth in these industries in the first ten months of the year ranged from 11 to 29 per cent.

There are also indications that some of the industries which had been affected by decline in production during the earlier part of the year have begun to show an improvement

towards the latter half e.g. in plastics, man-made fibres, paper and paper board, paints and varnishes and matches etc. This is revealed in the ministry's report for 1975-76.

The economy is thus poised for a breakthrough in the industrial field. A large part of the industrial sector is likely to have shown a growth rate of about 7 to 8 per cent (consisting of industries such as coal, electricity, steel, fertilisers, cement, non-ferrous metals and capital goods etc.) during 1975-76, and the overall rate of growth in industrial production is likely to be between 4 to 5 per cent. With a substantial increase in the Plan outlay for the next year, the growth rate in the core sector can be maintained. Given the extent of the utilised capacity still available in the country, there is no inherent reason why the overall rate of growth in the industrial sector could not be further accelerated during the coming year.

Generate Demand

The change in the price situation requires that industry should be willing to re-adjust its costs and reduce prices in order to generate demand for its products. Unless these industries realise

this, they would find themselves caught in a vicious circle of high prices, low demand, low sales, and continuation of high prices in order to maintain sales revenue

The government has shown considerable flexibility in regulating policies and procedures for promotion of production and investment in desired lines. The best advantage from this situation can be taken only if industrial behaviour becomes more forward looking, more cost and quality conscious, and more adaptable to the changing demand situation.

Major Factors

So far as 1976-77 is concerned, there are a number of factors which give confidence that the achievements of 1975-76 will not only be consolidated but also exceeded. Among these factors, a major contributory element is continuing price stability. Another factor of major importance for agro-based industries, which account for a large weight in the index of industrial production, is the improved situation regarding supply of agricultural raw materials in the wake of an excellent crop. Improvement in the supply situation in respect of agricultural raw materials has been accompanied by an equally striking improvement in the supply of other inputs, particularly coal, power, steel and cement.

The balance of payments situation is also favourable, and public sector outlay is being substantially increased in 1976-77 which should raise the aggregate level of

demand in the economy. Not the least of the favourable factors for growth is the change that has been brought about in the government policies and procedures for increase in production and investment in the economy.

In the field of production, the most striking achievement of 1975-76 was in respect of the public sector enterprises. In 1975, public sector undertakings continued to show an impressive rate of growth, which was considerably higher than the overall rate of growth in the industrial production. In physical terms, the rate of growth of public sector output was of the order of 17 per cent during April-January 1975-76 over the correspondings period of the last year. The public sector has lately emerged as the leading sector in the industrial economy of the country.

Increased Production

Increase in production in the heavy engineering sector was particularly impressive. Production in the undertakings under the purview of the department of Heavy Industry during the first ten months of 1975-76 was estimated at Rs 5,570 million, which was higher by 35 per cent compared with the corresponding period of the previous year.

Apart from the performance of the public-sector, the trend of production during the current year (1975-76) in the private sector in critical areas has been encouraging. The total

production of machine tools is likely to exceed Rs 1,000 million during this year as against a production of Rs 910 million in 1974-75. Production of machinery for manufacture of tyre and rubber goods which stood at Rs 35 million in 1974-75 is expected to be more than double during the year. Chemical machinery worth Rs 500 million is expected to have been produced during this year registering almost 20 per cent increase over the production during 1974-75. Paper machinery and sugar machinery are expected to touch Rs 200 million and Rs 300 million during 1975-76 registering an increase of 53 per cent and 18 per cent over the performance during 1974-75.

Significant Improvement

Production of commercial vehicles is expected to be in the range of 47,000 as against 40,713 in 1974-75. Motor cycles, may touch 68,000 as against 61,273 in 1974-75. Production of scooters during April-November 1975 is 68,285 and it is expected to reach a figure of 1,35,000 numbers during 1975-76. production of tractors in 1975-76 would be of the order of 33,000 numbers as against 31,088 during 1974-75. The overall performance of the hevy engineering units in the private sector has been maintained and expected to show significant improvement during the current year.

Cumulative production in undertakings under the department of Industrial

Development was of the order of Rs 770 million which meant an increase of 51 per cent over the corresponding period of the previous year. Among these, production of cement in the two units of the Cement Corporation of India amounted to 277,000 tonnes during April-January 1975-76 showing a rise of 25 per cent over the corresponding period of the previous year. The production at the Bharat Ophthalmic Glass Limited at Rs 6 million during April-January 1975-76 was higher by 173 per cent over April-January 1975-75. Production at Instrumentation Limited, Kota and National Instruments, Calcutta showed an increase of 50 per cent and 0.5 per cent respectively.

Another remarkable feature of industrial production during the year was the tremendous improvement that has taken place in the supply situation of basic inputs. For example, production of saleable steel in the main integrated plants during April-January 1975-76 increased by 18 per cent, that of coal (including lignite) by 12 per cent and electricity generated by 12 per cent.

Special Cells

Engineering exports have touched a figure of Rs 1848 million in April-October 1975 and will at least reach upto Rs 3,800 million in 1975-76 as against the target of Rs 4,000 million. The performance in 1974-75 was Rs 3,520 million. Similar improvement has been registered in respect of production of cement, con-

sequent to the ministry of Industry and Civil Supplies having set up a special cell for increasing supply of coal and coordinating movement.

Self Reliance

The policy of imports substitution is an integral part of national objective of self-reliance. The steadfast pursuit of this objective has paid rich dividends over the years and the progress made is amply demonstrated by the fact that during the year 1974 for sustaining production of over Rs 70,000 million from the organised sector of industries looked after by Directorate General of Technical Development, the import bill was not more than Rs 6,000 million indicating an average import content of less than 10 per cent.

An important element in the industrial strategy of our country is to promote the development of small-scale industries. A development in this field during 1975-76 was the revision of the definition of small-scale and ancillary industries. Taking into account the steep increases in the price of capital equipment and replacement costs, government announced a revision of the investment ceiling in the small-scale and ancillary industries with effect from May, 1975. In the case of small-scale industries, the ceiling on investment in plant and machinery has been raised from Rs 7,50,000 to Rs 1 million and that of ancillary units from Rs 1 million to Rs 1.5 million.

Emphasis on promotion

of industry in the backward areas has continued through industrial approvals, special incentives and increased quantum of assistance from term lending institutions. The tempo of reimbursement of capital subsidy to state governments and other agencies towards development of backward areas has picked up and about Rs 90 million are expected to be disbursed during 1975-76 as against Rs 40 million in 1974-75. This would represent a minimum investment of Rs 600 milion (at the rate of 15 per cent subsidy) in industries set up in backward areas, and in actual practice, would be considerably higher because of the ceiling of Rs 1.5million as the maximum subsidy to be given to any undertaking irrespective of the size of investment.

Important Objectives

One of the important objectives of government's policy during the year was not only to increase production but also to make available essential goods to the people at reasonable prices and in satisfactory quantities. To this end, the strategy adoped was two-fold viz., expansion and streamlining of public distribution system and development of cooperatives for distribution of consumer articles. During the year, the number of fair price shops for distribution of foodgrains and sugar was increased from 215,000 to 230,000. Similarly, the number of retail outlets for distribution of kerosene oil was increased from 100,000

to 216,000. In addition, 6,000 retail outlets have been established for distribution of soft coke mainly in the northern region. Along-side the expansion of the public distribution system, measures have been taken to bring about qualitative improvement in the functioning of the system.

During the year, development of cooperatives for undertaking the distribution of consumer articles has been given a place of primacy. The financial outlay in the annual Plan was considerably stepped up during the year. Cooperatives have been sought to be strengthened both organisationally and managerially. At present cooperatives are operating nearly 17,500 retail outlets in the urban areas including 171 cooperative department stores and about 53,000 retail outlets in the rural areas. In the cooperative

year ending June 1975, the total volume of consumer trade handled by cooperatives is estimated to be about Rs 7,500 million. This is expected to be increased to about Rs 9,000 million during the current cooperative year.

One of the major items handled by cooperatives is controlled cloth which is being distributed through a network of more than 46,000 retail outlets out of which about 80 per cent are in rural areas. On an average cooperatives are handling about 30,000 bales of controlled cloth per month. Another significant development in the cooperative sector has been the induction of cooperatives into the supply of essential articles to students hostels in universities and degree colleges. The cooperatives are now catering to about

3,000 hostels involving nearly 240,000 students.

A decline in the average index of wholesale price (point-to-point comparison) was achieved soon after the declaration of the emergency in July 1975. Since then the decline in the price level has progressively increased reaching 7.1 per cent in December, 1975. The falling trend in wholesale prices has also been reflected in retail prices.

The consumer price indices touched a decline of 4.8 per cent for industrial workers and 12.2 per cent for agricultural labourers in November 1975. A welcome feature of this year's performance has been that there was a fall in prices of essential commodities in the loan period (May to October 1975) the wholesale price indices declined by 0.25 per cent during the period as

compared to a rise of about 12.04 per cent and 14.49 per cent in the corresponding periods in the preceding years of 1974 and 1975.

Thus, by all accounts, 1975-76 has been a year of considerable achievement in the industrial field, notwithstanding the fact that certain sections of industry have gone through problems of adjustment as well as problems of decline in demand for their products. The year 1975-76 has also been a year of remarkable achievement in controlling inflation. The success achieved in this field is not only unprecedented in our recent history, but is also unmatched by the current experience of other nations, economically much more fortunately placed than ours.

The table below gives the Industrial Production in the year 1974 and 1975.

Production of industries in 1974 and 1975

Sl. No.	Name of Industry	Accounting Unit	1974			1975			Remarks
			No. of Unit	Installed Capacity	Annual Production	No. of Unit	Installed Capacity	Estimated (Annual) Production	
1	2	3	4	5	6	7	8	9	10
MECHANICAL AND ENGINEERING INDUSTRIES									
1	Air/Gas Compressors	Nos.	12	13,600	6,590	12	13,600	6,000	
2	Welding Electrodes	Million Running metres	20	691	394	20	691	400	
3	Steel Wire Ropes	m.t	9	44,340	26,816	9	45,060	27,000	
4	C. I. Spun Pipes	Tonnes	9	4,78,600	2,87,000	9	4,78,600	2,80,000	
5	C.I. Pipes (Sand Cast)	Tonnes	3	56,640	10,100	1	48,000	9,800	Closure of 2 units during most part of the year 1975
6	Oil Barrels	Tonnes	13	95,872	42,196	16	1,38,878	42,000	

—Contd

1	2	3	4	5	6	7	8	9	10
7. Small Drums	Tonnes	24	18,159	6,528	24	18,159	5,350	Shortage of indigenous steel/raw materials.	
8. Bitumen Drums	Tonnes	4	28,350	15,636	6	34,550	13,250	Do.	
9. Tin Containers (including OTS)	Tonnes	36	98,059	62,000	39	1,11,621	47,500	Shortage of indigenous tin plate as well as restricted import of tin plate.	
10. Aluminium Collapsible Tubes	Million Nos.	7	382.09	278	7	382.09	190	Shortage of indigenous raw-material viz. aluminium slug	
11. Crown Corks	Do.	4	2098.80	946.38	5	2142	385	Shortage of raw-material viz tin plate.	
12. R.O. & P.P.	Do.	11	419.70	838.50	11	656.20	715	Shortage of indigenous raw material viz. aluminium.	
13. Aluminium Capsules	Do.	2	286.80	139.20	2	286.80	60		
14. Safety Razor Blades	Mill. Nos.	7	2530	911	7	2530	1050		
15. Sewing Machines	Nos.	5	5,33,500	3,33,000	5	5,33,500	2,85,000		
16. Typewriters	Nos.	4	86,400	46,000	4	86,400	49,000		
17. Bicycles	In Lakh Nos.	15	40.19	24.83	15	40.19	20.00	Fall in production during 1975 is due to two units becoming sick and also due to fall in demand.	
18. Bicycle	Rs. in lakh Nos.	56	Since there are a number of parts it is not possible to indicate installed capacity	22.45	56	Same as under Col. 5.	23.56		
19. Forged & Welded Link Chains	Tonnes	3	4330	1866.5	3	4330	1610	Fall in production due to power cut and delay in receipt of steel R/M through Canalising Agency	
20. Pipe Fitting	Tonnes	8	14388	2447.81	11	19913	4306		
21. M.T. Fasteners	Tonnes	13	18146	9111.39	13	18146	8568	Fall in production due to power cut and demand constrain.	
22. M. S. Bolts, Nuts and Rivets	Tonnes	22	51588	27841	22	51588	29493.12		
23. M. S. Machine Screws	M. Nos.	3	154.2	2	2	154.2	182.50	One unit discontinued production and surrendered the I.D. Act licence late in 1974.	
24. Wood Screws	M. Nos.	5	1513.72	1331.39	4	1492.12	1365.38	One unit has continuously suspended production from 1973 and hence deleted.	

—Contd.

1	2	3	4	5	6	7	8	9	10
LIGHT MECHANICAL INDUSTRIES									
1. Watches	Lakhs pcs	5	16.30	6.84	5	16.30	8.00		
2. Time Pieces	"	7	16.00	9.50	6	14.36	7.00	One unit manufacturing time pieces has been transferred to SSI.	
3. Clocks	Lakhs pcs	6	3.15	1.69	5	3.12	12.00	One unit manufacturing electronic clocks has been transferred to Elect. Dte. of DGTD	
4. Pressure Cookers	'000 tonnes	2	700	394.65	2	700	400		
5. Cutlery	"	3	520	20	3	530	17		
6. Utensils	"	22	18962	4348	22	18962	3600	Shortage of brass sheets, aluminium sheets & stainless steel sheets.	
7. Hand Sewing Needles	M. Nos.	2	1060	453.943	2	1060	650		
8. Steel Furniture and Security Equipments	Tonnes	12	44833	28649	12	44833	21367		
9. Locks	Nos.	7	3,27,47,990	98,01,053	7	3,27,47,990	1,03,59,000		
PROCESSED FOOD INDUSTRIES									
1. Baby Food	M.T.	10	26,578	11,174	10	9,578	22,500		
2. Milk Powder	"	13	25,784	12,416	18	37,389	18,000		
3. Condensed Milk	"	6	13,800	5,783	6	13,800	4,000		
4. Malted Milk Food	"	8	20,183	15,347	8	20,183	16,500		
5. Cheese	"	1	500	443	1	500	450		
6. Weaning & High Protein Food	"	6	8,951	2,926	6	8,951	5,400		
7. Egg Powder	M.T.	1	300	431	1	300	50		
8. Drinking Chocolate	M.T.	3	1,500	465	3	1,500	200		
9. Chocolate	"	5	4,410	1,601	5	4,410	1,500		
10. Cocoa Powder	"	3	642	57	3	42	50		
11. Instant Coffee	"	2	2,139	1,669	2	2,139	1,350		
12. Instant Tea	"	2	850	326	2	850	270		
13. Ice Cream	'000 Litre	7	9,490	3,113	7	9,490	3,500		
14. Flour Milling	M.T.	155	4891,294	1746,251	158	4993,284	1474,593		
15. Biscuits	"	30	104,448	63,303	31	107,448	54,110		
16. Confectionary	"	22	35,928	16,764	22	35,928	7,120		
17. Bread	"	16	81,260	80,550	16	81,260	84,957		
18. Aerated Waters	M. Bottls	34	1,731	631	34	1,731	730		
19. Malt Extract	M.T.	2	4,800	3,099	2	4,800	2,600		
20. Meat Products	"	4	1,600	500	4	1,600	542		
21. Pearl Barley	"	4	6,589	1,400	4	6,589	1,150		
22. Corn Flakes	"	3	2,548	325	3	2,548	148		
23. Oat Flakes	"	1	2,100	20	1	2,100	—		
24. Fruit & Vegetables	M.T.	31	97,869	26,550	31	97,867	24,434		
25. Cottonseed Oil	"	80	11,69,600 tonnes in terms of cottonseed	52,520 tonnes	86	12,99,600 tonnes in terms of cottonseed	73,000 tonnes		
TIMBER PRODUCTS									
1. Plywood	M.Sq.Mts.	33	43.344	T.3.6 C.32.0	33	46.788	3.85		
2. Particle Board	Tonnes	8	44,900	8,735	8	44,900	6,450		
3. Fibre Board	Tonnes	3	40,500	HB21474 IB14113	3	40,500	18,000		
						22587	2,200	Less construction activities in Private and Public Sector, Slight lull in international market.	

—Contd.

1	2	3	4	5	6	7	8	9	10
4. Safety Matches	Million (Boxes of 50 sticks)	5	3950.208	4,367	3950.208	4,000	Strike in four units out of five units for a period roughly for 2 to 3½ months.		

ELECTRICAL INDUSTRIES

1. Electric Motors	Mill H.P.	35	6.115	3.11	35	6.3928	3.0 Demand has gone down for motors up- to 15 HP (i.e. mo- tors for Agriculture)
2. G.L.S. Lamps	Mill Nos.	14	166.2	128.9	14	157.57	150.0
3. Fluorescent Tubes	Mill Nos.	12	19.567	15.54	10	13.017	17.5 Units since closed.
4. Miniature Lamps	"	8	62.30	40.30	9	64.800	40.00
5. Electrical Steel Stampings	Mill tonnes	34	90,000	45,000	35	93,00	50,000
6. Dry Batteries	Mill No.	11	1,231	631.3	12	1291.0	500.0 Lack of demand.
7. Storage Batteries	Lakh Nos	7	19.23	13.19	8	20.63	14.00
8. Electric Fans	Mill Nos.	16	2.991	2.33	16	2.991	2.40
9. Flashlight Cases	Lakh Nos	3	120.8	63.12	3		
10. Industrial Air-con- ditioning, Refrige- rator and Air Con- trol Equipment	Rs. lakh	25	2,720	1,476.04	25	2,720	1143.00 Lack of demand.
11. Domestic Refrigera- tors	Numbers	7	1,85,800	1,62,871	7	1,85,800	1,22,331
12. Room Air Condi- tioners	"	7	44,780	26,702	7	44,780	10,278 Lack of demand
13. Industrial Cooling Towers	Rs. lakhs	3	370	257.25	3	370	229.29 Lack of demand.
14. Water Coolers	Nos.	7	9,986	6,245	7	9,986	6,476 Lack of demand.
15. Industrial Fans and Blowers	Rs. Lakhs	15	NA	25.75	15	NA	440.70 Lack of demand.
16. ACSR/ARC Conductors	Mill tonnes	44	1,09,625	28,132	44	1,21,115	40,000
17. Winding Wires	"		37,290	17,261	34	39,560	16,000
18. PVC/VIR Cables	Mill Core	27	1281.3	449	27	1,281.3	400
19. PVC/ILC Power Cables	K.M.	18	23,735	16,002	18	23,735	16,000
20. Underground Tele- phone Cables & Coaxial Cables	K.M.	3	12,900	4,055	3	12,900	7,000
21. Graphite Electrodes and Anodes	Tonnes	2	10,850	7,645	2	10,850	8,206
22. Carbon Blocks (Metallic Grade)	"	1	80	57.5	1	80	35.00
23. Cinema Arc Carbons	Mill Pairs	4	18	8,236	4	18	10,294
24. Midget Electrodes	Mill Nos.	2	475	291.2	2	475	296.00

RUBBER GOODS INDUSTRY

1. Automobile Tyres	Lakh Nos.	10	62.81	53.95	13	66.25	60.00
2. Automobile Tubes	"	10	59.91	47.11	13		47.60
3. Bicycle Tyres	Mill Nos.	20	32.39	25.96	0	32.39	28.50
4. Bicycle Tubes	"	20	32.50	19.38	20	32.50	19.65
5. Conveyor Belts	M. Tons	5	4,810	3,974	5	4,810	4,715
6. Fan & V Belts	Lakh Nos	9	74.21	67.96	9	74.21	68.65
7. Reclaimed Rubber	M. Tons	6	16,820	16,693	8	2,420	17,000
8. Hoses	Mill Mts.	9	6.85	4.98	9	6.85	5.06
9. Synthetic Rubber Cots	Lakh Mts.	7	7.44	3.18	7	7.44	4.37
10. Synthetic Rubber Aprons	Lakh Mts	7	7.09	4.07	7	7.09	5.22

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1	2	3	4	5	6	7	8	9	10
LEATHER AND LEATHER GOODS									
1. Vegetable Tanning Hides	Cow Hi- des	10	22,11,992	8,72,172	10	22,11,992	12,04,452		
2. Chrome Tanning Hides	"	12	24,86,000	18,81,018	12	24,86,000	15,60,012		
3. Western Type of Leather Footwear	Pairs	8	1,38,47,000	69,46,408	7	1,35,62,000	87,92,297		
4. Indian Type of Leather Footwear	"	6	94,67,000	69,54,525	6	94,67,000	65,00,000		
5. Picking Bands	Kgs.	4	5,01,360	96,426	4	5,01,360	85,152		
6. Leather Belting	"	4	2,10,000	64,603	4	2,10,000	73,421		
7. Glue	Tonnes	2	2,820	2366.13	3	3,320	1,403		
8. Myrobalan Extract	Tonnes	2	7,704	1423.83	2	7,704	846		
9. Cotton & Hair Belting	Tonnes	2	216	20.68	2	216	29		
CEMENT									
1. Cement	Mill	51	19.86	14.32	54	21.161	16.00	Increase in produc- tion during 1975 over 1974 is due to :	
								(a) Additional capa- city installed.	
								(b) Improvement of coal supply & wagon movement.	
								(c) Restoration of power cut.	
2. AC Sheet and Accessories	Tonnes	11	6,37,000	3,63,268	11	6,37,000	3,70,000		
3. Asbestos Cement Pressure Pipes	"			60,122			67,596		
4. Asbestos Textiles Pro- ducts (Packing Yarn & Mattresses)	"		2,032	1,822	4	2,532	25,100		
5. Asbestos Jointings and Limpet Sheets	"	5	4,350	3,330	5	4,350	3,200		
6. Asbestos Mill Board	"	1	500	625	1	500	487		
7. Ferrobestos Sheets	"	1	100	45	1	100	44		
8. Profax/Fabrax	"	1	2,000	506	1	2,000	575		
CERAMICS									
1. Glazed Tiles	"	5	42,020	29,138	5	42,020	21,000	Less production due to closure of a ma- jor unit.	
2. H. T. Insulators	"	7	21,510	15,754	7	26,200	16,500		
3. L.T. Insulators	"	14	8,800	3,011	14	8,800	3,950		
4. Stoneware Pipes	"	13	76,464	45,956	13	76,464	45,500		
5. Stoneware Jars	"	8	8,546	6,376	8	8,546	7,000		
6. Sanitaryware	"	9	18,170	16,688	9	20,630	21,500		
7. Crockery	Tonnes	17	29,340	22,262	17	29,340	16,500	Low production due to closure of a major unit.	
8. Synthetic Stones	Kg.	1	21,600	11,419	1	21,600	8,900	Power Cut.	
9. Frits.	Tonne	1	4,020	1,748	1	4,020	1,350	Labour trouble.	
10. Ceramic Colours	Tonnes	1	60	40	1	60	30	Labour trouble.	
11. Enamelware	Th. Pcs	7	30,030	21,257	7	30,030	14,450	Two units have sus- pended production,	
GLASS									
1. Bottles & Vials (including semi- automatic).	Tonnes	26	2,81,000	2,02,786	28	3,03,634	2,18,000		
2. Sheet Glass	Mill Sqm.	6	22.00	14.7	6	22.00	16.00	Lockout in the fac- tory of M/s. U.P. Glass since Feb. 1975	
3. Glass Shells	M. Pcs.	7	170	142.5	7	170	143.00		
4. Vacuum Flasks	"	3	4.5	5.7	3	4.5	6.0		
5. Laboratory Glass- wares	Tonnes	1	7,200	2,071	1	7,200	1,800	The factory was clo- sed for repairs of furnace.	

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1	2	3	4	5	6	7	8	9	10
CHEMICALS									
1. Oxygen Gas	Million Cu. Mts.	64	85.167	60.558	76	92.844	60.00	44.563*	
2. Dissolved Acetylene	"	42	14.419	5.70	42	14.419	7.00	5.128*	
3. Calcium Carbide	Tonnes	5	73,700	70,200	6	88,550	75,000	One unit has gone in production.	
4. Aluminium	Tonnes	2	2,400	2,872	3	4,040	2,800	A new unit has gone only for trial production from July, 1975. Hence there is small increase of production.	
5. Synthetic Cryolite	"	5	5,490	4,641	6	6,990	4,900	Slight increase as per demand.	
6. Borax and Boric Acid	"	1	17,000	12,631	1	17,000	12,000	It was low due to non availability of raw materials in times. Factory was closed for a number of times. A new unit has gone in production from July, 1975.	
			3,000	2,219		3,000	2,000		
7. Potassium Chlorate	"	3	6,174	5,517	4	7,999	5,800		
8. Red Phosphorus	"	1	480	242	2	900	600		
9. Industrial Explosives	Tonnes	2	43,000	37,000	2	43,000	47,000		
10. Calcined Petroleum Coke	Tonnes	3	1,26,000	94,179	3	1,26,000	98,476	34,813*	
11. Calcined Anthracite Coal	Tonnes	1	4,000	Nil	1	4,000	Nil		
12. Formaldehyde	M.T.	8	69,300	31,057	9	99,700	25,500		
13. Carbon Black	Tonnes	2	71,700	51,284	2	71,700	415**		
SALT									
1. Salt	Thousand Metric Tonnes	284	10,000.00	5912.9	230	10,000.00	7225.0	The number of units have reduced owing to grouping of units.	
NEWSPRINT									
1. Newsprint	Tonnes	1	57,500	54,004	1	67,500	54,000	†	
PAPER AND PAPER BOARD									
1. Paper & Paper Board	Lakh Tonnes	68	9.92	8.37	74	10.40	8.50	There is only a marginal increase in production.	
MISCELLANEOUS INDUSTRIES									
1. Starch	M.T.	9	1,68,600	89,782	9	1,68,600	75,000		
2. Liquid Glucose	"	7	80,000	24,413	7	80,000	23,000		
3. Dextrose	"	2	30,600	10,037	2	30,600	11,500		
4. Enzymes	"	1	7,300	500	1	7,300	300		
5. Cigarettes	M. Pcs.	16	67,408	65,874	17	72,088	59,674		
6. Guar Gum	M.T.	5	26,100	16,309	5	26,100	17,075		
7. Sorbitol & Mannitol	M.T.	1	2,250	1,131	1	2,250	1,261		
8. Filter Rods for Cigarettes	M.Pcs.	2	1,800	1,626	3	2,700	1,721		
9. Solvent Extracted Oil	M.T.	113	25,306	90,000	126	28,31,600	1,00,000		
			Lakh tonnes	tonnes		in terms of oil cakes/ rice bran.	in terms of oil cakes/ rice bran.		

*Actual production upto September, 1975

**January to November, 1975

†The mills achieved a production of 31,336 MT of newsprint upto 31-10-74. The production in the current year up to 30-10-75 has been 29,718 MT. The production was less by 1518 MT during the current year upto 31-10-1975 as compared to the corresponding period of the previous year on account of the following reasons : (i) Production suffered to a great extent due to the shortage in steam supply from the MPEB Chandni Power Station on account of reported bad quality for coal received by them and also due to power trippings/voltage dips from the MPEB power grid. (ii) Production suffered also due to teething troubles with the newly commissioned Bomboo Sulphate and Cold Soda plants and due to serious defects and deficiencies of the equipments supplied by M/s. Utkal Machinery Ltd. in these plants.

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Revival of the Simla spirit

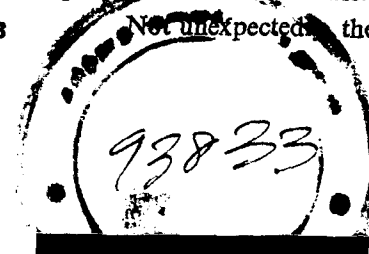
AFTER MORE than four years, the clouds which had shrouded Indo-Pak relationship have now slowly thinned away. The recent decision of both the countries to restore rail, road and air links, and to exchange ambassadors revived memories of the historic meeting between the prime ministers of both the countries at Simla where a new spirit of friendship and amity had prevailed. Perhaps it was unnecessary at this stage to go into the reasons of the long delay in the revival of the Simla spirit. Let us hope that the process of normalisation of relations between the two countries will be carried forward so as to increase the flow of men and materials across the border and renew the cultural and economic ties which had been snapped in the wake of the Bangladesh conflict.

A major irritant had been Pakistan's refusal to withdraw its complaint to the International Civil Aviation Organization (ICAO) regarding this country's denial to it of the right to overfly its territory. It may be recalled that our government had no option but to take this extreme step after the hijacking of an Indian Airlines Fokker and its destruction at the Lahore airport by the hijackers in a ceremonial manner. In fact, this country had lodged a counter-complaint with the ICAO claiming compensation from Pakistan for the plane which had been hijacked and destroyed. With the simultaneous withdrawal of the complaints by both the countries and the restoration of links, it is now anticipated that a new era of "durable peace" may ensue leading to increased trade benefiting the economies of both the countries.

The essence of the Simla agreement was the realisation by both the countries that all problems could best be settled bilaterally and that a third party could hardly be useful in this regard. The three-day face-to-face discussions at Islamabad between Mr Jagat Mehta and Mr Aga Shahi, Foreign secretaries of India and Pakistan respectively, proved fruitful also because the governments of the two countries were psychologically tuned to the restoration of normal relations. Time is a great healer of wounds and what happened in 1971 has now receded to the lower layers of the human consciousness. The government in Pakistan was, in all probability, waiting for a point of time when it could extend to India its hand of friendship without raising a storm at home. With Pakistan's economy doing moderately well and political discontent at a low ebb, the moment of honouring the pledge made at Simla had arrived—and Mr Bhutto nodded his head to record his assent.

There is a feeling in our country that the long delay in the normalisation of relations between the two countries is due to Pakistan's anxiety to re-arm itself so as to make up for the losses sustained in the Bangladesh war. While this country proved both in 1965 and 1971 that it had no ambition to annex any of Pakistan's territory and it promptly returned all areas seized in both these conflicts, Pakistan's refusal to have faith in India was indeed regrettable. In fact, our government has repeatedly offered to sign a no-war pact with Pakistan and it is the government in Islamabad which has refused to enter into such an arrangement. Be that as it may, this country does not want a weak Pakistan which again could be a threat to the peace of the sub-continent. In the new atmosphere of good neighbourliness, the two countries had better take such economic, cultural and scientific measures as would enrich the lives of the people of the two countries.

Not unexpected the trading communities (of both the countries) see in



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the new agreement a fresh hope of hastening the pace of exchanging goods and services between the two countries. The economies of the two countries are complementary and can be of considerable benefit to each other. Pakistan is in need of many of the manufactured goods which it can have cheap and easily from India; similarly, our country can also import a number of commodities from Pakistan obviating unnecessary delay due to imports from far off lands. It is high time that the Commerce ministries of the two countries work out a programme of consultation expeditiously and draw up a trade plan which raises production levels and generates employ-

ment opportunities in both the countries. Given the necessary goodwill, this task should not prove difficult.

This is not to deny the fact that negative forces operating for more than a decade in Pakistan have spread ill will and hatred against India. The publicity media particularly will have to play a dynamic role in rooting out all the poison which has been injected into the minds of the people. By and large, the press as well as the radio in our country has operated in a responsible manner. It is the Pakistan government which will have to be vigilant in controlling the activities of the fire-eaters of the press in that country.

Is it time to review credit policy ?

THE RESERVE Bank's decision to continue the credit policy adumbrated in 1974 without any major change and even with a stiffening of the procedures for securing refinance facilities by the scheduled commercial banks has been taken after the Governor had discussions with the chief executives of major nationalised banks. It is probably felt that nothing more can be done nor is it desirable in respect of a lowering of lending rates by member banks and that creation of credit by Reserve Bank should be restricted as far as possible by indirectly compelling the scheduled commercial banks to utilise a larger proportion of their own funds for expanding food credit and extending loans to borrowers in the priority sectors. With an increase in wholesale prices in April by 2.4 per cent and the necessity to regulate the flow of credit sectorally for productive purposes, there has to be no relaxation of the curbs on fresh lending to industry and trade.

There can be no quarrel over the decision to have effective credit plan-

ning and control the maintenance of inventories by industrial units in the public and private sectors. The new attempt to introduce quarterly credit planning and call for data every month regarding the sectoral flow of funds should certainly be helpful in bringing about a better disposition of available resources and extension of credit to deserving borrowers in need. The assurance has also been given that credit will not be denied for boosting production in the agricultural and industrial sectors. But the trouble has arisen over the interpretation of data and a proper understanding of the factors that have been responsible for a faster growth in non-food credit latterly.

The intensification of procurement operations by the Food Corporation and the other state agencies, have also been responsible for the immobilisation of sizeable funds in buffer stock and if the latest reports are any guide a continuing rise under this head may result ultimately in food credit alone accounting for as much as 15 per cent of aggregate advances. The support

operations in respect of groundnut and the monopoly procurement schemes relating to cotton should also have resulted in a significant increase in advances. As there has also been an increase in inventories of imported steel, non-ferrous metals and fertilisers due to heavy purchases and an increase in internal production, a careful study has to be made of the character of increase in advances and find out whether recessionary trends in tyre, automobile and textile industries and increase in the output of the power-intensive industries with a larger supply of electricity have also resulted in increased inventories of finished goods with the trading corporations and the industrial units concerned.

The new procedure for collecting data regarding the sectoral flow of funds should be helpful in analysing more clearly the factors that brought about an unusual demand for funds even with a fairly stable level of prices and a strict application of the norms laid down by the Tandon Committee.

buyers' market

It will not however be incorrect to say that there is no great anxiety on the part of borrowers to maintain inventory as the emergence of buyers' market conditions and the downward trends in the prices of imported items have discouraged building up of stocks, especially as profit margins have been seriously eroded by rigidity in costs, higher electricity charges and a heavy interest burden. There is naturally disappointment in industrial circles over the decision of the Reserve Bank to continue the dear money policy. The monetary authorities may not perhaps be immediately prepared to reduce the Bank rate. There is no reason why there cannot be a further decline in lending rates particularly as the working results of major nationalised banks for 1975 indicate that net earnings have been quite flattering and it has been possible for many institutions to strengthen considerably

inner reserves and transfer larger amounts also to published reserves after making available a larger share of the surplus to the central government.

The results of all banks for the past year are not available but there is ample evidence to suggest that the new offices opened since nationalisation of major banks have started functioning on a profitable basis. In some instances, they have been useful in mobilising more than 25 per cent of the aggregate deposits. It has also been claimed that the credit-deposit ratio of rural banks has improved substantially and some banks have succeeded in having a ratio even in excess of 100 per cent, necessitating the flow of funds from the urban to rural areas. It was complained not long ago that a low credit-deposit ratio of branches in the interior areas was resulting in an outflow of funds to the urban areas with its consequent debilitating effects on the rural economy. As full use for available funds is assured and there is also an upsurge in deposits it should be re-examined how lending rates can be reduced and borrowing for essential purposes made less costly.

high profitability

A rough analysis shows that even with a record growth in deposits in 1975 the ratio of gross income to aggregate deposits has tended to increase rather than decline. In view of the fact that there has been no proportionate increase in working expenses and, indeed savings in some directions with a reduction in bonus to employees and no increase in dearness allowances, the profitability of working of banks in 1976 will be high with its detrimental effects on the ability of borrowers to service their obligations. Even a reduction of one per cent in average lending rates can be afforded by many institutions and there is ample evidence to show that interest burden has increased inordinately on industrial units. Many have suffered a sharp decline in net earnings after depreciation and interest charges even with an increase in the

turnover. This aspect of the question has therefore to be carefully examined and redress should be given to borrowers wherever possible, keeping an effective check all the time on the quantum of credit made available to them.

The experience of the last busy season has not been exciting as no unusual developments were witnessed even during February and March. A big increase in deposits of the scheduled commercial banks between October 31, 1975 and April 30, 1976 by Rs 1,217.68 crores to Rs 14,388.91 crores greatly facilitated the operations, and borrowings from the central banking institution by these banks had to be resorted to mainly for financing procurement purchases of the Food Corporation of India and other agencies. The increase in deposits in 1974-75 busy season was only Rs 762.48 crores. It is true that the expansion of credit in 1975-76 busy season was on an unprecedented scale, aggregate advances rising by Rs 1,758.09 crores to Rs 11,058.67 crores, as against only Rs 971.48 crores in the previous season. But the big rise in the six months ended April 1976 was mainly

due to the spurt in food credit to Rs 1,615.42 crores from Rs 741.14 crores or Rs 874.28 crores against only Rs 342.83 crores in 1974-75. The increase in non-food credit also was greater at Rs 883.81 crores against Rs 628.65 crores. But, as stated earlier, the bulge was due to an accumulation of stocks of finished goods with some industries and larger imports and there were no attempts to build up inventories. The borrowing from the Reserve Bank rose substantially by Rs 627.44 crores against Rs 277.32 crores. Allowing for the spurt in the last week of the season of about Rs 150 crores for technical reasons, the net increase in borrowing in 1975-76 was only Rs 477 crores. But for the heavy expansion of food credit, which cannot be considered undesirable in any sense, banks would have had a problem of lending their resources.

The outlook for the slack season can be considered quite encouraging. It can be safely expected that fresh additions to deposits will be over Rs 1500 crores and even with an increase in advances by Rs 1,000 crores including procurement credit of an additional

Eastern Economist 30 Years Ago

MAY 24, 1946

Thus Indian stakes in Burma's rice trade are high. But it was not only a question of profit-making that led the former rice merchants clamour for a return to the pre-war days once Burma had been reconquered. They alone had the specialist knowledge and the willingness to work to rehabilitate Burmese rice economy, severely dislocated by the war. The Burma government itself anxious to rehabilitate the rice industry, recognized the great part the Indian rice merchants in Burma could play in that connection. Mr Odell, Chairman of the Agricultural Projects Board, which was set up to be in sole charge of the reconstruction of this, Burma's premier industry, in a letter to

the Burma—Indian Chamber of Commerce, in August last recognized that the Board was very conscious of the extent to which it will require to evoke the goodwill and cooperation of the members of the Burma Indian community whose experience and interest are so considerably linked up with the Board's activities. The letter also held out the assurance that "the declared aim of the project is a return to the normalities of competitive business as soon as this is feasible and the controls which it is proposed to assume are designed only to ensure that this returning is achieved smoothly and with fairness to all interests normally participating".

Rs 700 crores, banks will not have any difficulty in lending good support to the borrowing programme of the central and state governments and public bodies. It will of course not be possible to reduce borrowing from the Reserve Bank significantly. Indeed these may tend to rise in the coming months and it may be feasible to reduce them to the level of

Crisis in jute industry

"THE JUTE industry today stands face to face with ruin", said the Indian Jute Mills Association (IJMA) in a press note issued on May 7, 1976. Only three weeks earlier, the government had set up a Jute Manufactures Development Council in order to ensure the orderly growth of the industry. But the fact that so soon after the formation of the Council, the IJMA should speak of the prospect of the industry being ruined seems to show that it has no confidence in the ability of the Council to tackle its major problems. There has been recently a great deal of talk of preventive measures being taken to avoid the sickness of industrial units. It has been suggested that the banks and the other financial institutions should give warning signals of the impending sickness of an industry so that timely and appropriate action can be taken by the authorities. This seems to be a sensible suggestion.

The jute industry had been sounding its warning signals for the past several years. The industry has been carrying and financing "an unjustifiably heavy goods inventory with high-cost credit". The IJMA's press note said: "A situation such as this would not have arisen at all had the industry's warning about the developing raw jute shortage and a supply-demand imbalance of jute goods been heeded. That much of the industry's output would be unsaleable had been forecast long time back. Should the industry con-

April in later months with a tapering off of procurement purchases and an assertion of slack season trends. In view of improving profitability of banks and the oppressive burden of interest rates, there should be no hesitation to reorientate the structure of lending rates when the Reserve Bank will be reviewing again the credit situation by the end of June.

tinue its present volume of output, despite the deepening demand recession, there is every possibility of a monthly accretion to stocks of the order of 10,000 tonnes. The clear overproduction of jute goods in the context of the approaching jute famine would be nothing short of suicide by the industry". That the industry is not at all exaggerating will be clear from the fact that ten mills have already closed.

a major point

Mr B.G. Bangur, the chairman of the IJMA and other leaders of the industry, including Mr S.S. Kanoria, a former president of the Federation of Indian Chambers of Commerce and Industry, addressed a press conference in Calcutta on May 7, 1976 at which they described the plight of the industry and urged for immediate action by the government. A major point emphasised by them was the acute shortage of credit. Mr Bangur said that the industry was virtually "starved of finance" and that against its current need of about Rs 200 crores, the finance it actually got seldom exceeded Rs 100 crores. He added that the "very high interest rates in addition to stiff margins on bank credit are proving most unhelpful".

What has the Reserve Bank got to say about this complaint? Mr K.R. Puri, Governor of the Reserve Bank, has been saying that credit will always

be provided for productive purposes. Similar statements have also been made by Mr C. Subramaniam, the union Finance minister, and Mr Pranab Mukherjee, the minister of state for Revenue and Banking. It is significant that the Bose-Mullick Committee is also reported to have concluded that a severe shortage of working capital is the main reason for many jute mills falling sick. The government of India should take immediate action to provide the industry with adequate credit lest the situation should aggravate in the coming weeks.

unrealistic demand

Mr S.S. Kanoria told the press conference that if the jute industry was given facilities similar to those enjoyed by the cotton textile, sugar and a few engineering industries, it would be possible to recapture its lost market. But the problems and prospects of the jute industry are quite different from those of others and therefore it seems unrealistic to ask for the same kind of incentives. The government however should sympathetically examine the industry's case for suitable assistance in view of the increasing competition from synthetics and from Dacca. Meanwhile, New Delhi should modify its purchase policy so that the industry will be able to recoup some of the losses it incurs on its sales in foreign markets.

For the past many years, the industry has been complaining about the unremunerative prices it has been offered by the Directorate General of Supplies and Disposals (DGS&D). It is estimated to have lost Rs 21 crores on its sale of B-Twill bags between 1970 and 1974 because the price paid was not only much below the ruling market levels but was also inadequate to cover the cost of production. The IJMA's press note of May 7 said: "The DGS&D, to take advantage of the lower market price at the time, failed to lift as much as 28,000 tonnes out of the 80,000 tonnes of sacking

bags it had agreed to buy from the industry during May-September 1975 at a negotiated price. The industry was thereby put to a severe financial loss as its production had already been geared up to meet the government's requirement, in addition to the fact that the failure to lift the stipulated quantity at the bright time had a severe depressive effect on prices. The purchasing policy currently being pursued by the DGS&D is more damaging. It has been floating spot tenders without mentioning quantity and often does not make the purchases after receiving offers from mills. This practice inevitably encourages speculative activities, causing sudden and temporary rise and fall of the market. Distress sales by mills are very common these days. Occasions therefore arise when the DGS&D tries to cash in by lifting a great deal more goods than asked for in the tender".

If what the IJMA says is true, it is really a serious matter. The DGS&D is expected to implement its purchase policy in such a way that while getting the supplies at fair prices it does not harm the interests of industries or encourage speculative activities.

disturbing development

Another disturbing development has been the increasing popularity of synthetic bags for packing purposes in India. The Food Corporation of India is said to be considering the adoption of bulk methods of handling and storage of foodgrains. Fertiliser manufacturers have been resorting to the use of synthetic bags. "The fact remains", says the IJMA, "that synthetics have already cut deep into jute's preserves and the threat to this natural fibre in the Indian internal market is real indeed". But has the industry examined in what manner it can meet the challenge from synthetics in the domestic markets? The IJMA's

press note referred to the undermining of the confidence of overseas consumers. But will not the IJMA itself be unwittingly adding to this loss of

confidence by proclaiming publicly that the industry is standing "face to face with ruin" and that it is heading towards "suicide"?

Consumption credit for weaker sections

THE EXPERT Committee on Consumption Credit set up in March by the government of India under the chairmanship of Mr B. Sivaraman, Member, Planning Commission, to study the impact of debt redemption on landless labour and marginal farmers and suggest the agencies which could substitute the village money-lender, has submitted its report with remarkable expedition.

Until recently (before debt relief measures were taken by the government) consumption credit requirements of the landless poor or even those with tangible security were met by the village money-lender or the rich peasant. Financial institutions did not encourage loans for consumption purposes mainly because they did not have the requisite infrastructure for the recovery of such loans. While credit was to be advanced in lumpsum, recovery had to be in instalments over a period. Even primary agricultural credit societies did not provide loans for such purposes as funerals, marriages or other social obligations. Commercial banks, when they started operations in a limited way in the rural areas, were not normally supposed to provide consumption credit. State governments off and on did provide taccavi loans in certain circumstances such as natural calamities, but these were generally granted for the purposes of improvement of land or agricultural practices. These loans, in any case, left out altogether the agricultural labourer or the village artisan. The villagers in all eventualities had to

resort to the local money-lender who was always ready to extend money on his own terms.

These terms however were not only usurious but generally rapacious. Out of the Rs 340 crores, estimated by the expert committee, as outstanding with the lendless and the marginal farmer, not even half that amount could be termed as genuine borrowing as the money-lender had never allowed his capital to be shown as paid.

One of the 20 points of the prime minister's economic programme concerns the amelioration of the lot of the rural poor and freeing them from the burden of unjust debts accumulated over the generations. The guidelines issued to the state governments to discharge the debts of the landless and the marginal farmers and scaling down the loans incurred by farmers holding 2.5 to 5 acres of land could not be effected without due process of legislation. The state governments had, therefore, to order a moratorium on recovery of these debts. Though a laudable step, this measure dried up all sources of credit to farm labourers as well as the marginal farmers with consequent hardships to this section of the rural community.

On the basis of the All-India Debt and Investment Survey conducted in 1971-72, the Sivaraman Committee has calculated that the landless and those holding up to 0.50 acre required consumption loans amounting to Rs 340 crores and the requirements of the people with holdings above 0.50

acre and up to 5 acres would be another Rs 250 crores. The Sivaraman Committee considered these amounts inflated, and estimated the amount that would be required for meeting the consumption needs for the first category (the landless and those owning up to 0.5 acre of land) at Rs 170 crores, and households owning land above 0.50 acre and up to 5 acres would be requiring Rs 125 crores as consumption credit instead of Rs 250 crores calculated by the Debt and Investment Committee. The committee did not recommend any measures to cater for the needs of this second category but felt that this class of borrowers could be taken care of by production credit available to them through commercial & co-operative banks which had an inbuilt element of consumption credit.

below poverty line

There is no doubt that, in percentage terms, rural poverty has diminished over the years. Yet with escalating population the number of people living below the poverty line has at the same time increased. The landless need loans during lean periods for food and clothing. The subsistence farmers as well as tenant farmers also require credit at this time which they repay, in cash or kind, after harvesting. Both those categories are also in need of money when illness overtakes a member of the family and for funeral or marriage purposes. These loan requirements, by their very nature, cannot on most occasions await formalities such as sanctions from the headquarters of the credit institutions. The money-lender was available on all days and at all hours of the day. The system that will replace the money lender too should be capable of working with extra expedition and minimum of formalities.

The Sivaraman committee has come to the conclusion that there are mainly two agencies which can cater for such exigencies and these are the primary agricultural credit societies which can

disburse up to Rs 70 crores, constituted as they are at the present, and the other Rs 100 crores of the requirements can be apportioned to the revenue and other administrative departments by the respective state governments for disbursement. As for the tribal areas, the committee believes that the network of strong and viable Large-sized Multi-purpose Co-operative Societies (LAMPS), recommended by the expert committee (Bawa Committee) set up by the government of India should be established. It feels that the system of fair price shops which sell food articles, salt, oil, clothes etc in exchange of minor forest produce should for the moment help these tribals till the multipurpose cooperatives envisaged by the Bawa Committee are widely established.

The main emphasis of the Sivaraman committee is on the strengthening of the primary co-operative structure. It has advised the state governments to take measures within two months to reorganise these cooperatives into viable units and arrange that these societies have whole-time secretaries or directors to conduct their affairs in a systematic manner. The committee suggests that only those societies that have this facility should be entrusted with the job of dispensing credit.

strengthening cooperatives

During the last two years the state governments have taken various steps to strengthen the co-operative movements at the base level. These societies need an overhaul not only for purveying credit but also for the promotion of the general well-being of rural India. To the extent state governments are successful in organising the cooperative structure, to that extent will they be able to implement the policy decisions in favour of weaker sections of the village population taken by the central government.

However, considering the co-operative societies as they are at present run,

the Sivaraman committee's hopes of their being effective media for the purveying credit to the weaker sections seems to be sanguine. These co-operatives are at the moment under the thumb of the very people that they are intended to liquidate or replace. Rich peasants, money lenders in various garbs and local revenue officials have joined hands in effectively controlling these cooperatives and running them for their own benefit. Unless the whole cooperative system is overhauled to keep these predatory elements out, it will be difficult to reach the required credit into the hands of those for whom it is meant.

universal membership

The Reserve Bank has done well in advocating universal membership of co-operatives so that all those who require credit, be it for consumption purposes or production, could join them and avail themselves of their facilities. Very recently the Reserve Bank has allowed central co-operative banks all over the country to advance loans within certain limits to individuals against gold and silver ornaments. This will benefit mainly that category whom the Sivaraman committee has kept out of the purview of consumption loans. This category which owns between 0.5 and 5 acres of land can muster some ornaments for pledging against consumption loans.

Obviously much organisational work remains to be done before the weaker sections of our rural population are really freed from the clutches of the money-lenders. This is true particularly of the tribal areas, where the Sivaraman committee itself has admitted interest rates range from 100 to 300 per cent. In the absence of the alternative institutional arrangements these wily money-lenders in their inimitable ways will enter the field again and frustrate government attempts at the amelioration of the condition of the rural population and the regeneration of the village economy.

Declining demand for paper

MOVING the Finance Bill for taxation proposals for 1976-77, the Finance minister, Mr C. Subramaniam, announced a relief of Rs. 3.65 crores in the form of reduced duty from 25 per cent to 15 per cent on certain varieties of creamlaid and creamwove paper not exceeding 65 grams per sq metre. This concession will only partially cheer the industry, because 1976 was hardly the year for the imposition of increased rates of duty on paper. Even before this increase in duty proposed in the budget for 1976-77, the paper industry was experiencing a crisis of demand recession. The burden of accumulated stocks due to falling demand was so large on some of the mills that they were forced to unload their products in the market at discount rates. The proposed imposition of ad valorem rates of excise replacing the specific duty has threatened to increase the price for the common varieties of paper by as much as Rs 775 per tonne. The concession announced by the Finance minister, which applies to only a few varieties of paper, therefore, will not be sufficient to provide a cushion to the industry against the adverse effect of the overall increased rate of duty.

The output of paper declined during 1975 to 829,000 tonnes against 837,000 tonnes a year before. This marginal decline in overall figures conceals the fact that there was a sharp fall of 15 per cent in the production of wrapping and packaging paper and paper board from 325,000 tonnes in 1974 to 278,000 tonnes in 1975. This shortfall was apparently caused by a decline in the demand for packaging paper and paper board because several consumers had shifted to alternate packaging materials. For instance, cigarette manufacturers have turned to substitutes instead of using duplex paper. Even the garments industry seemed to prefer polythene covers instead of craft paper for pack-

aging. Several other consumers of paper board such as pharmaceutical industry and automobile ancillary industry have reduced their consumption of packing paper.

During the recent meetings of the Development Council for Paper, Pulp and Allied Industries, the industry had proposed to achieve a target of 900,000 tonnes during 1975. A detailed study of the working of the paper mills during the year reveals that a majority of the mills producing writing and printing paper had achieved a capacity utilisation of 80 to 85 per cent and some of them went up to 90 per cent, which is optimum for this industry. Only some of the small mills recorded a fall in capacity utilisation. The net result, however, was that the output of printing and writing paper during the year 1975 crossed the 500,000 tonne mark as against an output of 482,000 tonnes during 1974. Evidently, the industry has tried to resist the adverse impact of the current reduction in demand by increasing inventories. As soon as signs of a revival in demand appear, the industry is capable of adding another 20,000 tonnes without much difficulty. Consequently, the case of the industry in favour of complete removal of additions to the excise duty needs to be considered again.

The installed capacity for paper and paper boards which is around 1.10 million tonnes per year is likely to go up to nearly 1.25 million tonnes by the end of 1978-79. This does not include those schemes which are making progress but are not likely to start production by 1978-79. Assuming an optimum utilisation of 85 per cent for the industry as a whole, the output in 1978-79 from an envisaged 1.25 million tonnes might be of the order of one million tonnes. In other words the existing capacity and the additional capacity in the pipeline would just be able to meet

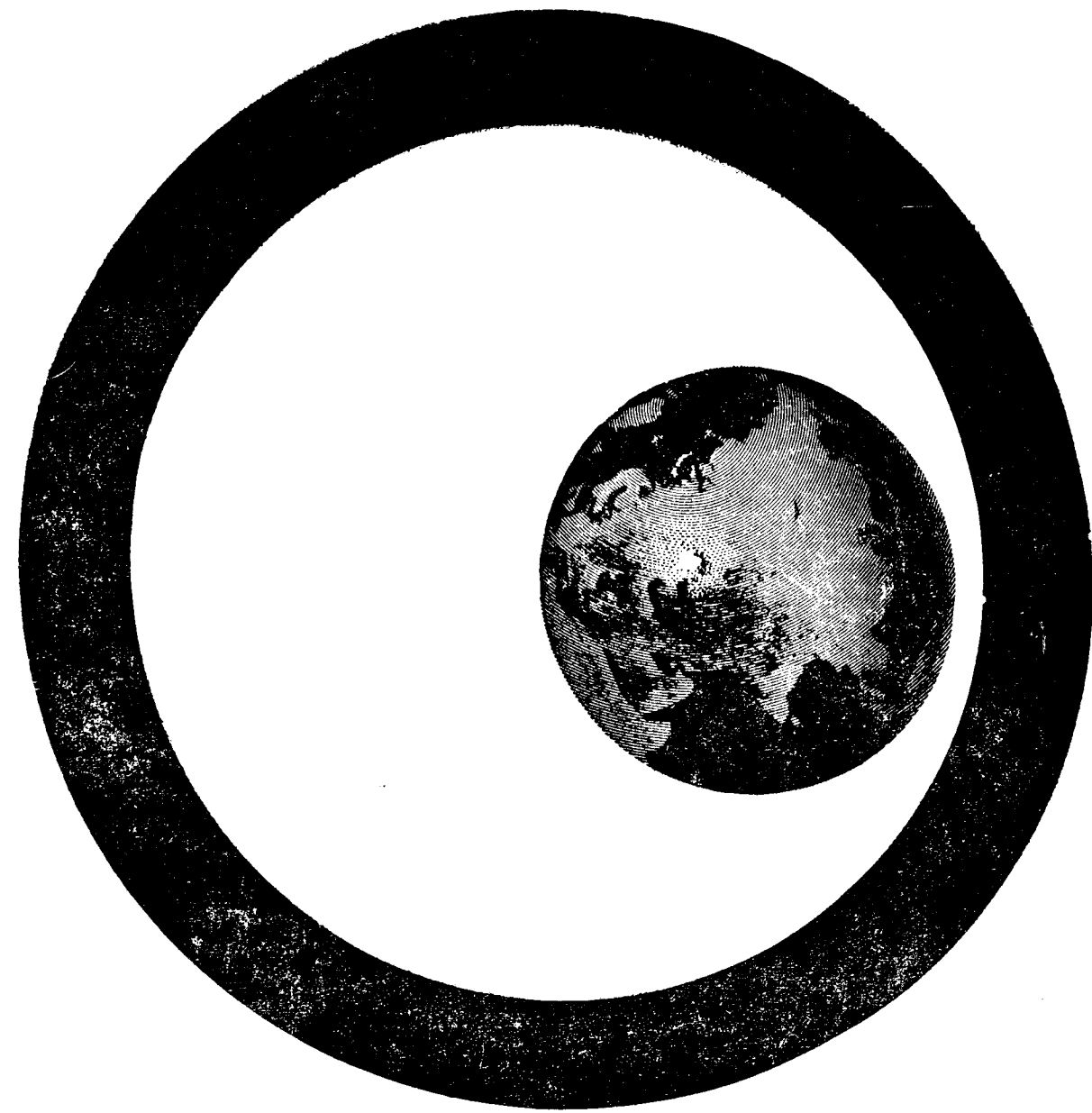
the domestic demand. This, however, is considerably lower than the output recommended by the task force set up by the Planning Commission which had projected the demand for paper and paper boards at 1.33 million tonnes by 1978-79.

development council

This is a situation which demands great caution. Evidently a scaling down of paper consumption is a retrogressive step because every increase in the use of paper signifies an improvement in the fields of communication and education. The constitution of a sub-committee by the Development Council for Paper and Allied Industries to assess the causes for under-utilisation of capacity by various paper mills is likely to yield some useful evidence.

It can be argued that the paper manufacturers should try to improve their efficiency of operations and achieve a reduction in cost of production. In actual practice, however, the cost of production of the newly established units, or those that are now in the process of being set up, is showing a rising trend due to the increased cost of equipment. Under these circumstances, this country should try to avoid a situation where a spurt in demand for paper may again revive the era of shortages of paper. It would therefore, be advisable to take such measures as would ensure the establishment of new units to yield a rise in the annual installed capacity of seven to nine per cent.

It is significant to add that paper and pulp industry has largely relied upon imported know-how and not much work has been done in solving the problems of technological nature as they emerge in the working of the industry. The new processes and plants based on imported know-how are not always suitable to conditions and raw materials in our own country. The establishment of the proposed paper and pulp research institute should be accelerated.



The world had nothing before it got zero

India introduced the concept. The Sanskrit name for the figure was Sūnya meaning void. India was the first to use it in the modern form. The earliest inscription dates back to 800 A.D. But there is evidence in Indian scriptures that the zero was used centuries before.

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Capital's Corridors

R. C. Ummat

Second thoughts on power programme • Coal exports • Fiscal concessions

THE CURRENT significantly eased power situation in the country is understood to have induced some rethinking in the Planning Commission on the financial allocations for the future power development programmes. An indication of this is available from the current year's performance budgeting of Bharat Heavy Electricals Limited.

This one of the premier public sector undertakings registered a very impressive increase in its turnover during 1975-76 when it produced equipment worth Rs 418 crores, as against Rs 312 crores worth in the previous year. In physical terms, the equipment produced last year was capable of catering for the requirements of putting up 3,200 MW power generating capacity. The previous year's output helped in installing 2,500 MW capacity. The target of turnover for the current financial year has been scaled down, though modestly. It is envisaged to produce by March next year equipment worth Rs 405 crores only, which would enable augmentation of the power generation capacity by 3,000 MW.

some readjustments

The Planning Commission seems to have been emboldened for effecting some readjustments in the future power programmes by two factors, namely; (i) better utilisation of the existing generation capacities, and (ii) stringency of financial resources. It is felt that a further steady improvement in the utilisation of the existing capacities will help in meeting the electricity needs of the country in the next 3-4 years with the addition of a somewhat

lower capacity than envisaged earlier. The financial resources thus released could be utilised more profitably in the other key sectors of the economy.

Only time will show whether this expectation of the Planning Commission is justified or not. Two significant factors responsible for easing the power situation in the recent past have been good monsoons in the last two years and the requirements not growing at the anticipated rate because of the sluggishness in economic growth.

uncertain factor

The rainfall admittedly is an uncertain factor and if the current efforts at accelerating the growth of the economy succeed, power requirements, indeed, can be expected to grow at a faster rate than has been the case in the last two or three years. Another important factor that needs to be emphasised in this connection is that power is a basic infrastructure the planning for which ought to be for marginal surpluses rather than marginal deficits. It is not yet clear how far this fact is being appreciated by the Planning Commission.

The maintenance of a high priority for the development of power, therefore, is necessary not only in the overall interests of the economy but also for utilising better the costly equipment manufacturing capacities set up in the country, mostly in the public sector itself under the aegis of BHEL. The current year's production target of this undertaking will mean utilisation of only 80 to 85 per cent of the capacities at Hardwar, Bhopal and Tiruchy but

only to the extent of about 30 per cent at Hyderabad. All the units have yielded significantly better results in the recent months.

The order book of BHEL too does not make a very happy reading at present. At the end of the last financial year, the undertaking had orders worth about Rs 800 crores out of which orders worth about Rs 400 crores are expected to be cleared this year itself. Unless fresh orders are received in time, the operations of the various units, surely, can be expected to slow down further considerably next year.

export orders

It, of course, is encouraging to note that to keep up the recently built tempo of production, the BHEL management is endeavouring to step up exports to the extent possible. As already reported in this column, it received recently an order from Malaysia for the export of boilers worth Rs 17 crores. Another tender for setting up a 230 MW thermal power station in Libya on turnkey basis, at a cost of about Rs 115 crores, has been submitted recently. Efforts are also being made to secure some orders from Abu Dhabi, Dubai and Iran. If these efforts succeed, it is felt that export orders might be available to the order of about Rs 250 crores. This should stand in good stead in view of the domestic requirements not going up as fast as envisaged at the time of drawing up the current five-year Plan. But still the placement of the fresh domestic orders on the undertaking cannot be over-emphasised if the remarkable improvement in its operations during the last two years has to be maintained. It is difficult to regain the momentum once it is lost.

Significantly enough, BHEL's profit before tax during 1975-76 amounted to approximately Rs 53 crores, as against Rs 48 crores in the previous year. This should suggest that the undertaking has been able to absorb fully the escalation in the cost of production. The sale

prices of equipment were maintained during the last year.

The ways and means position of BHEL, of course, is understood to have grown a bit more difficult. A sum of Rs 129 crores was due to it from its customers at the end of March last. Of this, arrears to the extent of only about Rs 40 crores fell within the customary realisation limit of 60 days. Among the major customers who owed sizeable amounts to BHEL at the end of March were included West Bengal and Gujarat state electricity boards—Rs 16 crores each—and the railways—Rs 15 crores.

A break-through in the export of coal to the west European market is stated to have been achieved this month with the signing in Brussels of a contract between the Minerals and Metals Trading Corporation (MMTC) and the Belgian-British Coal Company, Antwerp, on May 6. Two ship-loads of 15,000 to 25,000 tonnes each of non-coking coal meant for power generation are to be supplied under this contract from the Paradip port starting in the next six to seven weeks.

The contract has followed the recent visit to the European Economic Community of a delegation from here consisting of Mr S.B. Lal, joint secretary, Department of Coal, and representatives of Coal India Limited and the MMTC. The delegation had held discussions with Pool des Calories, which is the single agency entrusted with the purchase and supply of coal, oil and gas to the Belgian power stations. Similar discussions were held by the delegation in Paris, Amsterdam, London and Dusseldorf. Samples of our coal had been sent earlier to the concerned consumers for analysis. This coal has been found to be quite acceptable to the power stations in western Europe because of its very low sulphur content which gives an added advantage to the west European consumers as it causes less pollution than coals being imported by them from other countries.

The supplies envisaged under the

above contract will be by way of trial shipment. Similar contracts are proposed for supplies of non-coking coal to the various other European countries. At present, the EEC countries are importing about 40 million tonnes of coal per annum, mainly from the United States, Poland, the Soviet Union, Australia and South Africa. In view of its increasing import requirements, the Community is said to be interested in diversifying the sources of its coal supplies. The Community undertakings are also stated to be prepared to participate in joint ventures in the coal industry of non-member countries. The government of India is understood to have already initiated talks with the EEC for financial and technical collaboration for the development of export-oriented mines and infrastructure facilities here. If these talks succeed, long-term arrangements for the supply of coal to the EEC are proposed to be made.

Meanwhile, the minister for Energy, Mr K.C. Pant, has indicated that we will be able to export 1.5 million tonnes of coal this year—approximately 800,000 tonnes to the non-traditional markets such as the EEC, Japan, Egypt, Hong Kong, Taiwan and Singapore, and the remainder to the neighbouring countries of Nepal, Bangladesh and Sri Lanka.

production target

The current year's coal production target has been fixed at 108 million tonnes, even though sizeable stocks have accumulated at the pitheads. Efforts are being made to stimulate demand. Coal India has set up five regional offices for this purpose. It is hoped that with a tempo of house construction picking up, the demand for coal by cement factories and brick kilns would go up significantly. The acceleration in the rate of economic growth currently being attempted too is anticipated to help in stimulating domestic demand. The major consumers are being prevailed upon to stock coal to the extent possible at their ends.

Despite the fact that the existing

prices of coal do not provide for depreciation and return on capital, as recommended by the Chakravarty Committee, the ministry of Energy is not contemplating any increase in these prices. Efforts are being directed towards reducing cost of production and increasing productivity in the coal industry.

Moving this year's Finance Bill for consideration in the Lok Sabha on May 12, the union minister for Finance, Mr C. Subramaniam, revealed that the budgetary deficit of the centre during 1975-76, which had been estimated at Rs 490 crores while presenting the current year's budget in March last, had actually turned out to be significantly lower—just around Rs 367 crores. If allowance was made for a special borrowing of Rs 100 crores from the Reserve Bank of India not being utilised—this borrowing had been budgeted for the last year—the actual deficit during 1975-76 would have been merely Rs 20 crores more than the originally anticipated deficit of Rs 247 crores. If note was also taken of the net Reserve Bank credit to the central and state governments during 1975-76, the position that would emerge would be even better. The net RBI credit to the government sector in this year, instead of showing an increase, as had been the case in the earlier years, contracted by more than Rs 200 crores.

The Finance minister also announced a number of concessions in his budget proposals. Though modest, entailing a sacrifice of revenue to the order of Rs 9.90 crores only in a full year, the concessions were, indeed, judicious. They should help in ameliorating to some extent the distress caused to various industries by the budget proposals.

The main concessions which the Finance minister announced in regard to indirect taxes included the following: (1) the scaling down of the excise duty on fine and superfine fabrics manufac-

tured on powerlooms and processed by independent processors with the aid of power from 14 per cent ad valorem, as proposed in the budget, to 12 per cent ad valorem—corresponding adjustment is to be made in regard to superfine and fine handloom processed fabrics by reducing the excise duty from 12 per cent ad valorem to 10 per cent ad valorem; (ii) restoring of pre-budget position in regard to duty exemption in respect of hand-printed cotton fabrics—this exemption limit had been restricted through the budget to fabrics which were printed in not more than three colours; (iii) grant for exemption from excise duty payable on tyres, tubes and batteries supplied as original equipment for use in agricultural tractors as was done in the case of passenger cars at the time of presenting the budget; (iv) reduction in the excise duty on certain varieties of creamlaid and cream-wove paper for common use of substance not exceeding 65 grams per sq metre from 25 per cent ad valorem to 15 per cent ad valorem; (v) grant of exemption to roofing tiles from the one per cent duty leviable under item 68 of the Central Excise Tariff; (vi) exempting of the small-scale manufacturers of starch whose clearances during the preceding financial year did not exceed Rs 5 lakhs, from excise duty on the first Rs one lakh worth production and extension of the self-removal procedure system to this commodity—starch of all kinds used in the manufacture of glucose and dextrose is to be exempted from the excise levy; (vii) reduction in the import duty on copper from 60 per cent ad valorem to the pre-budget figure of 45 per cent ad valorem—corresponding reduction is to be made in respect of certain copper manufactures and copper scrap; (viii) scaling down of the customs duty on cold rolled grain-oriented steel required for the manufacture of transformers from 75 per cent ad valorem to 40 per cent ad valorem. The Finance minister also announced that he would have no objection to considering enlargement of the list of essential drugs of life

saving nature for which a concessional rate of duty is charged. The proposals in this regard would have to come from the ministry of Health.

Some concessions were also provided by Mr Subramaniam in direct taxes for the benefit of non-resident tax-payers in respect of lump sum payments of royalties received outside India for the delivery of designs and drawings relating to any patent, invention, etc, outside India, and in regard to foreign investments in certain cases. A small modification was announced in respect of the valuation of self-occupied houses.

In the corporate sector, the scope for exemption from tax on inter-corporate dividends derived by domestic companies from new companies, hitherto applicable to those engaged in the manufacture of fertilisers, pesticides, paper, pulp, newsprint and cement, has been widened to include industries engaged in producing non-ferrous metals, ferro-alloys and special steels, steel castings and forgings, electric motors, industrial and electrical machinery, earthmoving machinery, machine tools, commercial vehicles, ships, tyres

and tubes, heavy chemicals and industrial explosives.

Mr Subramaniam stated that the new scheme of excise duty relief to encourage higher production, the details of which were being finalised, would be operated at least for three years instead of one year as originally stipulated. The scheme would be widened to cover new units set up in the recent past as well as those to be established during the current and the next two financial years.

Mr Subramaniam also clarified that the proposed provision in the Interest Tax Act, 1974, granting exemption from this tax to interest received by scheduled banks on long-term loans to industry for the purchase of capital equipment and machineries would not be confined to interest received on industrial advances. All long-term loans for the creation of capital assets in India, including those used for agricultural purposes, would qualify for this exemption.

The full text of the speech of the Finance minister containing the above concessions, is published in the Records and Statistics section of this issue.

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Manager

Urbanisation in India in 2000 AD

This paper was presented at the conference on Calcutta 2000 AD organised recently by the Indian Chamber of Commerce. According to the author, India presents the best example of 'over-urbanization'.

A LARGE MASS of people agglomerated in cities and towns of India represent a socio-technological revolution unparalleled in the history of India. The third largest urban population in the world consisting of approximately 120 million, that is, 20 per cent of the total population of 600 million people—after the United States with 180 million urban population followed by the Soviet Union with 135 million people in urban areas—is part of the industrial urban setting where modernization is changing the age-old civilization.

growth in numbers

Only 73 years ago, there were hardly 26 million people in urban areas out of 236 million people in the then India (including Pakistan and Bangladesh). Comparatively, the rate of growth of urban population has been rather slow in India but the scale in terms of the number of people in urban areas has been increasing sharply. Since the beginning of the century, when India's urban population was hardly 11 per cent whereas that of the United States was 20 per cent, it has only doubled to the 20 per cent now in India whereas in the United States about 80 per cent of the people are urbanized.

Yet India remains a rural agricultural country since the bulk of the 80 per cent of its population lives in the 576,000 villages scattered all over India. The rate of urban growth at present is four per cent a year, which is appro-

ximately twice the rate of growth of population—50 per cent of the growth being natural and the rest due to immigration of people from rural areas.

unabated growth

It is estimated through various analyses and projections that the inexorable growth of population in India as a whole and to a considerable extent in urban areas will continue unabated till the end of the century, when the approximate population will be 950 million to one billion. The present rate of urbanization will be accelerated even further after 1985, and by the end of the century the approximate number of people in various urban centres of India will reach between 335 to 350 million. If it reaches 350 million, that would mean 45 million more people than the total population of the United States in that year. Yet, India will still be a rural country with about 600 million people living in innumerable villages.

If our assumptions based on the extrapolations of urban and estimates of the projected total population are correct, India will have one seventh of the total population of the world and possibly its urban population will be the largest. There are two points of caution concerning these assumptions: one, possibly by 1985 some dramatic technology of population control may deter the growth considerably, mostly in urban areas; second, a revolutionary upsurge may

Rashmi Mayur

influence urban-rural division of population in unforeseen direction.

Whatever may be the estimates of projection, it is certain that the trend of urbanisation will continue with far-reaching implications for the future course of the people in India. Some of the implications can be forecast on the basis of their roots in the present conditions and culture of India, while others may remain obscure in the unknown future. The magnitude and momentum of urbanization with foreseeable consequences cause much concern. Some of the trends seem clear.

industrial centres

In the historical past, the cities and towns of India had their origin as trade and administrative centres. Today major urban centres are industrial with a powerful magnetic attraction for a large number of people to leave saturated village economies in order to find new opportunities and success in the glamorous metropolitan areas. The result is the faster growth of larger cities, particularly above 100,000 and decline of small towns, particularly towns below population of 10,000. It is particularly important to note that the major metropolitan areas such as Bombay, Delhi and Calcutta are growing at much faster rate than the overall urban growth in India.

Second, urbanization is heavily concentrated in the regions which are highly industrialised such as the western region covering Ahmedabad, Bombay and Poona, the southern region, covering Bangalore and Madras; the eastern region in and around

Calcutta and the northern region between Delhi and Kanpur. Some of the states such as Assam, Orissa, Bihar and Kerala remain very low in the scale and rate of urbanization.

The abnormal growth of urbanization in different parts of India can be attributed to not only the terrific increase in population but also various policies of the government concerning industrial licensing, which encourage the existing industrialised areas to grow even faster, transportation policies which favour the movement of goods and people in certain directions, and finally, the overwhelming attraction of the present metropolitan areas such as Bombay, Calcutta, Madras and Delhi to go on expanding indefinitely into urban sprawl. As an example, Calcutta is a grim giant, reflecting the symptoms of all illnesses affecting every aspect of Indian society, such as terrific pressure of population growth, severe shortages of resources to meet the demands of the people, leading to unplanned and abnormal growth of the city, enormous difficulties of management, continuously deteriorating environment and the general disintegration of the society. These observations are substantiated by innumerable studies of the city. Gradually similar deteriorating conditions are being experienced by other major cities and even some towns.

urban-rural dichotomy

In a sense India presents the best example of "over urbanization", which means that the Indian cities are growing more rapidly than the capacity of the economy as a whole to achieve substantial net gains of self-generating type which would allow sufficient margin for "social investment". The "over urbanization" is evident in various ways: one is under-development by which certain types of urban technology necessary for modernization is scarce or unavailable or not used; second, urban forms, city governments and economic planning are archaic, British-oriented and western-

derived with little relevance to the conditions and problems in the Indian setting; third, urban social structure reflects institutions, attitudes, values and rituals of rural India, determining policies and influencing developments which conflict with the building of a healthy and progressive urban society and finally, the continuous accentuation of the urban-rural dichotomy has led to the parasitic relationship between the city and the hinterland, by which, because of the disadvantageous relationship of the latter, much of its vitality is drained away and is concentrated in the urban areas for the benefit of the limited number of people.

broad panorama

For the above analysis to be meaningful we must look at the broad panorama of urban life in terms of available facts. This exercise is based on the analysis of limited data concerning the present conditions in cities and towns of India, the minimum requirements of urban man and the availability of resources to fulfil them. The picture is appalling, desperate and grim. According to a latest study, whereas 40 per cent of people in rural areas live below the minimum standards, the plight of the 50 per cent people in urban areas is the same. More pertinent fact is that the bottom one per cent of the urban masses live in more wretched conditions than their counterparts in rural areas.

The more pervasive picture of urban life in India is pockets of glistening modern sky-scrapers surrounded by squalid slums stretching far into the suburbs. In Bombay, for example, there are 100,000 pavement dwellers and more than 2.5 million out of 6.5 million people live in over 500 slums. Each day about 300 people migrate to the city from villages and towns from different parts of the country. The result is the frightening overcrowdedness in the centre city with all the concomitant problems of poverty, pollution, traffic

congestion, unemployment, crime, filth and misery.

In all walks of life there are shortages. The most glaring and fundamental deterioration of urban life is apparent in the shortage of housing in every urban areas around the country. Even in 1966 Bombay city had a deficit of 160,000 dwellings to accommodate people in most desperate conditions. At the rate of the basic deficits of housing for at least one-third of the urban population, we have computed the shortage of 1.8 million dwellings around the country.

Let us examine the problem of water resources in urban areas. Acute water shortage is known to most urban dwellers, who have been receiving less and less water each day. On the face of it, it may seem that Bombay has sufficient supply of water at the minimum level of 25 gallons per day per person, but in reality it is not so. At least 20 per cent of Bombay's water is wasted through leakages. But the main problem is the water distribution system itself.

glaring contrast

In a recent survey we found that on the one hand in some of the slums per capita availability of water was hardly two gallons per day per person whereas in more affluent areas it was approximately 150 gallons per day per person. Then again, in many cities and towns water is neither filtered nor treated properly, resulting in various health hazards and decline of health or high mortality. No city or town in India can dream of the 24-hour clean water supply in the foreseeable future.

The traffic carried by the mass transportation systems during the peak hour in all major cities is packed to "crushload". The gruesome strain on urban transportation has been due to the increasing population and meagre growth of transportation facilities. Many newcomers settle in outlying suburban areas, thus creating urban sprawl, but, since most of the economic

activities remain concentrated in the centre city (as in the case of Bombay where 70 per cent of the jobs are located on the main island), a substantially heavy burden has been imposed on the transportation system; for example, the daily average number of bus passengers in Delhi increased by 175 per cent in the last decade, whereas the number of buses available increased only by 90 per cent. The unplanned, outdated roads, slow growth of public transportation, multiple types of vehicles, astounding number of passengers, archaic transportation planning and management have led to the urban transportation nightmare, unknown even in the western countries like the United States where the number of vehicles are a hundred times more.

Similar stories of severe deficits of available resources in the areas of education, health, communication and energy can be repeated. Analysing the load of each one of the factors in terms of the demands of 120 million people in urban areas and available resources, we have estimated that at present hardly 55 per cent, that is, approximately 66 million people can be accommodated at the minimum level in cities and towns of India. This is the tragedy of overload and over-urbanisation and concern for the future of urbanisation in India.

by century end

At the outset it seems that if the trends continue as projected the future of urbanization in India will be disastrous if not catastrophic. Broadly speaking the following projections for the year 2000 seem highly probable:

- 1. The rate of growth of urbanisation will continue at the present rate of four per cent a year, but in the last decade it will increase by five per cent a year. Thus by the turn of the century there will be approximately 350 million people in urban centres.
- 2. The magnetic strength and pull of the present metropolitan areas will continue to grow, leading consequently

to selected megalopolitan areas with the concentration of enormous mass of people in ugly agglomerates. We envision five major megalopolitan areas with the projected population as follows:

Megalopolitan areas	Population in the year 2000 (in millions)
1. Bombay- Ahmedabad- Poona	38.60
2. Calcutta	23.00
3. Madras- Bangalore	19.70
4. Delhi	19.00
5. Lucknow- Kanpur	10.00

- 3. Moreover, there will be about 20 cities with a population of about one million each and at least 600 cities with a population of between 50,000 and 5,00,000. Smaller towns will decline in number.
 - 4. According to various trade and industrial policies at least 100 new towns will emerge in various parts of India.
- The scenario described above will have the following implications :

- 1. The spectacular growth of population, especially in urban areas, will strain all the resources and social institutions of the country beyond any Malthusian calculations.
- 2. Even if the food production in India is doubled by the end of the century to 220 million tons per year (which is likely), there will still be a deficit of at least 30 million tons per year. This implies two basic difficulties for the Indian economy; on the one hand India will be dependent on a foreign country or countries for its basic needs, and on the other, the rural economy will remain weak and overly saturated, forcing the excess number of people to migrate to the urban areas for more survival.

2 If the economic growth picks up

again and the per capita GNP increases at the rate of two per cent a year average over the \$ 100 GNP per capita of today, by the end year 2000 it would hardly be \$ 160 GNP per capita, which will not take the masses of people above the poverty line. On the contrary, since much of the surplus will be absorbed by the increasing population at least 65 per cent of the urban population will be living below the desired minimum. Thus the urban poverty index will increase by at least 10 per cent in 26 years. It is in this sense that the urbanisation will be a process of crisis affecting every aspect of urban life with severe and chronic deficits and innumerable other difficulties.

rural pressure

- 4. It is probable that with increasing refinement in the technology of population control and better means of communication in urban areas that the natural growth of population may decline by half a per cent to one per cent a year after 1985, but that will not affect the total growth of urban population significantly since the in-migration from rural areas in all probability will continue and even increase unabated.
- 5. Unless the political structure undergoes a fundamental change economic disparities between the two per cent of the households in urban areas earning more than \$ 300 a month and the rest of them earning much less will widen. With the increasing shortages and deterioration of the overall urban services and extremely high level of congestion, probably 25 per cent of the population will be in a state of desperation at the end of the century.
- 6. As we have pointed out earlier the strains on resources will reduce the quality and quantity of services in urban areas. There is no doubt that the size of the major cities has already grown beyond the optimum level. As Lewis Mumford, a noted urbanist, has pointed out "confusion, constriction, costiveness—these are the typical by-

products of metropolitan congestion—consider the costs of metropolitan congestion. We shall find that they are rising to a point that makes congestion financially unendurable, even if it were humanly tolerable". The overcrowdedness and congestion have created not only socio-political problems of living, but also the economic problems of planning and developing the necessary infrastructure for urban living. Data concerning the per capita added cost of the urban infrastructure is pitifully scarce. But if Mumford's analysis of the United States holds true we have reason to believe that it costs three times more for each person added to a large city than if he stays in a small town. Thus larger cities will become economically less and less viable.

horrendous projection

Let us examine the needs of the urban population at the turn of the century:

- 1. For the projected population 70 million dwellings will be required. At the rate of Rs 22,000 per dwelling for land and construction (most conservatively assumed for that year) it would cost Rs 1.5 trillion to meet the demands of the urban population. Considering the horrendous housing shortage in urban India today with enormous number of slums, squatters and pavement dwellers, high cost of construction, land speculation, the housing situation seems an intractable Gordian Knot even today. It will reach serious proportion in 26 years.
- 2. At the minimum level of requirement of water per person the need for the total urban population will be for 8.75 billion gallons per day, which will cost at least Rs 17 million a day just to supply, not counting the capital investment for water resources development. Based on the government calculation itself it would cost Rs 40 billion just to meet the deficit of the water resources in urban areas today. If such enormous resources

are not available today, one wonders what the state of water crisis will be in the year 2000.

3. If the trends continue as they have during the last 25 years, the problem of transportation for the rest of the quarter century will shockingly halt the massive movement of people due to enormous disruptions and dislocations generated by continuously inadequate transportation facilities that will be required for the increasing number of passengers. At that time in urban areas alone there will be approximately 263 million passengers travelling every day. In terms of transportation facilities (given one mode only) the number of buses required to transport these passengers will be at least 263,000, not counting private automobiles and taxis. Proportionately less number of buses will be required, if other forms of transportation such as subways or trains will be available. Due to continuing shortage of energy the rate of growth of private automobiles will probably decline and may remain stabilized at one million level in urban areas.

communication resources

- 4. According to the present plans of development the major input in communication resources will continue to be in urban areas. Probably television will be more commonly available than it is today but it will not reach the masses at the end of the century as radio had done today. Television will remain a luxury to the affluent rather than a mechanism of change for some time to come. Similar difficulty will prevail concerning telephones. Not only the quality of the telephone service will decline, but its use will be available for less than 50 per cent of the urban population. Newspapers, especially in local languages will be widely available and read by a large number of people.
- 5. Probably the most gruesome problem will be that of the energy shortage. Unless new sources of energy

are invented, increasingly urbanized masses will have to depend on coal products and imported oil. The demand for oil, however, will continue to grow at least in the near future. If we can project from a recent survey of the energy consumption in Bombay (which is one-hundredth of the per capita consumption of an American) the total requirement of energy for the urban population in the year 2000 will be no less than 700 million tons of coal replacement per year.

environmental pollution

- 6. The problem of environmental pollution will plague Indian cities and towns even more seriously than it has been recognized so far or has been experienced by the western countries. The unhygienic conditions in which the majority of people will have to live in addition to the high cost of instituting pollution control devices will bring the paradoxical trap of poverty and pollution. A study of nine cities in India by CPHERI found pollution severe in some urban areas all over the country. There is no doubt that in time some of the finest beaches, rivers and lakes will be inundated by sewage and effluents; the clean air will be raped by atmospheric pollutants such as carbon-dioxide, carbonmonoxide, ozone, sulphurdioxide, etc. Some of the idyllic gardens, forests, mountains and open spaces will be contaminated and littered with wastes in order to meet the insatiable needs of the growing urban population. All in all, the environmental deterioration will be the worst curse that will be inflicted by the future urbanisation in India.
- 7. The literacy rate which is at 55 per cent level today in the urban areas will reach 70 per cent in the next 25 years. This will lead to an enormous problem of the educated unemployment, threatening the existing institutions of society. The relevance of the present educational system to the future development will be increasingly questioned but the present entrenched

system will hardly go through any major changes, thus increasing a great financial burden due to the clamour of education from the urban masses.

8. By the end of the century the uneven ratio of age and sex in urban areas will be eliminated to a great extent. It does not seem likely that the average life span of an urban man will increase beyond 60 years. However, number of old people in urban areas will increase.

9. The manufacturing sectors will continue to remain the main employer followed by services and trade and transport.

10. The concentration of wealth in urban areas will increase substantially, thereby contributing to the increased per capita income and expenditure in urban areas, but it is hardly likely that 60 per cent of the urban masses will be better off than their counterparts in rural areas.

health problems

11. If there is one area where continuous decline of urban life will be reflected, that is health. Slums, pollution, stench, decline in quality of water, hypertension, malnutritions and general decline in living conditions will lead to various diseases, health hazards and unexpected deaths. The cost of health will grow in geometrical progression, yet, for large number of people ill-health will be the way of life.

12. It is hard to measure the social cost of urbanization. The joint-family system, the backbone of Indian society for centuries will experience the strain of modernisation. Gradually more and more people, especially with education will prefer to live in nuclear families and thereby create more burden on urban housing. But family will remain the basic constitution of security. A recent analysis has shown that crime, violence and tensions in urban areas have grown substantially during the last two decades. It can

be deduced by the year 2000 the major crimes in terms of robberies, fighting, assaults and even murders will increase proportionately. Urban man's ties with the rural areas will decline. Despite urbanization, parochialism, regionalism, sectarianism and religious identifications will be strengthened, thereby threatening the process of modernisation of the society and integration of India. The social and economic gap between the one per cent rich and rest of the masses will widen steeply. The affluent will suffer alienation, loneliness and continuous threat of losing what they possess, whereas for the poor masses the daily struggle for survival, fights to gain more and desperation will be the order of the day.

13. In the political sphere, unless drastic institutional changes will occur, powers of the municipal governments will decline even further, leading to more concentration of authority in the state and central governments. There will be increasing attempts by the state to control more and more economic activities resulting in a series of political and administrative problems such as inefficiency, nepotism, corruption and tensions. Urban bureaucracy will grow by three times to unmanageable proportion. Difficulties concerning law and order and political instability, particularly in urban areas, will determine the future course of the Indian society as a whole.

grim scenario

The scenario of cities and towns of India in the year 2000 seems pretty grim. Grim it is even today. It is dangerous to be a prophet of doom in the age of powerful technology and in the country where the future is determined not by planning but by fate and also because there is a great information gap concerning the present state of urban society. We have engaged ourselves in rather a complex

and difficult exercise of projecting statistics. Then again, numbers are useful instruments or tools of understanding reality. Beyond these figures lie experiences of millions of living beings who are a part of the dramatic process changing the land, climate, the culture and the civilisation on the sub-continent. Tomorrow is as far away as today is from yesterday. No one will turn the clock back. The march of urbanisation will continue undaunted encompassing the larger and larger number of people within its fold. If we are not to be knocked down by the fatal blows of powerful forces such as misery, suffering, diseases, poverty, hunger and death, we should be prepared today to rearrange our relationships among ourselves and to our resources. The logic of the situation demands the inquiry into and questioning of the basic premises of the present urban life.

some alternatives

There is not a single alternative. Probably alternatives are many in various combinations and men of imagination and will must choose those alternatives which will raise new hopes for the hopeless and for the total society. A selected alternatives are suggested below:

1. Since urbanisation is a major process in the life of a nation, the central government should have definite urban policies based on the broad knowledge of urban development. There should be national policies integrated in the five-year plans.

2. The structure and the power of the city government should be altered to meet the complex demands of urban life. The obsolescent structure of the present municipalities should be replaced by streamlined urban management system with the policy makers who are bold and imaginative enough to understand the dynamic forces of the urban life and bureaucracy which is imagi-

native, courageous and human enough to bring efficiency and results.

3. Urban development should be made part of the regional planning based on resource requirements, economic viability, optimum productivity, cultural growth and integrated development. Various regional plans should be framed for the different parts of the country. Within each region through industrial and zoning policies, attempts should be made for the total development of an area rather than a partial development as it is done today with the detrimental effect on urban as well as rural life. Such plans for regional development will include economic development of towns, villages (both as growth centres) and cities without overburdening cities with the surplus poverty.

regional development

At the same time regional development would crush the present trends towards disastrous megalopolitan development, which would bring disaster to large concentration of people. Regional development would eliminate false secretarian securities and need for the present artificial state system. Within the regional plan there will be room for large scale, intermediary, small-scale and even handicraft industries, thus providing choice of various ways of life to people. Regional development would bring benefits of resources to all the people without creating the present parasitic relationship. Thus urban development should be made an integrated part of regional development, bringing halt to any further growth to major metropolitan areas.

4. The central government, the regional body and the city government should set immediate priorities of development and allocate resources accordingly. Policies concerning urban development should reflect these priorities. The most important priority should be the massive programmes of population control since all the ills of

urban or rural society we experience today stem from the basic fact that in India today there simply are too many people increasing at an alarming rate. If this increase cannot be stopped, there is no power or plan or wisdom or assistance which can save the country from future disasters.

first priority

As far as urban areas are concerned, the first priority should be given to housing in order that within next 25 years every person will have a decent housing at the minimum level. Secondly, massive preventive and curative health programmes should be instituted coupled with the supply of minimum amount of water. Thirdly, a fast, efficient, well-integrated public transportation system should be developed. Simultaneously, every effort should be made to discourage and make unnecessary the use of private automobiles. The transportation crisis is a product of bad management and wrong priorities. It is man-made, not natural. Fourthly, all the developments should be geared to low energy technology. Wherever possible emphasis should be on human energy, energy of the sun and other forms of low-cost energies which are pollution-free.

5. Urban society is a technological society. As it is now well-known from western experience, not all techno-

logy is beneficial to mankind. Indiscriminate use of technology in every sphere of life brings biological deterioration and environmental degradation. One would assume that a developing country like India would learn from experiences of western countries and thus leapfrog various detrimental stages of technological development. Proper and useful selection of technology leads to success in urban life. Technology can be used as an instrument of socio-economic change and development.

6. No society can afford to squander its scarce and precious resources, least of all a developing society. One way out of the present mass is to use the resources judiciously and selectively. A poor society can not follow the laissez-faire policy concerning resource development and utilization. Masses cannot be lifted from degrading conditions without the equitable use of resources from the total society. The present wasteful use of resources by an insignificant minority has converted urbanisation as a system of speculation, exploitation and blood-sucking. We must recognise that a great deal of resources will be depleted by the year 2000. Hence our concern should be not only proper use of them but also creation of new resources.

7. Urban society depends upon

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learning and knowledge. If our society wishes to reap benefits of urban life it must make the educational system and learning relevant, useful and progressive. In the name of literacy, degrees, the rote learning of today has converted education into an instrument of seeking statuses and pecuniary interests. The result has been the enormous expenses in order to produce the educated unemployed and literate morons. Urban education of tomorrow will be based on problem-solving, experience, exploration, development of intelligence and imagination, will and desire to build a new society by creating new resources and new social order. It should be low-cost education with a great deal of para-professional and vocational content.

8. Every region, city and town should have a data-bank, supplying scientific, up-to-date information for planning, integrated development, long range development and proper resource allocation.

9. It is not necessary for urban society to suffer from various social ills such as anomie, loneliness, crime, breakdown of social relations or

alcoholism. Through education and proper use of technology such as TV and radio many such maladies can be eliminated. To be sure, the urban society will have to adapt to the newer types of relations. What we know about human psychology tells us that human beings live by the meaningful relations and ultimately the survival of the individual depends upon the healthy state of the society. Many aspects of family relations in India can be restructured to accomplish the goals of building a new happy urban society.

Indeed, cities and towns of India are in crisis, which is deepening each day whether we like to believe it or not. The crisis is like cancer which is eating away the fabric of the total society. Our lack of policies, obsolete form of government, ignorance about the consequences of urban life, excessively fast growth of population, pitifully meagre resources have all led us to the path of oblivion. Like many cities of the world, cities of India are in race with the time. All those who value urban life and its potentialities to explore and build higher and richer civilizations should realize that urban crisis is a challenge and opportunity in

the long struggle for survival on this fragile planet.

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Roads and road transport

The expenditure on roads and road transport as percentage of total public sector investment has gone down from 8.6 per cent in the first Plan to 5.5 per cent in the fourth Plan. This trend needs to be reversed

FOR A country such as India, a good system of roads and road transport are basic prerequisites for the development of the economy. Farm production depends heavily on the capability to carry a variety of inputs to the field and move out produce to centres of consumption. The other social advantages resulting from road and road transport such as the spread of education, medical facilities, family planning etc. cannot be evaluated in terms of money.

The development of roads and road transport also exposes the population to new influences. The rural population in particular can drive large benefits from the green revolution only if its surplus produce is carried quickly to the market place. The rural and urban populations of our country are interdependent and the net-work of roads and road transport can bring about an improvement in the standard of living of both sections of society.

contribution to growth

All over the world roads and road transport have contributed significantly to the growth of the gross national product of a number of countries while our country has remained backward in this aspect. In 1974, our country had 1.25 million km of all types of roads against 390,000 km in 1951. But the surfaced roads accounted for 35 per cent of the total road length in 1974.

Table I shows the growth of roads in India from 1947 to 1974.

There has been three-fold increase in surfaced and unsurfaced roads in the country since independence, while the availability of roads both in terms of area and population is woefully inadequate. According to an estimate there

are only 15 km of roads in every 100s. sq. km of area and only 73 km of roads for a population of 100,000. This is very low as compared with 301 km in Belgium, 138 km in the UK, 167 km in West Germany, 312 km in the Netherlands, 277 km in Japan and 139 km in Switzerland.

Apart from the inadequacy of roads, this country is poor in traffic growth as well. This is shown in Table II

Thus the share of roads in total goods traffic in India is relatively small as compared with the advanced countries, though it has been increasing steadily over a period of years.

The draft fifth five-year Plan envisages the expansion of road transport by nearly 70 per cent from 65 billion to 110 billion tonnes/km in passenger traffic. Roads carries 49.1 per cent of the total road/rail traffic in 1974. The volume of bus traffic is expected to increase by 38 per cent in the fifth Plan period.

There is another measure of inade-

Badar Alam Iqbal

quacy in commercial traffic. There are today roughly 585,600 commercial vehicles for goods traffic whose share is 31 per cent (data for 1974). Table III shows the growth of commercial

TABLE II
Traffic Groups

Year	Volume of road traffic (billion tons)	% share of road in total roads and rail traffic
Goods Traffic		
1950-51	6	12.00
1955-56	9	13.00
1960-61	17	16.20
1965-66	34	22.50
1968-69	41	25.50
1973-74	84	34.60
Passenger Traffic		
1950-51	23	25.60
1955-56	31	32.00
1960-61	57	42.00
1965-66	82	46.16
1968-69	98	47.60
1973-74	140	50.90

Source: Times of India Directory, 1974-75

TABLE I
Growth of Roads in India : 1947-74

Year	Surfaced roads	Classified unsurfaced roads	Other roads	Total
1947	145855	242371	N.A.	388226
1951	157019	242923	N.A.	399942
1956	208796	269788	59594	538178
1961	262746	258358	204059	725173
1966	339374	299257	419435	1058066
1969	386784	296000	488000	1170729
1974	430000	320000	504000	1254000

Source: Kothari Economic and Industrial Guide, 1974.

Urbanisation in India: 1901-1974

Census Year	Population in millions		Per cent urban of total population
	Total	Urban	
1911	236.3	25.8	10.9
1901	252.1	26.6	10.6
1921	151.4	28.6	11.4
1931	279.0	33.8	12.1
1941	318.7	44.3	13.9
1951	361.1	62.4	15.9
1961	439.2	78.9	18.0
1971	546.9	109.0	20.0
1974	600.0	120.0	20.0

vehicles in our country from 1951 to 1974.

The number of trucks on the road has multiplied over five times while the number of buses on the road has

TABLE III

Commercial Vehicles in India: 1951-74

Year	Goods vehicles	Buses
1950-51	81,888	34,411
1955-56	119,461	46,461
1960-61	167,649	56,752
1965-66	258,977	73,175
1968-69	306,802	86,570
1973-74	470,000	115,600

Source : Government of India, fourth five-year Plan.

increased over 3.5 times in the last 24 years.

It is thus clear that the position of roads and road transport is still unsatisfactory when we take into consideration the vast area of the country and its population. There is need to devise means for overcoming these difficulties. At present the tax burden is very high and is crippling the growth of the road transport industry. It is therefore necessary that the tax burden is reduced. The government should enable the operators to obtain credit on easy terms. Further, to strengthen the industry, a national road development plan should be drawn up and executed expeditiously.

The expenditure on roads and road

transport as a percentage of total public sector investment has come down from 8.6 per cent in the first five-year Plan to 5.5 per cent in the fourth five-year Plan. This trend needs to be reversed.

The draft fifth Plan envisages improvement in the road transport system to enable an uninterrupted flow of traffic and has given priority to the completion of works spilling over from the fourth Plan period. Out of an expenditure of Rs 1774 crores for roads in the fifth Plan period, Rs 714 crores are earmarked for the central sector. The remaining Rs 1060 crores are to be spent on state programmes which include Rs 500 crores towards rural roads schemes.

K. M. Pathusha

Following this, many deep-sea fishing boats are being built all along the east and west coasts. Deep-sea fishing promises to become a big enterprise in the near future. Till recently fishing has been a monopoly of the old-time fishermen with their country craft and medium-sized fishing companies in mechanised boats. Both have exploited the in-shore waters—the mechanised boats now and then venturing into off-shore waters. The deep sea has been practically untouched. From 1970 onwards, marine fishing has attracted foreign-owned business enterprises in India as well as the big business houses.

The production of fish in 1972 was estimated at 1.84 million tonnes of which marine production accounts for 1.11 million tonnes. Total production in 1971 was 1.85 million tonnes out of which 1.16 million tonnes was marine fish. The decrease in the seasonal pelagic fisheries i.e. sardines and mackerels affected marine production to some extent in 1972. However, the production of additional mechanical

boats during the year averted a substantial fall in marine fisheries.

The operation fishing begins with the fisheries' experts going up in the air in a plane. Whenever they sight a shoal, they alert the deep-sea fishing vessels which are waiting for their green signal. The vessels then carry out trials and manoeuvres to check the alert from the plane. Operation fishing begins on the basis of this information. No less than six such vessels of different fishery organisations of the central government were at strategic points along the Trivandrum-Goa stretch in September, 1974 to conduct an aerial survey.

The plane also takes photographs of the shoals it locates with delicate photographic instruments. Sound gadgets are also being used for the survey. The data is then analysed for subsequent studies. In 1972-73, a preliminary survey was done and the results were encouraging. So a full-fledged aerial survey was conducted from September 14, 1974 to September 25, 1974 under the leadership of Prof P.C. George, Fisheries' Adviser to the central government. The survey team consisted of a battery of Indian, Norwegian and FAO experts.

aerial survey

The aerial survey was part of the project which our country embarked upon in 1971 at Cochin in collaboration with the United Nations Development Programme (UNDP) to study pelagic (free moving) fish stocks such as sardines and mackerels which add up to 40 per cent of the country's annual marine catch. Our country now gets 2.27 million tonnes of fish in a year out of which 1.8 million tonnes comes from the sea.

The project was set up because there are sharp fluctuations in the catch of sardines and mackerels due to natural

and geographical factors. The idea behind the survey was to minimise the fluctuation hazards and jack up the fish catch by knowing how much fish is available and where. The survey is repeated during the fishing season which starts from October and lasts till March-April.

In the marine fishing industry, Kerala leads with 40 per cent of the total catch. Tamil Nadu, Maharashtra, Gujarat, Andhra Pradesh and Karnataka are next in importance and other coastal states such as Orissa and West Bengal are developing their potential.

inland fishery

It is interesting to know that Tamil Nadu has been more successful in the development of inland fisheries than in harvesting the sea fish despite her long coast-line and the vast potential of the Bay of Bengal. The reasons for its slow growth may be due to lack of fishing harbours where modern boats may be moored and unloaded. Another reason for its poor record in this industry is the absence of deep-sea fishing which is carried on elsewhere by sophisticated trawlers. These are often floating fish factories where the catch is processed and packed and carried along for long periods before the trawlers reach the port.

The Tamil Nadu government has been experimenting with trawlers for a long time without much success. It is heartening to note that the Tamil Nadu government is taking steps to construct modern light trawlers and also to import some from Italy.

It is often said that private enterprise of small and medium size has failed to seize this opportunity whereas in Kerala, Maharashtra and Bengal fleets of trawlers are operated by big companies. But those who are already in this field find it very difficult to sustain

themselves. Another cause is lack of finance to buy trawlers and to operate them profitably. Although help and guidance of the government are available, there are many practical difficulties.

Even though fishing comes under the priority sector, the government and the financial institutions take a lukewarm attitude towards this industry. When approached for financial assistance, the financial institutions ask for full security and put forth all sorts of restrictive clauses without taking into account the practical difficulties of this industry. Another hurdle is the non-availability of trained and reliable crews to operate the trawlers.

At present about 750,000 fisherman depend on this industry for livelihood. A considerable number is also gainfully employed in ancillary vocations such as net-making, basket making, manufacture of ice, fish processing and transportation.

export item

Prawn (shrimp) has been the fishing industry's main export item, followed by tails and frog legs. It seems that the demand abroad for shrimps is enormous, and the main markets are the UK, the USA and Japan. It is perhaps time to enter the foreign markets with other kinds of fish such as tuna, sardines, mackerel, eel and cuttle fish.

It is reported that Japanese fishing vessels net some 1,50,000 tonnes of tuna from the waters of Indian Ocean, but until our fishing industry is modernised and gets accustomed to fishing in distant waters, we cannot compete with Japan, the USSR, Taiwan and other nations. It should be possible to base fishing fleets on the Andaman and Laccadive Islands as well as the numerous fishing harbours on our coast.

Promoting marine fisheries

About 750,000 fishermen depend on this industry for livelihood. A considerable number is also gainfully employed in ancillary industries.

INDIA TODAY stands on the threshold of a "Fish revolution", according to Mr Jhingran, Director of the Central Inland Fisheries Research Institute of Barackpore. He says that the new technology developed in recent years has made it possible to raise 9000 kg of fish per hectare per year against a mere 600 kg of the estimated annual yield per hectare in India. In view of this, fish and frog culture covered by the collective term "aquaculture" now promises to play a valuable role in supplementing and balancing the country's economy. The development and expansion of aquaculture will mean more fish providing increasing quantity of protein for a growing population, more frogs yielding foreign exchange and more direct and indirect employment opportunities.

More than half of the world comes from the Pacific Ocean area followed by the Atlantic Ocean region

and the Indian Ocean region—the last providing only four per cent of the total world catch. There is very good scope for increasing the present catch from the Indian Ocean, provided the deep sea and large-scale fishing methods are followed. It has been estimated that the west coast could bring a catch of 60,10,000 tonnes (39,05,000 tonnes of bottom dwelling fish and 18,60,000 tonnes of surface living fish) as against the present catch of 880,000 tonnes; the east coast could yield about 32,21,000 tonnes. (14,01,000 tonnes of demersal and 18,20,000 tonnes of pelagic fish).

Deep-sea fishing is a novel venture in India. The Indo-Norwegian project at Quilon in Kerala, with its stations at Veraval, Bombay, Karuvan, Mangalore, Cochin, Tuticorin, Mandapam and Vishakhapatnam, has pioneered deep sea fishing by supplying boats and equipments and training to the fishermen.

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WINDOW ON THE WORLD

My dear Hennessy...

IT WAS dream years ago and I had just returned to *Eastern Economist* and assumed editorial responsibilities. I had not met him then, but he was already an institution in this journal and its well-loved columnist. When I first had to write to him, I addressed him, naturally, as "Dear Mr Hennessy". Pat came a suggestion from him: "Don't you think that it will help matters considerably if you could address me as 'My dear Hennessy'—I do not insist on 'My dear Jossleyn'?" I have always been thankful for that option, for I would never have felt easy with "Jossleyn" when thinking of that larger-than-life Briton of the Old School.

His outstanding quality, of course, was his "Britishness". He could as easily have been Boswell's Johnson as Goldsmith's Vicar of Wakefield. That was how inherent and wide-ranging the essential Britishness of his character and temperament was. It was on ground of his own choosing that I first saw him at his invitation—The Beefsteak Club in London's West End. For an awesome half-hour he tutored me in the heraldic splendours of that establishment, the membership of which he treasured both as a right and as an honour. As my introduction to the man and where he belonged, that was an experience to be recalled with reverence.

During my later visits to London I did manage, however, to have these evenings with him at The Beefsteak Club eased to less of a confrontation with the august heredity of the setting. Once this had been contrived I was able to enjoy hugely the warmth of the

man's genuine companionship, his anecdotes of people and events past, often told with a wit, sharp, but never malicious and, of course, the unaffected hospitality which informed his choosing of food and drink for me.

The last time I was with him was a memorable and endearing experience for me. Sensing my meagre foreign exchange was no match for Britain's inflation, he invited me to leave my hotel and, as a temporary tenant, put up at a bed-sitter in a building of which he and his wife, living in the basement, were acting as care-takers. Attempting to be business-like, he told me that he would charge me £12 a week and that this included breakfast. That was the best bargain I ever made in all my time abroad, for, his wife, Lora—it was easy to call that grey-haired, kindly, bustling woman "Lora" as if I had known her always—was generous indeed with the breakfast and often insisted on my breaking bread with them at super.

My admiration for the man grew enormously when I got this chance to witness his working habits. As I came down to breakfast, he would emerge from his "den" where he would have already done his day's writing and he told me that he prized this routine because it gave him so much time in the course of the day to indulge his first love which was reading. A big man and tall, he seemed even taller because of the ram-rod straightness of his bearing. I never liked speculating how old he might be. It was enough that he bore all of his years so bravely. Though afflicted with arthritis, he stuck to the last to the use of a bicycle and his jaunty arrivals and departures on this vehicle

which he rode so joyously made the sight of others at the Beefsteak Club driving or being driven away in cars, big or otherwise, seem slightly vulgar.

Hennessy has served for a period in this country. He was the first Principal Information Officer to the then government of India during the second world war. The India that he knew was thus an India that was. The India that he thought he knew was perhaps an India that never was. Nevertheless it was a pleasure to hear him reminisce for he liked this land, its people and much of what he saw of their ways.

After this country had become independent, Hennessy visited it with his wife to write a descriptive account of the Birla Education complex at Pilani. This he did with his usual thoroughness as to facts and a rare awareness of the human aspects of the story and the possibilities of this ambitious exercise in modernising and liberalising the concept of education as a means of human resource development.

In his political views he was a textbook conservative. No words were strong enough for him for castigating "the unions" for the economic ills of his country and he had nothing but contempt for those political leaders who were too weak to stand up to union pressure. This meant that he had very few favourites among politicians in present-day Britain. Lora used to suggest, with a mischievous twinkle in her eyes, that her husband's intolerance of all that smacked of demagoguery had a lot to do with genealogy and, with ill-concealed pride, she would point to a large photograph of a group of impressively attired Central

*Jossleyn Hennessy, our columnist, died in London on April 29, 1976

European aristocracy of by-gone years as his forbears. It certainly called for an effort of imagination, if not an act of faith, to impute to the so-British Hennessy such origins.

Of his work for *Eastern Economist* I need say very little here. He had a most loyal readership and it knows well

enough what it will be missing. I may just record his grand virtues of regularity and punctuality. Only a postal strike could hold up his despatches. In fact, when his manuscript did not arrive as usual, it could be suspected that something had gone wrong; the news that he had passed away came almost as a natural explanation. To

me his demise, indeed, had an expected quality. Lora had died about a year ago and I had then doubted that a mere accident of human mortality could keep separate for long these two who had so gracefully grown old together.

V.B.

How exchange rates are set

Jossleyn Hennessy, London

This article, along with two others, was sent to us by Jossleyn Hennessy's son, Mr Armyr Hennessy. Going through his father's papers after his death, he found that these articles had been prepared well in advance of the posting dates. *Eastern Economist* will carry these articles in the subsequent issues. "I would like to say that I knew the writing of this column used to give him great satisfaction", wrote Armyr in his letter to us.

I

AN ABC FOR STUDENTS

JUST AS senior bank officials and leaders of industry may be expected to understand the complexities of inflation, so they doubtless know how and why the rupee's exchange rate stands as it does today. The following report (summarised from the latest issue of Review of the Bank of New South Wales published in Sydney) is not for them, but I hope that junior personnel and students will find it enlightening.

The rate of exchange of a currency is simply its price expressed in terms of another (e.g. \$A1.00 buys US\$1.25 or US\$1.00 buys \$A0.80) or of several others. A country's exchange rate is thus of the utmost importance in determining its capacity to export, and consequently to import goods and services.

In a world of completely free exchange rates, the price, or rate of exchange, of the Australian dollar in terms of other currencies would be allowed to vary continuously according to market forces. The determinants would be the demand overseas for

Australian dollars (principally to pay for Australia's exports of goods and services) and the volume of current holdings by the rest of the world of Australian dollars, or claims to Australian dollars (reflecting, in the main, Australia's imports of goods & services).

theoretical assumption

Currencies of countries with balance of payments deficits would tend to depreciate against the currencies of countries in surplus. Theoretically, these changes would restore balance of payments equilibrium (assuming no inflation or even the same rate of inflation everywhere) — imports would become more expensive for the deficit countries but their exports would become relatively cheaper for the countries in surplus. At the same time, freely-floating rates would remove the need for countries to maintain reserves of other currencies as a means of supporting a particular exchange rate.

In practice, however, national governments are normally reluctant to allow the external price of their domestic currencies to be determined in

a completely independent way by international market forces. Instead, the external value of currencies has generally been pegged to some internationally-recognised reference point such as provided by precious metals, especially gold, or important currencies commonly used in international trade transactions, such as the £stg or the US\$.

In general, three main methods of setting exchange rates have been tried at various times although no method at any time has ever found universal acceptance.

They are: (a) Rigidly-fixed exchange rates, of which the gold standard, in its various forms was the prime example.

(b) So-called "fixed" exchange rates—e.g. the Bretton Woods system between 1946 and 1971.

(c) Flexible exchange rates—a broad term covering many forms of potential exchange rate adjustment.

gold standard

Adherence to the gold standard was a firm commitment to stable exchange rates and thus the entire burden of attaining balance of payments equilibrium was placed on internal price level adjustments. Internal monetary policy in any country on the gold standard was thus automatically determined by the balance of payments. A country in balance of payments deficit lost gold (since gold was either used as cur-

rency or the currency was convertible into gold) and, therefore, was forced to follow a contractionary monetary policy (or credit squeeze in contemporary jargon). National governments operating under the gold standard were required to forfeit most of their capacity for independent pursuit of monetary policies consistent, for example, with the maintenance of domestic price stability and full employment.

For two reasons the discipline imposed by the gold standard was little burden in the late nineteenth century and up to World War I. First, it was recognised to be the duty not only of deficit (i.e. gold-losing) countries to deflate, but also of surplus (gold-gaining) countries to inflate, so the burden of adjustment was not borne by deficit countries alone. Second, world trade was then expanding rapidly and balance of payments problems were normally fairly minor, requiring only small-scale adjustments. The gold standard, however, broke down under the stresses of the monetary and trade difficulties of the inter-world war period.

II

BRETTON WOODS SYSTEM

The framework of the post-World War II international monetary system, was established at a United Nations conference held in 1944 at Bretton Woods, New Hampshire, in the United States. The system was designed to overcome the major deficiencies of the international monetary systems in use before the war. The various forms of the gold standard, and the subsequent system of floating rates in the 1930s, which culminated in competitive exchange rate devaluations as national governments tried to restrict imports and revive domestic employment prospects, had created uncertainty, encouraged speculation, and were eventually self-defeating when world trade slowed markedly.

In an attempt to restore international monetary and trade cooperation

throughout the non-communist world, the International Monetary Fund (IMF) was created at Bretton Woods.

Although the international gold standard ended officially in 1931, gold remained the central reference point of the Bretton Woods exchange rate system. No national currency, including the US\$, any longer retained a formal link with gold in its own country. In recognition of its economic dominance, however, the United States Treasury guaranteed to convert upon request other member countries' official (central bank) holdings of US\$ into gold at the fixed price of US\$35 per oz. For the rest of the world, the US\$ was effectively guaranteed to be "as good as gold" and the Bretton Woods system was, in reality, a gold-US\$ exchange standard.

parity system

After consultation with the IMF, each member country adopted an official exchange rate (par value) for its currency expressed in terms of gold. This step produced a complex system of "parities"—the exchange value of each currency in terms of the US\$, or in the case of members of the former Sterling Area, including Australia and New Zealand, in terms of the £stg. To ensure exchange rate stability, members undertook to maintain foreign exchange market rates for their currencies within one per cent above and below their par values.

A member with a balance of payments deficit had to use its central bank holdings of international reserves, principally US\$ or £stg to buy the excess supply of its currency, or claims to its currency, on the foreign exchange markets to prevent its exchange rate from falling below the permissible lower limit. Central banks of countries in surplus were required to intervene on foreign exchange markets by buying foreign currencies (generally the US\$) when the market rate of their own currencies approached the upper limit.

For its part, the United States

needed to play only a passive role in exchange markets. As long as other countries retained confidence in the stability of the US\$ and were prepared to increase their dollar holdings, United States payments deficits supplied the principal means of expanding international liquidity and thus financing the rapidly growing volume of world trade.

built-in weakness

The built-in weakness of this system was not at first apparent. While the rest of the world needed the US\$ as its principal source of international liquidity, the United States could run balance of payments deficits with impunity. The only restriction on the size of the United States payments deficits, and the consequent size of US\$ balances held abroad, was its obligation to convert official dollar holdings into gold at a fixed price. At first this commitment represented little burden for the United States because the value of its gold reserves at US\$35 per oz was several times greater than foreign holdings of the US\$. Later the situation was reversed and the commitment lost most of its meaning.

In the first few years of IMF operations the United States, with its relatively low dependence on international trade and a competitive advantage in high technology exports, was consistently in balance of payments surplus. For some countries, however, including members of the Sterling Area, the initial par values represented a major hindrance to their export growth, and thus restricted their capacity to earn foreign exchange to pay for essential imports, especially from the United States. With IMF concurrence, a major realignment of parities was arranged in September 1949. Several countries, most notably the United Kingdom, but including Australia and New Zealand (both of whose currencies remained pegged to the £stg at the previous parities), devalued substantially against the US\$. Except for the adjustment of exchange

rates of currencies in "fundamental disequilibrium", however, the IMF has always frowned upon devaluation as a satisfactory solution to a country's economic disorders.

Although it nurtured two decades of unprecedented growth in world trade, the Bretton Woods system, like the gold standard, eventually proved too inflexible in an era of rapid economic change and development. Protection of existing (that is basically 1949) exchange rates was regarded as a major priority of governments despite the emergence of fundamental imbalances within the system. Once they recovered from the effects of war, the Japanese and West German economies, in particular, experienced rapid export-led growth throughout the 1950s and 1960s. Aided by exchange rates for their currencies which now understated their great export potential, Japan and West Germany became increasingly influential in determining world trade flows, and their holdings of international reserves rose rapidly.

trend reversed

Although the United States continued unchallenged as the most important economic power, its balance of payments position began to turn around sharply from the late 1950s, reflecting principally its vast investment, aid, and military expenditures abroad.

Despite the 1949 devaluation the economic performance of the United Kingdom—slow growth and low productivity—continued to cause international concern. Determined to defend an exchange rate (in part because £stg was still an important element in several countries' reserves) widely-regarded as over-valued, successive United Kingdom governments were forced periodically to curtail imports and impose severely restrictive monetary and fiscal policies. With the assistance of financial support from several of the world's central banks, the United Kingdom government

attempted to preserve the external value of the £stg. but eventually devalued against the US\$ for the second time in November 1967. The alternative would have been further heavy borrowing abroad and adoption of strongly restrictive domestic policies, increasing the prospects of severe unemployment. Australia did not follow suit, although the \$A remained pegged to the £stg at a higher parity (\$A2.14 to £stg instead of \$A2.50).

unrealistic rates

Devaluation of the £stg greatly weakened the fabric of the Bretton Woods system. Clearly, existing exchange rates, even those of major currencies, could not be defended indefinitely if they were widely believed to be unrealistic. As confidence in the stability of exchange rates weakened, speculative demand for gold increased and in 1968 central banks were forced to set the gold price free for commercial transactions although they continued to deal in gold between themselves at the old official price.

The increasing strains on the rigidities of the international monetary system were complicated by the massive international transfer of funds into those currencies widely regarded as undervalued. Such flows were assisted by the growth of multinational business corporations and the evolution of new institutional arrangements, such as the Euro-dollar market.

Confidence in the continuing stability of the US\$ began to decline as United States payments deficits persisted. The prospect of a massive movement of funds out of US\$ holdings and into gold brought into question the basis of the system. Already the formal obligation of the United States to maintain convertibility between its dollar and gold meant little in reality because United States gold reserves were now obviously inadequate to back the commitment. By early 1971, for example, the ratio of US\$ liabilities abroad to Unit-

ed States gold reserves was of the order of 6 : 1 and rising.

The IMF had long recognised the need to create an acceptable alternative means of increasing international liquidity. In 1970, the first issue of a new "paper" asset, known as Special Drawing Rights (SDRs) was allocated to IMF members who chose to participate in the scheme. The SDR, which has no tangible asset backing, was at first arbitrarily fixed in value in terms of gold (SDR 1 = 1/35 oz gold or US. 1.00). Countries in deficit would in effect, surrender part of their SDR allocation in return for foreign exchange. Countries in surplus would absorb SDRs and give up some foreign exchange. (From July 1, 1974 the SDR gold link was abandoned and the SDR is now valued in terms of a composite (basket) of 16 currencies, representing those IMF member nations who each account for more than one per cent of total world trade)

defensive measures

A number of defensive measures adopted by the United States government in 1971, including restrictions on capital outflow, were not sufficient to restore confidence in the US\$. United States reserves continued to fall and in August 1971 President Nixon announced suspension of dollar-gold convertibility, marking the end of the Bretton Woods system.

During the period of uncertainty in the wake of the United States action, many currencies severed their parity link with the US\$ and floated.

The result was a general appreciation of market rates of exchange of most other major currencies against the US\$—which, indeed, had been the main objective of the United States government. At the time, however, the period of floating rates was regarded as a temporary expedient. The general objective was to reestablish the principles of a new, more flexible, but still basically

fixed, rate system as early as practicable. Negotiations in Washington between Finance ministers of the ten principle industrial countries in the IMF (United States, Japan, West Germany, France, United Kingdom, Canada, Italy, Netherlands, Belgium and Sweden) eventually produced the short-lived Smithsonian Agreement (named after the Smithsonian Institute where the agreement was signed) in December 1971.

A realigned system of fixed rates was restored temporarily. As part of the realignment, the US\$ was effectively devalued by eight per cent against gold (that is, the official price of gold was raised to US\$ 38 per oz.) mainly because of European insistence that the US\$ should share in the general shift in currency values. A further important decision taken in the Smithsonian discussions was the enlargement from one to 2.25 per cent in the permitted margin of fluctuations above and below par values, thereby giving a total margin of 4.5 per cent. In addition, the long-standing formal link between \$A and £stg was cut and the \$A was pegged for the first time to the US\$ directly. In the period between December 1971 and September 1974 when the direct link was severed, there were several changes in the US\$-\$A parity.

capital flows

The Smithsonian realignment failed to produce the desired stability in the international monetary system. Speculative capital flows persisted and considerable pressure was maintained against the £stg. In June 1972, the United Kingdom decided not to devalue formally but to allow sterling to float, and its market value fell sharply. The US\$ too, was devalued for the second time in February 1973, by 10 per cent (raising the official gold price to US 42. 20). From that time most major currencies again floated against the US\$ with

*France has for the time being floated the franc and abandoned "the snake".

some intervention by central banks (that is buying and selling foreign currencies) to stabilise the foreign exchange markets.

III POST-SMITHSONIAN INSTABILITY

The progressive breakdown of the Bretton Woods system of stable exchange rates and the apparent failure of efforts since December 1971, to restore such a system suggests that the comparatively long post-war period of predominantly fixed exchange rates has, for the time being at least, run its course. Floating exchange rates, in various guises, have become the norm rather than the exception.

Of the 129 member countries of the IMF, seven still maintain their exchange rates pegged to the £ stg and 13 are linked to the French franc, both of which are floating. Eight (West Germany, France*, Denmark, Netherlands, Belgium, Luxembourg, Norway and Sweden) are members of the so-called European "snake" restricting adjustments in their rates against each other to within a relatively narrow 2.25 per cent band but floating against all other currencies. Eleven currencies are floating with varying degrees of official intervention but independently of any external measuring stick. More than 25 currencies, including the \$A, are pegged to some basket of other currencies, or to IMF Special Drawing Rights. The 50 or so national currencies still pegged to the US\$ are floating against all others. In addition more than 30 countries maintain dual or multiple exchange rates, usually differentiating between current and capital account transactions.

In January this year the Board of Governors of the IMF meeting in Kingston, Jamaica, belatedly recognised the existing system of floating exchange rates. At the same time, the IMF abolished the "official" price of gold for central bank dealings. Now that gold has been demonetised, it should

be no more than a metal which is valued according to market forces applying to any industrial commodity.

So-called trade-weighted exchange rates of the type Australia has used since September 1974, are designed to provide stability, combined with sufficient flexibility to reflect relative changes in the strength of the currencies of major trading partners.

The \$A exchange rate is determined by changes in average values of a group of foreign currencies weighted according to their importance in Australia's total trade. Consequently the exchange rate for the \$A tends to vary slightly from day-to-day against all currencies in a manner which maintains constant the weighted average exchange value.

currency basket

To prevent speculation against changes in day-to-day exchange rate movements the Reserve Bank keeps confidential the details of the currencies in the Australian "basket" and the changing weights assigned to each. The following example, however, illustrates how an exchange rate, determined under a trade-weighted system, could be held constant by central bank intervention.

Assume that two of the group of currencies in the Australian basket were the yen and the US\$ and the external value of the yen in relation to the US fell by some five per cent. If trade with Japan carried a basket weighting of, say, 25 per cent the change would represent an appreciation of the \$A of about 1.25 per cent. To offset this upward movement of the \$A and so maintain a fixed exchange rate, Australia would need to devalue by 1.25 per cent against the US\$.

Apart from some complexities in administration, trade-weighted exchange rates appear to have much in their favour compared with a fixed link to a single currency. It would be coincidental if fluctuations in the external value of the US\$ or the £stg, against which Australia chose to set its exchan-

ge rate, happened to match precisely the type of adjustments in the \$A rate which were in Australia's economic interests at the time. For example, the depreciation of the \$A in early 1974 against all major currencies not directly linked to the US\$

could have been regarded as an inappropriate change at the time caused by the \$A's fixed link to the changing fortunes of another currency—and nothing to do with the performance of, the Australian economy. The "basket" system, however, embraces some of the

principles of international interdependence and monetary cohesion, such as were sought after at Bretton Woods, yet it is leavened by greater discretion being given to countries in the ability to make selective adjustments to their exchange rates.

Search for an agreement

E. B. Brook Vienna

UNCTAD—IV, now-meeting in Nairobi, is making an earnest effort to coordinate international economics for improving the position of the weaker partners.

FOR ALMOST all this month world leaders are discussing in Nairobi the best way to coordinate international economics for improving the position of the weaker partners, the industrially developing countries. This is by no means a new effort. The United Nations Conference on Trade and Development (UNCTAD) now meeting is the fourth of its series in some dozen years and the approach to it in board and committee meetings in Geneva has been difficult and largely without agreement.

stiff opposition

A proposal from the UNCTAD committee dealing with raw materials that loss to producers of primary products through weakening of prices for them should be avoided by placing bufferstocks in store till prices improved has met with almost flat refusal from the more highly industrialised states. The idea has met resistance not only from traders but from European governments and governments elsewhere of even the most liberal leanings.

The United States is firmly opposed to sweeping plans for locking up sizeable stocks waiting for a price rise. The knowledge that stocks would be, in fact, available although not offered on the markets would, it is considered, be enough to keep prices depressed and lead to new artificial pressures in the markets. The problem of storage space in the larger trading centres has also been advanced as a valid objection.

These objections are not deterring

the proposers from continuing to stress the feasibility and justice of their scheme at the Nairobi meeting. Several producer states are in the unenviable position of being one-product traders and a fall in the price of that product—in one case, copper—is little short of a disaster. Other raw material producers are in a slightly better position through being able to offer several commodities or some manufactures on world markets, but even their position is tenuous if the price of a major product weakens. Since the number of new states in this delicate economic position is considerable the effort to push through the bufferstocks project and a new international economic plan to finance them is intense. Short of that scheme, there is insistence that the fourth UNCTAD meeting should not end without producing an agreed scheme more securely to stabilise raw material prices.

resources bank

The United States, now recovering from its trade recession, has been discussing an alternative which it is putting forward at Nairobi. It is planning to call for the formation of a new international agency to encourage private investment in producing raw materials in the newer states. The new body would probably be given a title such as an International Resources Bank. Its purpose would be to direct private capital to commercially viable investment opportunities in new states, most particularly in Africa. This idea would tie in with the United

States' relatively new-found close interest in politics in the African continent where the USA, after recent events in Angola, is impelled to closer interest and more liberal sentiments for fear of Soviet and Chinese influence, especially the former.

The idea of private capital seeking investment opportunities, even of the more helpful type, in raw material-producing areas is by no means new. It could, in fact, be described as a distinctly 19th century concept. But the concept of the proposed International Resources Bank differs from the direct investment idea in that it would issue bonds against a particular raw material and sell these bonds to investors, most likely to corporations already interested in the material being supported. The agency would pass the funds collected from investors on to the state producing the raw material in an effort to help it develop its extraction or growth and to market it.

The bank, according to the scheme, would be paid out of a share in production. The difference between this idea and the older form of economic, and, thus, possible political influence, would be that the investment would not be direct but would be made by foreign private investors through an international institution.

cold response

It is difficult to think that this proposal will raise much enthusiasm in Nairobi where the producer states through UNCTAD are seeking not only to retain full control of their own economic products but to have international assistance to store them and, as do other traders, hold them back

from the markets when sales prices have fallen to a profitless level or even below it. The producer states appear to be seeking no more than the same capability for their management of products of tin, copper, manganese and other industrial essentials as the oil-producing states have vividly demonstrated they have over their liquid gold and which American and European producers of such raw materials as coal have had for generations.

It is the new producer states ill luck that, generally, they do not themselves possess sufficient bufferstock storage capacity or their own means of moving the stores when they need to put them on the markets. It is a second piece of ill fortune that they are proposing to acquire the same capability to withhold stocks of raw material essentials for a price rise at a time when the industrialised countries are still recovering from the oil producers having successfully and expensively succeeded in that operation.

The producer states are thus talking to buyers who have already been alarmed and who are thus in no mood to be obliging. They are also concerned over the fact that their industries are using raw materials in all forms—oil, gas, metals—so fast that, of all the primary products, only coal appears

to have a long future. The most highly industrialised countries know that a time is approaching when the most important raw materials will become more difficult to obtain and more expensive to buy. The raw material supply is becoming such that careful and intelligent foresight is needed to cope with coming shrinkages of the most easily available supplies and the steadily expanding needs of sophisticated industries. This is a problem not only for the user but also for the supplier. The need for cash is tempting to the neediest producer, for him to sell if only the price is reasonable. The time will come, if restraint can be exercised in producing and selling, when prices may be considerably higher than those offered today.

The industrial nations' greatest problem is energy. This point was driven home by the oil-producers three years ago. Energy and raw materials are inextricably linked and the most easily accessible ore areas are being exhausted. Those states which sit on considerable reserves of ore are therefore sitting on the increasingly valuable and profitable asset. With the growth of industrialisation world-wide the value of ores rises steeply. For those whose prospect of any sizeable industrialisation

is remote but who have the raw materials, the urge to mine and sell, or even store with international financial aid, seems to need second thought. Those possessing higher grade ores are the most fortunate; those with lower grade ores probably need an earlier sale since the expense of processing low-grade ores is slowly becoming prohibitive and it should not be forgotten that, when driven into a corner by uneconomic costs, the industrialised states, with immense resources for experiment and research, are remarkably capable of inventing substitutes.

The non-OPEC oil-producers, also are in the lucky position of being able to expand vastly their energy production within five or ten years. Thirteen countries in the non-OPEC group are likely to double their oil exports over the next four years. Since oil, being, after gas, the most easily handleable form of energy, it is likely to be the source most sought by the industrialised states, its producers are likely to need to look far for the capital requirements to cover their increases in energy output, however, large these may be. With increasingly valuable ore reserves and a great potential in oil many developing states who are members of UNCTAD should not be too depressed by Nairobi's outcome.

P. Ionescu

played by the historic visits and meetings in recent years of President Nicolae Ceausescu with several heads of states in Latin America, Africa and Asia. These visits opened up opportunities for the expanded mutually-advantageous collaboration with the states on these continents. What could be more significant than the fact that, following the visits by the Romanian President and the meetings in Romania with the heads of a large number of friendly countries, as many as 70 government agreements and

Romania and the third world

ROMANIA HAS been working for the development of less advanced countries through economic collaboration. Romania feels itself linked to these countries and wants to speed up their economic and social development. It affirms the new relations of genuine equality and mutually advantageous collaboration among nations for the establishment of a new international economic order. As a natural consequence of this close cooperation, Romania has participated since last February as a full-fledged member in

the activities of the "Group of 77", which practically includes all developing countries of the world.

The scope of this policy of collaboration is tellingly illustrated by the fact that during the last 15 years the number of developing countries with which Romania has strengthened economic relations has trebled, standing now at over 90.

A significant role in the expansion and diversification of Romanian links with the developing countries has been

understandings of economic collaboration were signed with the developing countries, 26 with African countries, 21 with Arab countries, 12 with Latin-American countries and 11 with Asian countries. A vast and particularly fertile economic framework has thus been created.

At present almost 85 per cent of the total value of the cooperation contracts concluded by Romania abroad refer to developing countries, embracing some 100 objectives of mutual interest, in areas such as machine-building, mining, oil and geological research, transport, agriculture, woodworking, fishing and food industry, building and textile industry.

dynamic picture

Given below are some of the instances of collaboration between Romania and the developing countries, though the list does not exhaust the dynamic picture of the mutually advantageous economic links.

LATIN AMERICA: Argentina: An oil coke calcinating unit with an annual capacity of 200,000 tons; Peru: joint "Maquinas Herramientas Andinas S.A." society, for machine-tool assembly; Ecuador: the joint "Profaran" society, for the construction of a salicylic acid factory.

AFRICA: Egypt: the Sodium factory of Alexandria; the Helwan tractor-assembly work; the Abu-Zabaal sulphuric acid plant; the Hamrawein phosphate exploitation and enriching compound; Sudan: a cotton spinning mill; Tunisia: The M'Rate compound for phosphate extraction and processing; People's Republic of the Congo: forest and woodworking compounds of Betou and Brazzaville; a synthetic fabric factory; Tanzania: a ready-made garments factory.

ASIA: Iran: the Tabriz tractor factory, a soda ash factory; the wood-

industrialisation combine of Neka; Jordan: The Zarka refinery; Iraq: a cement mill; bakeries; Lebanon: a cement mill; Syria: the delivery of a finished refinery with an annual capacity of six million tons of oil; a washing-drying installation for phosphate concentrates; a cement mill; Bangladesh: a cotton spinning mill; Philippines: a thermal-power station; India: the Gauhati and Haldia refineries; the Singareni thermal-power station; Pakistan: the Karachi refinery; Sri Lanka: a wood-industrialisation compound.

geological field

LATIN AMERICA: Argentina: oil extraction (technical assistance and deliveries of drilling rigs and oil-field equipment); Brazil: oil extraction (deliveries of drilling rigs and oil-field equipment); Ecuador: the joint "Esepas" company for oil drilling; Colombia: coking coal; Peru: the joint "Antamina" company, for non-ferrous ore extraction; oil extraction (technical assistance); Venezuela: oil extraction (technical assistance).

AFRICA: Algeria: non-ferrous ores; Morocco: copper ores; The Central African Republic: various ores, hydrocarbons, diamonds (the joint "Scarmines" company); People's Republic of the Congo: iron ores; Kenya: lead deposits (the joint "Kmil" company); Zambia: copper deposits (the joint "Mokambo" company); Zaire: hydrogeological works.

ASIA: Lebanon: iron ores; Syria: geological tapping, phosphate exploitation (the Kneifiss compound); Iran: various mining exploration and exploitation (the joint "Geomet" company); Philippines: oil extraction (deliveries of drilling installations and oil-field equipment); India: oil extraction (deliveries of drilling rigs).

LATIN AMERICA: Brazil: assembly, cooperation with the "Malves"

company of Sao Paulo, of tractors and building equipment; delivery of technologies and technical assistance in pharmacy; deliveries of building equipment; Ecuador: technical assistance in mining, oil and geology; Mexico: deliveries of chemical equipment and installations; Peru: technical assistance in power engineering; Venezuela: technical assistance in agriculture and food industry.

AFRICA: Algeria: the over-raising of the K'Sob dam; Libya: the execution of public and civil constructions at Tripoli and in other localities: the construction of the Tarhuna-Beni-Walid highway; a fishermen's harbour; Morocco: the construction of the Nador harbour; The Central African Republic: the joint societies of "Carombois" and "Larombois" for wood-working, and "Somcarom" for cotton cultivation and other technical crops; People's Republic of the Congo: the modernisation of the Brazzaville shipyards; "Socoton"—a joint company for cotton cultivation and marketing; Nigeria: the joint "Nirowi" company for wood industrialisation; Senegal: extension of the Dakar airport; Zaire: the joint "Zairom" agro-zootechnical company.

other ventures

ASIA: Jordan: the construction of an oil pipeline; Iraq: the construction of the Arbil and Baquba highways; the construction of farm schools; Lebanon: the joint companies of "Syblin" (for cement production), "Socomex" (for machine-tools marketing), "Merol" (the marketing of oil products), "Prodaco" (the marketing of farm foodstuffs); Syria: Technical assistance in agriculture (land amelioration, irrigations); Iran: Hydro-technical works; the modernization of the meteorological system; the Bandar Shahpour fishermen's harbour; sunflower cultivation; the construction of an electric line.

TRADE WINDS

Indo-Pakistan Accord

INDIA AND PAKISTAN have agreed to re-establish full diplomatic relations at the ambassadorial level "fairly shortly". The two countries also agreed to resume overflights suspended since the hijacking and subsequent blowing up of an Indian Airlines Fokker Friendship plane in Lahore. This was disclosed in a joint statement issued on May 14 at the conclusion of the three days of talks between the Pakistan government and an Indian delegation led by the Foreign Secretary, Mr Jagat S. Mehta. The two countries agreed to resume goods and passenger traffic by rail through the Wagah-Attari border.

Tariff Preferences to UK Withdrawn

The government has decided to withdraw the tariff preferences extended to the UK in two stages. In the first stage 75 per cent of the tariff preference will be withdrawn on July 1, 1976, and the final withdrawal will be effected on July 1, 1977. The preference shown to the UK was the difference between the most-favoured-nation rate of duty and the UK preferential rate. The question of preferences extended to the

UK in India's tariffs was engaging the attention of the government following the termination of the UK-India trade agreement with effect from February 1, 1973, as a result of UK's entry to the European Economic Community (EEC) and its need for harmonising its tariffs with that of the Community.

Rupee—Rouble Rate

A high-level economic team will go to Moscow shortly to hold discussions there for settling the rupee-rouble rate which was hanging fire for the last many months and which acted as an impediment to the expansion of bilateral trade and commerce.

The Indian team will reach Moscow this month-end or early next month so that an amicable settlement could be reached on this ticklish issue before Mrs Gandhi's arrival there on June 8. After delinking of Indian rupee from the sterling, India has suggested to Moscow that the rupee-rouble parity rate had to be fixed in a suitable way. Since the Indo-Soviet relations, both political and economic, are in a good shape, the leadership of both the countries have

decided to settle the rupee-rouble issue in an amicable way.

IMF Gold Auction from June 2

The International Monetary Fund (IMF) will auction 25 million ounces of gold over a four-year period, beginning June 2, the IMF Managing Director, Mr Joahannes Witteveen, announced on May 6. The proceeds will be used to benefit poor nations. The first sale will be 780,000 ounces, which will be auctioned in minimum amounts of 2,000 ounces at the current market prices of about \$130 an ounce. Mr Witteveen said 15 other auctions would be held during the next two years at which 12.5 million ounces of gold would be sold. The rest would be auctioned in the following two years, although details on the sales may change.

IBRD Rises Interest Rate

The World Bank has announced an increase in the interest rate of its normal loans to the less-developed countries and a new formula that could lead to further increases in the future.

According to the announcement the bank's lending rate would rise immediately from 8.5 to 8.85 per cent and after July 1 would be one-half of one per cent above the "average weighted cost of funds borrowed by the Bank in the preceding 12 months."

The rate will be quarterly.

An apparent result of the bank decision will be a slowing down of the increase in its lending. At the same time the bank's earnings will be somewhat enlarged from the amount it advances.

Indo-Iranian Cooperation

Iran and India signed on May 14, a protocol envisaging new horizons of economic cooperation between the two countries.

The protocol, signed by Mr Manucvehr Taslimi, Iranian Commerce minister, and Mr A.C. George, Indian minister of state for Civil Supplies, recorded the agreed minutes of the discussions between the two countries envisaging Indian cooperation in setting up plants in Iran for processing alumina, joint ventures for production of refinery equipment and paper manufacturing facilities.

Mr Taslimi said that the bilateral economic relations were based on the discussions of the prime minister of India, Mrs Indira Gandhi and the Iranian prime minister Mr Amir Abbas Hoveyda, which envisaged the opening of new horizons of cooperation between the two countries.

The joint communique on the prime ministers' discussions, issued on May 14 made it clear that the relations between the two countries would not be on any ad hoc basis but would be established on the basis

of a permanent, continuous relationship between the two countries. Mr Taslimi said that the two sides had examined a number of areas of possible cooperation and taken up those which would prove to be mutually advantageous.

Telecom Rates for W. Asia Revised

The charges for overseas telegrams, telex and telephone calls to west Asian countries have been revised with effect from May 15, 1976. Telegrams to west Asian and commonwealth countries, both ordinary and press, will cost more. It will be Rs 2 as against Rs 1.50 per word for ordinary telegrams and 50 paise per word as against 40 paise for press telegrams.

Telex calls to west Asian countries will cost Rs 72 as against Rs 54 for first three minutes and Rs 24 as against Rs 18 for each additional minute.

Telephone calls to the west Asian countries will cost Rs 12 more. It will be Rs 72 for the first three minutes as against Rs 60 and for each additional minute it will be Rs 24 as against Rs 20. The existing uniform telegram rate applicable to all commonwealth countries will be abolished and the rate will now be according to the geographical location of the country.

Another feature of the revision is that the telephone and telex rates will be applicable as per the

geographical location of the country. At present the rates depend on whether the calls are directly put through or switched through another centre like London. This will mean a slight reduction in the rates for calls from India to European countries.

There is no change in the rates for services to countries in the American continents and other places in the western hemisphere and countries in Asia, Africa, Oceania and Europe. There will also be no change in the existing rates with neighbouring countries like Afghanistan, Pakistan, Bangladesh, Nepal, Sri Lanka and Burma.

Debt Relief to States

The centre has decided to provide relief of the order of Rs 1,990 crore to the states in debt repayments during the five-year period 1974-79.

The liberalised terms of repayment are more generous than those recommended by the sixth Finance Commission and exceed its estimates by over Rs 21 crore.

The state-wise debt relief granted is as follows: Andhra Pradesh Rs 191.82 crore, Assam Rs 154.31 crore, Bihar Rs 138.43 crore, Gujarat Rs 40.25 crore, Haryana Rs 28.80 crore, Himachal Pradesh Rs 34.05 crore, Jammu and Kashmir Rs 132.29 crore, Karnataka Rs 126.89 crore, Kerala Rs 111.91 crore, Madhya Pradesh Rs 87.65 crore, Maharashtra Rs 68.22 crore, Manipur Rs 20.85

crore, Meghalaya Rs 8.43 crore, Nagaland Rs 5.11 crore, Orissa Rs 159.44 crore, Punjab Rs 14.92 crore, Rajasthan Rs 276.88 crore, Tamil Nadu Rs. 88.39 crore, Tripura Rs 11.60 crore, Uttar Pradesh Rs 154.17 crore and West Bengal Rs 136.25 crore.

While recommending the grant-in-aid of the revenues to states under Article 275 of the Constitution, the Commission did not take into account in its assessment the interest liabilities on their fresh borrowings during the period 1974-79 or interest receipts on fresh lendings by the state governments during the forecast period.

The Commission recommended that the net commitment that would devolve on the states by way of interest charges as a result of the government of India's decision on central assistance for state plans be computed by the ministry each year and that the president should be moved to raise, to the extent required, the grants payable during 1974-75 to 1978-79 under Article 275 of the Constitution.

In the case of the states which did not qualify for grants-in-aid in terms of the Commission's award, the net commitment on account of interest liabilities on fresh borrowings and lendings has to be set off against the surpluses as assessed by the Commission and the net deficit, if any, has to be given as grant-in-

aid under Article 275 of the Constitution by a Presidential Order.

The state governments and the accountants general have been asked to furnish data regarding actual loan receipts and disbursements during 1974-75. Necessary action for the issue of the Presidential Order will be taken as soon as the requisite information becomes available and is examined in the Finance ministry.

Govt. Directors for Bird & Co.

In order to effectively safeguard the interest of the Company and the public-interest the government has appointed the following directors for Bird and Co. Mr J Mallick, Chief Judge, City Civil Court (Retd), Calcutta; Miss Roma Mozumdar, Commissioner of Commerce and Industries and Secretary to the government of West Bengal, Calcutta; Mr PK Sen, General Manager, United Bank of India (UBI), Calcutta; Mr Bikash Roy, Managing Director, Lagan Jute Machinery Co Ltd., 24B, Park Street, Calcutta; Dr G.R. Kulkarni, Planning Manager, National Organic Chemical

Directorate of Purchase and Stores, Department of Atomic Energy Bombay

Due date of tender No. DPS/RRC/EEQ/80 to be opened on 17.5.76 for Relay Panel and Relays for the protection of Alternator—1 No. extended upto 3 pm on 31.5.76
davp 645(51)76

Industries Limited, Bombay. The directors will hold the office for a period of three years with effect from May 12, 1976.

Modernisation of Sick Units

The union government has approved a scheme of a new line of credit under which Rs 100 crores will be dispersed during the current year for modernisation, renovation and rehabilitation of jute, sugar, cotton textiles and engineering industries. The money will be advanced by the Industrial Development Bank in collaboration with other term-lending institutions. The amount will be raised in subsequent years. It is estimated that over Rs 1,500 crores will be required to modernise the sick industries in the country.

Study Panel for Backward Areas

The government has constituted a committee under the chairmanship of Mr T.A. Pai, minister for Industries and Civil Supplies, to consider steps necessary for the development of backward areas in the country.

Mr A.C. George, Mr B.P. Maurya and Mr A.P. Sharma, ministers of State in the ministry, Mr R. V. Raman, Secretary, Industrial Development, Mr Mantosh Sondhi, Secretary, Heavy Industries, Brig Sawhney, Secretary, Technical Development, and the Development Commissioner for Small-Scale Industries, will be members. Mr P.C. Naik, Joint-Secretary, ministry of Industrial Development, will

be Secretary of the committee.

The committee will make a study in depth of the concessions and incentives so far granted for the development of backward areas, and consider further steps necessary for uniform growth of these areas. It will identify the local skills and the nature of industries which could exploit them. It will make its proposals after discussions with financial institutions, lead banks and state governments.

Development of Sikkim

The major thrust of the economic programme in Sikkim's Annual Plan for 1976-77 would be on rural development. Adequate emphasis would be laid on agriculture and allied sectors, village and small industries and the exploitation of the mineral and forest wealth of the state. For the current financial year Sikkim's Plan has been approved with an outlay of Rs 122 million as against a provision of Rs 63.1 million for the previous year.

The main objective of the development programmes for Sikkim is to improve the economic conditions of the rural population for some time. This will continue to be the priority. Gradually, the exploitation of minerals and forest wealth will also be taken up and there would be a major thrust in the developmental activity—as in agriculture. The agricultural programmes aims at achieving an intensive and scientific cultivation of 76,000 hectares now under cultiva-

tion. During the current year high yielding maize would be introduced in approximately 2800 hectares and apple orchards would be developed in the high altitudes. Sweet potatoes would also be introduced in suitable areas at high altitudes.

Research and development programmes suggested, include the setting up of a research sub-station at Shillong by the Indian Council of Agricultural Research and of a soil testing laboratory in the state.

At present there is no medium irrigation project on land or under investigation. Provisions to locate potential sites for both flow and lift irrigation in the state have been planned in the current fiscal year budget.

Effect of Interest Rates on Bank Credit

The incidence of the increased rates of interest on bank credit, effected under the restrictionary credit policy evolved since 1973, is

determined by the constitution of the borrower, the purpose of loan and the size of the bank. The size of the loan does not appear to be an important consideration. While the public sector has been virtually insulated from the effects of the increased interest rates, agriculture and small industry have been given some preferential treatment. The incidence of the increased interest rates on organised private sector industry was by no means severe, considering its overall significance.

The incidence was most pronounced in the case of private sector trade, especially wholesale trade, and service industries. This is the finding of a study on the incidence and effect of the increased rates of interest on bank credit published in the February 1976 issue of the Reserve Bank of India Bulletin.

As of December 1974, 20.8 per cent (Rs 1,227 crores) of the total bank



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credit (accounts of credit limit of over Rs 10,000 and excluding bills) had been provided at 12 per cent or less, 63.6 per cent (Rs 3,760 crores) at between 12 and 16 per cent and 15.6 per cent (Rs 923 crores) at above 16 per cent. The weighted average rate of interest worked out to 13.9 per cent, the heaviest concentration of credit being in the interest range 14-16 per cent, accounting for as much as 43 per cent of total credit. Credit given at over 18 per cent amounted to just a little over Rs 100 crores or 1.8 per cent of total credit.

ARDC Bonds

The Agricultural Refinance and Development Corporation will be issuing the tenth series of bonds of the face value of Rs 25 crores. The issue price will be Rs 99 for every Rs 100 of the bonds applied for. The bonds will bear interest at 6 per cent per annum payable half yearly on November 17 and May 17 each year. They will mature for repayment at par on May 17, 1986.

The bonds are guaranteed as to repayment of principal and payment of interest by the central government. They will be "Trustee Securities" under the Indian Trusts Act, 1882 and approved securities for the purpose of the Insurance Act, 1938 and the Banking Regulation Act, 1949.

The bonds opened for public subscription from May 17 to 19, both days inclusive. The ARDC

reserves the right to retain subscriptions up to 10 per cent in excess of the notified amount. Applications for bonds will be received at the Reserve Bank's offices at Ahmedabad, Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, New Delhi and Patna in the forms available at the said offices as well as the offices of the ARDC located at these centres.

The issue of bonds is to enable ARDC to meet the increasing demand for financing Agricultural development. Since it started functioning in 1963 and up to the end of 1976, the ARDC has sanctioned 2,673 schemes involving a commitment of Rs 1,030 crores, of which an aggregate amount of Rs 530 crores has been disbursed.

Export of Steel Plates

Rourkela Steel Plant has the proud privilege to execute the first ever major export order for plates from India. Presently, the plant is processing 2450 tonnes of plates and 1450 tonnes of hot rolled sheets for export to Kuwait and Dubai. Supplies are likely to be completed from Rourkela by middle of this month. Rourkela, following this, would also execute another export order to Kuwait and Dubai for 1400 tonnes of plates and sheets to be completed in June, 1976.

With this total value of foreign exchange earned would come to about Rs 91 lakhs.

This is a humble begin-

ning and Rourkela expects to contribute significantly in foreign exchange earning by further export of plates.

Rourkela Exceeds Targets

Rourkela Steel Plant has closed the month of April 1976 with 99,576 tonnes of saleable steel and 24,193 tonnes of CAN fertilizer. Compared to the targets of 83,500 tonnes and 20,200 tonnes respectively, fixed for the month, the actual production means 119.3 per cent of the targets.

In the production of hot metal and ingot steel and also ingot steel rolling, the target fulfilment was over 100 per cent.

During April 1976, the sintering plant, open hearth furnaces and plate mill have operated at the full rated capacity. It may be mentioned that the plate mill has now operated for eighth successive month at and above the rated capacity.

New monthly records of production have been established in extra hard pitch, coal-tar heavy oil and wash oil during the month. The production of extra hard pitch — a very important material for Aluminium Industry — was 3224 tonnes which bettered the previous best of 2600 tonnes made only last month. The production of coal tar heavy oil — raw material for manufacture of carbon blocks — was 1080 tonnes which surpassed the previous best of

925 tonnes made only last month. The production of wash oil was 588 tonnes against the previous best of 540 tonnes made in January 1976. The total despatch of by products during the months was also a new monthly record of 6927 tonnes.

The Silver Eveready

The maximum price of the new leakproof silver EVEREADY is only Rs 1.80 per piece which is the lowest in the market, according to the Union Carbide India Ltd. The battery jacket is in striking silver and features the famous EVEREADY "Cat and 9" in red rectangle. The jacket is made of tough and glossy polyester compound. The jacket is rust-proof since it has no chemical reaction to water. This makes it the "ideal battery" for the humid climate of our country. Further, the jacket being non-conductive, there is no fear of short circuiting, which according to the transistor radio manufacturers is not uncommon with other expensive batteries available in the country.

Names in the News

Dr A Patani was elected President of the Indian Drug Manufacturers' Association for the year 1976-77.

Mr A. B. Godrej, Director of Godrej Soaps Pvt. Ltd has been appointed chairman of the reconstituted Development Council for Oils, Soaps and Detergents for a period of two years.

COMPANY AFFAIRS

Indian Overseas Bank

THE YEAR 1975 was a year of gratifying achievements for the Indian Overseas Bank. The bank's deposits and other accounts in India and abroad registered an all time increase of Rs 19.5 crores (31.8%) from Rs 249.26 crores to Rs 328.74 crores during the year 1975, surpassing the planned expectation of Rs 70 crores, in the preceding year the overall deposit growth was Rs 40 crores (19.2%). Advances moved up to Rs 224 crores, an increase Rs 60.5 crores (37.5%). In keeping with expansion in advances and deposits the profits after tax rose by 47 per cent from Rs 111 lakhs in 1974 to Rs 163 lakhs in 1975. The directors have appropriated one crore of rupees to reserve fund, Rs 40.43 lakhs for contingencies, Rs 5.93 lakhs for bonus paid to the overseas employees of the bank and Rs 16.25 lakhs to government of India.

The bank's aggregate deposits in India (exclusive of inter-bank and other liabilities not in the nature of deposits from public) moved up at an impressive rate of 33 per cent, more than double the rate (16.4%) of the banking sector as a whole. In the previous

year bank's rate of growth in India was 21 per cent. The corporate performance goal set by the bank for deposit mobilisation of Rs 66 crores for 1975—was exceeded with an achievement of Rs 73.5 crores. Rural and semi-urban branches accounted for over Rs 17 crores of the increase in the year 1975 compared with Rs 10 crores in the previous year.

Advances of the bank in India rose from Rs 149.6 crores to Rs 203.9 crores, an increase of Rs 54.3 crores (38%) against Rs 27.4 crores (22%) in 1974. Procurement credit to the state and the central government absorbed for Rs 12 crores. Credits to public sector enterprises—including joint sector and cooperative sector—accounted for almost 28 per cent of the outstanding advances of the bank as at the end of 1975 against 15.6 per cent in 1974.

Resounding Increase

In implementing the 20-point economic programme, the bank advances to agricultural sector registered a resounding increase from Rs 13.5 crores to Rs 28.3 crores in 1975.

The bank's involvement in the employment promotion programme registered a good progress. Loans

disbursements under this scheme amounted to Rs 43 lakhs against 16 lakhs in the preceding year. Advances to this category of borrowers moved up from Rs 9.3 crores to Rs 10.6 crores. In the field of branch expansion 65 new branches were opened this year compared to 45 in 1974. Overall, performance of the bank had been very satisfactory.

Philips India

Philips India which has maintained its magnificent record of progressive rise in production and sales for the past several years has suffered a setback in its working during 1975 largely due to the very difficult business conditions which prevailed during the year. Due to adverse market conditions consumer demand for most of the company's products was sluggish and hence sales during 1975 decreased by 3.8 per cent to Rs 592.0 mn from Rs 615.6 mn last year. The decline in sales was most marked in respect of radios and lighting fittings and accessories. However, sales of professional equipment increased.

Gross profit before tax, after charging Rs 20.0 mn for depreciation and Rs 20.2 mn for interest amounted to

Rs 51.1 mn in 1975 as against Rs 115.0 mn in the previous year. The fall in gross profits is mainly due to higher raw material and operating costs resulting in low margins. Further, the reduced volume of sales and the production cuts led to a lower recovery of fixed expenses.

Same Dividend

The directors have recommended a dividend of Rs 0.95 (same as 1974) per equity share amounting to Rs 12.9 mn. Out of the proposed dividend, Rs 0.41 per equity share will be paid immediately while the balance will be paid in two equal instalments on referred basis.

Despite the world recession the company was able to achieve an export level of Rs 31.6 mn compared to Rs 33.5 mn in 1974. In 1975 the company was again a net earner of foreign exchange on current account in that the export earnings exceeded the outflow of foreign exchange on account of imported raw materials and piece parts, dividends, technical assistance fees and interest.

The government has granted the company manufacturing licences for production of intercommunication apparatus and for expansion of production of multimeters and high frequency oscilloscopes. The entire expanded production of multimeters and a large part of production of intercommunication apparatus and 50 per cent of expanded

production of oscilloscopes are to be exported.

The company has also received letters of intent for expansion and export of glowswitches/starters, loud-speakers, carbon resistor caps and amplifiers. The company has also received letters of intent for production of professional micro-phones and diamond drawing dies.

The company has received manufacturing licence and capital goods licence for production of tape recorders krypton miners safety lamps and variable gang condensers. The production of all these items is expected to start by the end of 1976. The entire production of variable gang condensers and 40 per cent of the production of tape recorders is to be exported.

New Technology

Since the end of 1975, plant and equipment has been installed for further integration in the production of tungsten and molybdenum wire used in lamps. This will introduce new technologies in India and will help save valuable foreign exchange.

Sale of lighting fittings and their accessories were much lower than those of last year because of a general slowing down of building activity and a low level of overall investment in the country.

The world-wide recession in electronics affected the company's exports adversely which, together with reduced local requirements,

resulted in curtailed production.

Production and sales of radios fell considerably in 1975. Market demand which has been stagnant during the last four years fell in 1975 by about 15 per cent. Whilst sales of record playing equipment in the home market were satisfactory, exports were below expectation.

The company continued its efforts to introduce new innovations, techniques and technologies in its various products. Rs 12.5 mn was spent on Research and Development in 1975.

Polyolefins Industry

In spite of a sharp fall in the gross profits of the Polyolefins Industry from Rs 717.37 lakhs in 1974 to Rs 569.49 lakhs during the year ended December 1975, and in the net profits, the directors have chosen to raise the equity dividend from 12 per cent to 16 per cent for the year under review, on equity shares of Rs 100 each.

Production of high density polyethylene went down from 26,034 tonnes to 22,145 tonnes and sales from 23,499 tonnes to 22,795 tonnes. In the meantime in terms of total sales value and the excise duty the amount rose from Rs 938.45 lakhs to Rs 1101.71 lakhs.

After providing Rs 94.11 lakhs towards depreciation reserves and Rs 287.20 lakhs for taxation, a sum of Rs 139 lakhs is transferred to general reserve out of which dividends are to be

paid. The interim dividend of Rs 6 per equity share absorbed Rs 43.20 lakhs and the final dividend of Rs 10 will absorb another Rs 72 lakhs making a total of Rs 115.20 lakhs for the year 1975 as against Rs 86.40 lakhs in the preceding year.

TIIC

The Tamil Nadu Industrial Investment Corporation Limited (TIIC) the oldest state-level development bank in the country, which celebrated its silver jubilee during 1974, has been making stupendous progress in its operations since, then, by extending financial assistance to a variety of industries with attractive incentives and concessions depending upon the merits of the cases.

The total assistance sanctioned during the year 1975-76 in respect of 613 applications amounted to Rs 21.35 crores, as against Rs 18.23 crores sanctioned in respect of 486 cases in 1974-75. The corresponding figure for 1973-74 was Rs 6.64 crores in respect of 165 cases.

Disbursements during 1975-76 were of the high order of Rs 13.02 crores, as against Rs 4.03 crores during 1973-74, Rs 8.24 crores during 1974-75. The assistance sanctioned was spread over all the districts of the state of Tamil Nadu as also Pondicherry. The outstanding assistance stood at Rs 50.26 crores, as against Rs 31.41 crores as at March 31, 1974 and Rs 37.67 crores as at March 31, 1975.

TIIC's assistance to units in the industrially less deve-

loped areas had also shown a significant increase during the year 1975-76, in that it had amounted to Rs 11.74 crores in respect of 291 applications as against Rs 3.29 crores in respect of 68 applications and Rs 9.12 crores in respect of 184 applications during the years 1973-74 and 1974-75 respectively. The amount of assistance to backward areas had amounted to 55 per cent of the total sanctions during the period under review.

Small-Scale Sector

Assistance to small-scale sector sanctioned during the year ended March 31, 1976 amounted to Rs 7.07 crores in respect of 495 applications, compared to Rs 2.43 crores in respect of 124 applications and Rs 6.68 crores in respect of 393 applications during the previous years of 1973-74 and 1974-75 respectively. TIIC's assistance under a foreign exchange line of credit to the extent of Rs 18 crores extended by the International Development Association (IDA) to all the SFCs in the country had amounted to Rs 3.74 crores during 1975-76, as against Rs 0.91 crores in 1973-74 and Rs 2.90 crores in 1974-75.

The total cost of the projects assisted during the period under review had amounted to as much as Rs 36.62 crores. TIIC's assistance, therefore, had amounted to 58 per cent. The projects assisted would provide direct employment to about 12,700 people and when in full production they would produce goods and services

valued about Rs 123 crores in the near future.

Elgin Mills

The performance of Elgin Mills during the year ended December, 1975 has pushed the company into deeper losses over those in 1974; with a fresh deficit of Rs 56.77 lakhs against Rs 23.44 lakhs. This is despite the gross sales looked up to Rs 15.99 crores against Rs 15.37 crores.

The deficit has been arrived at after setting aside Rs 33.36 lakhs (Rs 40.77 lakhs) for depreciation and nil (Rs 9 lakhs) for development rebate reserve. After certain adjustments there is a balance of Rs 42.99 lakhs to be carried forward. The directors have decided to pass over the dividend for the second year in succession. The last payment of dividend of 10 per cent was in 1973. Even the payment of the preference dividend is being withheld.

The company is likely to show some improvement in the current year, if the anticipated government measures materialised.

Syndicate Bank

The net profit of the Syndicate Bank improved from Rs 152.13 lakhs in 1974 to Rs 155.22 lakhs in 1975 showing an increase of Rs 3.09 lakhs. Out of the net profit a sum of Rs 45 lakhs has been transferred to the statutory reserves, Rs 86.50 lakhs to provisions for contingencies and Rs 23.72 lakhs to the central government (6.5% of the compensation amount paid by government to the erstwhile bank).

The deposits of the bank

have increased from Rs 426.06 crores to Rs 536.60 crores during the year, resulting in an increase of 25.91 per cent. A notable feature of the bank's performance is the collections made by way of small savings. The collections under small savings schemes like the Pigmy and the Adarsh exceeded Rs 39 crores. Under savings bank the deposits increased from Rs 108.02 crores to Rs 132.74 crores, showing an increase of 22.4 per cent.

Priority Sectors

The total advances of the bank moved up from Rs 281.37 crores to Rs 381.09 crores—an increase of Rs 99.72 crores. The share of priority sectors in net total advances (excluding food procurement credit) is 48 per cent. The advances to priority sectors rose from Rs 130.98 crores to Rs 170.11 crores covering 3.66 lakh accounts. Agricultural advances amounting to Rs 50.24 crores were spread over 2.28 lakh borrowers, mostly small farmers. Advances to priority sectors and public sector undertakings together accounted for 63 per cent of the total advances of the bank. Advances to small scale industries and transport sector increased from Rs 49.05 crores to Rs 66.19 crores. The magnitude of the bank's assistance to educated unemployed for self-employment was of the order of Rs 8.71 crores. The bank continues to occupy the pre-eminent position in the banking sector in respect of advances under Differential Rates of Interest

Scheme. The bank has advanced Rs 144.72 lakhs under this scheme covering 31,805 accounts. These accounts are of persons from neglected sections of the society such as vegetable vendors, basket makers, potters, fish vendors and small farmers, etc.

The bank opened 67 new branches in 1975, of which 41 were in rural and semi-urban areas and 15 in metropolitan areas. The bank ended the year with 778 branches. As on today, the bank has 791 branches, of which 531 branches are located in rural and semi-urban areas.

The bank's paid-up capital amounted to Rs 141.97 lakhs. With the transfer of Rs 62.51 lakhs to the statutory reserves and Rs 13.01 lakhs to other reserves, the banks Reserve Fund and other reserves as at the end of the year amounted to Rs 361 lakhs.

Hoechst

The directors of Hoechst Dyes and Chemicals have recommended a bonus issue in the ratio of two bonus shares for every five equity shares held by capitalising Rs 54 lakhs from the general reserve No-1, subject to the approval of Controller of Capital Issues. The directors have also recommended a final equity dividend of 11 per cent per annum absorbing Rs 14.85 lakhs with which the interim dividend of 6 per cent claiming Rs 8.10 lakhs, will make a total annual dividend of 17 per cent aggregating to Rs 22.95 lakhs as against 12 per cent (Rs 16.20

lakhs) paid during the preceding year. The proposed dividend (17%) is payable out of the earnings of Rs 3.97 per equity share while the previous years dividend (12%) was paid out of earnings of Rs 6.39 per share.

Sharp Rise

The financial reserves of the company have reported a sharp rise in the total sales from Rs 40.46 crores to Rs 45.25 crores, an increase of 12 per cent, but side by side there has been fall in the gross profits from Rs 311.82 lakhs to Rs 179.82 lakhs, in the year ended December 1975. After providing Rs 9.75 lakhs (Rs 7.20 lakhs) for depreciation, Rs 116.72 lakhs (Rs 219.50 lakhs) for taxation and nil (Rs 60,000) for development rebate reserve, the directors have transferred Rs 30.58 lakhs (Rs 69.63 lakhs) to general reserve No.-1 and Rs 14.85 lakhs (nil) to general reserve No. 2 leaving nil Rs 16.20 lakhs to be carried forward.

News and Notes

Voltas Limited have just completed a shipment of 15 diesel fork-lifts to Soviet Russia. The fork-lifts are specially engineered and equipped for extremely cold conditions. They are fitted with exhaust gas purifiers and hydraulic load clamps and are suitable for twin-deck operation inside ship-hold. The order represents a major break-through, as this is the first time that Soviet Russia has ordered sophisticated engineering equipment from this country. Voltas, has already sold

some 150 fork-lifts in international market.

Gujarat State Fertilisers Ltd has reported record production sales and profits during its nine months working from April to December 1975. Production of fertilisers during 1975 amounted to 335,670 tonnes and of caprolactum 10,238 tonnes. The total sales during the period under review touched an all time record of Rs 88.20 crores as against Rs 81.69 crores in the 12 months period of 1974-75. The sharp increase in the gross profit from Rs 25.85 (1974-75) to Rs 28.99 crores in April-December 1975 enabled the directors to step up the equity dividend from Rs 12 a share on 99,766 equity shares for 1974-75 to Rs 15 a share on 11,99,688 equity shares for the nine month period, making it 20 per cent per annum.

The company has planned to go in for a new fertilisers plant near Broach at a capital cost of Rs 227 crores, for which they have already received a German credit of Rs 72 crores. Gujarat government will also be a participant in this new project.

Board of directors of **Good Year India Ltd** have recommended the issue of bonus shares in the proportion two bonus shares for every five equity shares held by members subject to the consent of the Controller of Capital Issues.

New Issues

Polymer Papers Ltd is entering the capital market on May 24, with a public

issue of 159,300 equity shares of Rs 10 each at par. The company is setting up its plant at Faridabad, Haryana, for the chemical impregnation, processing and conversion of technical filter papers with a licenced capacity of 400 tonnes per annum. The project is being set up with the technical collaboration of M/s Carl Schleicher and Schull of West Germany, who are the leading manufacturers of this item in Europe.

Initially, the company will be undertaking impregnation conversion, of technical filters for industrial use. The project at its completion would cost Rs 60 lakhs. The company will have no problem in marketing its product as the present requirements are largely met from imports. The project will save the country foreign exchange to the tune of Rs 15 lakhs to Rs 20 lakhs when in full production. Considerable progress has been made in the implementation of this project and the trial run will be made by the end of May 1976.

Mono Garments Ltd, an export-oriental-unit is raising fresh capital to double its factory capacity to fulfil the demand. The company with a share capital of about Rs 4 lakhs is offering 100,000 equity shares of Rs 10 each at par from May 19. The issue, being managed by the Merchant Banking Division of Bank of Madurai Ltd has been underwritten fully by the bank and the Karnataka Industrial Development Corporation. With the fresh capital, the company pro-

poses to add 50 more new machines and increase the capacity to 1000 pieces per day shift. The company during the year ending June 1976 is expected to make a profit of Rs 5 lakhs, out of a total sales of Rs 40 lakhs.

New Registration

Two hundred and thirty-one companies were registered, under the Companies Act, 1956, during January 1976 as compared to 219 in the previous month. The total authorised capital of the companies registered amounted to Rs 27.16 crores as against Rs 31.81 crores in December 1975.

Of the registered companies four were government companies with

an authorised capital of Rs 11 crores. Among the 227 non-government companies, 14 were public limited companies, and 213 private limited companies with an authorised capital of 4.69 crores and 11.47 crores respectively.

"Processing and manufacturing" group accounted for the largest number viz. 143. In this group Maharashtra reported largest number of companies 55, followed by West Bengal-40 and Delhi-35 respectively.

Twenty three companies comprising of six public limited companies and 17 privated limited companies, with an authorised capital of 38.42 lakhs ceased production during the month of January 1976.

Dividend

Name of the company	Year ended	(per cent)	
		Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Spencer & Co.	June 30, '75	12.0	11.0
United Carbon India	Dec. 31, '75	12.0	4.0
Sirpur Paper	June 30, '75	10.0	8.5
Jaya Bharat Credit & Investment Co.	Dec. 31, '75	12.0	10.0
Same Dividend			
South India Steel and Sugars	June 30, '75	Nil	Nil
Pudumjee Pulp and Paper Mills	Dec. 31, '75	10.0	10.0
HES	Dec. 31, '75	10.0	10.0
Arunoday Mills	Dec. 31, '75	12.0*	12.0
Travancore Electro-Chemical	Dec. 31, '75	15.0	15.0
Reduced Dividend			
Upper Ganges Sugar	June 30, '75	Nil	12.0
Permanent Magnets	Dec. 31, '75	Nil	5.0
Sivanandha Mills	Dec. 31, '75	Nil	12.0
*On the enlarged capital			

*On the enlarged capital.

Ministry of Defence Indian Ordnance Factories

General Managers of the following factories invite separate sealed tenders/applications for supply of the following items:

Ammunition Factory, Kirkee, Poona:

(1) 4030 litres of Oil insulating for transformers and switchgear.

(2) 144 Nos. of Cast Iron retort for mansfield oil gas furnace.

(3) 26,700 Nos. of Container Igniter as per Drg. No. S4/11520/E/-668 dt. 16.5.60.

(4) 16 Nos. of Tyre 11.00 x 38, 6 PR.

(5) 4480 Kgs. of Brass Strip 0.58 mm ± 0.013 mm thick x 35.6 ± 0.25 mm wide hardness 55 to 75 VPN. Speen. DEF 105-A May 1960. (Latest issue).

(6) 1400 Kgs. of Potassium Perchlorate Crystal Specn. J.S.S. 1018. Closing date 15.6.76 for item 1 & 2; 25.6.76 for item 3; 29.6.76 for 4 & 5 and 2.7.76 for item 6.

Tender forms available @ Rs. 2/- each item upto 28.5.76 for item 1 & 2; 8.6.76 for item 3; 11.6.76 for item 4 & 5, 15.6.76 for item 6 by M.O. Money order receipt should accompany the tender forms.

High Explosive Factory, Kirkee, Poona:

Spare part for SA POT Concentration unit:

(1) Silicon Iron Stirrer Puddle as per Drg. No. SAC/04/14 and also Drg. No. SAC/04/04—5 Nos.

(2) Silicon Iron Stirrer branch liner as per Drg. No. SAC/04/09—5 Nos.

Closing date 2.7.76.

Tender forms available @ Rs. 2/- by M.O. upto 14.6.76. M.O. receipt should accompany the application for tender forms.

Ordnance Cable Factory, Chandigarh:

(1) Reel 25 kgs. as per drg. No. OCF SK-242 (2) Reel 200 kgs. with flange dia 600 mm as per OCF Drg. No. SK-20-A (3) Reel 40 Kgs. as per OCF Drg. No. SK-233 (4) Reel 15 kgs as per OCF Drg. No. SK-843. 100 Nos. each.

Closing date 17.6.76. Tender forms available @ Rs. 10/- upto 16.6.76 by Cash or M.O. only.

Ordnance Factory, Ambajhari, Nagpur:

T. No. 4063/M-3/76-77/3022 (1) Boxes packing (wooden) transit as per Drg. No. FS-61D.—Qty. 2100 Nos.

(2) Wooden packing Box to Drg. No. SM-137. Qty.—5200 Nos.

(b) T. No. 4063/M-2/76-77/2018. Cylindrical Roller Bearing NJ 248, (240 x 440 x 72). Qty. 3 Nos.

Tender forms available @ Rs. 5/- each item by Crossed Postal Orders upto 28.5.76 respectively. Request for tender forms will not be entertained from firms who are not either

registered with this factory or with DGS & D or NSIC. Requests for tender forms from firms registered with DGS & D or NSIC should be accompanied with photostat copy of proof of registration issued by the DGS & D or NSIC.

Ordnance Factory, Khamaria, Jabalpur:

(1) Tape Cotton White Medium unroofed 22.2 ± 1.6 mm wide to Specn: JSS 17101.—33500 Metres.

(2) Leather Chamois Skin Grade 'B' 457 mm x 457 mm to specn: IND/TC/3931.—640 Nos.

(3) Felt Woollen White unproofed Medium Hard variety 1320.8 mm wide x 13.0 mm thick, specn. IS—1719-1969 (First Revision). 150 Metres.

Copy of the specification can be had from the Chief Inspector of Military Explosives, Kirkee, Poona-3 for item (1) and from Chief Inspector of Textile and Clothing, P.B. No. 294, Kanpur for item (2) on advance payment of Rs. 6/- by M.O.

Closing date 18.7.76. Tender forms available free on application upto 17.6.76.

Separate applications required for each item.

Cordite Factory, Aruvankadu:

(1) Line Sheet—Size: 4.76 mm. Metres: 924.

(2) Batteries Locomotive (76 volts oxide iron clad motive power battery consisting of 38 ILF ii type cells assembled in a hard wood tray complete with all components viz intercell connectors, terminal take-offs, dry and uncharged, approx. overall dimensions 1000 mm long 690 mm x 465 high capacity: 235 Ampere hours at the 5 hour rate of discharge). Set: 1.

Tender forms available free upto 7.6.76 & 8.6.76 for items 1 & 2 respectively.

Ordnance Factory, Dum Dum, Calcutta:

Steel Strip 6.50" wide x 0.075" to 0.885" thick to specn. BS-1449 Pt. 3A HS-228 or HS-22C Alternatively: Steel to specn. BS-1449 Pt. 18 HRP-5B or HRP-5C sheet 0.075" to 0.085" thick to size 8' x 4' or 6' x 3'. Qty: 5700 Kgs.

Tender forms available @ Rs. 5/-.

Opening date: 1.6.76.

Gun Carriage Factory, Jabalpur:

TE No. 75/350/56A: (1) Saddle Base to Drg. No. D6p-130401-01 Sht 2/- (MN-3462). (2) Arm Right to drg. No. D6p-100201-01 Sht 2/ (MN-3273). (3) Arm Left to drg. No. D6p-100101-01 Sht 2/ (MN-3282). (4) Spade Left to drg. No. D6p-320001-06. Sht 2/- (MN-3281). (5) Spade Right to drg. No. D6p-330001-02 Sht 2/- (MN-3284). Qty. Required: 75 Nos. each.

TE No. 75/460/56B; Oil Creosote Type I for preservation of Timber Specn: IS-218/1961 Cat No. H-1(c)/8030—000014 Qty. 20736 Litrs.

TE No. 75/599/56B: Aluminium Alloy Sheet 18 SWG (1.25 mm) thick x 3' x 8' or 0.9144 Meter x 2.438 Met. to specn: IS Grade "SIG" or NS 3 in 'C' (annealed) condition. — 2376.00 Kgs. Closing date 17.6.76.

Tender forms available @ Rs. 5/- by Postal Order upto 16.6.76.

Machine Tool Prototype Factory, Ambarnath:

(i) Compound case hardening Houghton Quick Light 'A'.

(ii) Steel Castings. Closing date: 15.6.76.

Tender forms available @ Rs. 5/- each item by Postal Orders upto 25.5.76.

Ordnance Factory, Chanda:

T. No. 1518/Advt./45/PV: Connecting Pin (Steel) to Drg. No. ARDE 1136 Detail No. 25 A.L. No. 253 E 1/2 Dt. 25.8.75. Nos. 21840.

T. No. 1518/Advt./1/PV: (1) Fire Resisting Paint Grey (Paint PFU Heat and Fire Resisting Light Grey) Specn. IND/ME/620. Lits. 700. (2) Plate Top to Drg. No. ERDL-650 Detail No. 3 (Material—Aluminium Alloy). Nos. 15840.

(3) Felt Woollen Unproofed Medium Hard Variety—1320 mm x 3 mm Specn. IS 1719. Metres. 1000.

(4) Wire Electric 7/0.19 mm Tinned Copper Flexible Lead Insulated with Polythene Dia over Insulation 1.40 mm to Specn. DEF. 12. Metres. 18400.

Closing date 30.6.76.

Tender forms available @ Rs. 10/- each item by Crossed Postal Orders upto 26.5.76.

Ordnance Factory, Muradnagar:

(1) 3 Nos. Two Spindle Drilling Machine drilling capacity in steel 19 mm.

(2) 29 Nos. Portable Bins 0.5 cubic meter capacity.

(3) 22 Nos. Pneumatic Sand Rammer Weight of Sand Rammer 9 Kgs. approx.

Closing date 24.6.76.

Tender forms available @ Rs. 10/- each item by Money Orders upto 24.6.76. M.O. receipt should accompany the application for tender form.

Ordnance Equipment Factory, Kanpur:

(1) T. No. PV/143; Eyelets Metallic Boot Black. Specn. No. IND/GS/1365. Dozen. 363600.

(2) T. No. PV/144: Brass screw wire No. 2. As per US/ Drg. No. CIGS/GS-5/3. Kgm. 4950.

(3) T. No. PV/142: Oil Soluble Quenching Houghton 'B' No. 2. Specn. No. IS: 2664-1964 with amendment No. 2 of July 1967 for compound adhesive. Litres. 11000.

(4) T. No. PV/95: Rope Cotton Cable Laid 3 Strands O.G. 51 mm—Specn. No. IND/TC/ 2242(c). Metres. 5100.

(5) T. No. PV/73: Canvas Jute Spl. grade 'B' 650 mm wide. Metres 500 (i) Wt/sq. Metres. 650 ± 40 g. (d) Ends/dm. 140. (iii) Picks/dm. 70 (iv) BS (100 mm x 200 mm) Warp-270 Kg. Weft—290 Kg. Weave-Oxford. Metres—5000

(6) T.No. PV/45: Pins Heel 32 mm Rust-proofed (suitable for use in KOVO Nailing M/C No. 042221/P1). Specn. No. S.T.S.—Kgms. 3600.

(7) T.No. PV/46: (1) A.D.A.—ID-BATH—Kgms. 11300. (2) Phosdine 62-40 —Kgms. 6510 (3) Phosdine Starter 62-07—Kgms. 2490. (4) Rustodine 62-170—Kgms. 11400.

(8) T. No. PV/150: Duck Cotton 475 Gms. Scoured W.P. & R.P. in White Shade. 91 cms wide—Mtrs. 9500. Specn. No. IS: 1422-1970 variety No. 3 and schedule No. TG-11-A/7. Closing date: 1.7.76.

Tender forms available @ Rs. 5/- each item by Crossed Postal Orders.

Ordnance Factory, Kanpur:

(1) T. No. T/229/Cap/MWO: Four Wheeled Trailers 5 Ton capacity as per OFC Drg. No. 2043 and Specification.—5 Nos.

(2) T. No. T/230/Cap/MWO. Conversion of Boiler OFC No. 4623, 4624, 4625 from double oil system to single oil system with burner assembly and other accessories as per OFC specification.

(3) T. No. T 47/Advt/PV: (i) Thermostat non inductive or locked Rotor current type WRR 18418 G—4 Nos. (ii) Thermostat non inductive or locked Rotor current type WR-14500 G—4 Nos. (iii) Spares for electrical hearth furnace 400/440 V 3 Phase, 50 Cycles, 80 KW, A.F.O. Rotary Switch 600 Volts A.C. 3 Phase 120 amps. type NASV. 600 Volts.—2 Nos. Closing date: 8.6.76, 18.6.76 & 15.6.76 for item 1, 2 & 3 respectively.

Tender forms available @ Rs. 5/- each for item 1 & 2 and Rs. 10/- for item 3 by Postal Orders.

CORRIGENDUM

Ordnance Equipment Factory, Kanpur:

(1) The closing date for tender No. PV/1306/RP reg: supply of Web Thick O.G. (Sc-314) 32-MM—Metres 11700 has been extended to 28.6.76.

(2) The closing date for tender No. PV/50/RP reg: supply of Web Thick O.G. (Sc: 314) 82 mm—16700 Metres has been extended to 15.7.76.

(3) Tender No. PV/27/1326 reg: Drill Cotton may be treated as cancelled

Note: Further details and specifications etc. will be supplied along-with tender forms. Tender fees are non-refundable. For further details Indian Trade Journal, Calcutta may also be seen.

davp-685 (31)/76

RECORDS AND STATISTICS

Annual report of department of food

A COMFORTABLE food situation is projected for the country in 1976 in the Annual Report of the Central Department of Food.

Easy availability of foodgrains and a steady decline in their prices as a part of the process of normalisation of the price-line are among the several notable achievements of the year that has just closed.

The food situation in the country which had been difficult till September, 1974, showed a continuous improvement since then as a result of several measures taken up by the government to

step up public distribution of foodgrains, to bring out hoarded stocks and enforce general fiscal and monetary discipline. The increased output of Rabi crops in the agricultural year 1974-75, the steps taken after the

proclamation of emergency and the better prospects of 1975-76 kharif crops are among the various factors that have contributed to an easing of the situation, according to the Report.

Price Fall: A particularly notable achievement on the food front after the proclamation of the emergency in 1975 was the absence of the seasonal rise in prices during July-September which is generally a lean supply period.

The all-India wholesale price index for cereals recorded a further fall of 17.7 per cent from September 1975 to February '76.

ded a fall of nearly 15 per cent during the 12 months ending September, 1975.

The index for cereals recorded a further fall of 17.7 per cent from September 1975 to February '76.

As a result, the cereals index in February, 1976 was 24 per cent lower than that of a year ago.

Public Distribution: A total of 11 million tonnes of foodgrains was distributed through the public distribution system in 1975.

All out efforts were made

TABLE II
All-India Index Numbers of Wholesale Prices
(Base: 1962-62 = 100)

Month	Cereals				Pulses			
	1973	1974	1975	1976	1973	1974	1975	1976
January	236	286	388	303	344	437	529	408
February	243	293	391	297	345	443	498	386
March	244	304	387		361	455	465	
April	242	327	382		360	450	458	
May	248	351	385		374	459	459	
June	254	357	387		377	459	453	
July	262	372	376		411	479	428	
August	269	391	371		405	509	432	
September	266	411	361		393	554	443	
October	267	404	342		411	556	435	
November	279	385	323		439	563	433	
December	278	376	307		430	559	412	
Annual Average	257	355	367		387	493	454	

TABLE I
Production of Foodgrains
(Million tonnes)

Year	Rice	Wheat	Other cereals	Total cereals	Total pulses	Total foodgrains
1970-71	43.23	23.83	30.54	96.60	11.82	108.42
1971-72	43.07	26.41	24.60	94.08	10.09	105.17
1972-73	39.25	24.74	23.13	87.12	9.91	97.03
1973-74	44.05	21.78	28.82	94.65	10.01	104.66
1974-75	40.25	24.24	26.17	90.66	10.40	101.06

to maximise internal procurement of foodgrains as a result of which, the total procurement of foodgrains out of the crop of the agricultural year 1974-75 amounted to 8.1 million tonnes as against 6.3 million tonnes in the previous year.

The procurement of kharif crops in 1975-76 is even more encouraging, a

quantity of about 5.29 million tonnes having been procured by the end of March 1976 as against 3.2 million tonnes during the corresponding period of the previous kharif season.

There has also been a marked improvement in the stock position with government.

Comfortable Prospects:

TABLE III
Procurement of Rice
(Including Paddy in Terms of Rice)

State	1973-74 (Nov.-Oct.)		1974-75 (Nov.-Oct.)	
	Total quantity procured	Quantity delivered/offered to central pool	Total quantity procured	Quantity delivered/offered to central pool
Andhra Pradesh	697	410	888	463
Assam	112	—	129	—
Bihar	57	1	61	—
Gujarat	18	—	12	—
Haryana @	417	362	278	216
Jammu & Kashmir @	39	—	25	—
Karnataka	98	—	123	—
Kerala	44	—	42	—
Madhya Pradesh	208	40	151	3
Maharashtra	161	—	87	—
Orissa	214	21	55	—
Punjab @	943	899	970	956
Rajasthan	—	—	8	8
Tamil Nadu @	272	50	439	—
Uttar Pradesh	429	195	283	39
West Bengal	159	—	225	—
Goa, Daman & Diu	3	—	2	—
Manipur	1	—	4	—
Tripura	10	—	8	—
Pondicherry @	5	—	5	—
Others	—	—	Neg.	—
Total :	3887	1978	3795	1685

Rainfall and weather conditions for 1975-76 kharif crops was favourable, resulting in a very good kharif harvest. The production of kharif foodgrains is expected to exceed the target of 69 million tonnes. The rabi sowings also took place under favourable soil and moisture conditions. The winter rains

though delayed, have been beneficial. The position of inputs like fertilisers, power and irrigation water was also much more comfortable than last year. As such, the production of rabi crops too is expected to be higher than last year. Considering the significant improvement in production and stocks with the government, the country can look forward to a comfortable food situation in 1976.

Record Sugar Production: The sugar season 1974-75 (October-September) has been one of outstanding achievement for the sugar industry. Production touched an all-time high of 47.94 lakh tonnes, recording an increase of about 8.46 lakh tonnes over that of the previous season.

Capacity utilisation was 106 per cent.

Sugar exports totalled 9.24 lakh tonnes against 4.05 lakh tonnes in the previous season, registering an increase of over 125 per cent. Notwithstanding increased exports, the sugar releases for consumption within the country were, more or less, of the same magnitude in the previous season.

The prices of free sale sugar generally ruled lower during 1974-75 compared to those in 1973-74. The policy of partial control on sugar was continued with the proportion of levy sugar to free sale sugar changed to 65.35.

The retail price of levy sugar issued through fair price shops was kept un-

changed at Rs 2.15 per kg all over the country.

Vanaspati: The vanaspati situation during 1975 was characterised by easy availability of the product throughout the country and a marked decline in its prices.

Nutrition Board: During 1975-76, the food and Nutrition Board increased the tempo of its activities in the field of nutrition and food processing. Some of the major action-oriented programmes, which received higher priority, were development of nutritious foods for supplementary feeding, fortification and enrichment of foodstuffs, processing and preservation of foods by application of modern technology and launching of educational and extension programmes for creating the necessary awareness for improving the nutritional status of the people.

Food Corporation: The Food Corporation of India continued to operate as the sole agency of the central government for procurement, import, distribution, storage, movement and sale of foodgrains. It also continued to be engaged in the handling of fertilizers at the ports, rice milling, production of nutritious processed foods and wholesale distribution of levy sugar. It has also been engaged in handling, wholly or partly, the wholesale distribution of foodgrains in the states of West Bengal, Kerala, Madhya Pradesh, Orissa, Rajasthan, Delhi, Andhra Pradesh and Uttar Pradesh as the agent of the respective state governments.

TABLE IV
Procurement of Wheat

State	1974-75 (Apr.-Mar.)		1975-76 (Apr.-Mar.)	
	Total quantity procured	Quantity delivered to central pool	Total quantity procured	Quantity delivered to central Pool
Bihar	2	..	51	..
Gujarat	21	..	17	..
Haryana	249	249	433	410
Jammu & Kashmir	7	..	19	19
Madhya Pradesh	124	9	137	..
Maharashtra	20	..	55	..
Punjab	1083	1083	2361	207
Rajasthan	127	127	185	185
Uttar Pradesh	277+42*	277	791	787
Chandigarh	3	3	Neg.	Neg.
Total :	1955	1784	4049	3472

TABLE V
Procurement of Kharif Coarse Grain (in '000 tonnes)

Coarse kharif grains	1973-74 (Nov.-Oct.)		1974-75 (Nov. Oct.)	
	Total quantity procured	Quantity delivered to central pool	Total quantity	Quantity delivered to central pool
Jowar	150	1	257	—
Bajra	140	38	11	5
Maize	97	63	33	15
Ragi	1	—	—	—
Total :	388	102	301	20

TABLE VI
Procurement of Kharif Grains 1975-76 (in '000 tonnes)

Grain	Total quantity procured	Quantity delivered to central pool
Rice	5,026	2,366
Jowar	221	..
Bajra	14	..
Maize	33	15
Total :	5,294	2,381

TABLE VII

Procurement Prices

Crop	(Rs per quintal)	
	1974-75	1975-76
Paddy (Coarse variety)	74.00	74.00
Rice (Coarse variety)	115.78-125.00	117.00-127.00
Jowar	74.00	74.00
Bajra	74.00	74.00
Maize	74.00	74.00
Ragi	74.00	74.00
Wheat (all varieties)	105.00	105.00
Barley	Not fixed	65.00
Gram	Not fixed	90.00

TABLE VIII

Import of Foodgrains

		(Lakh tonnes)			
Year	Country of origin	Wheat	Rice	Milo	Total
1975	Australia	4.84	..	..	4.84
	Argentina	1.76	..	1.72	3.48
	Canada	4.25	..	..	4.25
	EEC	10.94	..	..	10.94
	Netherlands	0.12	..	..	0.12
	Sweden	1.66	..	..	1.66
	Thailand	..	1.30	..	1.30
	UK	0.28	..	..	0.28
	USA	46.31	..	0.89	47.20
	Total	70.16	1.30	2.61	74.07
1974		42.03		6.71	48.74
1973		24.14		12.00	36.14

TABLE IX

Index Numbers of Production

(Base: Triennium ending 1961-62=100)

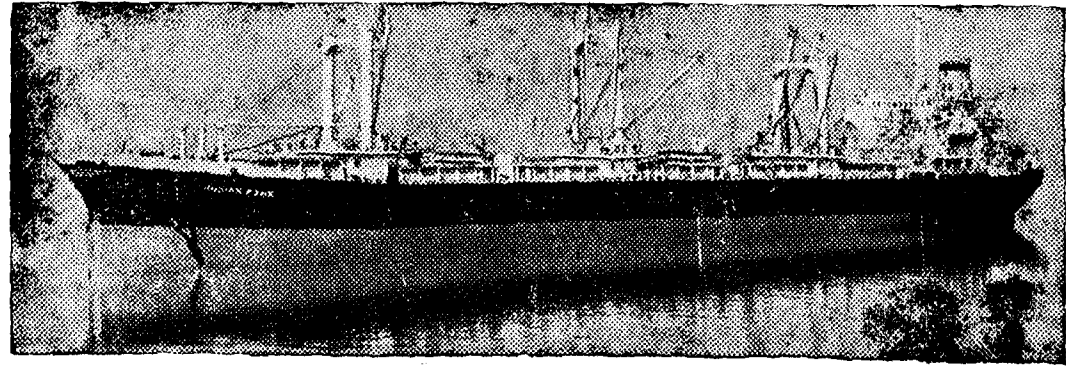
Year	Rice		Wheat	
	Annual index	Five-yearly moving average	Annual index	Five-yearly moving average
1949-50	73.0	..	60.7	..
1950-51	64.9	..	61.3	..
1951-52	66.5	72.7	57.0	64.0
1952-53	71.5	73.7	68.4	68.3
1953-54	87.6	77.6	72.8	72.0
1954-55	78.1	82.1	82.2	77.7
1955-56	84.3	83.4	79.7	78.4
1956-57	88.9	84.7	85.4	81.7
1957-58	78.1	87.8	71.9	83.8
1958-59	94.2	91.3	89.4	87.7
1959-60	93.6	94.5	92.8	92.3
1960-61	101.8	98.5	98.8	97.2
1961-62	104.6	101.4	108.4	97.1
1962-63	98.2	105.8	96.8	100.5
1963-64	108.9	103.5	88.5	94.4
1964-65	115.7	100.5	110.1	98.2
1965-66	90.0	103.0	93.4	108.6
1966-67	89.6	104.5	102.4	122.3
1967-68	110.7	105.1	148.7	136.4
1968-69	116.5	111.8	157.1	160.6
1969-70	118.5	119.3	180.6	187.6
1970-71	123.8	120.3	214.2	202.3
1971-72	127.0	122.9	237.3	210.0
1972-73	115.7	123.0	222.3	217.4
1973-74	129.9	..	195.7	..
1974-75@	118.7	..	217.8	..

@Provisional.

TABLE X
Index Numbers of Production
(Base: Triennium ending 1961-62=100)

Years	Cereals		Foodgrains	
	Annual index	5-yearly average	Annual Index	5-yearly average
1955-56	84.0	85.2	85.6	86.3
1956-57	88.0	86.6	89.5	87.9
1957-58	81.4	88.7	81.7	89.8
1958-59	95.3	92.2	97.0	93.1
1959-60	94.8	95.3	95.2	95.7
1960-61	101.6	99.1	102.1	99.3
1961-62	103.6	100.8	102.7	100.2
1962-63	100.0	104.5	99.4	103.6
1963-64	104.2	102.4	101.7	101.1
1964-65	113.3	100.7	112.0	99.0
1965-66	90.9	104.6	89.9	102.5
1966-67	95.1	107.8	91.9	105.3
1967-68	119.5	110.5	117.1	107.6
1968-69	120.0	120.1	115.7	116.4
1969-70	127.2	128.6	123.5	124.4
1970-71	138.9	130.0	133.9	125.3
1971-72	137.5	133.7	132.0	128.4
1972-73	126.6	134.4	121.2	128.8
1973-74	138.2	..	131.5	..
1974-75@	131.0	..	125.6	..

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TABLE XI

Storage Capacity Owned by
Government/F.C.I.

(in '000 tonnes)

Year	Capacity
1955-56	231.6
1956-57	239.7
1957-58	264.1
1958-59	377.4
1959-60	498.4
1960-61	696.0
1961-62	1195.0
1962-63	1586.0
1963-64	1808.6
1964-65	1879.8
1965-66	1953.2*
1966-67	2009.9*
1967-68	2035.3*
1968-69	2424.9@
1969-70	2812.7@
1970-71	3451.5@
1971-72	4044.6@
1972-73	4759.0@
1973-74	5146.8@
1974-75	5344.2@
1975-76 (upto 1-11-75)	5404.8@

* Includes storage capacity transferred to Food Corporation of India

@Owned by F.C.I.

Rs 9.9 crores further relief to industry

SEVERAL TAX concessions, including exemptions for selected industries for three years from excise duties were announced by the Finance Minister in the Lok Sabha on May 12, 1976 to stimulate production and investment. The cost of concessions to the exchequer will be about Rs 9.9 crores. Given below is the full text of Mr C. Subramaniam's speech.

Revised Estimate

The revised estimates for 1975-76 anticipated that the year-end budgetary deficit of the centre would be Rs 490 crores. I am happy to inform the House that the actual budgetary deficit for the year 1975-76 has turned out to be significantly lower being Rs 367 crores. As Honourable Members are aware, the original budget for 1975-76 envisaged a deficit of Rs 247 crores after a special borrowing of Rs 100 crores from the RBI which we did not eventually resort to. If we allow for this, the actual deficit is only Rs 20 crores more than the deficit of Rs 247 crores originally estimated. If we take the net Reserve Bank credit to central and state governments during the year, the position is even better. During the year

1975-76, net RBI credit to government sector, instead of showing an increase, contracted by more than Rs 200 crores. The improvement is significant as it comes in the wake of high net RBI credit to government for a number of years.

Various Suggestions

Sir, Finance Bill has been before the Hon'ble Members for nearly eight weeks. During the debate on the Budget, various suggestions have been put forward by Hon'ble Members with regard to the proposals contained in the Bill. I have also representations from members of the public, chambers of commerce and other trade and professional associations on the proposals contained in the Bill. I take this opportunity of expressing my gratitude to Hon'ble Members and to all others who have studied the proposals carefully and have made constructive suggestions. On a careful consideration of these suggestions, I have decided to modify some of my original proposals. With the indulgence of the House, I will briefly explain the principal changes that are proposed to be made in the provisions of the Finance Bill.

Fabrics: It has been urged that the new rates proposed in the Budget for superfine and fine fabrics produced by powerlooms and processed by independent processors have been pitched high and are now almost equal to the rates levied on similar fabrics

produced in the composite mill sector. In order to maintain a suitable differential, so that processed fabrics of the powerloom sector are able to compete with similar fabrics produced to the composite mill sector, I propose to reduce the rates on fine and superfine fabrics manufactured in powerlooms and processed by independent processors with the aid of power from 14 per cent, as proposed in the budget, to 12 per cent ad valorem. Corresponding adjustment is also being made in respect of superfine and fine handloom processed fabrics by reducing the duty from 12 per cent to 10 per cent ad valorem. The revenue effect of these proposals regarding textiles will be a loss of Rs 1.30 crores in a full year.

Concession of Fabrics

Prior to the budget there was a duty exemption in respect of hand printed cotton fabrics which during this budget had been restricted to fabrics which were printed with not more than three colours, since fabrics printed with more than three colours were generally costlier. However, a large number of representations were received after the budget about the hardship which the hand printers, who were generally in the decentralised sector, had to undergo. Some Hon'ble Members of this House had also written to me drawing my attention to this position. As I felt there was some substance in these

complaints, I hastened to pass orders restoring the original position.

Original Equipment

Tractors: It has been urged that since government have thought fit to grant excise duty concessions to passenger cars, the duty on agricultural tractors should be reduced, not abolished. The two cases are, however, not strictly comparable. Whereas the production of passenger cars had gone down steeply during 1975 that of agricultural tractors had not shown any such downward trend. However, since a number of Honourable Member expressed concern about the high price of tractors used in agriculture, I propose to exempt tyres, tubes and batteries supplied as original equipment for use in agricultural tractors from the excise duty payable on them. This measure will result in a revenue loss of Rs 2.60 crores in one full year.

Paper: A number of representations have been received to the effect that the increase in the duty on certain varieties of printing and writing paper has been very steep. Having carefully examined these representations, I propose to reduce the duty on certain varieties of creamlaid and creamwove paper in common use of substance not exceeding 65 grams per sq metre from 25 per cent to 15 per cent ad valorem. This exemption will result in a revenue loss

of Rs 3 65 crores in a full year.

Tiles: Ever since the general one per cent duty was levied in the 1975 budget on residuary items, I have been receiving representations from manufacturers of roofing tiles for exemption from the levy of this duty. It has been represented that these tiles are exclusively used in the construction of houses occupied by families who cannot be said to be affluent and should therefore not be taxed. Considering all the circumstances I propose to exempt roofing tiles from the one per cent duty under item 68 of the Central Excise Tariff. This will result in a loss of revenue of Rs 15 lakhs in a full year.

Starch: When excise duty on starch on which one per cent duty was levied in the 1975 budget was increased to 10 per cent in the present budget, there were also a large number of representations from manufacturers especially of tapioca starch.

Exemption for starch

There are essentially two forms of starch namely, maize starch and tapioca starch, the former being produced mostly in the organised sector and the latter largely in the small scale sector. Apart from competition etc of tapioca starch in comparison with maize starch which is of a superior kind, the producers of tapioca starch also complained of hardships in complying with excise procedures since their activities were on a small scale and their loca-

tions dispersed. Considering these factors I have already ordered that small units whose clearance during the preceding financial year did not exceed five lakh rupees may be exempted from duty on the first one lakh rupees

value of clearance during a financial year.

By way of administrative simplification the self-removal Procedure system has also been extended to this commodity and tariff value has also been fixed for tapi-

oca starch. I have also exempted the duty on starch of all kinds when such starch is used in the manufacture of glucose or dextrose.

Drugs: Patent or proprietary medicines was one of



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davp-75/697

the items on which several Hon'ble Members of the House had some comments to offer. I had made it clear during the general discussion of the budget that excise duty on essential drugs of life saving nature had not been increased in the budget. Since then some have suggested that there is perhaps scope for enlarging the list of essential drugs for which a concessional rate of duty is charged. I have no objection to consider such enlargement of the list. Any specific proposal for inclusion of a drug or medicine in the list of essential drugs or medicines should be taken up with the ministry of Health who if they are satisfied will no doubt recommend the case to my ministry for favourable consideration.

Reduction on Copper

Copper: In my budget proposals I had made certain adjustments in the customs and excise duties on copper mainly with a view to reduce the impact of excise duty on indigenously produced copper and to increase the import duty on imported copper. I find however that international prices of copper have meanwhile risen sharply and as a result the landed cost of imported copper is likely to be higher than that estimated at the time of the budget. In these circumstances I propose to reduce the import duty on copper from 60 per cent to the pre-budget figure of 45 per cent *ad valorem*.

Corresponding reduction will also be made in respect

of certain copper manufactures and copper scrap. Since the increase in price of copper will tend to augment revenues, I do not expect that the reduction in the rate of customs duty indicated by me will result in any net revenue loss.

Duty Reduction

Steel: I have received representations about the increase in customs duty on alloy and high carbon steel. The case of cold rolled grain oriented steel which is required for manufacture of transformers and of which there is no indigenous production seems to deserve some special consideration. I, therefore, propose to reduce the duty on such steel from 75 per cent to 40 per cent. This proposal will result in a loss of Rs 2.20 crores in a full year.

Duty Relief: In my budget speech I had referred to a new scheme of excise duty relief to encourage higher production. I had then indicated that details of the scheme were being worked out and that I expected that it would be introduced for one year in the first instance. I find however on reconsideration that a period of one year may be too short for the scheme to make its full impact and therefore propose that the scheme should operate for at least three years during which period the results achieved will be watched.

I also propose to widen the scope of the scheme to cover new units which will be set up during

the current and the next two financial years, as well as to units set up in the recent past. This will confer considerable benefit to new capital intensive units. Further details of the scheme are being worked out and notifications to give effect to it will be issued in the near future.

I expect that modifications now proposed will entail a sacrifice of revenue of the order of Rs 9.90 crores in one full year. All these modifications, except those relating to starch and hand printed fabrics which have already been implemented and those relating to higher production relief, are proposed to be given effect to by issue of suitable notifications effective from today. Copies of relevant notifications will be laid, as usual, on the table of the House in due course.

Foreign Know How

Direct Taxes: I now turn to Direct Taxes. Non-resident tax-payers have hitherto not been taxed in respect of lump-sum payments royalties received outside India for the delivery of designs and drawings relating to any patent, invention, etc outside India. Under a provision in the Finance Bill, such lump-sum payments are proposed to be brought within the ambit of taxation in India. It has, however, been represented that foreign suppliers of technical know-how had entered into agreements or had finalised proposals for the receipt of such lump-sum royalties with the approval of the central govern-

ment on the understanding that such payments would be exempt from tax. As the withdrawal of the exemption of lump-sum royalties in such cases will adversely affect these foreign suppliers, it is necessary to modify the scheme of taxation of royalties, contained in the Finance Bill in certain respects. I accordingly propose to provide that lump-sum payments of this type received under agreements made before April 1, 1976 and approved by the central government will continue to be exempt from income-tax in the case of both corporate and non-corporate taxpayers.

Exemption from Tax

Lump-sum payments of this type received under agreements made after March 31, 1976 would also be exempt from tax if such agreements have been made in accordance with proposals approved by the central government before April 1, 1976. In the case of foreign companies, however, this exemption will apply only if they exercise an option in this behalf. Foreign companies who exercise this option will continue to pay income-tax in respect of their remaining royalty income on the existing basis. In other words, income-tax in respect of such income will be charged at the rate of 52.5 per cent on a net basis.

The deduction on account of expenses will, however, be limited to 20 per cent of the gross amount of royalties excluding

List of existing paper mills as on April 1, 1976

Name & Address of the Mill	Location	Capacity tonnes/year	Production during 1975	Name & Address of the Mill	Location	Capacity tonnes/year	Production during '75.
1	2	3	4	1	2	3	4
West Bengal				Everest Paper Mills Pvt. Ltd., 44-C, Chowringhee Road, Calcutta-16.	Calcutta	3,000	1,864
Titaghur Paper Mills Co. Ltd., Chartered Bank Bldg., Calcutta.	(i) Titaghur (ii) Karinada	65,000	60,491	Uttar Pradesh			
India Paper Pulp Co. Ltd., 8 Clive Row, Calcutta	Naihati	23,000	12,921	Capital Paper Mills Pvt. Ltd., Star Paper Mills Ltd., 27, Brabourne Road Calcutta.	Ghaziabad	1,440	Nil
Tribeni Tissues Limited, 2, Middleton Street, Hooghly, Calcutta.	Chandrabati Hooghly	8,500	7,961	Upper India Copper Paper Mills Ltd., Masjit Bobh, Lucknow.	Saharanpur	46,200	34,116
Bengal Paper Mills Co. Ltd., 14, Netaji Subhash Road, Calcutta.	Raniganj	50,000	31,905	Chemopulp Tissues A-4, Sect. CXII, Meerut Road, Ghaziabad.	Lucknow	4,200	1,311
Western India Match Co. Ltd., Indian Mercantile Chambers Nicol Road, Ballard Estate, Bombay.	Alambazar Calcutta	7,500	4,104	G.T. Industries, 33-A New Marine Lines, Bombay.	Ghaziabad	1,700	1,373
Shri Gopinath Paper Mills, 49/A, A.K. Mukherjee Road, Calcutta-50.	Barrannagora	1,080	156	Swatantra Bharat Paper Mills, 5-7, Deshbandhu Gupta Road, New Delhi.	Ujhani	3,000	516
East End Paper Industries Ltd., 1, Netaji Subhash Road, Calcutta.	Barabaria	6,000	4,501	Gopal Paper and Board Mills, Ghaziabad.	Pilkkhua	2,000	532
Priti Paper Board Mills P. Ltd., 22, Burra Shibtalla Main Road, Calcutta.	Sheeraohuli	1,800	802	Agnos Paper Mills Pvt. Ltd., 5 Jain Mandir Road, (Annexe), New Delhi.	Ghaziabad	1,500	448
P.G. Paper Mills Co. Pvt. Ltd., 20, Seven Tanks Lane, Calcutta.	Calcutta	1,500	217	Bihar			
Indian Card Board Industries, 19, Netaji Subhas Road, Calcutta-1.	Calcutta	5,500	4,926	Rohtas Industries Ltd., Dalmianagar.	Dalmianagar	60,000	49,244
				Thakur Paper Mills Ltd., Samastipur (Darbhanga)	Jituarpur	3,000	942 (From May)
				Ashok Paper Mills Ltd., 8 Russel Street, Calcutta-16.	Rameswar-nagar	13,500	Under trial production

Contd.

such lump-sum payments. Foreign companies who do not exercise this option will be governed by the new scheme of taxation of royalties laid down in the Bill. They will thus pay income tax at the rate of 20 per cent on the gross amount of lump-sum royalties and at the rate of 40 per cent on the remaining amount.

Non-Residents: The Finance Bill seeks to provide that income by way of interest payable by a non-resident shall be deemed to accrue or arise in India in cases where the interest is payable in respect of any debt incurred or moneys borrowed and used for the purposes of a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India.

Harsh Provisions

It has been represented that the proposed provisions are somewhat harsh. For instance, if a foreign company intending to invest in shares of an Indian company borrowed money from a bank in a foreign country, the foreign bank would become liable to Indian income-tax on the interest payable to the bank by the foreign company. As the taxation of interest in such cases would have an adverse effect on investment in India, I propose to restrict the scope of the relevant provision so that interest payable by a non-reident will be chargeable to Indian income tax only in cases where such interest is paid in respect of any debt incurred or

moneys borrowed and used for the purposes of a business or profession carried on in India by such person.

Redefining Industry

Investment Allowance: Under the Bill, investment allowance will be admissible, *inter alia* in respect of machinery and plant installed in industries engaged in the manufacture of articles specified in the Ninth Schedule to the Income Tax Act. One of the items specified for this purpose is "Steel castings and forgings and malleable iron and steel castings". In order to bring out the underlying intention more clearly, I propose to redefine this industry as "Steel castings and forgings and alloy, malleable and SG iron castings".

Property: In order to remove the hardship faced by owners of self-occupied house property who are now required to furnish its fair market value in return of net wealth every year, the Finance Bill proposes to freeze the value of one self-occupied house property at its value adopted for the year in which the property is constructed or acquired by the taxpayer or for the assessment year 1971-72, whichever is later. It has been represented that as the market value of urban properties may fall in certain cases the proposal for freezing the valuation of self-occupied house properties with reference to their assessed value for the assessment year 1971-72 would result in hardship in such cases.

In order to mitigate this hardship, I propose

to provide that the special provision for valuation of self-occupied house property will apply only at the option of the taxpayer. Hence, in cases where the market value of the self-acquired property comes down, the taxpayer will have the option to value the property at its current market value.

A Doubt

Bank Interest: In my Budget speech, I had mentioned that in view of the escalation in costs of industrial projects, interest received by scheduled banks on long-term loans granted to industry for the purchase of capital plant and machinery would be exempted from Interest Tax levied under the Interest-tax Act, 1974. A doubt has been raised as to whether interest paid on advances made by scheduled banks for agricultural purposes would also qualify for this exemption. I would like to take this opportunity of clarifying that the exemption provided in the Finance Bill is not confined to interest received on industrial advances; and all long-term loans for the creation of capital assets in India, including those used for agricultural purposes, will qualify for the proposed exemption.

New Concessions: I also propose to take this opportunity of announcing certain new tax concessions which are proposed to be implemented by moving necessary amendments in this behalf to the Finance Bill. Hon'ble Members will be glad to know that the additional

facilities allowance received by them under the Members of Parliament (Additional Facilities) Rules, 1975 is proposed to be made completely tax-free.

With a view to encouraging more liberal donations for the purposes of promoting family planning, I propose to move an amendment to the relevant provision in the Income Tax Act for raising the deduction in respect of donations made to government, approved local bodies and organisations for promoting family planning from 50 per cent to one hundred per cent of the qualifying amount of such donations while computing the taxable income of the donor.

Enlarged Area

Dividends: In order to channelise corporate savings into high priority industries, inter-corporate dividends derived by domestic companies from new companies engaged in the manufacture of fertilisers, pesticides, paper, pulp and newsprint and cement were exempted from Income Tax by a provision made in this behalf through the Finance Act, 1975. I now propose to enlarge the area of this concession to include industries engaged in the manufacture of non-ferrous metals, ferro-alloys and special steels; steel castings and forgings; electric motors; industrial and agricultural machinery; earth-moving machinery; machine tools; commercial vehicles; ships; tyres and tube; heavy chemicals and industrial explosives.

1	2	3	4	1	2	3	4
Orissa				Orient Steel and Wire Industries Pvt. Ltd., (Haryana Paper), Faridabad.	Faridabad	3,000	760
Orient Paper Mills Ltd., Birla Bldgs. 9-1 R.M. Mukherjee Row, Calcutta.	Brajrajnagar	76,000	53,692				
Titaghur Paper Mills Co. Ltd., Chartered Bank Bldg., Calcutta.	Chowdhar	18,000	19,225	Madhya Pradesh			
Straw Products Ltd., (JK) Nehru House, 4, B.S. Zafar Marg, New Delhi-1.	Raygada	31,500	33,616	Alok Paper Industries, F/7, Industrial Estate, Polo Ground, Indore City.	Industrial Estate Indore	1,200	826
				Straw Products Ltd., Nehru House, 4, Bahadur Shah Zafar Marg, New Delhi.	Bhopal	15,000	14,515
Haryana				Acme Paper Mills, (Formerly Mandidip Paper Mills) Sehare.	Sehare	3,000	1,956
Venus Paper Mills Pvt. Ltd., B-38 Greater Kailash, New Delhi.	Ballabgarh Dist. Gurgaon	2,000	1,069	Orient Paper Mills Ltd., (Amlai Bhopal) Birla Bldg., 9/1 R.N. Mukherjee Road, Calcutta.	Amlai	85,000	66,955
Ballarpur Paper and Straw Board Mills Ltd., (Shree Gopal Divn), Thapar House, 124-Janpath, New Delhi-1.	Yamunanagar	46,000	43,876	Gujarat			
Murai Paper Mills, H-75 Connaught Circus, New Delhi.	Faridabad	1,200	1,549	Gujarat Paper Mills Ltd., Barejadi, P.O. Mandej, Distt. Ahmedabad.	Barejadi	6,000	2,511
Delhi Pulp Industries, Akash Deep, Barakhamba Road, New Delhi.	Faridabad	4,500	1,828	Rohit Pulp and Paper Mills Limited, Rohit Chambers, Choge Street, Bombay.	Khadki	10,100	4,930
Rajendra Paper Mills, 51, New Industrial Township, Faridabad.	Faridabad	4,000	2,782	Jayant Paper Mills Ltd., Resham Bhavan, 2nd Floor, Lal Darsaja, Surat-3.	Utran, Surat	6,720	6,572
Orient Steel and Wire Industries Pvt. Ltd., (Haryana Paper), Faridabad.	Faridabad	3,000	760	Steadfast Paper Mills Limited. Meadows House, Nagindas, P.O. Bapi, Master Road, Bombay.	Gunhra	450	395
Perfectpack Limited, 21, New Industrial Township, Faridabad.	Faridabad	4,000	1,204	Prakash Paper Mills, Gandal, (Saurashtra).	Gandal	1,000	381
Delhi Pulp Industries, Akash Deep, Barakhamba Road, New Delhi.	Faridabad	45,200	1,828				
Rajendra Paper Mills, 51, New Industrial Township, Faridabad.	Faridabad	4,000	2,782				

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1	2	3	4	1	2	3	4
Speciality Paper Ltd., Merai, Via Vapi Distt., Bulsar.	Udwada	1,440	1,489	Premier Paper Mills Ltd., Vaswani Mansions, 10, Dinshaw Vachha Road, Bombay.	Reha (Colaba)	800	906
Associated Pulp and Paper Mills Limited, Bavala, (W. Rly).	Bavala	7,200	3,273	B.K. Paper Mills Pvt. Ltd., Kalbadevi Road, Bombay.	Kalyan Road	1,500	1,759
Central Pulp Mills Ltd., Fort Gongad, Distt. Surat.	Fort Sehrangarh,	6,500	6,263	Ajanta Paper and Genl. Products Pvt. Ltd., Vadavali Road, Kalyan.	Vadavali	1,800	1,374
Agarwal Paper Mills Pvt. Limited, G.I.S.C., Flat No. 167/168 Indl. Estate, Vapi Distt. Bulsar.	Vapi Gujarat	1,600	738	Paper Products Limited 13,14 Ajmere Gate Exten., New Delhi.	Reha	4,200	2,359
Maharashtra				Vidarbha Paper Mills Limited, 2nd Floor, Bank of Maharashtra Building, Abhyankar Road, Citabuldi, Nagpur-2.	Kamptee	2,200	1,703
Parshuram Paper Mills, Boards Mfg. Co. Pvt. Ltd., 135-Hind Rajasthan Deptt. Centre, 95-Dadsaheb Phalke Road, Dadar, Bombay.	Tehsil Chiplum Distt. Satamgiri	2,100	602	Bombay Paper Mfg. Co. Ltd., 109, Sheikh Menon Street, Bombay.	Kalyan	1,300	699
Deccan Paper Mills Co. Ltd., Commonwealth Bld., Poona.	Han Psar	3,600	1,206	Afsons Industrial Corpn. Ltd., Fiddal Bldg., 18' Shaki Das Dandhi Marg, Princess Street, Bombay.	Kalyan	1,230	944
F. Pudumjee and Co. Pvt. Ltd., 60-Forbes Street, Bombay.	Bombay	1,800	1,008	Laxmi Board and Paper Mills Pvt. Ltd. 23' Raman St., 3rd Floor, Bombay.	Kalyan	20,460	4,437
Paper and Pulp Conversions Ltd., 1183-Shivajinagar, Fergusan College Road, Poona.	Khapoli	12,000	9,379	Balkrishna Paper Mills Ltd., Nagardas Road, Andheri (East) Bombay.	Vill. Ambivali Kalyan Dist.	4,500	2,486
Pudumjee Pulp and Paper Mills Ltd., 60-Forbes St., Bombay.	Chinchawad	5,000	5,200	Vikram Paper Mills (P) Ltd., Vadavali Post, Kalayan Distt., Thanna.	Thana	4,800	1,411
Ballarpur Paper and Straw Board Mills Limited, (Ballarpur Div.), Thapar House, 124-Janpath, New Delhi.	Ballarpur	69,000	65,089	Andhra Pradesh			
Providence Paper Mills Ltd., New Standard Engg. Compound, Chodaundard Road, Santa Cruz, Bombay.	Santa Cruz	510	Closed.	Sirpur Paper Mills Ltd., Sirpur, Kagajnagar,	Sirpur Kagajnagar	61,600	38,660

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1	2	3	4	1	2	3	4
Andhra Pradesh Pulp and Paper Mills Ltd., Rajahmundry.	Rajahmundry	75,000	47,432	Amaravathi Sri Venkatesa Paper Mills Ltd., P.O. Udumalpet, Madathulam, Madras.	Udumalpet	6,000	5,811
Karnataka					Total:	1,103,570	829,101
Mysore Paper Mills Ltd., Bhadravati.	Bhadravati	24,000	22,319	List of Newsprint, Rayon Grade and Papergrade Pulp and Felts			
West Coast Paper Mills Ltd., Shreeniwas House, Dr. Somani Marg, Fort, Bombay-1.	Damdelo	60,000	46,653	Names & Address of the mill	Location	Capacity	Production during '75
South India Paper Mills (P) Limited, Chikayana Chaitra. P. O. Najapud, Mysore.	Nanjanguda	6,600	4,839	Newsprint			
Mandya National Paper Mills Ltd., 7, Museum Road, Bangalore.	Balgaula	10,800	11,680	M/s The National Newsprint and Paper Mills Ltd., Nepanagar (Madhya Pradesh).	Nepanagar	75,000	51,971
Senapathy Whitlay (P) Ltd., 14, Netaji Road, Bangalore-5.	Ramanagram	4,920	1,488	Pulp—Rayon Grade			
Shri V.K. Lal, Ranjit Sales (P) Ltd., 111-A Mahatma Gandhi Road, Bombay-1.	Bangalore	450	196	M/s South India Viscose Ltd., P.B. No. 1396, Race Course, Coimbatore-18.	Sirumughai	22,500	19,454
Kerala				M/s The Gwalior Rayon, Birlkootam, Mavoor, Calicut (Kerala).	Mavoor	60,000	46,083
Punalur, Paper Mills Ltd., Punalur, Travancore.	Punalur	15,000	13,753	M/s Harihar Poly-fibres, Rayon Silk Mfg. (Wvg.) Co. Ltd., Nagda (M.P.)	Harihar	36,000	40,872
Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd., P.O. Box 37, Kozhikode.	Kozhikode	2,700	1,754	Kumarapatnam, Near Harihar (Karnataka).			
Tamil Nadu				Pulp—Paper Grade			
Seshasayee Paper and Boards Limited, P.O. Cauvery, (Salem), Erode.	Pallipalayam	35,000	32,571	M/s Central Pulp Mills Ltd., 1183, Shivagi Nagar, Ferguson College Road, Poona-411005	Fort Sohan-garh	22,500	2,061
Sun Paper Mills Co. Ltd., Post Bag No. 2, Cheranmahadevi, Tirunelveli Distt.	Cheran-mahadevi	15,000	11,909	Felts			
				Shri Denesh Mills Ltd., P.O. Padra Road, Baroda.	Baroda	250	110
				Porritts and Spencer (Asia) Ltd., 308-9, Kanchanjanga, 18 Barakhamba Road, New Delhi.	Faridabad	250	91

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The uptrend in foreign exchange reserves

AN INTERESTING development in this country's foreign exchange account has been the appreciable increase in the value of both the foreign securities and the balances held abroad by the Reserve Bank of India. In the week-ended May 7, 1976 the foreign securities of the Reserve Bank at Rs 371.74 crores had multiplied almost three times the level registered in the corresponding week a year ago at Rs 121.74 crores. The balances held abroad by the Reserve Bank at Rs 1026.05 crores were almost 100 per cent more than the limit reached in the corresponding week a year ago at Rs 522.89 crores. This comfortable position in foreign exchange reserves has understandably been the subject of discussion in both official and non-official circles in this country because it has not been a freak phenomenon. Week after week, month after month, since June 1975 the foreign exchange reserves have moved upwards without ever looking back, under the influence of measures taken by the government.

An outstanding element in the creation of such a happy situation in our foreign exchange reserves after many years has been the change in the behaviour of Indian nationals abroad regarding remittances made by them to their relations in this country. With the closing of the clandestine channels of transferring foreign exchange, they have increasingly taken to the authorised modes of transference with the result that the inflow of invisibles had sizeably improved. The judicious changes initiated in recent months regarding the facilities for deposits of foreign currencies in our banks by Indians abroad has not a little to do with the spurt in foreign exchange reserves and it is necessary that the ministry of Finance and the Reserve Bank should take further measures which will eliminate all irritants and encourage the inflow of deposits in foreign currencies. To the extent that this inflow of foreign exchange would increase, the smuggling activities of unsocial elements would also tend to drop.

The rise in foreign exchange reserves by about Rs 800 crores should be viewed against the expected quantum of foreign aid from the Aid-India Consortium currently meeting in Paris. It is anticipated that the consortium will pledge \$ 1050 million by way of aid, almost the same as in 1975-76. The improved state of our economy—bumper food harvests and five to six per cent growth in industry—have brought a favourable response from the World Bank Team which prepared a background note on this country's economy. It has made a particular reference to the control over inflation, largely through vigorous government action, and the easiness in the supply of electricity which has brought about a cheerful position both in industry and agriculture. It has also highlighted the significant improvement in employer-employee relations leading to sharp reduction in the loss of man-hours through strikes and lock-outs.

The country has a number of options open to it for making use of the increased availability of foreign exchange reserves. First, it could speed up the implementation of those projects which had been held up for the past three to four years because of paucity of resources. Second, it could encourage the establishment of joint ventures abroad because through them the pace of exports of machinery and equipment from this country could be accelerated. Third, these reserves could be utilised for the modernisation of sick units in many of

the export-oriented industries. Fourth, there are certain consumer goods which have appeared on the smugglers' list; they could be imported in limited quantities to discourage their import by our nationals visiting foreign countries for short durations. The availability of these goods may tend to discourage their import through illegal means as well. But any import policy relating to consumer products will have to take into consideration the state of domestic units which will suffer immediately because of their incapacity to compete with imported products.

This country will, however, have to be vigilant so that this gain in reserves which has been made during the past few months, is put to positive use. What is more, the development of exports will have to be further encouraged so that the trade gap is narrowed. Surely, the import bill during the current year is likely to fall because of

the reduction in the imports of food-grains and fertilizers but the dynamism generated in the sphere of exports would need to be further intensified.

The rising foreign exchange reserves should make the Reserve Bank treat the exporters a little more liberally in regard to expenditure on exploratory missions abroad. The miserly releases of foreign exchange to those who have taken upon themselves the challenging task of opening up new markets for Indian products have sometimes proved to be a dampening influence. Let the exporters not be forced either to live off their friends or to look like poor relations at meetings with their clients abroad. A more generous policy in this regard needs to be initiated. *Eastern Economist* has no doubt that the governor of the Reserve Bank, Mr K.R. Puri, who has travelled widely, will see to it that a helpful approach is adopted by the bank in this regard.

IDBI and its new goals

It is encouraging to note that the management of the recently restructured Industrial Development Bank of India (IDBI)—this institution was delinked from the Reserve Bank of India in the middle of last February with the full transfer of its ownership to the government of India—has started gearing itself to an ambitious programme of assisting industrialisation of the country and fostering of exports. It has set before itself the target of disbursing increased assistance for the development of exports and industry, excluding the help it might be called upon to render to the sick industrial units which might be entrusted to its care, from Rs 213 crores during its fiscal year (July-June) 1974-75 to Rs 296 crores this year and to as much as Rs 615 crores in 1979-80 signifying an annual growth of about 25 per cent. Although the attainment of this target depends to a great extent

on how the economy shapes in the coming years, the streamlining of the procedures already undertaken or proposed should go a long way in facilitating matters.

Among the steps already taken are the creation of two functional wings to look after the two principal operations of the bank and decentralisation of operations among the various regional offices which have been upgraded and placed in charge of deputy general managers. One of the functional wings will take care of domestic financing and the other of international financing. With the opening of a new regional office at Ahmedabad last week, the bank now has four such offices—one each for the eastern, southern, northern and western parts of the country. Under considerably enhanced delegated authority, these offices have been empowered to process and approve all proposals under the refinance

and machinery bills rediscounting schemes and those for direct assistance up to Rs 50 lakhs where no other all-India financial institution is involved. The branch offices of the bank at the various state capitals too are being upgraded with a view to providing refinance and rediscount assistance up to prescribed limits and involving them more actively in development particularly of backward areas.

time-bound programme

Much more significant, however, is the move of the bank to adopt a time-bound programme for expediting the sanction and disbursement of assistance. An important step envisaged in this direction is that in the case of assistance being provided by the bank in cooperation with the other financial institutions, the processing of the loan applications will be done under the aegis of the bank and the assessment arrived at will be applicable to the other financial institutions. If found necessary, the other financial institutions will be associated with the assessment process in the very beginning. This will obviate individual scrutiny of the loan applications by the various institutions providing assistance.

Following the new economic programme of the government, the bank has also redefined its goals. Besides assisting high priority industrial units aiming at import-substitution, production of key agricultural and industrial inputs, manufacture of essential mass consumption goods and products for export, and the plants to be located in the underdeveloped regions, special emphasis is now proposed to be placed on the provision of assistance to small-scale industries, schemes promoted by technicians or new entrepreneurs and projects using indigenous technology and having greater employment potential. For the benefit of new entrepreneurs, which include ex-army personnel and unemployed drivers getting permits under the national transport permit

scheme, it has been decided recently that even the minimum promoters' contribution requirement should be waived. This stipulation was considered to be a considerable handicap. Attention is also envisaged to be paid by the bank in future to manpower training as part of the implementation of the apprenticeship scheme.

In the case of backward areas, besides provision of assistance to the state industrial development corporations for promoting labour-intensive projects, financial facilities are proposed to be made available by the bank to the small-scale industries development corporations in the operation of their schemes for supplying machinery and equipment on hire-purchase basis. This programme should help in rehabilitating the displaced persons by the setting up in the backward areas of giant projects requiring sophisticated skills. Hitherto, these persons faced difficulties in absorption in these units due to lack of adequate skills.

export finance

With the creation of a separate wing in the bank for international financing, the export finance problems, it is hoped, will get resolved to a great extent. Significant steps are stated to have already been taken in this sphere. The IDBI chairman, Mr Raghu Raj, revealed at a press conference here a few days ago that credit lines had been made available in the recent months to Kenya, Bangladesh and Zanzibar for assisting, among others, exports of oil storage tanks, agricultural machinery, commercial vehicles and mobile cranes.

The need for providing such credits on an increasing scale cannot be over-emphasised if we have to encourage exports of our equipment and machinery to the neighbouring developing countries of south-east Asia and Africa which are being lured into buying from the developed nations through very liberal credits made available by the manufacturers of these countries. The recent findings of the export mis-

sions of the Association of Indian Engineering Industry are an eloquent testimony to this. As the government has recently decided to permit even financial participation by Indian concerns in joint ventures abroad to an extent somewhat larger than the value of exports of equipment and machinery from here, the bank would do well if it assisted such ventures.

The provision in this year's central budget for augmenting the rupee resources of the bank and the \$40 million credit negotiated by it recently with the World Bank for on-lending to the state financial corporations to meet the foreign exchange requirements of small and medium-sized industrial

units, besides the \$24 million credit available from the IDA for helping specific private fertiliser projects, incidentally, should go a long way in spurring its lending operations.

Some thought, however, needs to be bestowed on the interest charges of the bank to see if they can be brought down. For instance, the lending rate for direct assistance of industrial projects not located in backward areas is 11 per cent and in case they are located in backward regions 9.5 per cent. This vitiates their capital costs. In fact, the overall dear money policy being followed at present by the government deserves a second look for it is jeopardising new investment in equities.

Poor demand for industrial products : why ?

ONE OF the significant observations made by the World Bank in its latest report on the Indian economy relates to the sluggishness of industrial activity and the poor demand for industrial products. The problems arising from the lack of demand were clearly highlighted recently at the annual sessions of the Associated Chambers of Commerce & Industry and the Federation of Indian Chambers of Commerce and Industry (FICCI). Mr Sudhir Jalan, President of the Indian Chamber of Commerce, Calcutta, at its fiftieth annual meeting held on May 15, 1976, also drew attention to the seriousness of this problem. He said that there was a deficiency of demand over a wide range of industries and that unsold stocks were accumulating with the producers. As a result, there was reduced production and increase in idle capacity.

Mr Jalan observed: "A figure of 35 to 40 per cent idle capacity in a number of industries is a grave matter. Such capacity was built in the past through substantial investment. When it remains

idle, the capital invested yields no return. Cost of production goes up and employment goes down. This situation needs urgent consideration of government. The cycle has to be reversed and more demand generated in the economy. It is only then that it will be possible to increase production and reach higher levels of growth."

The government of India has been denying the existence of a general recession in the country's economy although it admits that some industries are affected by it. But it should be remembered that even though only a few industries may be in the grip of a recession, it is having repercussion over a wide field. Thus, for example, the lack of demand for automobiles has created difficulties for a large number of industries. This point was forcefully brought out recently by Mr M.V. Arunachalam, the President of the FICCI. He said: "The gravity of the problem is not easily realised because we tend to look at it in terms of single product, say automobile (or

even construction activity). But if we analyse it carefully we see that a number of backward linkage industries suffer as a result of decline in demand for automobiles—auto-ancillaries, light engineering industries, tyre industry and its raw material suppliers. This is not all. For, recessionary impact of reduced tyre output, for example, has spread to several thousand small growers and plantation workers and large-scale manufacturers of carbon black, rayon and nylon. The agro-based sector in particular is facing a serious slump, not only natural rubber producers but also wood pulp manufacturers and even the sugar industry which supplies molasses for synthetic rubber production”.

Revision of policy

Now that the World Bank's report has also commented on the inadequacy of demand in the Indian economy, New Delhi should examine in what directions its fiscal and monetary policies need revision in order to give a fillip to industries to produce more. In this context, it seems surprising that the government has been taking too long a time to constitute the committee which is to study the structure of indirect taxation.

Mr C. Subramaniam, the union Finance minister, announced the government's intention to set up this committee while presenting his budget on March 15, 1976. Over two months have passed since then but the government has not been able to come to a decision about its personnel and its terms of reference. A rational and realistic structure of indirect taxation is necessary in order to bring down the prices of many essential articles. The government therefore should expedite its study of indirect taxes and take the appropriate decisions so that they will help to stimulate demand.

Export promotion can help to some extent to solve the problem of demand but here also the government has to

take certain steps in order to make it worthwhile for manufacturers to sell their goods in the foreign markets. The World Bank's report has referred to certain weaknesses in India's export strategy such as inadequate profitability, lack of access to imported inputs and unsatisfactory quality. Business organisations have also been urging the government of India for modification in policies in order to give a strong boost to export promotion.

The FICCI, for instance, has suggested that the facilities and incentives framed by the government should not be reduced for at least five years and that these should be strengthened whenever world conditions so required. The FICCI has also recommended that the government should widen the scope of the schemes to supply the essential raw materials, both indigenous and imported, at economic prices to manufacturers for export production and that the interest rates on export credit should be administered with greater flexibility. The government has imparted a great deal of pragmatism to its export policy

but there is still need to make it more effective so as to create increased enthusiasm among businessmen to seek markets in foreign countries.

Recessionary conditions seem to persist more acutely in West Bengal than in the other states. The government of West Bengal has achieved considerable success in reviving business confidence. But the fact remains that few new industries have come up in West Bengal in recent years. Mr Jalan said that the jute, cotton textile and the engineering industries continued to be confronted with serious difficulties due to the lack of demand and he rightly pointed out that so long as the existing industries were unable to operate profitably, new entrepreneurs were unlikely to be attracted. The industries in the other states of the eastern region are also affected by the scarcity of demand for their products. The government of India therefore should ensure that its Plan expenditure is incurred in such a way as to divert more money to the industries which continue to feel the brunt of the recession.

Wanted : adequate return on capital

THE THREE-DAY annual conference of All India Manufacturers' Organisation (AIMO) held recently in New Delhi became a venue of frank exchange of views on the theme of rapid economic growth with social justice to weaker sections of society, which incidentally was the principal subject for discussion. The issues raised mostly referred to two significant developments of 1975-76, namely, a reversal in the trend of stagflation which the country experienced during the years 1972 to 1974, and the launching of a new economic programme to alleviate the conditions of the vulnerable sections of society, particularly the rural poor.

Speaking at one of the sessions of the conference dealing with economic growth, Mr Sankar Ghosh, union minister of state for Planning aptly stated that the methods and strategies of planning in this country have improved considerably during the recent years, while the complexities of the task have also grown as a result of new factors, domestic as well as external. A severe strain was experienced by our economy during 1973 and 1974 consequent upon a sharp rise in prices and deterioration in terms of trade, but a correct sequence of policies pursued vigorously by the government helped the country over-

come these adversities to a considerable extent.

Taking into account the improved power and raw materials situation and the existence of favourable employer-employee relations, the rate of growth was expected to improve further in 1976-77. This, he viewed, was also supported by the fact that some of the key sectors such as coal, oil, cement, steel and fertilizers had shown a consistently upward trend in production. Already the output of coal had crossed the annual level of 100 million tonnes and output of cement had also increased. The position in respect of foreign exchange reserves, including gold and SDRs, had also improved from Rs 970 crores at the end of 1975 to Rs 1900 crores at the end of March, 1976. It is in the context of this hopeful situation that the Plan outlay for the third year of the fifth Plan had been raised to Rs 7852 crores, which was nearly 31 per cent more than the outlay proposed for the previous year.

expansion in irrigation

Mr Sankar Ghosh further based his optimism on the expansion of irrigation facilities which is a pre-condition to the effective implementation of new technology in agriculture. He asserted that the additional five million hectares expected to be irrigated through major and medium projects under the new economic programme is an important element in the development strategy in the rural economy, along with the implementation of agrarian reform measures, abolition of bonded labour, scaling down of debts and provision of house sites for weaker sections of society. These measures will lead to a sociological revolution in the countryside, the impact of which will be visible during the next few years.

A recent review of our economy by the World Bank has supported the optimistic view presented by the minister for Planning. The World Bank has praised the “vigorous measures” adopted by the government to set up a world

record in curbing inflation. The review states that improved prospects for continuing export growth and import substitution in major commodities have laid the foundations for a dynamic growth rate in the economy by raising the level of capital accumulation. The report has overtly demolished the myth that this country had relied on external assistance for development. Over the years, development in this country has largely been self-supported. The bank, therefore, feels that with effective government measures supported by favourable conditions, once again this country is ripe for an upturn in the economy.

The outgoing President of the AIMO, Mr Bipin Bhai V. Mehta, however reminded the conference that the private organised industrial sector could not share the optimism expressed by certain speakers. He told the audience that the growth of the industrial sector depended to a large extent on a broad-based public participation. It was imperative, therefore,

that the shareholders should get adequate return on equities. His suggestion that 10 per cent of income derived from equity investments should be exempted from personal taxation needs to be examined by the ministry of Finance. This can definitely provide the required boost to the capital market which at the moment is rather depressed.

The AIMO has rightly pointed out that the sharp increase in the prices of new equipment and machinery combined with the paucity of long-term funds has made it difficult for the industrial units to translate their industrial licences into operational plants. New equipment and machinery are available at greatly increased cost, making the final products less viable at their existing levels of prices. For instance the cost of 1,250 tonne per day crushing capacity sugar plant doubled from Rs 3.50 crores in 1972 to Rs 7 crores in 1975. Similarly, the cost of a 30,000 tonne capacity paper plant increased from Rs 15 crores

Eastern Economist 30 Years Ago

MAY 31, 1946

Delegates from India and seventeen other nations took steps this week to organise against world food shortage which they expect to continue at least until after harvest next year. They met in Conference under United Nations Food and Agricultural Organisation, to adopt a plan for bigger and more powerful system of coping with food emergency than had been accomplished so far by Combined Food Board. The plan is to organise twenty nations including India and Russia, if it will accept, into super combined Food Board for temporary emergency and besides that some other permanent food body with operating powers which FAO itself lacks. It is only a information and advisory group. Harvesting for this season has already begun in Southern United States and is due to begin soon in North America. This will begin to relieve immediate crisis at

least in the Occident, but experts said that India will still badly need import through September and that whole world will probably suffer shortages again in the early months of 1947 after using this year's crop. It was also said that even the harvest after that is unlikely to fully replenish normal stocks of food. The United States Agriculture Secretary said that it may be years before storehouses of the world will be full again. The importance of the United Nations Food and Agriculture meeting here was succinctly stated by the chairman, Sir John Boyd, when he said, “Cooperation of governments in common effort to free the world from hunger will do more for enduring peace than delineation of political boundaries and drawing up of political peace treaties essential though these be.”

in 1970 to Rs 40 crores in 1975. The cost of a 200,000 tonnes cement plant increased from Rs 3.6 crores in 1961 to Rs 12 crores in 1975. Moreover the prices of imported raw materials and increased wages had contributed to a sharp increase in the costs of new products.

Some speakers suggested that certain units in the small-scale sector were suffering heavily due to the paucity of funds. Mr A.P. Sharma, union minister of state for Industry stated that in view of the increased incidence of

sickness in small scale industries the government had appointed a high-powered committee to examine the bank credit problems of small-scale units. The committee had been asked to suggest measures for bringing about uniformity in terms and conditions of finance for facilitating the flow of institutional finance to small-scale units. Mr Sharma added that in order to encourage small units to export, action had been initiated for selecting 10 industries for modernisation each year with the assistance provided by the central government.

prevented. If correct inferences can be drawn from the high and low points of production in the past decade there is reason to believe that there has been considerable strengthening of the agricultural sector and productivity has been increasing along with the extension of area under irrigation, energisation of pumpsets in areas not well-served by conventional irrigational facilities and the use of high yielding seeds and fertilisers. The high point has moved from 100 million tonnes to 108 million tonnes and further to 116 million tonnes.

There has been likewise improvement from the low point of 66 million tonnes to 97 million tonnes and probably to 104 million tonnes. This kind of reasoning clearly suggests that any difficult situation in the coming years can be easily managed with imports of around four million tonnes making the necessary adjustment, of course, for the growth in population and the larger per capita intake. This would mean that internal production should be at least 125 million tonnes in 1980-81 and every year there should be a growth in production by at least three million tonnes.

advantageous position

The extremely advantageous situation that has arisen as a result of the bumper output of 116 million tonnes in the current agricultural season has enabled the government to plan ahead from a position of strength. The procurement operations are now proceeding so vigorously that the Food Corporation and other agencies have been experiencing serious difficulty in absorbing all quantities offered by farmers. It has been indicated in the annual report of the ministry of Food and Agriculture for 1975-76 that the buffer stocks at the end of February 1976 had risen to 9.7 million tonnes from 2.8 million tonnes at the end of the same month in 1975. This would mean that nearly the whole of imports of 7.41 million tonnes effected in 1975

have been used for building up buffer stocks. The record procurement of over five million tonnes of rice in the past few months and the massive purchases of wheat now going on bid fair to raise buffer stocks to 16 million tonnes by the end of July, as stated above.

There is evidence of heavy accumulation of stocks of foodgrains with the state agencies if the changes in outstanding food credit given by the scheduled commercial banks are studied. At the end of February 1975 food credit stood at Rs 443.19 crores. By the end of February this year it had risen to the high level of Rs 1341.96 crores. The average cost of imported foodgrains is around Rs 1,500 per tonne, and latterly rice stocks, which are costlier than wheat, have been mainly responsible for the bulge in stocks. By May 7, 1976 the credit had risen to Rs 1669.68 crores.

bank assistance

The banking system has been obliged to assist the Food Corporation and other agencies with over Rs 1200 crores in fourteen months in order to finance imported and indigenously procured foodgrains. With continuing imports and vigorous procurement, it may not be a surprise if buffer stocks rise to even 18 million tonnes at some stage. There may not be any net big decline in August/October as the procurement of wheat and rice may have to be continued, even after July. By October this year net buffer stocks may be around 17 million tonnes and if the Green Revolution in rice repeats itself in 1976-77 a peak of 20 million tonnes may be reached by March next year.

The storage problem has therefore to be carefully studied and the necessary additional space created. It may even be desirable to relax restrictions on movement if the outlook for kharif season turns out to be again promising. Bank finance of Rs 3000 crores may have to be provided for in some contingencies and the continuance of

the present restricted policy of refinance may well result in a denial of credit for other sectors if the refinance facilities are not suitably liberalised or it is not decided that the government would not hold buffer stocks beyond a net level of 15 million tonnes.

The developments in 1976-77 agricultural season should enable the government to take a definite view in regard to the role of imports in meeting the requirements of the population. With stocks likely to be around 17 million tonnes by October, an embarrassing situation may arise if the output of kharif and rabi crops is even lower at 112 million tonnes. The level of consumption on an optimistic basis will be only 111 million tonnes. As there has been considerable restocking in all regions and consumers will be buying only their immediate requirements, consumption may not be more than 110 million tonnes throwing up a surplus of two million tonnes. Thus, with buffer stocks of 17 million tonnes

any situation can be managed and imports should be completely suspended after the existing contracts have been completed.

The strategy should now be to prevent a decline in production to below 112 million tonnes and as stated earlier plan for annual increase in production of three million tonnes. If the yield of wheat per hectare in the eastern region can be increased and the output of rice is raised steadily as a result of the recent breakthrough, the objective of achieving self-sufficiency even with rising consumption can be easily realised. The output of coarse cereals too can be very much more than what it has been so far if scientific farming practices in unirrigated areas are adopted and there is massive tapping of underground water resources. The horizon on the food front is bright and the deficit in foreign trade can be nearly wiped out if the lessons of the current agricultural season are properly understood.

The lessons of bumper harvests

THE FOOD situation in the country since 1970-71, when the last bumper harvest of 108.42 million tonnes was realised, had been confusing and it was not possible until recently to assess precisely as to what was the requirement of a growing population and how the estimates of future needs should be framed having regard to a possible increase in individual intake with improvement in standard of living. With a comfortable position arising out of the output of foodgrains in 1970-71 and sizable imports, buffer stocks rose at one stage to nine million tonnes. However, the setback suffered in the 1972-73 agricultural season, coinciding with the decision to suspend imports of foodgrains on a concessional basis, had a queering effect and heavy sales had to be made out of buffer stocks. On some occasion, the fair price shops could not meet the demands of card-holders and the government had to decide on a resumption of imports by effecting sizable commercial purchases involving huge expenditure in foreign exchange.

The aggregate imports in three years ended December 1975 were quite high

at 15.86 million tonnes while internal production including rabi crops of the 1975-76 agricultural season is estimated at 321.72 million tonnes. The buffer stocks are now around 12 million tonnes and can be expected to rise to 16 million tonnes by the end of July this year. As these stocks have risen from a low point of around two million tonnes after the drop in production in the 1972-73 agricultural season, it is reasonable to presume that imports have been largely utilised for maintaining buffer stocks over a period and it is possible to conclude that the government will be successful in its efforts to fight inflation and provide supplies required by the public distribution system from internal sources, if output can be maintained at 108 million tonnes.

The average of production for three agricultural seasons 1973-76, was of course exaggerated by the unprecedented increase in output to 116 million tonnes in 1975-76. The question now is what should be the basis for planning in the coming years and how earlier mistakes can be avoided, and the drain of foreign exchange on imports

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

Nuclear cooperation • Workers' sector in industry • Credit needs assessment • Steel output expectations

THE REGRET of the government of India over the unilateral decision of Canada to stop nuclear cooperation despite the nearly two-year protracted negotiations, which culminated in a settlement in March last, will be shared widely—not only here but also in the developing world. Canada suspended all assistance and cooperation in this field after the explosion of a nuclear device by us in the Pokharan range on May 18, 1974. Presumably, all its apprehensions about the use of nuclear power by us were allayed during the above negotiations. Otherwise, there could not be any justification for reaching a settlement and preparation of a draft agreement envisaging restoration of the nuclear relations between the two countries to the traditional level. What remained to be done was the formal approval of this agreement by the two countries.

renouncing explosions

The reason for the abrogation by Canada of the above settlement is stated to be that it can have nuclear cooperation only with countries which have renounced the use of Canadian-supplied materials, equipment and technology for nuclear explosions; further cooperation with India will have to be compatible with this policy. This implies that no country can seek Canadian cooperation even for widening the uses of nuclear energy for peaceful purposes unless and until its plans are acceptable to Canada.

The timing of the Canadian decision appears to be very significant. Perhaps it has to do something with the

hardened attitude of the developed nations towards the developing world an eloquent testimony of which is available from the deliberations of UNCTAD-IV. Reports from Nairobi suggest that the developed nations are more concerned about their own welfare and are prepared to assist the developing countries only to the extent their assistance does not affect the lead they enjoy not only in the political but also the economic field.

With the unilateral abrogation by Canada of its nuclear cooperation with us, we will have to progress on the nuclear front primarily on our own. Some assistance might be available from France as has been the case in the last two years. This is bound to delay our plans for harnessing nuclear energy for the many peaceful uses in view. This sacrifice will have to be endured in the interest of self-reliance. There can be no denying the fact that we have built up considerable competence in the nuclear field. Further progress is not beyond the capabilities of our scientists and technicians.

The minister for Finance, Mr C. Subramaniam, revealed in the Lok Sabha last week, during the debate on the bill seeking to amend the Additional Emoluments (Compulsory Deposit) Act, 1974, that his ministry was toying with the idea of utilising the nearly Rs 1,000 crores impounded dearness allowance for creating a workers' sector in our industrial economy—the fifth sector after the establishment of the private, public, joint and cooperative sectors. He

thought that this would add a new dimension to workers' participation in industrial units.

Ostensibly, the proposal appears to be quite attractive for it can yield wholesome results in augmenting resources for industrial growth. A major point that, however, needs to be considered in this connection is the vitiation of the climate for investment in equities which has been brought about by the dear money policy currently being followed by the government. The yield norms on investment in both industry and trade undoubtedly will have to be revised upwards if these investments are to be made attractive enough vis-a-vis the interest rates on term deposits with banks. The present norms of profitability in industry apparently are not conducive to investment in equities, although there is a school of thought in the official quarters that this investment has remained at a low ebb in the recent past primarily because of other considerations.

the correlation

There can be no denying the fact that the capital market, which witnessed boom years towards the close of the 1950s and in the beginning of the 1960s, has not been able to regain buoyancy for over a decade now. This surely cannot be attributed to the so-called "unfair" practices of some entrepreneurs and the alleged "cooking up" of balance-sheets. A correlation between the return on institutional savings and investment in other forms, including equities, has to be there if the savings are to be invested in a broad spectrum of activity. Until and unless some concerted efforts are made to revive the capital market, the Finance minister's proposal may prove to be detrimental to the interests of employees, who might suffer an erosion in their impounded earnings. The experience of the Unit Trust of India during the last two years and the steady increase in the term deposits of banks are sure enough indications

that the yield pattern of equities is not attractive enough.

Incidentally, if the yield norms of industry and trade have to be revised upwards, they can be expected to add to inflationary tendencies. This is a dilemma which the country faces at present. Perhaps a national debate on Mr Subramaniam's proposal will throw up ideas to correct the situation.

Although bank credit for the food sector will have to be increased very significantly this year in view of the encouraging procurement trends, the Reserve Bank of India feels that the industrial sector will not suffer from lack of credit for production. An assessment of the genuine micro as well as macro credit needs of this sector and also of the other sectors of the economy has been undertaken recently. It is expected to be completed soon. The provision of some additional credit to selected industries having high growth potential is not ruled out.

The credit requirements of the food sector are anticipated to be of the order of nearly Rs 2,100 crores. The commercial banks have been asked to provide credit up to Rs 800 crores on their own. Another Rs 600 crores to Rs 800 crores would be provided by the Reserve Bank. The remaining amount will be available by way of central budgetary support.

The deposits with the banking industry are expected to go up this year by about Rs 2,600 crores, as against Rs 2,200 crores last year and Rs 1,600 crores in 1974-75. This growth is expected to go a long way in meeting the credit requirements of the economy. The branch expansion programme is stated to have been helpful in deposit mobilisation, specially in the rural areas.

A committee has been set up by the Department of Banking to consider restructuring of the banking industry. It will also look into the question whether any rationalisation is needed in the branch expansion programme in

the light of the experience of the last five years. The Reserve Bank has asked the various Indian banks to open branches abroad also with a view to facilitating remittances by Indians, the scope for which is understood to be quite large, particularly in the oil-rich west Asian countries.

Another committee has been set up by the Reserve Bank to suggest how transfers of accounts from one bank to another could be facilitated without introducing undue competition among them. The question of improving the operational efficiency of the banking industry has also been looked into recently by still another committee. This report is currently being examined.

The saleable steel output from the six integrated steelworks at Bhilai, Durgapur, Rourkela, Bokaro, Jamshedpur and Burnpur is expected to go up from 5.778 million tonnes in the year just gone by to 6.515 million tonnes during the current financial year, 7.790 million tonnes next year and 8.490 million tonnes in 1978-79—the terminal year of current five-year Plan. The public sector projects at Bhilai, Durgapur, Rourkela and Bokaro are anticipated to yield this year 4.425 million tonnes—887,000 tonnes more than last year—and the Jamshedpur and Burnpur works 2.09 million tonnes, as against about two million tonnes last year. The production from the former four units is expected to go up to 5.52 million tonnes next year and 6.22 million tonnes in 1978-79 and that from the latter two to 2.27 million tonnes in each of the next two years.

The major contribution to the increase in the supply of saleable steel from the six integrated steelworks will be by Bokaro which is expected to yield 0.72 million tonnes this year, as against 0.25 million tonnes last year, and 1.80 million tonnes in 1977-78 and 2.4 million tonnes in 1978-79. The output of the Durgapur project is

expected to go up to 0.9 million tonnes by 1978-79 and that of Rourkela to 1.15 million tonnes. Rourkela may be able to achieve this level of production even next year. The Burnpur works are also anticipated to yield significantly higher outputs during the next two years—around 0.72 million tonnes, as against the target of 0.54 million tonnes this year and the actual production of 0.5 million tonnes last year. No substantial improvement in production is expected at Bhilai and Jamshedpur as these plants are already stated to be running to nearly their full capacities.

Taking into consideration the yield from the electric-arc furnaces, the overall availability of finished mild steel from indigenous sources is expected to be of the order of 9.86 million tonnes by the end of the current Plan period by which time these furnaces will be able to produce about 1.37 million tonnes of rolled products.

The domestic demand for finished steel is expected to grow only to about 7.658 million tonnes by 1978-79. This estimate takes into consideration the past consumption pattern, the present market trends, the anticipated growth of the economy, financial constraints, etc. There is, thus, likely to be a surplus of about 2.2 million tonnes of finished steel by 1978-79 which can be exported to earn valuable exchange. The imports of steel are expected to be marginal, mainly on account of very special grades of steel which are either not economically produced in the country or for which we do not have sufficient technology at present.

Although, the Steel Authority of India is planning its next two years' steel export programme on the above basis, it intends to keep a close watch on the domestic situation, both in regard to demand and production, so that suitable adjustments can be made in the allocations for export in the interest of keeping the supply position in the domestic market reasonably comfortable.

Impressive expansion in northern states

K. R. Puri

This is the text of the address of Mr K. R. Puri, Governor Reserve Bank of India, at the annual general meeting of the Punjab, Haryana and Delhi Chamber of Commerce and Industry held at New Delhi on May 14, 1976. Mr Puri highlighted the progress made by this region in various fields and said that paucity of bank credit would not be allowed to come in the way of productive effort or growth of exports.

THE JURISDICTION of your Chamber encompasses an area in the country which is playing a pivotal role in the economic advancement of our free India. The progress witnessed in this region—as has not been witnessed in other regions—owes a great deal to the height of enlightened entrepreneurship which has become an integral part of the culture of the land and the society here. Each constituent part of the nation possesses some distinguishing characteristics and makes distinct contributions. Therein lies the strength of the Republic. Unity in diversity, not only in social and culture life but also in economic life, is the hall-mark of this nation. It is for this reason that we need to realise the strength and potentiality of individual constituents so that an optimum use of natural, human and capital resources is made possible.

tremendous progress

The country has made tremendous progress both in terms of quantitative growth as well as in terms of structural changes. The output of foodgrains has now touched about 114 million tonnes, against 42 million tonnes in 1950-51 and 89 million tonnes in 1964-65. There have been similar rapid increases in cash crops: from 29 lakh bales in 1950-51 to 70 lakh bales in 1975-76 in raw cotton and from 52 lakh tonnes to

90 lakh tonnes in oilseeds. We have built up capacity to produce 10 million tonnes in steel (against actual output of 6 million tonnes) and of 20 million tonnes in cement (against 16 million tonnes output). During the past one decade, the average growth of exports works out to as much as 14 per cent.

price stability

All of these developments took place in a period of relative price stability except for some years of inflation. The high rate of inflation witnessed during 1973-74 was due to a variety of factors largely out of the reach of human ingenuity. Even here, we have been able to quickly bring the situation under control and, in fact, our performance in inflation control is a world record.

We have now built up a comfortable buffer stock of about 11 million tonnes of foodgrains (which is proposed to be increased to 15 million tonnes) and stocks of several key industrial inputs like steel, non-ferrous metals, cement, coal and many others are satisfactory. The availability of key wage goods has also improved. Power, transport and other infrastructural facilities are in a much better position today.

Many of the alleged hindrances to industrial investment, output and growth are being fast eliminated, cover-

ing policies and procedures relating to industrial licensing, price and distribution, capital issues, export and import trade, etc. There is going to be a substantial step up of over 30 per cent in public investment. Above all, the latest budget has now opened up the vistas of private savings and investment. As a result of the series of incentives provided in the budget, the tax burden of the private corporate sector is estimated to be reduced by as much as Rs 100 crores. These concessions must go to create more of investment, output and employment.

This is an hour of challenge. The people of this area are well-known for their sturdy self-reliance, enterprise and hard work. These qualities have been as evident in times of prosperity as in adversity. The Punjabi spirit has always risen to the occasion, whether in the country's defence or in its economic development. I have no doubt in my mind that the response to the challenges of economic growth with stability will be so fruitful that the nation will stand to gain to an immense extent.

impressive figures

When I looked at some statistics on the states and territories your Chamber represents, I was quite frankly impressed. That the region is in the forefront of economic development is widely known, but the numbers are much more revealing than what is said in general terms. An outstanding characteristic of the states of Haryana and Punjab is that they are agriculturally well advanced. This is made possible,

let us grant, by a determined exploitation of the natural resources.

Being in the plains of northern India, Punjab and Haryana have about 80 per cent of their geographical area under cultivation, whereas the country's average is just 46 per cent. Secondly, the gross area irrigated to gross cropped area formed 43.7 per cent in Haryana and 74.2 per cent in Punjab, while the all-India average was 22.7 per cent (1969-70 data). The land productivity in these two states together is probably the highest in the country. The highest irrigation facility in the Punjab is not only due to well-developed canal system in the state and the Bhakra Dam but also due to the tapping of underground water resources by Persian wheels, now replaced by diesel engines and electrical pumpsets.

green revolution

These modern equipments, along with tractors, agricultural implements and rural electrification employed concurrently with the application of high-yielding varieties of seeds and chemical fertilisers, have brought about a true green revolution and a vast transformation of the rural economy of this part of the country. The yield per hectare in total cereals was 2,063 kilograms in Punjab and 1,345 kilograms in Haryana, whereas the average yield for the country stood at 924 kilograms (triennial average of 1970-71 to 1972-73). It was so even in raw cotton, Punjab and Haryana having generally the highest yield per hectare: 367 kgs and 317 kgs, respectively, as against the average of 129 kgs.

More than the yield per hectare in farm products, it is the total output as well as the marketed surplus generated for feeding the rest of the population that is much more significant. Haryana and Punjab, which have together 4.3 per cent of the country's population and 3.7 per cent of the geographical area, account for 30 per cent of wheat output. In rice, while their share in output is only about 4 per cent, over

one-third of the government procurement is contributed by them; in wheat more than two-thirds of public procurement are contributed by them.

According to the All-India Debt and Investment Survey of 1971-72, the rural households in this region have two to three times the assets of all-India households. The assets of the cultivator households in Punjab (Rs 31,833 per household) are more than four times the all-India average.

In the matter of big industrial projects, some other states are far more advanced. Yet the area is known for a significant growth in the small-scale industrial sector. As a result, the average daily employment of factory workers per thousand total population in Haryana (9.4) and Punjab (8.8) is more than or broadly equal to the all-India average (9.3).

Infrastructure is also fairly well-developed. Industrial consumption of electricity per capita at 86.4 kwh in Punjab and 53.8 kwh in Haryana compares well with the country's average consumption of 55.4 kwh. Total road length per 100 sq km of area is again the highest in Punjab (150.5 kilometres), compared with the average of 39.2 kilometres for all-India; Haryana works out to 29.7 kilometres.

As a result of the agricultural, industrial and infrastructural facilities, the state income *per capita* in Haryana

(Rs 445.0 in 1970-71 at current prices) and Punjab (Rs 472.0) worked out to 27 per cent and 34 per cent more than the all-India figure (Rs 351.8). In terms of net domestic product, their contribution at 7.1 per cent together far exceeded their share in population (4.3 per cent) and geographical area (3.7 per cent).

Though this region, consisting of Punjab, Haryana, Himachal Pradesh, Delhi and Chandigarh, has seen relatively better prosperity, it occurred without much of an unusual role played by financial intermediaries. It could be said as a general proposition that self-finance has played a relatively better role both in industry and agricultural of these areas than those elsewhere. But during the past few years, particularly after the nationalisation of 14 major banks, there has occurred a noticeable change in this respect and banks and financial institutions have increased their assistance rather sizeably.

The share of bank offices in the region has improved; the share in deposits which was relatively high has increased further; and the share in credit which was disproportionately small (except in New Delhi offices of banks) has begun to improve although this is partly due to the sizeable increase in bank credit for financing public food procurement operations. The broad picture is as given in Table I. In

TABLE I
Growth of Bank Offices, Deposits and Credit in Northern India
(Percentages to all-India)

	June 1969			December 1974		
	Bank offices	Deposits	Credit	Bank offices	Deposits	Credit
Haryana	2.0	1.1	0.7	2.3	1.5	1.3
Punjab	4.2	4.4	1.6	5.2	4.6	2.9
Himachal Pradesh	0.5	0.3	0.1	1.0	0.5	0.2
Chandigarh	0.3	0.8	1.8	0.3	0.6	1.4
Delhi	3.3	9.6	8.1	3.0	9.3	6.4

terms of absolute numbers, the picture is as given in Table II.

Based on another set of data on bank offices alone which are available upto December 1975, Punjab has had the largest increase in bank offices, viz. 708, accounting for about 5.9 per cent of the total increase in the country as a whole during 1969-75, Haryana accounted for 317 (2.6 per cent) and Himanchal Pradesh 157 (or 1.3 per cent). Delhi and Chandigarh also witnessed large increases in the number of bank offices.

More importantly, on the lines of the national policy regarding regional diversification in the opening of offices, the distribution of these offices has decidedly moved in favour of rural and semi-urban areas. In Punjab, for instance, rural areas had accounted for about one-third of the bank branches in June 1969; in December 1975, the corresponding proportion was 56.5 per cent. Similar changes took place in Himachal Pradesh and Haryana.

bank operations

Equally impressive are the increases in the number of accounts and amounts of deposits and advances of the scheduled commercial banks in this region. The three states and two union territories of the region together had accounted for 16.2 per cent of the total deposits of the scheduled commercial banks and 12.3 per cent of the advances. In December 1974, these together accounted for 12.2 per cent of the number of accounts and 16.4 per cent under deposits and 4.9 per cent of accounts and 11.3 per cent of amount under advances. Between June 1969 and Decmber 1974, bank credit in these states and union territories increased from Rs 444 crores to Rs 915 crores and deposits from Rs 756 crores to Rs 1,910 crores. In Punjab, credit rose from Rs 58 crores to Rs 307 crores and deposits from Rs 203 crores to Rs 537 crores, in Haryana from Rs 26 crores to Rs 209 crores in credit and

from Rs 53 crores to Rs 164 crores in deposits, and in Himachal Pradesh from Rs 3.8 crores to Rs 15 crores in credit and from Rs 14 crores to Rs 64 crores in deposits.

These changes are better reflected in an improvement in the credit-deposit ratio for the states and territories together. In Punjab, the credit-deposit ratio was as low as 28.6 per cent in June 1969 but it rose to 44.5 per cent in December 1974. In Haryana, it increased from 49.2 per cent to 63.8 per cent. The relative decline in Delhi's credit-deposit ratio is to be explained by the emergence of improved banking facilities in the neighbouring states of Punjab, Haryana and Himachal Pradesh.

For a proper appreciation of the credit-deposit ratio, credit should be worked out on the basis of utilisation in the states or region concerned. That is not all; the amounts of investments made by the scheduled commercial banks in the "other approved" securities in the respective states (state-level securites and securities and bonds of local and state-associated

bodies) have also to be taken into account.

The state-wise credit-deposit ratio (including investments) as at end-December 1974 worked out to 68.5 per cent for Punjab and 145.2 per cent for Haryana; based on sanction, these ratios were lower at 56.0 per cent and 88.0 per cent, respectively. A good part of these utilisations was from credit sanctioned from urban centres like Delhi and Chandigarh where credit plus investment to deposit ratio declined on the basis of utilisation as compared to that on the basis of sanction.

There is also an interesting pattern in the sectoral distribution of credit in these states of the region. For the country as a whole, in December 1974, agricultural and allied activities accounted for 10.2 per cent of the total credit; in Punjab, the corresponding proportion was 13.4 per cent. In fact, it is was higher at 19.4 per cent in December 1972. This decline in the proportionate share of 'agriculture' in Punjab was offset by an increase in that of 'industry' and within

'industry' in that of small-scale industry.

An outstanding aspect of sector-wise bank credit distribution in the region is that, in conformity with the importance of small-scale industry, its share in bank credit is fairly high. In Punjab, for instance, the share of small-scale industry sector in total credit was as high as 24.7 per cent in December 1974, against 12.8 per cent for all-India; in Haryana also, it was high at 19.9 per cent. The dynamic growth of small-scale industries in this region is of tremendous and exemplary significance for the country as it is now well recognised that the network of decentralised small-scale industrial units in the rural and semi-urban areas is a key factor in our strategy on economic development.

Secondly, the share of bank credit for trade in these regions is high, particularly in Punjab, Himachal Pradesh and Delhi because of the high levels of food procurement operations and also because of the Food Corporation of India's centralised borrowing operations in Delhi.

priority sectors

Besides credit to agriculture and small-scale industry, advances to other priority sectors also showed a substantial improvement; these are small road and water transport operators, retail trade, small business, professional and self-employed persons, etc. These together got as much as Rs 32 crores as at the end of March 1975. Even the Differential Interest Rate Scheme has caught on in this region. The state-wise distribution of amounts outstanding under the DIR scheme is as given in Table III.

The all-India term-financing institutions (IDBI, IFCI, ICICI, IRCI, LIC and UTI) have also made a substantial contribution to the development of the region. In 1969-70, they had together sanctioned about Rs 5 crores and disbursed about Rs 4 crores; in 1974-75,

TABLE III

Outstandings Under the Differential Interest Rate Scheme

State	No. of accounts	Amount outstanding as at December 1974 (Rs. lakhs)
Haryana	7,866	55.8
Himachal Pradesh	1,943	11.0
Punjab	13,777	99.0
Delhi	398	3.4

sanctioned amount stood at Rs 38 crores and disbursal at Rs 21 crores. Increases in the disbursements of the respective state financial corporations have also been very impressive.

In sum, a sea-change has taken place in the role of financial institutions in this region. With the great potentiality that exists in agriculture, in industry and in infrastructural facilities, the region has a bright prospect and I am happy to note that the financial institutions have also geared themselves to this task of nation-building in this region. Economic development of this region has been achieved with considerable diffusion of economic power and through decentralisation as is evident from the role of agriculture and

small industry. This subserves the socio-economic objectives. I have no doubt that banks and other financial institutions will assist this process of growth in this region to an even greater extent. In the field of credit policy, while the basic structure of credit discipline will continue and at the same time, it is being ensured that paucity of credit does not hamper genuine productive effort and growth of exports. A ceiling on bank lending rates has been fixed to bring about greater economy and efficiency in the operations of the banking industry. To reiterate, the battle against inflation is a continuing one and it is in this context that a continuous watch over the credit situation is one of the basic corner stones of our policy.

TABLE II
Growth of Bank Offices, Deposits and Credit in Northern India

	(Rs crores)					
	June 1969			December 1974		
	No. of bank offices	Deposits	Credit	No. of bank offices	Deposits	Credit
Haryana	171	53	26	420	172	110
Punjab	345	203	58	930	537	239
Himachal Pradesh	42	14	4	176	64	15
Chandigarh	21	36	65	52	72	113
Delhi	274	449	291	540	1,075	524

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CAPITAL REQUIREMENTS

AMONG THE explanations offered for the low average rate of economic growth in the UK compared with many others in the post-war period, there is one which has had a remarkably long run and wide following: the pattern of investment is held responsible, and in particular the low level of industrial investment.

More recent attention has been focused on the provision of finance for such investment, and the city, including the banking system, has been criticised as an insufficiently effective performer in this task. At the same time the government has considered it necessary to take an increasingly active role in the investment decision process and to become an important source of finance.

This report analyses the factors which

*The stock is measured gross; that is, each new asset entering the stock is assumed to retain its original value (at constant prices) throughout its normal life until at the end it drops out of the stock. An alternative assumption is that the asset loses each year a proportion of its value, related to its normal life, until it drops out of the stock at the end of it. This leads to a measure of the net capital stock. Over the period 1964-73, the growth in the net stock of capital in manufacturing was the same as that of the gross stock; in industrial production it was slightly smaller (3.6 per cent per annum, against 3.7 per cent for the gross stock); and in the economy as a whole rather larger (4.6 per cent per annum, against four per cent for the gross stock).

lie behind the problem of financing industrial investment and discusses the extent to which changes in current practices may or may not be called for.

It is as well to begin with the real dimensions of growth. Output and capital are measured at constant prices; Output is value added, or contribution to the gross domestic product. Capital* is the stock of reproducible physical assets estimated from information about past investment in the various types of these assets and about their normal lives.

capacity utilisation

The constant annual rate changes between the terminal dates of each period, and these dates have been chosen to represent approximately equal degrees of utilisation of capacity; 1974, when the economy had already entered the current recession, is omitted partly for this reason, although figures for it are available, but also because the major upsurge in that year of investment in North Sea Oil, from which no output was expected until later years, would have distorted the comparison of the growth of real output and capital stock for industrial production and the economy as a whole.

Two main points emerge and are particularly relevant to the financing problem.

The first is that in the rate of accu-

mulation of real capital appears to have accelerated sharply. The acceleration is most marked in terms of capital per employee. In 1943-62 capital growth was required partly to equip the growing number of people employed; but in 1964-73 the numbers employed in manufacturing and industrial production fell rapidly and the economy as a whole remained static, while capital accumulation increased. Together with the increase in the rate of growth of capital per employee has gone, an increase in the rate of growth of output per employee, although the latter increase has been rather smaller.

The second point is that, whereas in 1948-62 the growth rate of output per employee and capital per employee were roughly similar, in 1964-73 the growth of capital per employee exceeded that of output per employee. The excess has been particularly marked for the economy as a whole; it is somewhat less so for manufacturing, although there has been a distinct change from a growing to a declining rate of output per unit of capital. 1964-73 has seen a rising capital-output ratio, which may otherwise be described as a falling productivity of capital.

financing problem

These two trends in the real dimensions of the economy's growth create a financing problem. If more is added to capital, as a proportion of the existing stock, while each unit of the existing

stock yields less output, then the current flow of output becomes less adequate to maintain the investment for which real resources are required. But the 'problem of financing' has other ingredients. One is the share of profits in the current value of output; another is the relation between the prices realised per unit, of output sold and the prices payable per unit of capital goods bought; and a third is the scale on which current expenditure on gross investment is required in order to achieve, after allowing for retirement of old existing assets, a given percentage increase in the operating stock of capital.

Together the first two factors, with the real growth rate of the capital stock and the capital-output ratio, these determine the proportion which the current flow of profits will bear to investment spending.

significant trends

The figures regarding the UK machinery industry in the last decade suggest some significant trends which bear upon the financial problem:

(1) The extent to which gross profits "cover" gross investment declined from 2½ times in 1964 to 1.7 times in 1973, slumping to 1.0 times in the post-peak year of 1974. This is the result of the other trends below;

(2) There was a significant decline in the share of profits in value-added, and a corresponding increase in the share of employment income;

(3) The prices of capital goods rose relatively to the (value-added) prices of output, and the trend accelerated rapidly at the end of the period;

(4) A declining proportion of gross investment went to increasing the stock of capital, presumably reflecting an increasing incidence of replacement of some of the shorter-lived assets result-

ing from high levels of investment at the beginning of the period;

(5) The output-capital ratio fell and would probably have fallen more but the fact that;

(6) The growth rate of the capital stock began to dwindle, although, its annual rate was higher than in the earlier post-war period. This dwindling was no doubt in response to the declining profitability of capital and the financing problems reflected in the trend but it also helped somewhat to alleviate those problems.

The trends traced so far point to problems in financing investment in manufacturing. But the problems arise because success in raising the rate of accumulation of real capital per employee has gone with failure to achieve a corresponding rise in output or profits. The increased rate of accumulation (outside as well as inside manufacturing) may itself have contributed to drive up the relative prices of the capital goods supplied to manufacturing.

It is difficult to see in all this any evidence that the financial system has been providing inadequate support for manufacturing investment; but the current flow of profits has, and this suggests that investment has become increasingly dependent upon finance from outside the investing firm.

sources of funds

Data on the sources and uses of funds in manufacturing from the Department of Industry's survey of the published accounts of companies listed on the stock exchange and those not listed, does not reveal any tendency for a decreasing proportion of the funds required to be provided by undistributed profits. But these figures are not compiled on the same basis as those from the social accounts in particular, the published company's accounts do not separate out the ele-

ment of stock appreciation in undistributed profits, which has grown proportionately, and show changes in the book value of assets rather than current investment expenditure.

II USE OF CAPITAL

Some important changes have taken place in the structure of capital funds over the last decade.

One feature is the increasing importance of overseas especially as a source of funds but also as a receiver of them — mainly in the form of investment by overseas companies in the UK subsidiaries and by the UK companies in subsidiaries abroad.

On balance reliance on internal finance from undistributed profits has declined, seen in relation both to fixed capital formation and to all sources of funds. The better to portray the actual cash flows, undistributed profits are shown excluding stock appreciation. From being more than enough to cover fixed capital formation in the first part of the period, they fell below it in the second. Capital transfers increased for a while reflecting the increased importance of investment grants, then fell away as these were replaced by other forms of incentive to investment.

Capital market sources shrunk over the period as a whole, but there was a significant revival of its importance in 1975 which seems likely to continue this year.

Other loans and mortgages, a mixed bag which includes instalment credit and lending by the public sector as well as by financial institutions, has tended to be of lesser importance.

The bank borrowing grew considerably in the last few years, but the impression given by these may be misleading for several

reasons. Between 1971 and 1973 the increase in bank borrowing was accompanied by a rapid build-up of bank deposits held by industrial and commercial companies. At times during 1972 and 1973 interest arbitrage operations may have accounted for a significant element of this, although the effects tended to disappear when distortions in the interest rate pattern which caused them were eliminated. In 1974 the increase in bank borrowing would be smaller if it were possible to identify and exclude that part of it corresponding to the stock appreciation which has been excluded from total sources and uses of funds.

Furthermore, 1975 has seen a falling off in the growth of bank borrowing which reflects partly the funding of advances by the spate of capital issues — a policy which emerged from the desire of businesses to reduce the risks of overdependence on short-term funds rather than from pressure from the banks — but also the improvement in the situation due to the deferment of corporation tax liability on profits arising out of increased stock values and by the minor relaxations of the price code.

lack of finance

The picture which emerges supports much less clearly the propositions that investment in industry is hampered by lack of finance than the proposition that an historically high rate of capital accumulation has been accomplished in the face of considerable changes in the flow of finance from traditional channels, particularly self-finance. It is true, however, that this has led to some strains in the financial system which may have contributed to some falling away in recent years of the rate of capital accumulation itself. If the latter is to be sustained, the question arises whether it does not call for the financial system to be adapted in ways which will enable it to cope more permanently and effec-

tively with the developing demands upon it.

III ROLE OF BANKS

A suggestion which is currently in vogue—partly on the basis of comparisons with other countries—is that a more important role in the provision of funds should be played by long-term debt finance.

This would require some change in attitudes towards "gearing" both by companies raising funds and by institutions and others supplying them.

Gearing has in fact tended to increase since the early sixties; the Department of Industry's survey of listed companies in manufacturing shows long-term loans as a percentage of shareholders' interest rising from under 15 per cent at that time to over 30 per cent in recent years. One important reason for this was the change from the earlier system of company taxation to, Corporation Tax in 1965, since under the latter the cost to the company of a given dividend, in terms of reduced retentions, was effectively increased, whereas the cost of loan finance was unchanged and its relative attraction thereby enhanced.

This trend may also reflect the failure of interest rates to adapt fully to the rate of inflation and the advantage in an inflationary situation of being able to treat debt interest as an expense for tax purposes. There was a time when it was argued that increased gearing would enable the equity to benefit disproportionately from a rising trend of profits, so that the cost of equity finance would be less. The argument turned a blind eye to the converse effect of a failing trend, and has passed out of favour.

To the context of the trends outlined above, it is difficult to see much advantage for the cost or availability of finance of pushing much higher. Even

if the suppliers of capital as a whole could expect a constant rate of return for distribution among them, the increased risk to equity holders would tend to raise the cost of equity finance; and the tendency would be marked and rapid when a number of factors are combined, to drive down the rate of return to capital as a whole.

This must also condition the attitude of the banks towards suggestions that they should advance their role in the provision of longer-term loans for industry. They have, in fact over the years become increasingly sensitive to the specific capital needs of industry, and medium-term lending for periods of up to ten years has increased substantially. Special facilities for term loans have been developed, and lending under sterling facilities made available by Midland Bank, in one form or another, over a term of years now accounts for about one-third of the bank's total advances.

banking prudence

Banking prudence, however, naturally limits the extent to which term lending can be increased.

Another alternative would be for banks to attempt to recruit deposits at long-term so as more nearly to match the term of lending commitments. However, this has not been feasible during a time of rapid inflation. With short-term interest rates rising to historically high levels, the terms on which banks might have been able to attract longer-term deposits would have effectively barred their use for lending out to industry at a rate on which companies could have hoped to make profitable investment.

Traditionally banks have provided funds for working capital, and in so doing have released the internal funds of companies for fixed capital investment purposes. Nevertheless, much overdraft borrowing is "hard-core" borrowing, and in practice the facility—taking the form of a sanctioned

limit renewed at regular intervals—continues to be used for a lengthy period of time as well as for the purchase of fixed assets.

But at the end of the day banks must be particularly concerned with their liquidity, since the bulk of their deposits remain repayable on demand or at short notice. To maintain their ability to discharge this obligation unquestioned it might be necessary, if they were to extend their commitment to longer-term lending to industry, to raise the proportion of their deposits held in short-term assets, such as treasury bills or other mainly public sector debt, so that their overall capacity to lend to industry for all purposes, working capital as well as fixed, might well be impaired.

special facilities

Apart from lending *per se*, the British clearing banks have expanded the provision of special facilities for corporate customers. In some cases these services are being drawn together into a centralised organisation as in Midland Bank's Corporate Finance Division. Merchant banking facilities have been expanded also. Midland Bank has purchased two existing merchant banks, Samuel Montagu and Drayton, in recent years, whilst some other clearing banks have developed merchant bank facilities within the existing organisations. Samuel Montagu provides a broad finance advisory service, including sponsorship of issues of long-term capital, and advice on mergers and reconstructions. Midland Montagu Industrial Finance provides development capital and invests in the equity of private companies with the intention of assisting their growth to public floatation, merger or acquisition within a period of, say, five years. The scope of other corporate services extends from instalment finance, factoring and leasing to insurance, shipping finance, export credits and foreign currency financing.

Furthermore, the London and Scot-

tish clearing banks and the Bank of England are the shareholders in Finance for Industry (FFI) which acts as a holding company for Finance Corporation for Industry (FCI) and Industrial and Commercial Finance Corporation (ICFC). FCI provides both short and long-term finance which cannot normally be raised elsewhere, and ICFC provides finance for small and medium-sized companies, in the form of equity capital, loans repayable over ten to twenty years, or both. In the last accounting year the total commitment by ICFC, FCI and their specialised subsidiaries to industry totalled £248m, equivalent to about a quarter of all new issues made during 1975 by manufacturing industry. The equity base of FFI has been extended recently by £75m and various city institutions have agreed to make provision for it to, borrow up to a total of £1,000m, "to be made available only on a commercially justifiable basis to any company operating in the UK, for the purpose of productive investment in fixed assets in the UK and supporting working capital and for investment in the development of exports". The funding of existing bank facilities is not excluded "where it is desirable to improve the financial structure of the company as a whole".

IV

A BAD SUGGESTION

These developments seek to provide a business intending to embark on an investment programme with a wider variety of choice in financing rather than any softer options. Some recent proposals, however, have appeared to veer in the latter direction. It has been suggested that banks might make medium-term loans to industry at cheap rates on the basis of a government guarantee; or that such loans might be made rediscountable. An "equity bank," with funds of some £500m, has been discussed by leading city investment institutions in conjunction

with the Bank of England. The equity bank would invest funds in industry for at least three to five years, and instead of looking for a return on investments which are fully competitive with that of other competing investments, for example, fixed interest securities or property, would invest in industry at initially something less than a "full" return. The suggestion has been made that these funds might be subscribed on the basis of one-third each by the insurance companies and the pension funds, and the remainder by investment and unit trusts and by Finance for Industry (FFI), which represents the banking sector.

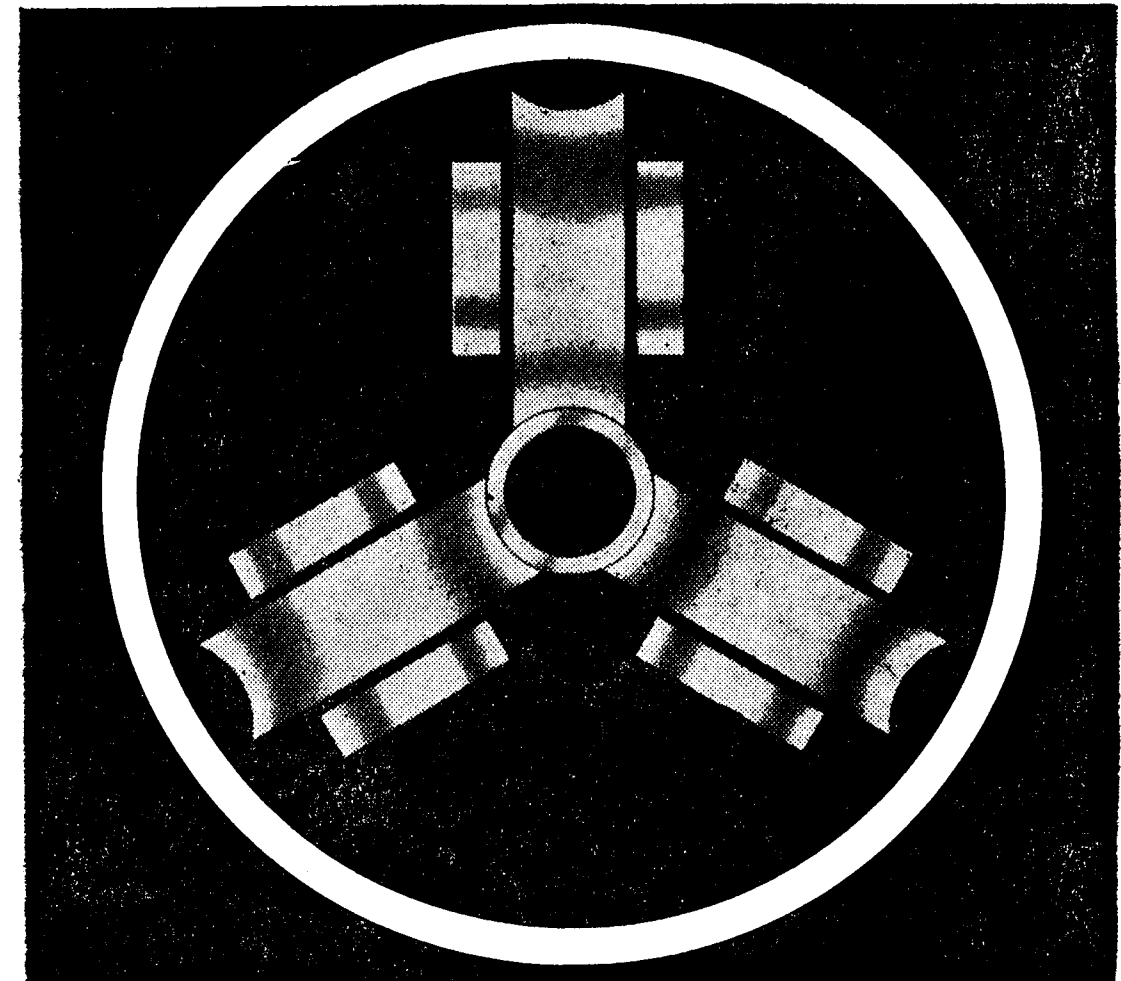
rigorous criteria

While anything which improves the variety of the provision for the financial needs of industry is to the good, proposals such as these seem rooted in the assumption that the criteria by which those needs are tested, by the banks and by the stock market, are too rigorous. It is far from obvious that this is so. In the last decade, the rate of accumulation of capital per head has been lifted, but the rates of increase of productivity and profits have not been lifted in proportion.

For the next decade, at least, the national interest surely requires not merely that the quantum of investment should be sustained but that its effectiveness in adding to national income should be increased. Indeed, our recent experience suggests that the latter aim might well command priority. Its achievement is not likely to be assisted by softening the criteria which investment projects must satisfy.

The need for higher returns from UK investment, is supported by international comparisons. These are often concentrated on gross investment as a proportion of gross domestic product, and on this measure the UK occupies a low position relative to all major competitors except the United States, in which even so gross invest-

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ment per head is about twice the UK level.

The figures are set out in table below. The table also shows (in column 2) the ratio for each country of the increase in GDP between 1964 and 1973 to gross fixed capital formation in that period. Both GDP and capital formation are measured in national currencies at constant (1970) prices.

Column (2) crudely approximates the extent to which the resources put to gross investment yielded returns to the participants in the gross domestic product collectively. The UK, it appears, had not only the lowest-but-one ratio of investment to GDP, but the lowest increment to GDP for the gross investment carried out. (The low figure in West Germany is surprising.)

V

"PROFITS" NO LONGER A "DIRTY WORD"

A welcome recognition of this problem is the recent government White Paper entitled *An Approach to Industrial Strategy* (Cmnd. 6315), which recognises that industrial investment in the past has been too low and poorly chosen, and that an inefficient use of capital has resulted in a relatively poor return on new investment. Emphasis is placed on the importance of sustaining a "vigorous, alert, responsible and profitable" private sector of industry, and there is concern that industrial profitability has been falling. Reference is made to imperfections in the medium and long-term sections of the capital market; and although the government foresees the National Enterprise Board and FFI providing an important role, it states that the market should also be able to meet the needs of industry.

Some parts of the government's new initiative towards industry are already in operation. In November, 1975, the Industry Act created the National Enterprise Board and instituted Planning Agreements. Planning Agreements

between the government and major companies in some thirty key sectors of manufacturing industry are aimed principally at encouraging harmony with national policy but also to highlight areas of financial need and to increase "industrial democracy". Although not a contract as such, once a plan has been completed any official financial assistance agreed would be maintained in the future. If it became apparent that financial aid would be necessary for the company to comply with the plan, and it could not be supplied through existing channels of official investment incentives, then discretionary finance in the form of loans or grants would be made available through the 1972 Industry Act. The source of finance, however, might be of little real significance to large corporations with which the government would wish to enter into agreements.

The National Enterprise Board (NEB) will not play any role in the new planning system, unless it is involved in providing finance by way of loan or equity capital. NEB's role is envisaged as a promoter of increased industrial investment, expansion and efficiency. It is a state holding company, and is under an obligation to

secure an adequate rate of return on capital employed overall, though the government may lay down different criteria for different assets and activities. Free negotiations can acquire shareholdings in profitable sectors of industry. The board has access to some £700m, and Parliament may increase this to £1,000m. NEB can exercise the full range of selective financial assistance available under the 1972 Industry Act. However, the provision of finance through equity, participation is not seen as the major role which NEB will play; and its power in this respect has been limited.

It would be rash to prejudice the performance of these instruments of the government's "industrial strategy", but the test will be not so much the scale on which they redirect resources into particular areas of the economy as the returns they get out of them in increased output, per unit of labour and capital, of goods which people want to buy. It goes without saying that the private sector is subject to the same test; and the proper function of the variegated financial institutions which populate "the City" is not simply to "meet the needs of industry", but to

Ratio of Increase in GDP to Gross Fixed Capital Formation : 1964-73

	Gross fixed capital formation as % of GDP	Increase in GDP between 1964 and 1973 as % of gross fixed capital formation
	(1)	(2)
Canada	21.8	24.1
USA	17.2	24.1
West Germany	25.9	17.2
Italy	20.6	23.1
Japan	33.5	27.8
France	23.8	23.0
UK	18.0	14.7

Note : Data in national currencies at constant 1970 prices, in percentage.

question, evaluate, order, and possibly reject the needs which industry canvases by the test of the returns that meeting them may yield.

It would be surprising if the system lacked imperfections. Some are the results of government policy, such as the doubling of Stamp Duty in 1974, and the exemption from capital gains tax of gilt-edged securities held for one year or more, whereas no such privilege is accorded to holders of industrial fixed-interest securities. This discrimination reveals the government's concern to ensure that its own financial requirements are met. In this connection a NEDO paper has suggested that, in the interest of the supply of long-term finance for industry, the government might restrict itself in the extent to which it issues stock for maturities longer than eight years; but a shortening of the life of the national debt would not promote effective monetary management. The problem lies in the scale of the borrowing requirement itself. Another way in which government policy affects the flow of finance to industry lies through the imperfections of the housing market. The stranglehold of rent and planning of controls which discourage full utilisation of the existing stock of houses inflates the demand for new ones and the flow of savings into financing them.

short-term view

It is often said that the capital market works imperfectly in that it takes too short-term a view of the profitability prospects of firms seeking new finance. This is usually asserted with more energy than evidence, but in any case the timing of the future cash flows from a project cannot be regarded as irrelevant to its value. (One sometimes suspects it may be a case of: "my project has long-term benefits; your project is pie-in-the-sky".)

A sounder criticism, perhaps, is that the changeable moods of the stock market cause fluctuations in share

prices which are wider than changes in the objective underlying circumstances may warrant, and that a steady flow of long-term finance through new issues is thereby inhibited. Here the banks play a shock-absorbing role, as they did once again in 1974, carrying firms over until the time is ripe to rebalance their capital structure. Nevertheless, it is here that the Equity Bank or such like institutions may be able to make an additional contribution, it should be made to reduce short run fluctuations in the flow of long-term finance rather than to soften in the long run the average terms on which it can be obtained.

not absolute

Investment in physical assets is not an absolute good. Except in conditions of substantial unemployment like the present, which we must not expect to be typical of the longer term, investment (like public expenditure on goods and services) claims real resources which could be used for current consumption.

Note that the recent White Paper on Public Expenditure to 1979-80 calculates that, even on the assumption that the growth of public expenditure is severely restricted, the room left for growth of privately-financed consumption will be small; and this is not simply due to the need to divert resources into rectifying the balance of payments, but

also to the scale of investment which is called for by present norms of capital input required to produce a unit of output.

potential providers

The question whether the returns from the postponement of consumption are up to some minimum standard is one which the potential providers of funds, when they ask it in their own interest, are also asking as proxies for the wider interest. Two hundred years after the publication of Adam Smith's *The Wealth of Nations* it has to be recognised that there are cases in which the prospective profitability of an investment understates the social benefits obtainable from it; and if governments have the skills to identify such discrepancies they can act to correct them where they occur in particular cases.

But a general relaxation of the normal tests is unlikely to make for the more efficient selection required to improve the returns on the resources committed to investment. The time may have come to assert the priority of this objective, and the positive part which our financial institutions play in it.

Sources and acknowledgments :

The foregoing is summarised from the latest issue of the Midland Bank Review (Poultry, London EC 2 P:2BX) but the bank is responsible neither for the wording of my summary nor for my interspersed comments.

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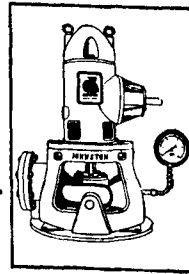
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Jakarta—Urban Development and Employment: S.V. Sethuraman; International Labour Office, Geneva, Pp 154; Price 22.50 Swiss francs.

Business, Economics and Planning: Edited by P.K. Ghosh; V.S. Minocha, D.B. Gupta; Kalyani Publishers, Delhi; Pp 322; Price Rs 45.

THE DYNAMICS of India's population growth would mean that the number of people in India will almost certainly double within the next thirty to forty years, however vigorously and efficiently the family planning programme is pursued in the country. Such a super-exponential growth of India's population will mean that by about the year 2000 "a second India will be added to that which now exists". This would pose a challenge for the Indian nation, namely how to secure "meaningful and productive lives for more than hundred crores of people".

Second India Studies—Water examines the dimension of this challenge and makes an attempt to identify alternative courses of action open for the country. The series includes sectoral studies of the nation. This book by M.C. Chaturvedi, one of the second India studies, aims at analysing and quantifying in the context of a super exponential growth of her population, the supply potential of water in relation to the anticipated demand for it and has shown that revolutionary steps will have to be taken to prevent

a serious crisis on the water front. Since water is such a vital ingredient for the all round progress of India, it would be instructive to know what the author has to say on this vital question.

Excepting air, nothing is more vital for plant, animal and human life than water. The uses of water in a human life are varied. It is essential for myriads of activities in which man is getting increasingly involved. Agriculture requires vast amount of water. Irrigation for example, takes 500 kg of water, to produce one kilogram of wheat. The industrial thirst is equally acute. For example, each kilogram of steel and synthetic fibre require as much as 250 kg and 20,000 kg of water respectively. Again water is an important source of energy and provides important means of inland transportation. Water is essential not only for the sustenance of human life and activities but for quality of life as well.

Man has realised the importance of water from the dawn of history. Civilizations grew around water, flowered and withered depending on people's capacity to use water resources intelligently.

Since second India will be added to

the existing one within thirty to forty years, the problem of water resource for India's future appears very formidable. There is an urgent need for rapid economic growth, and for increase in food and energy production in view of the present low levels of their availability and increasing demands of an exploding population.

Water is the most crucial resource that must be developed to meet these demands. And yet with about 50 per cent of the available water resource already committed by 1973-74, it has been possible to support irrigated agriculture only on about 26 per cent of the land and barely provide tolerable drinking water facilities to about 10 per cent of the population. "Diversion and damming of rivers have rendered long stretches of natural flowing river-stretches waterless, denying even normal water availability to population centres which had grown around them and waterlogging large areas elsewhere".

wider dimensions

The author has emphasised that to banish poverty, water resource will have to be developed at a faster pace to meet the challenges of the second India and if India is not to get caught "in the historic trap of depletion of water resources, pollution and environmental degradation consequent upon increasing water use, urbanisation, industrialisation and modernisation of agriculture through insensitivity to the wider dimensions of the problem."

The issues involved are: What is the position regarding availability of water? What will be the magnitude of water demand in future? How can the

demands be met? What will be the management problems? And what policies and programmes should be undertaken to resolve these problems? According to the author, India is well endowed with water resources (average precipitation being 119cm as compared to the world average of 99cm). But there are spatial and temperal variations in most parts of the country which can easily be 30 per cent above or below the mean. There are even greater monthly variations.

present commitments

The development of water resource is important in any society, but more so in India in view of arid monsoon climate and predominantly agrarian economy. With the present commitment of 50 per cent of the utilisable water resource currently estimated at 92.70 mhm, it has been possible to provide irrigational facilities to only about 26 per cent of the sown land, water supply at the barest level to about 5 per cent of the villages and water supply with water-borne sanitation to only about 30 per cent of urban population.

Future developments will make very heavy demands on India's capabilities and water resource. With the present trend of development, the utilisable water resource would have been completely withdrawn as early as 1990, creating serious scarcity leading to unimaginable difficulties. Free flowing rivers will become unknown. The return flows seriously polluted by domestic use, industry and agriculture would have increased several times producing a stinking and degraded environment which would be a serious health hazard. Even then, only about 70 per cent of the villages in India will have been served with organised water supply and only about 50 per cent of urban population can be supplied with water-borne sanitation.

Agriculture will continue to remain the primary user accounting for about 89 per cent of water-use,

but only about 50 per cent of the sown area would be marginally irrigated even with complete utilisation of India's total water potential. Besides the strain on water resource, the strain on organisation and needed financial commitment would be gigantic. All this means that the serious predicament that awaits us can be avoided only if "there is revolution in our concepts, organisation and capability, and immediate action is taken to meet the critical situation ahead."

According to the author, water must be treated as a national resource. Water resource development must be looked into in its totality, instead of "the present fractured single-discipline bureaucratic approach." Suitable legislation must be enacted for the purpose. A unified organisation has to be developed at the centre and in the states for the totality of development, management and utilisation. According to the author, development must be planned in terms of viable planning regions such as river basins which should be linked to a national plan over space and time.

organic link

The water resource planning must be organically linked with the total socio-economic planning. Comprehensive long-range water plans using the systems approach aided by computer-aided mathematical models should be mandatory. Individual projects should be identified in capacity, scope and timing and should be duly meshed and orchestrated with regional plans. Detailed design and construction plans should be developed far ahead of time. According to the author, the present technological and managerial capabilities are thoroughly inadequate for the task. Capabilities must be updated in all facets of engineering—planning, design, construction, management, research and education. Planning has to be both macro-comprehensive planning utilising the latest computer-oriented systems approach and micro-

comprehensive planning up to unit farm and individual level.

Emphasis must be laid on conservation of available stock of water and new ways must be developed for augmentation of water resource. Even more urgent than development is management and utilisation. "The old and continuing bureaucratic-colonial concept of maintenance has to be replaced by management of water and related land resources for optimal economic and social welfare and environmental preservation and improvement." Utilisation of water by individuals has a key role to play. Through proper education and extension service and non-formal education, agriculturists must be taught to use water more effectively and productively than at present.

One hardly realises the terrifying dimensions of the water problem before India until one reads this excellent book by M.C. Chaturvedi. Unless something drastic is done on lines suggested by the author, a major catastrophe is bound to overtake India by the beginning of the next century. It is hoped that this book would motivate India's policy and decision-makers to act now to meet the challenge which awaits us by the turn of the present century.

WORKER EDUCATION

The monograph *Workers' Education in India and Abroad*, makes an attempt to trace the history and development of workers' education under the government-sponsored scheme in India, to note its salient features and to assess its impact in relation to its underlying objectives. The value of education as an instrument to secure the intellectual and moral development of individuals has been stressed by all. This emphasis on education has stemmed from the realisation that education by promoting right intellectual attitudes in individuals would help to cure social ills and establish social order based on coope-

ration, harmony, social justice and peace.

The rapid progress in technology during the 19th century has only enhanced the importance of education because of increased demand for a variety of skills and expertise necessitated by industrialisation. This emphasis on education has been further strengthened by widespread influence and acceptance of the ideals of democracy.

ideal instrument

Naturally with the spread of modern industrialisation the education of the working class has assumed considerable importance in India in view of their rural background and cultural backwardness. Education is considered an ideal instrument to equip the workers with the requisite skills and knowledge to work on the highly complex and sophisticated machines and to imbibe the values of and discipline of the new industrial culture. Naturally this growing awareness about the value of education has created considerable demand for further education among the working classes everywhere. Initially this demand received different responses in different countries. The first attempts in most of the countries did not fully meet requirements of workers and trade unions. Gradually therefore improvement is being brought about in the sphere of workers' education.

The movement of workers' education in the UK was placed on a lasting footing with the establishment of the Workers' Educational Association (WEA) in 1901 which devised and organised special courses for workers and also brought in university and other educational institutions in the conduct of workers' education. The valuable work rendered by this association led to the constitution of similar associations on the continent during the inter-war period.

The formation of these associations and the active interest taken by

the International Federation of Trade Unions helped to define more sharply the scope and role of workers' education. But workers' education acquired the character of world movement only after the second world war thanks to the establishment of the International Federation of Workers' Education Association in 1947 and the active support of the ILO. At present, the promotion of workers' education has become an essential plank in an effort designed to promote orderly and peaceful industrial relations and in promoting a sense of partnership between industry and labour.

Recognising its importance, the government of India has also introduced the programme of workers' education since 1958 in cooperation with the organisations of employers and workers. As regards workers' education in India, the monograph has made some very valuable suggestions. There is the suggestion that in view of the goals of removal of poverty and realisation of self-reliance, the pace of training of workers under the present scheme should be accelerated.

great need

As the fifth Plan places heavy emphasis on promotion of labour-intensive techniques to increase employment, there is all the greater need for promoting workers' education in India. This naturally calls for sustained education of workers in the kind of commitment and discipline needed for the execution of planning. The need for such training assumes even greater urgency in view of the likely rise in labour force engaged in various segments of the organised sector of the Indian economy.

The authors of the monograph have urged that the scheme for workers' education in India needs to be given higher priority than hitherto in the allocation of resources in the central budget. Further, in as much as workers' education is a post-literacy programme, it is necessary that efforts be

made by the state to remove illiteracy among workers. In fact, the National Commission on Labour has also urged the government to undertake an extensive programme among workers for the purpose.

The rapid progress of industrialisation which has been envisaged in the fifth Plan provides both a challenge and an opportunity for workers' education scheme to realise its underlying objectives. Its success in realising these objectives will depend, in part, on the urgency with which action is taken to improve the coverage and impact of the programme, but in the main, on how workers and employers react to it. This naturally underlines the need for sustained propagation of the importance and value of workers' education among both workers and employers.

As the monograph rightly stresses "In the mixed economy model which this country has adopted for its social and economic development, it is essential for the parties to foster a measure of cooperation, tolerance and discipline which are a precondition to carry out the task of national reconstruction as visualised under the Plans." Workers' education scheme, as the monograph has rightly emphasised, will have to shoulder the major burden of bringing about this realisation.

GIGANTIC PROBLEM

At present in spite of the immense efforts that have been made both at the national and at the international level, a significant portion of mankind continues to eke out an existence in the most abject conditions of material deprivation. In the world, more than 700 million people live in acute poverty; at least 460 million people are estimated to suffer from a severe degree of protein-energy malnutrition. Scores of millions live constantly under a threat of starvation. Countless millions suffer from debilitating diseases of various sorts and lack access to

basic medical services. The squalor on urban slums is too well-known. The number of illiterate adults was estimated at 760 million in 1970. The tragic waste of human resource in the third world is symbolised by nearly 300 million persons unemployed and under-employed in the mid-1970s.

It is well-known that the fight against unemployment and poverty has been the main concern of the ILO throughout its more than 50 years of existence. The World Employment Conference was held under the auspices of ILO and *Employment Growth and Basic Needs: A One-World Problem* contains the report of that conference.

A number of issues were raised at the conference. The key policy issues were as follows. Even on the assumption that changes are made in international trade and other aspects of economic relations between different states to support national development efforts, this report stresses that "nearly all developing countries will need to undertake a thorough reappraisal of their economic and social development policies in order to satisfy the basic needs of the poorest members of their population." In essence this approach implies that "developing countries will need to set targets not only for increased output but also for increased consumption by the very poor, and to adjust their development policies and strategies accordingly."

minimum needs

While the basic needs will vary from country to country, it is considered desirable to establish a minimum level of basic needs as targets to be achieved by the world community within the next generation. This level might be embodied in internationally agreed policies. ILO may revise its standards on that basis.

The report stresses that one major element in the reorientation of development policies to meet basic needs is to increase the productive income-earning opportunities of the working

poor by means of significant redirection of investments. This would imply that throughout the next 25 years or so, as growth proceeds, the resources becoming available for investment are more effectively channelled to meet the needs of the working poor, enabling them to secure employment and increased productivity and hence their incomes. The report also emphasises that it may be necessary to go beyond the 'incremental approach' of redistributing additions to a country's resources resulting from economic growth, and "to redistribute also some of the present 'initial' incomes so that basic needs of the poor can be met earlier.

balanced approach

The report also suggests that in addition to the above redistributive policy, other policies in various fields including incomes and price policies, role of the public sector, choice of production techniques and population policies will have to be devised and adopted to solve the problem of the vast majority in the world. The report has also emphasised that if a basic-needs strategy is to be adopted, this will require a more balanced combination of a labour or employment-intensive growth-path with the adoption of capital-intensive technologies in only certain selected sectors of the economy. Considerable amount of research will have to go into this field before we arrive at techniques suitable to the different circumstances of different developing countries.

In the early years of international co-operation for development, it was assumed that widespread poverty and employment problems in developing countries would be rapidly overcome by measures to accelerate economic growth. This was the thesis of the first development decade in the 1960s. But there was great disappointment on account of the failure to realise the above objective. The development strategy for the second development decade laid emphasis on employment

and this report, as seen above, has tried to analyse this problem on a global scale and suggest measures for its solution.

One wonders whether the strategies suggested in this report are adequate to solve the immense problem of poverty of more than 700 million people mostly living in countries of the third world. The strategy will have to be based on vast transfer of resources from the developed to developing countries in the shape of better terms of trade for commodities exported by the developing countries to developed countries. If technological progress and more production in developing countries is simply going to mean still better terms of trade for developed countries, it is the people in developed countries who would benefit in the form of rising profits and wages from any progress in developing countries and not the people from these developing countries. The strategies suggested are therefore clearly inadequate and would not be sufficient to solve the problem of poverty in the face of developed countries ganging up against the developing countries.

REGIONAL DISPARITIES

One of the most important objectives of the fifth five-year Plan is to raise the levels of living of the lowest 30 per cent of India's population. In view of the fact that majority of this segment of India's population lives in relatively under developed regions, accelerated development of these regions and the consequent reduction of regional disparities have been receiving maximum attention in the formulation of development plans. But it has been realised that the problem of development of backward regions in a state is a very complex problem, difficulties being experienced even in the identification of such regions. The paucity of relevant data and the conceptual and methodological inadequacies make the problem of planning and

resource allocation for the development of the backward regions very difficult.

One important step taken towards the successful tackling of the problem of backward regions relates to the formulation of district plans in the states on the basis of selective and integrated strategies. The states are asked to give priority in this matter to underdeveloped regions on the basis of criteria appropriate to the psycho-geographical and socio-economic characteristics of each state. Efforts are also being made to prepare tribal sub-plans and to adopt location specific minimum needs programmes.

socio-economic indicators

The *Regional Imbalances in Maharashtra* is based primarily on the data regarding 36 socio-economic indicators such as total population, urban and rural population in a region, geographical area, cropped area, net sown area, irrigational potential, output of different agricultural produce, levels of education, hospital beds, radio licences, banking offices, road length, agricultural pumps, factory employment, bank advances to co-operative societies and so on and so forth. The data is presented for the decade 1961 to 1971. The state level values of these 26 relative indicators are used as norms. Administrative divisions are considered as regions. Equality between the regional level value of a relative indicator and state level value of the same indicator is defined as 'a state of balance' and inequality between the two as 'a state of imbalance'.

This study has indicated that though there has been some reduction in disparities among the regions in Maharashtra in respect of majority of indicators referred to above during the decade 1961-71, the rate of reduction of disparities is very slow and far from being satisfactory. The study therefore has emphasised that it is absolutely necessary to devise effective steps to

accelerate the tempo of balanced economic development of Maharashtra.

The authors of the monograph are of the opinion that in devising developmental strategies with a view to reducing disparities, constructive use should be made of the classification of development outlay and normal outlay. Development outlays should be confined as far as possible to those sectors and regions where the balance ratios are unfavourable indicating the relative underdevelopment of the concerned region in respect of those sectors. Purpose-oriented classification of underdevelopment based on objective criteria like those of balance ratio is operationally more meaningful than the usual general classification of underdevelopment with respect to regions.

central control

Those aspects of the regional economies where the need for balance is deemed crucial should be under the central control either at the state level or at the national level. Priorities in respect of these aspects should be based on uniform criteria in all regions and should aim at regional balance. In providing development outlays, different unit costs of development in different regions should be fully taken into account to ensure material balances rather than financial balances. Further, given an average growth rate for the state of Maharashtra, different growth rates for different regions in the state should be calculated with a view to reducing the existing imbalances.

It is found that the index of regional imbalance in Maharashtra as compared to the country as a whole has gone up. This has been largely due to the most unsatisfactory performance in the agricultural sector and in providing infrastructure facilities for industrial development in backward regions in the state. The monograph therefore has emphasised that the performance of the state in all sectors vis-a-vis the country should be continually reviewed

and effective strategies devised in the light of the same for ensuring rapid economic development and adequate regional balance. The authors have emphasised that the institutional machinery relating to agricultural development in the state should be revamped.

farm credit

The end-use of agricultural credit should be effectively supervised and adequate incentives be provided to raise agricultural productivity. Every effort should be made to ensure full utilisation of available irrigation facilities and concerted efforts should be made towards full utilisation of all the irrigational potential in the state. The state is very backward in respect of road development. The development of roads should therefore be given high priority. The employment guarantee scheme should in particular be oriented towards accelerating surface roads and development efforts in backward regions. Further, there is urgent necessity of providing increasing banking facilities and finance in underdeveloped regions in Maharashtra.

The coefficients of localisation in respect of most of the industries in Maharashtra are quite low indicating their high propensity for dispersal. With well-thought out and effective measure, it should be possible to ensure dispersal of industries at an adequate level within a reasonably short period. A long-term scheme of providing adequate facilities, incentives and subsidies in respect of expenditure incurred in shifting of plants and machinery, housing of workers and retrenchment compensation should be evolved in consultation with the leading representatives of the concerned industries for encouraging shifting of industrial units from developed areas to backward regions in the state. Also the government of Maharashtra should identify and develop half-a-dozen growth centres at

places like Nasik, Nagpur, Aurangabad and Kolhapur.

The government should also help to establish at these growth centres large-scale propulsive industries in private or joint sectors with a network of ancillary, supplementary and other interrelated industries. Also the government should select one or two growth centres in each district which would be viable in respect of land, water, communication facilities etc for a population of about three lakhs. As entrepreneur is the architect of development, government should take steps to 'create' entrepreneurs in underdeveloped areas by establishing suitable institutions to train them.

The monograph has also made a very important suggestion that data gaps in the state economy should be quickly removed with a view to facilitating policy formulation. Disaggregated data up to at least the district level is necessary for facilitating framing of development plans and strategies at the district level.

universal application

The problem of regional imbalances is not confined to the state of Maharashtra, for there are even greater regional disparities in some other states like UP in India. This study therefore should be of relevance to other states also where such studies should be undertaken and policies framed and executed for removing regional imbalances.

India is a vast country marked by heterogeneity in practically every feature, be it geographical or socio-economic. And yet high level aggregation is a prominent feature of many of our economic studies which under the circumstances becomes rather misleading. The monograph therefore has rightly emphasised that it is necessary to carry on the process of disaggregation as far as possible. This will help fulfilment of the first requirement of policy-formulation for removing regional disparities. This

monograph has provided an excellent model for locating underdeveloped regions in a state and evolving suitable policies for removing regional disparities which, if allowed to persist, carry dangerous social and political implications.

URBAN PROBLEMS

Jakarta—Urban Development and Employment by S. V. Sethuraman deals with the causes and effects of urbanisation in Jakarta.

Jakarta, the largest city on the most densely populated island of the Indonesian archipelago, offers one of the world's more striking examples of the problems raised in the developing world by rapid urbanisation. Even a conservative estimate of income growth in Jakarta in recent years suggests that the regional gross domestic product may have been growing at an annual rate of six to seven per cent. And yet surprisingly the contribution of manufacturing sector to the regional income is quite small when compared with say, that in Calcutta, while agriculture occupies a significant position in terms of both income and employment generation. In fact, surprisingly the manufacturing sector performed so poorly in 1960s that employment in that sector in Jakarta decreased by about 25 per cent from its 1961 level. In contrast, trade and services sectors occupy a dominant position in the regional economy, imports in particular playing a key role.

Besides the impressive income growth originating from the relatively labour-intensive sectors, Jakarta has been fortunate in being able to attract the lion's share of the approved domestic and foreign investment in recent years. It would appear that such investment has made a significant contribution to employment generation. It is therefore reasonable to conclude that the pattern of economic growth in Jakarta has been mainly labour-absorptive in character. The growing importance of tourism and its

related industries together with the composition of investment proposed would appear to promise that labour-intensive pattern of economic growth will continue in Jakarta in the near future as well.

The author has pointed out that in comparison with the performance of private domestic and foreign investment, the role of public investment in Jakarta has been relatively insignificant. Public investment has been only around three per cent of gross domestic product. It is also seen that over three-quarters of the housing units in the city are either temporary or semi-permanent and millions of persons live in the outskirts of the city with the minimum of amenities. This emphasises the need for massive urban development expenditure. The lagging supply of public goods and services essentially reflects the inadequate resources at the disposal of the regional government, despite the fact that public revenues have increased substantially in recent years.

rapid urbanisation

The reasonably good performance of the regional economy would not however lead to any substantial increase in the standard of living of a great majority of people in Jakarta because of rapid urbanisation in that place, the rate of growth of population in Jakarta being practically twice the national population growth rate. Migration has thus played an important part in swaying Jakarta's population. It is typical that Jakarta represents a case of 'urbanisation without industrialisation'.

Jakarta is facing the tremendous problem of unemployment and underemployment especially among the young and uneducated migrants to that place. But outwardly the degree of unemployment appears to be less than what actually it is. This is because of the existence of the urban 'informal sector' consisting of many economic units producing a variety of goods and services, using labour intensive indi-

genous technology with little capital and often with no fixed location for business operations. Almost half of the employed population of over one million are thus engaged in the informal sector, the bulk of them in informal trade and service activities.

dominant position

The informal sector enterprises thus occupy a dominant position within agriculture, construction and transport sectors. The informal sector in Jakarta appears to have played a key role in absorbing migrant labour, although at a wage rate significantly lower than that in the formal sectors of the regional economy. The easy access to jobs in the informal sector enterprises, the migrant's skill constraints, the non-availability of jobs in the formal sectors and government and the inability of migrants to wait for long periods of time for well-paid jobs all seem to have contributed to the swelling size of the informal sector and a relatively lower rate of open unemployment in Jakarta.

As regards the emerging trends, the author thinks that income and employment in Jakarta will continue to grow at an impressive rate as in the past. The manufacturing sector in particular is likely to show better performance in contrast to the situation in the past. It is also likely to generate substantial direct and indirect employment even allowing for its capital-intensity. But it is not clear that trade and service sectors will expand as fast as in the past. The emerging population trends cannot but be a source of concern for the policy-makers. Jakarta may have alone eight million people by 1981, if migration continues at the same rate as in the past. Though the government is taking a number of steps in recent years to improve a number of facilities for people in Jakarta, efforts will have to continue to stimulate greater private investment especially in residential housing.

As regards the future, the author is

of the opinion that it will not be enough if the government takes step to improve housing and employment conditions in Jakarta as such a policy will produce boomrang effect encouraging further in-migration aggravating the concern among policy-makers. It is therefore clear that a host of other policies will be needed, if the aim is to seek a satisfactory and stable solution to the problems of urbanisation and unemployment in Jakarta. Such supplementary policies will have to aim at slowing down, if not arresting, the migration inflow into Jakarta. As noted by the author, "The national government is alive to the prospect of a large Jakarta and accordingly taking major steps to reduce migration through an extensive rural development programme, a programme of regional government (co-operation) and aid to secondary cities and a programme of transmigration from Java to the outer islands."

If would be interesting if some Indian scholars undertook similar studies of Bombay and Calcutta. Problems faced by most cities appear similar and yet there are differences and each city will have to evolve its own policy to solve the problems confronting it.

FITTING COMMEMORATION

The book *Business, Economies and Planning* contains a collection of articles on business, economies and planning in honour of Prof P.K. Ghosh by his students and admirers. In this brief review only a passing reference can be made to some of the outstanding articles.

A.K. Das Gupta's foreword is masterly and its reading would be found most rewarding. Having traced the development of economic theory from the classical school, to the neo-classical school and marginalists and to J.M. Keynes and having also emphasised the fact that economic theory as taught in the Indian universities and as we know is the product of western conditions evolving as it did to help western

people to solve contemporary economic problems faced by people in those countries, the basic question that arises is whether that economic theory has any relevance to underdeveloped countries and if not, whether we should abandon it altogether.

pick and choose

Myrdal, for example, has been harping on this theme ever since he turned his attention to economies of underdeveloped countries. But Myrdal seems to offer little by way of an alternative system. According to Das Gupta though perhaps we need a new system and one day may evolve one, until then we shall have to pick and choose from the existing systems. According to him, "After all, there are elements in existing systems which can very profitably be assimilated into the economies of underdeveloped regions. Smith's productive labour, Ricardo's net revenue, Marx's extended reproduction scheme, Keynes's inflationary gap—these are tools of analysis which, be they of western origin, are of indispensable aid to an understanding of the basic problems of under developed regions. I would have them by all means." He firmly believes that the propositions of economic science that we have learnt and are supposed to teach in our class rooms are not, despite dissenters, altogether purposeless or irrelevant.

Writing on 'Environmental Scanning for Corporate Planning in India', C.D. Wadhava has concluded that "the analysis of external environment is crucial to the process of strategic planning of a large and diversified industrial enterprises in India where the governmental policy is acting as a dominant force in shaping the future of such enterprises with the twin objectives of accelerating the rate of economic growth and reducing the degree of concentration of economic power in the economy." According to the author, the task of environmental

analysis for corporate planning with a horizon of next five years becomes quite difficult in view of frequent changes in governmental policies and regulatory conditions. He therefore opines that it is necessary to formulate an operational framework for environmental analysis for a systematised exercise of strategic planning.

Writing on 'Entrepreneurship in India', R.A. Sharma has pointed out that at the level of small entrepreneurship, the study reveals that the entrepreneurs coming from non-business classes depend to a greater extent on external sources of finances as compared to those who come from business classes. Among external sources the specialised financial and development institutions constitute by far the most important sources of initial finance. These institutions, according to the author, are attracting people to industry from a wider background. The author has found that over a period of time, the extent of institutional assistance has increased in the case of all categories of promoters, but the bill in favour of new entrepreneurs in matters of dispersal as well as extent of financial assistance is very great. The author therefore has concluded on the basis of his study that newly established financial and developmental institutions "have made a significant contribution to the growth of new entrepreneurship".

worker directors

Writing about 'Worker Directors on Company Boards' P.K. Ghosh has remarked that a number of questions arise in regard to worker directors. For example, how should the worker director be identified? By election or nomination? Should those criteria include nominal shareholding as well as minimum educational background? Should the worker directorship be restricted to union members only? If so, should the workers' representative be directly elected by union members or nominated by the union executive?

These and similar questions will have to be satisfactorily answered before the scheme is put into operation. The author is of the opinion that the role of trade unions in this arrangement has to be one of the direct involvement as trade unions have come to stay and cannot be wished away. Indeed collective agreements would be sustained effectively through the continuous interaction between the worker director, members of the union executive and top management personnel.

teaching economics

Prof H.K. Manmohan Singh has written an excellent article on "The Teaching of Economics in Indian Universities". He has shown how most of what is taught to B.A. & M.A. students of the Indian universities based as it is on syllabi adopted in the universities in the UK and the USA has practically become irrelevant, if not thoroughly useless. He wants that the whole system of papers and their content should be overhauled so as to correspond to the Indian environment and serve the needs of the country. In fact the author has given the details of such a scheme in his article. This article should be read by every member of the board of studies in economics in various Indian universities.

It is high time that the syllabi in various papers in economics were redrawn and the waste of time and energy which at present is taking place in learning things (eg. most of the theory of value as taught at present) is immediately stopped. Lipsays' Positive Economic and ACL Days' Outline of Monetary Economics which were found unsuitable for use in the USA find their place in the list of books published by practically every Indian university!

Writing on 'A Level of Living Index for India, D.B. Gupta has concluded that on the basis of composite indices of the levels of living. Tamil Nadu, Maharashtra, Punjab, Kerala and West Bengal were the most prosperous

states during 1955-56, while UP, Bihar, Andhra Pradesh, Madhya Pradesh and Orissa had the lowest levels of living. The author has further opined that while it was heartening to observe some reduction in inter-state disparities in the levels of living, a rather depressing fact which has emerged from the analysis is that even the most prosperous state is nowhere near the 'ideal' state!

Writing on human resources development, O.P. Chopra has opined that increased expenditure on education can achieve high level of human resource development. This means that if rural areas are to be developed and urbanisation is to be discouraged, there should be ample opportunities of education in rural areas.

S. S. Mehta has written an excellent article on 'Possible Forms of Economic Cooperation in Asia'. There can be various forms of economic cooperation among nations of a continent. Such cooperation among nations can take the form of trade agreements, bulk purchases and state trading, regional commodity stabilisation agreements, selective trade liberalisation, free trade area, customs union, common market, sectoral integration, harmonisation of development plans, economic union and so on. According to the author, countries in Asia can immediately start with harmonisation of development plans, selective trade liberalisation and trade-cum-investment programmes.

sub-regional grouping

There is enormous scope and also need for sub-regional groupings in Asia. For example, there are excellent reasons for cooperation among India, Pakistan and Bangladesh. Economic cooperation among them will not only be economically advantageous to all the three, but it will also be the surest guarantee of long-term peace and stability in the sub-continent. The author is firmly of the view that India should not sit pretty but should endeavour to promote regional co-

operation, though there might be setbacks in the initial stages.

The three editors have chosen a good way of paying their respects to

Space and all about it

India in Space: by Mohan Sundara Rajan: Published by Publications Division, Ministry of Information and Broadcasting, Patiala House, New Delhi; Price Rs 5; Pp 92,

Reviewed by **Kevy**

THE FIRST equatorial launch station to receive the sponsorship of the UN is the one at Thumba located near Trivandrum. Thumba has launched sounding rockets (a rocket used for studying the atmosphere is called a sounding rocket) produced by the USA, the UK, the USSR, France, West Germany and Japan. The significance of Thumba is its proximity to the magnetic equator which is not the same as the equator. This has earned Thumba the sponsorship of the UN.

Rocketry calls for the most efficient propellents that can burn even in a vacuum. "The first flight test with Indian made propellant proved a shade better than the French original and the Centaure rocket soared five kilometres higher than expected." That was a solid propellant. As liquid propellants are more efficient and amenable they too have been indigenously made and proved successful.

On May 15, 1973 the first liquid propelled rocket was launched from Sriharikota. Sriharikota is an elliptically shaped island 27 km by 9 km on the eastern coast of India adjoining Nellore district in Andhra Pradesh. The whole island cleared of the original inhabitants is being developed as a full-fledged cosmodrome. The launching of rockets into the Bay of Bengal poses no hazard to human lives. The Thumba launching grounds are surrounded by areas which are heavily populated. Rockets launched over the Bay of Bengal can take advantage of the earth's eastward spin.

Only after mastering rocket techno-

their teacher. While not all articles are of desirable quality and standard, some of them are really good and they enhance the value of this commemorative volume.

logy can the feat of launching a satellite be attempted. The booster rockets have to put the satellite in orbit. Aryabhata our first satellite whose entire designing, fabrication and testing were done by Indians was launched on April 19, 1975 from a Soviet launch pad. Even though our achievement in satellite technology is modest compared to that of the big powers and some western nations, it points to a future of hope. Space technology can be effectively employed in television, communication, meteorology, resources survey and many other areas of economic

Books received

Journey to the Mint Road and Other Essays in Monetary Economics : U. S. Navani; Published by U. S. Navani, 10 Highland Society, Pali Hill Road, Bombay-400050; Pp. 155; Price Rs. 30.

Accounting and Finance for Managers : B.K. Chatterjee; Jaico Publishing House, 121, Mahatma Gandhi Road, Bombay-400 001; Pp. 622; Price Rs. 60.00.

Industrial Purchasing and Materials Management : H. L. Chadha; Jaico Publishing House; Pp. 203; Price Rs. 30.00.

Agricultural Manpower and Economic Development : B.P. Ratnawat; Popular Prakashan, 35-C, Tardeo Road, Bombay-400 034; Pp. 290; Price Rs. 50.00.

India and Its Native Princes : Louis Rousselet; B. R. Publishing Corporation; Pp. 619; Price Rs. 175.

The Economic Life of a Bengal District : J. C. Jack; Agam Prakashan,

activity. It is therefore imperative that India should have her own space technology. Borrowed know-how may not be available to us on time. And even if available it would have to be modified to suit our environment.

India in Space Covers a good deal of interesting facts like the basic problems in space and the manner in which they are solved, the disposition of the atmosphere, and the ionosphere and the achievements of Indian scientists. Though the opening remarks of the first chapter give the promise of a technical subject being made intelligible to the layman the narration soon slips into scientific jargon on many occasions. Discussing propellant blocks the author says: "It can burn like a cigarette from top to bottom, in which case, it is called an end burning propellant. Or it can burn radially through the whole length of it". One is puzzled over the second sentence. However, the book provides instructive reading.

1736, Trinagar, Delhi-110 035; Pp. 158; Price Rs. 40.00.

The Religious Problem in India : Annie Besant; Agam Prakashan; Pp. 120; Price Rs. 15.00.

Dibongiyas : P. C. Saikia; B. R. Publishing Corporation; 461, Vivekanand Nagar, Delhi-110 052; Pp. 109; Price Rs. 35.00.

Naga Polity : M. Horam; B. R. Publishing Corporation; Pp. 161; Price Rs. 50.00.

The Works of Sir William Jones (Vol. I) : Lord Teignmouth; Agam Prakashan; Pp. 409; Price Rs. 125.00.

Financial Institutions of India : Edited by Vadilal Dagli; Vora and Co. Publishers Pvt. Ltd., 3, Round Building, Bombay-400002; Pp. 338; Price Rs. 40.00.

Taxation of Agriculture in India : P. K. Bhargava; Vora and Co. Publishers Pvt. Ltd; Pp. 111; Price Rs. 20.00.

TRADE WINDS

Steel Pipes & Tubes' Diversification

THE GOVERNMENT has been considering the question of extending the facility of diversification to the undertakings engaged in the manufacture of steel pipes and tubes. It has now been decided that undertakings engaged in the manufacture of steel pipes and tubes covered under Schedule Industry 1A(5) may be allowed full freedom for diversification of their production into the manufacture of ERW precision tubes and pipes of larger diameter (upto 10") within the overall licensed capacity of the undertakings. This will be subject to the condition that no import of capital goods will be allowed and that balancing equipment that might be needed for this purpose would be procured indigenously.

All Types

This facility will be available to all types of undertakings. For this purpose, it will not be necessary to go through the usual procedure for industrial approval. The Joint Secretary in the Department of Heavy Industry has been authorised to receive applications for such diversification and to accord neces-

sary approval to such proposals. It is expected that applications for such diversification will be dealt with speedily and that final disposal will be communicated to the party within a period of two months.

In order to ensure fuller utilisation of existing installed capacity, the government has, in past months, taken a number of steps and announced special procedures for according diversification facilities to industrial undertakings engaged in the manufacture of industrial machinery, machine tools, electrical equipment, steel castings, etc.

Panel for Bicycle Industry

The ministry of Industry and Civil Supplies have constituted a Development Panel for bicycle and bicycle components industries to consider and suggest measures that are necessary for further growth of these industries. This step has been taken in view of the importance of the bicycle as a common means of transport and its export potential.

The panel will devote special attention to aspects of technological and material inputs. Reduction in cost of production through

measures like value engineering and standardisation in order to stimulate the demand will also be taken up by the panel. It will recommend special measures for increasing exports of bicycle and bicycle components.

The panel consists of representatives from the bicycle and bicycle components industries, the Trade Development Authority, research institutions, and the concerned government departments.

Ceiling on Joint Property

Urban property held by both the husband and the wife will be clubbed together for the purpose of calculating "vacant land" in excess of the ceiling limit under Section 6 of the Urban Land (Ceiling and Regulation) Act, 1976.

In guidelines sent to state governments, the union ministry of Works and Housing clarified that in case both the husband and the wife held urban property, the urban property held by them should be clubbed together for the purpose of filing a statement of vacant land in excess of the ceiling limit under Section 6 of the Act.

The ministry has clarified that lands on which unauthorised constructions existed would still be deemed to be vacant land under the Act.

The guidelines lay down that in areas where building regulations existed, only land occupied by buildings which had been approved by the appropriate autho-

rity, along with appurtenant land to such building, would be excluded from the definition of "vacant land" under the Act.

The ministry's guideline on the clubbing of the husband and the wife's urban property says. "The definition of family is contained in Section 2(F) of the Act and the definition of "person" is contained in Section 2(1). As the definition of "person" included "family" and as "family" means the individual, the wife or the husband of the individual as the case may be and their unmarried minor children, it is clarified that in case both the husband and the wife held property, the property held by them should be clubbed together for the purpose of filing a statement under Section 6 of the Act".

War Risk Cover for Ships

The government announced on May 18, 1976 a war risks insurance scheme for ships and mechanised sailing vessels. The scheme would come into effect from July 1, 1976. The scheme provides for insurance of marine hulls against war risks by the Indian insurance companies. The cover granted under the policies would be wider than the war risks cover on hulls granted by the insurers in the open market.

The policies would cover loss or damage to the insured ship arising from capture, seizure, arrest, restraint or detention and the consequences of hostilities and warlike operations. It would also cover the loss of damage

caused by civil war, revolution, rebellion, insurrection or civil strife and by mines, torpedoes, bombs, atomic weapons and other engines of war. The insurance would also cover loss caused by strikers, locked out workmen, political or labour disturbances, riot or civil commotion, military or usurped power and malicious damage.

The scheme made it clear the insurance coverage would be provided to a ship continuously kept registered in India and did not engage in any trade or voyage prohibited by the government and was not engaged in carrying contraband, blockade running and smuggling. In case of total loss of the ship, it would be open to the government to withhold 20 per cent of the claim. All premiums would be credited to the war risks (marine hulls) reinsurance fund and the fund would make all payments towards claims or expenses.

The insurance policy would be issued by the companies according to the conditions prescribed by the General Insurance Corporation of India.

Export Complex Near Palam

A Rs 100-crore export-oriented industrial complex is proposed to be set up by the end of this year over 200 hectares near Palam. The complex will be in the private sector and consist of a spinning mill and handloom, powerloom, hosiery, garment fabrication, and dyeing and printing units.

According to Mr

Harbhajan Singh Anand, sponsor of the project, the spinning unit will have a 25,000-spindle capacity and will supply raw materials to the auxiliary industries. Preference will be given to young entrepreneurs and technocrats for setting up these units numbering about 1,000. If 75 to 20 per cent of capital is invested by them, the rest of the finance will be arranged through various financial agencies according to him. The export of the products will be undertaken by the authorities who will run the complex.

Central Data Bank

The computer centre of the Department of Statistics is setting up a central data bank which will integrate information from several sources and undertake processing to suit customers' needs.

It is planning to acquire a large size computer to meet growing requirements of computer time.

The centre has helped introduce computer applications in government organisations. A number of applications, ranging from bulk data processing and information storage and retrieval to financial accounting and management control system, have been computerised.

It is proposed to increase information processing activity in revenue-earning areas, provide a strong information base for planning and development and computerise the entire gamut of statistical information on socio-economic aspects coll-

ected by the National Sample Survey.

UP Reduces Sales Tax

The UP government has reduced the rates of sales tax on certain commodities to provide relief to the trade and industry.

Motor cars and television sets will be taxed at seven per cent instead of 12 per cent at present. Motor trucks and motor buses including their chassis and motor bodies built thereon will be taxed at the rate of nine per cent against 12 per cent, earlier.

Maps, educational charts, instrument boxes, globes, and other educational instruments will now be taxable at three per cent against the old rate of seven per cent.

Tooth pastes and powders, safety razor blades, tooth brushes, torches, torch-cells, torch bulbs, drycell batteries, filaments lighting bulbs, plain glass panes, clinical syringes, thermometers and scientific apparatus and instruments made of glass will now be taxable at the rate of seven per cent. Earlier these items carried a tax of 12 per cent.

RBI to Finance Food Procurement

Financial support needed for current year's food procurement operations, including the building up of a buffer stock of 15 million tonnes of foodgrains, will be of the order of Rs 2,000 crores. There is no provision in the current year's budget for this and the entire finance will have to be provided by the banking sector.

According to Reserve

Bank sources, the commercial banks will be required to provide Rs 800 crores for food procurement from their own resources. The Reserve Bank will refinance two-thirds of the amount provided by the banks above the Rs 800 crores limit.

For providing credit to the industrial sector, the Reserve Bank is presently engaged in drawing up a macro-level credit plan which will be ready in another two months time. Meanwhile individual commercial banks have also been directed by the Reserve Bank to draw up micro-level credit plans to meet the needs of individual industries.

Bihar Plan to Develop Key Industries

The Bihar industries department has set up six high-level working groups to study and suggest future strategy for the development to key industries in the state.

The groups, with the Industrial Development Commissioner as chairman consist of officials of the industry department and men from the concerned industries, will submit their report within three months.

The groups, have been assigned to explore the possibilities and study the problems facing the concerned industries and recommend steps for reforms in the industrial units.

The working groups have been set up for: (a) sugar, (b) cement, (c) chemical and electro chemical industry, (d) metallurgical and electro-metallurgical, (e) paper and (f) mineral and mineral industries.

In the case of the sugar

industry, the working group will also look into the rehabilitation problem of the seven 'sick' factories.

The industries department, in collaboration with the National Productivity Council (NPC), will also carry out a six-month "demand survey" in order to identify the possibilities of new industrial units for 100 commodities which include pharmaceuticals, chemicals, engineering goods and auto ancillaries units.

IBRD Loan for Small Industry

Development of small and medium-scale industries in India will be assisted by a World Bank loan of \$40 million. The Industrial Development Bank of India (IDBI) will channel the proceeds to 18 state financial corporations for re-lending to small and medium-scale industries.

India has placed considerable emphasis on the promotion of small scale industry since the mid-1950s as a means of increasing employment, income distribution and regional development. Until 1973, World Bank financing for industrial investment in India has emphasized medium and large scale units either through direct financing or through the Industrial Credit and Investment Corporation of India. However, in view of the importance of small-scale industry, a new project was developed in 1973. The Bank's affiliate, the International Development Association (IDA),

extended a credit of \$25 million to IDBI for re-lending to small-scale industry. The credit will be fully utilized by June 1976. The new loan will continue the objectives of the credit.

The bank loan of \$40 million will finance the foreign exchange requirements of state financial corporations during the two-year period beginning July 1, 1976. The bank loan to IDBI is with the guarantee of the government of India. It will be repaid over 15 years starting after three years of grace. It will carry interest at the rate of 8½ per cent per annum.

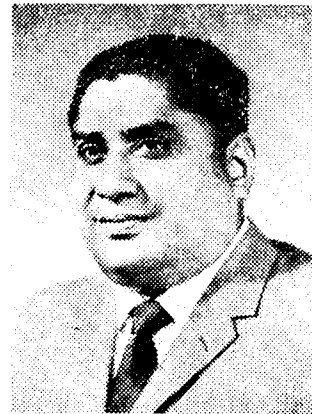
In Brief

The Board of Governors of the Asian Development Bank at its ninth annual meeting in Jakarta approved the request of the government of the Federal Republic of Germany for a special increase in its subscription to the capital stock of the Bank, US \$ 89.11 million. With this increase in its subscription, the total subscription of the government of the Federal Republic of Germany to the capital stock of the Bank would amount to US \$ 191.65 million.

Names in the News

S.P. Mandelia has been unanimously elected as the President of the all India Manufacturers' Organisation for 1976-77. An outstanding figure in the world of industry, Mr Mandelia is the President of the

several divisions of Century Spg. and Mfg. Co. besides being the director and



Mr S.P. Mandelia
advisor of many wellknown industrial concerns,

Mr O.K. Gopalan has been appointed as Chairman/Managing Director of Union Bank of India from May 12, 1976. Started the banking career in Punjab National bank as a clerk in 1945 and after serving 11 years, joined Union Bank

of India as a Senior officer in June 1956, where he held many key positions such as Inspector of Branches, Manager-Delhi Office, P.A. and Executive Assistant to the General Manager/Chairman, Secretary, Assistant General Manager. At the time of his appointment he



Mr O.K. Gopalan
was the Dy. General Manager in charge of the Department of personnel administration-

Balance of Payments				
In 1972-73 India had a very small unfavourable trade gap at \$ 124 million which rose to \$ 1596 million in 1974-75 but declined marginally in 1975-76 to \$1450 million (see Table below). The improvement				
in reserve by \$ 808 million was the most encouraging development in the balance of payments position which was believed to reflect the increased remittances from abroad.				
	(US\$ millions)			
	1972/73	1973/74	1974/75	1975/76
Merchandise exports	2,558	3,239	4,143	4,400
Merchandise imports	-2,682	-3,971	-5,739	-5,850
Trade balance	-124	-732	-1,596	-1,450
Debt service	-682	-692	-779	-785
Gross aid disbursements	955	1,249	1,766	2,210
IMF transactions (net)	-	75	530	205
Miscellaneous capital and invisibles (net)	-115	205	41	628
Use of reserves	-	-	-	-
(- = increase)	-34	-105	38	808

COMPANY AFFAIRS

Hindustan Lever

THE DIRECTORS of Hindustan Lever have reported excellent results for the year ended December 1975. The gross turnover has shown a bumper rise of 40 per cent from Rs 149 crores in 1974 to Rs 206 crores in 1975. Profits before provision rose handsomely from Rs 9.22 crores to Rs 15.07 crores and the net profits after provision and adjustments from Rs 3.63 crores to Rs 4.80 crores, which has been transferred to the general reserve.

In view of increase in turnover and profits the director have recommended an equity dividend of 18 per cent as against 15 per cent in the previous year. The dividend will be paid according to the relevant provisions of Companies (Temporary Restriction on Dividend) Act, with an immediate payment of 96 paise per share followed by two equal instalments of 42 paise per share. The immediate payment and the first instalment totalling Rs 1.38 per share will be payable in July 1976 and the balance in July 1977, making a total dividend of Rs 1.80.

Market Growth

The market for essential commodities, which constitute a significant portion of the companies products

showed continued growth. Significant measures taken by the government, together with a fall in wholesale prices index were instrumental in increasing the gross turnover of the company.

During 1975, the company initiated work on three major expansion and diversification projects. The Ossein project in Maharashtra is in an advance stage and is expected to be commissioned in mid-1976. This will help in increasing companies export turnover. The companies exports rose from Rs. 13.77 crores to Rs 15 crores in 1975.

For this year the directors expect a more rapid growth in their gross turnover, sales and profits.

UCO Bank

United Commercial Bank recorded a steady growth in its operations during 1975. The bank's total deposits at the end of December, 1975 stood at Rs 623.17 crores as against Rs 542.07 crores at the end of 1974. Its total advances, including bills, increased to Rs 423.27 crores from Rs 370.54 crores. The total of investments at Rs 174.68 crores was higher by nearly Rs 25 crores than in 1974. The net profit for the year at Rs 2.05 crores represented an increase of Rs 14 lakhs over

1974. The bank has transferred a sum of Rs 55 lakhs to its reserve fund taking it to Rs 7 crores against the paid up capital of Rs 2.80 crores. A sum of Rs 1 crore has also been transferred to investment reserve account. (No amount was transferred to this account in 1974.) The balance amount of net profit, viz., Rs 50 lakhs has been transferred to the government of India.

New Branches

The bank opened during the year 91 new branches in India apart from three additional branches abroad — two in Hong Kong and one in the United Kingdom. Out of its total of 824 branches in India, over 65 per cent of the branches were in rural and semi-urban centres. Amongst the new branches opened during 1975, 53 were in the eastern and north eastern region. The bank also sponsored during the year a Regional Rural Bank in Rajasthan, for Jaipur/Nagaur districts where the bank has lead bank responsibilities.

The bank continued to play a determined role in advancing credit to the priority sectors. Its aggregate credit to these sectors at the end of 1975 was

Rs 121.72 crores). Advances for agriculture, in particular, showed an impressive increase both in the number of borrowal accounts and the amount outstanding, with a substantial portion of the advances being for small and marginal farmers.

Gwalior Rayon

Gwalior Rayon which has indigenously developed the know-how and the process for the manufacture of Grasilene fibre has commenced work on the new venture in terms of letter of intent it holds for the manufacture of 100 tonnes of polynosic fibre per day.

After production Grasilene fibre, tried and tested at the companies complex at Nagda, Madhya Pradesh, has been found to have been well received by the textile industry, and is expected to eliminate the need for imports of polynosic fibres into the country.

The earth breaking ceremony of the new project costing Rs 45 crores was performed by its president recently at Harihar in Karnataka.

Tanfort Tyres

The Bangalore-based Tanfort Tyres reported a trading loss of Rs 2.22 lakhs for 1975 on sales of Rs 26 lakhs, as against Rs 7.44 lakhs and Rs 4 lakhs, respectively, in the previous year.

After providing Rs 2.31 lakhs for depreciation and nil (Rs 9.69 lakhs) for development rebate, the deficit amounted to Rs 4.55 lakhs compared with the

previous year's Rs 19.44 lakhs.

The directors envisage a better performance for the current year. They say that sales during the first four months have already crossed Rs 16-lakh mark, the product-range has been diversified and new markets are being explored.

Dalmia Cement

The directors of Dalmia Cement (Bharat) propose to raise the dividend to 20 per cent for the year ended December 1975 from eight per cent paid in the preceding year.

According to a brief preliminary statement, the gross profits have advanced by about 30 per cent to Rs 4.17 crores from Rs 3.18 crores in the preceding year. The net profit is also higher at Rs 3.29 crores as against Rs 1.79 crores, after providing for depreciation—Rs 47.15 lakhs against Rs 33.14 lakhs, development rebate reserve—Rs 1.67 lakhs against Rs 3.97 lakhs, and taxation—Rs 139.50 lakhs against Rs 102 lakhs in the preceding year.

Amar Dye Chem

The directors of Amar Dye Chem Ltd in their annual report pointed out that the construction of the plant for vat dyes and their intermediates is expected to be finished by the end of this year and the production will commence from early next year.

The building for acrylic fibre dyes plant is almost ready and the equipment is being ordered, and is expected to go in to production in the next year. The company has also received a

licence for the expansion of its reactive dyes capacity from 250 tonnes to 500 tonnes per annum, with a condition that 30 per cent of its capacity will be exported.

Indian Fine Blank

Indian Fine Blank Ltd, a company promoted for the manufacture of press tools, dies and fine blanked components with an installed capacity of 1500 tonnes per annum is being set up at Tartolla Road, Calcutta at an estimated cost of Rs 75 lakhs. The company proposes to enter the capital market with a public issue of Rs 11.27 lakhs in equity shares and Rs 5 lakhs in preference shares. The technical collaborators for the company are M/s Heinrich Schindt of Switzerland, who will also participate in the equity of the company to the tune of 12.27 per cent.

Modella Woollens

Modella Woollens has shown better results for the year ended December 1975, and as such the directors have raised the equity dividend from a mere 2.8 per cent to 10 per cent.

The gross profits of the company almost doubled to Rs 62.66 lakhs from Rs 34.39 lakhs. The net profits of the company more than doubled to Rs 15.12 lakhs from Rs 6.19 lakhs. The net profit has been computed after providing for depreciation—Rs 17.62 lakhs against Rs 16.73 lakhs and taxation—Rs 29.92 lakhs against Rs 11.02 lakhs. After adjustment the surplus works out to Rs 15.15 lakhs compared with Rs 10.11

lakhs last year. The dividend absorbs a sum of Rs 7.80 lakhs.

Gaekwar Mills

The directors of the Gaekwar Mills Ltd have reported adverse working results for the year ended December 1975. Gross profits dropped sharply from Rs 69.25 lakhs to Rs 16.54 lakhs, and the directors have been forced to lower the equity dividend from 12 per cent per annum to just five per cent for the year ended December 1975. The dividend will absorb Rs 2.50 lakhs. The directors have attributed the fall in profits to high escalation in manufacturing costs, controlled cloth obligations and unremunerative sales realisation.

During the year new plant and machinery worth Rs 43.90 lakhs was installed, and another valued at Rs 34.39 lakhs is under erection. Outstanding orders for machinery amount to Rs 4.64 lakhs. These results were despite the fact that sales improved from Rs 9.40 crores to Rs 10.76 crores.

Gokak Patel Volkart

The mill division of Gokak Patel Volkart continued with its programme of modernisation. A 1100 KVA diesel generating set to augment power supply was added, and a total sum of Rs 59 lakhs was spent on plant and machinery during the year 1975.

It is difficult to determine the adverse impact of the continuing difficult conditions affecting the spinning industry on the current year's results. But with

redoubled efforts, the directors hope to present a better picture for this year.

In the Patvolk division, sale of useless properties and rationalisation of activities are being undertaken. Reorganisation of other subsidiary companies was also in progress.

The Reserve Bank has approved the sale of shares by lead group of companies of UK in reply to the company's application for investment in Goodlass Nerolac Paints Ltd in 25,200 equity shares of Rs 100 each fully paid-up. The approval is subject to the condition that five per cent of the lead group shares should be offered to Unit Trust of India and the balance to the Gokak Patel Volkart. The centre's approval regarding this is being awaited.

Usha Martin Black

The profit and loss account of the Usha Martin Black (Wire Ropes) Ltd show that the companies sales in 1975 have risen to Rs 16.50 crores from Rs 13.55 crores in the previous year. After meeting the charges including Rs 27.90 lakhs (Rs 27.31 lakhs) for depreciation the pre-tax profits amounted to Rs 108.84 lakhs against Rs 93.27 lakhs. Taxation absorbed Rs 58.48 lakhs (Rs 41.50 lakhs), and no appropriations has been made for depreciation, leaving Rs 50.36 lakhs against Rs 41.90 lakhs for surplus. Writing back Rs 3.25 lakhs (Rs 7.73 lakhs) from the development rebate reserve and bringing back Rs 23,452

(Rs 7,331) from the various years balance, the total sum available for appropriations amounts to Rs 53.85 lakhs against Rs 49.93 lakhs. Of this sum Rs 6,000 has been transferred to capital reserve and Rs 31.20 lakhs (Rs 49.70 lakhs) to general reserve. The exports have been of the order of Rs 3.29 crores. The company also bagged the regional export award of the Engineering Export Promotion council.

The directors have proposed an equity dividend of 15 per cent on ordinary shares, 11.4 per cent of which will be paid now in accordance with provisions of Companies (Temporary Restriction on Dividend) Act, and the balance of 3.6 per cent in two equal instalments of 1.8 per cent each in July 1976 and July 1977, together with an interest of eight per cent.

NOCIL

The dividends declared by National Organic Chemical Industries during the past four years from 1971 to 1974 are entirely exempt from tax.

NOCIL has announced a maiden dividend of five per cent for 1971, 10 per cent for 1972 and 12 per cent each for 1973 and 1974 amounting to Rs 60 lakhs, Rs 120 lakhs, Rs 144 lakhs and Rs 144 lakhs respectively. This is in the light of the Supreme Court judgment in the case of Coromandel Fertilisers, which has effectively revised the general understanding of the law in the interpretation of section 80 K of the Income-Tax Act relating to the benefit

of tax-exempt dividends to shareholders.

News and Notes

Production of saleable steel at TISCO during the first quarter ended March 31, went up from 387,200 tonnes in 1975 to 401,900 tonnes in 1976, while sales declined from 357,100 tonnes to 356,000 tonnes. The value of gross sale proceeds from sale of steel material including freight and excise rose from Rs 64.33 crores to Rs 65.44 crores for the same period.

The 10-year 6 per cent bonds issued by the Agricultural Refinance and Development Corporation were oversubscribed by Rs 2.5 crores against the notified amount of Rs 25 crores. The cor-

poration is retaining the entire subscription.

The directors of Bombay Dyeing have proposed one for five bonus issue, subject the sanction of Controller of Capital Issues. This is the 12th bonus issue since the inception of the company. With the proposed issue the residual reserves of the company would be Rs 5.08 crores which would be 97 per cent of the enlarged capital.

In the face of competition from thread manufacturers all over the world, Madura Coats have won a large export order from Nigeria. The first consignment of around 26 tons of cotton embroidery thread will be airlifted to Kano, Nigeria very soon.

The present consignment

worth Rs 13 lakhs is a part of the total export order of Rs 55 lakhs, to be executed by the end of the year 1976. The companies products are exported to over a dozen countries including the UK, the USA, West Germany, and East and West Africa.

New Issues

Nirlon Synthetic Fibres & Chemicals Ltd (NIRLON) entered the capital market for the public issue of 7,90,000 equity shares of Rs 10 each to be issued at a premium of Rs 22.50 per share. The subscription list for the issue opened on May 25, and will close at the close of banking hours on Friday June 4.

The company started its production in December



COME TO VISHNUPUR

See the exquisite terracotta craftsmanship on the temples of Vishnupur built during and after the times of Bir Hambir the great Malla Raja. Also nearby are the villages of Kamarpukur and Jairambati being the birthplaces of Shree Ramakrishna and Shreema Saradhamani.

Vishnupur is well-connected by rail and road. There is now a direct bus service between Calcutta and Vishnupur covering a distance of 146 kilometres. It is 43 and 48 kilometres by road from Jairambati and Kamarpukur respectively.

The Vishnupur Tourist Lodge provides excellent accommodation with all amenities. For bookings, please contact the Reservation Counter, West Bengal Tourism Development Corporation, 3/2, Benoy-Badal-Dinesh Bagh (East), Calcutta-700 001 or the Manager, Tourist Lodge.

For further information please contact :
TOURIST BUREAU
3/2, Benoy-Badal-Dinesh Bagh (East), Calcutta-700 001
Phone: 23-8271 Gram: TRAVELTIPS
Department of Tourism,
Government of West Bengal

1962 with the production of nylon filament yarn, polyester filament yarn, tyre record yarn and tyre fabrics, and its products met with widespread approval in the market. As a result of the successful operations, especially nylon tyre record, the company has been instrumental in saving the country a lot of foreign exchange. The company is also an exporter of artsilk and synthetic fabrics, the exports of which touched a figure of Rs 109 lakhs in 1975. It is now registered as a recognised export house.

The capital from the present issue will be utilised by the company for its new depolymerisation plant costing about Rs 192 lakhs. This plant will recover caprolactum from the yarn waste obtained during manufacture of nylon yarn. In addition, the company propose to instal 'draw twisters' as the balancing equipment.

Andhra Pradesh Steels Limited entered the capital market with a public issue of 7,35,000 equity shares of Rs 10 each and 33,000—11 per cent redeemable cumulative preference shares of Rs 100 each for cash at par. The subscription list opened on May 25 and will close at the close of banking hours on June 5.

The company is setting up a plant at Poloncha in Khamam district for the manufacture of 47,000 tonnes of MS & HC steel billets. The project will

start from 100 per cent scrap at the beginning but will switch-over to raw material mix later, consisting of 50 per cent sponage iron and 50 per cent steel scrap. The cost of the project is estimated at Rs 535 lakhs and is being financed by a share capital of Rs 183 lakhs and term loans aggregating to Rs 352 lakhs including Rs 15 lakhs of central subsidy. The first phase is expected to be completed by September 1976 and the complete project by the end of 1976.

Keeping in view the potential of the project, and the marketability of the product, the company, barring unforeseen circumstances hopes to make sufficient profits.

Capital and Bonus Issues

Consent has been granted to six companies to raise capital of over Rs 14 million. The details were as under:

PMP Auto Industries Private Limited, has been accorded consent valid for three months, to capitalise Rs 540,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for every seven equity shares held.

Modi Rubber Limited, Modinagar has been accorded consent, valid for 12 months, for the issue of preference shares of Rs 10 million to meet a part of the over-run in the cost of

their automobile tyre and flaps project.

Mazda Industrial Chemicals Private Limited, Bombay has been accorded consent, valid for three months, to capitalise Rs 120,300 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

M.K. Spindle Manufacturers (Private) Limited, has been accorded consent, valid for three months, to capitalise Rs 100,200 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 each equity share held.

share for each equity share held.

The Metal Powder Company Limited, Sivakasi has been accorded consent, valid for three months, to capitalise Rs 2.4 million out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for every three equity shares held.

Aditya Mills Limited, Kishangarh (Rajasthan) has been accorded consent, valid for three months to capitalise Rs 1.5 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every five equity shares held.

Dividends

Name of the company	Year	(per cent)	
		Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Graphite India	Dec. 1975	18	13
Hindustan Lever	Dec. 1975	18	15
Dalmia Cement	Dec. 1975	20	8
Modella Woollens	Dec. 1975	10	2.8
BECO Engineering	Dec. 1975	6	Nil
Same Dividend			
New Great Eastern Spinning	Dec. 1975	12	12
Boots India	Dec. 1975	12	12
Star Textile Engineering	Dec. 1975	10	10
Reduced Dividend			
Adarsh Chemical	Dec. 1975	Nil	10
Gaekwar Mills	Dec. 1975	5	12

Coromandel Fertilisers Chairman's Speech

Inflationary forces tamed thanks to government action

Economy needs a 'swell' of demand Rural development must be integrated with planned population growth

Addressing the shareholders at the 14th Annual General Meeting of Coromandel Fertilisers Limited held on 21st May, 1976, the Chairman, Dr. Bharat Ram said that the measures taken by Government leading to the new economic discipline have done much good to the economy, and inflation has been curbed. He called for a proper focus on 'profitable agriculture' in order to achieve sustained yields and free the country of food imports.

The new awareness of nation-building responsibility and the steps taken by Government to give substance and meaning to the population policy were auguries of promise he said and he exhorted wider participation and involvement by one and all in these tasks.

Ladies and Gentlemen:

I have great pleasure in welcoming you to the 14th Annual General Meeting of the Company. The Directors' Report and the audited statement of accounts for the year 1975 have already been circulated to all of you. I am sure all of you would be pleased to observe the increasingly better performance shown by your Company over the years. The working results of last year are all the more creditable since the conditions in the fertiliser industry were difficult and your Company, in addition, had problems which curtailed production significantly. Your product continues to enjoy high reputation which is due not only to its intrinsic versatility, but in measure, to the marketing skills and promotional work which has secured for it wide acceptance. You will be pleased to know that Government have approved our proposal to manufacture Aluminium Fluoride, a product of considerable importance to the industrial economy of our country. We are also hopeful of getting an early approval for the manufacture of Argon Gas and Ammonia Recovery.

I regret to say that power supply continues to cause us anxiety. In 1975 we were subject to power cuts leading to considerable loss of production; and now again, in the first quarter of 1976 we have lost production due to power restrictions.

I am convinced that only a climate conducive to larger investment leading to greater production can help generate the momentum that the economy needs to grow fast and become self-propelling. Unless the fiscal and monetary policies are oriented to this end, it is difficult to see how sustained and large growth can be achieved. It is not surprising, therefore, that the tight money policy adopted to curb inflation has not achieved the end which is the increased supply of goods. In this connection, what I said last year bears repetition—that only an increase in the availability of goods can provide a long-term solution to inflation, rather than a containment of demand. Policies of demand management should give way to create new demand as a spur to increased production. The recession experienced in quite a few industries today is the unfortunate consequence of overlooking this aspect. And I cannot but feel, disheartened on this score because this has come about despite the presence of many favourable factors last year on the industrial scene such as increased agricultural output, raw material availability etc.

I shall resist the temptation to dwell on the various aspects of the budget. The intentions are clear that Government have come to grips with economic realities. The agonising, and what threatened to be uncontrollable forces of inflation, have been tamed and this is a positive gain.

There are many merits in the economic programme of the Government. It would be churlish on my part to withhold a word of praise from the architects of policy during the last 18 months. In these troubled months, we have witnessed a new determined mood, poised for bold action with unpopularity means, if necessary, to achieve growth with stability. The June 1974 prescription followed by events leading to the new economic discipline since June 1975 has done much good to the economy—I was about to say psyche—of the nation. For indeed, discipline moulds character, and economic discipline was never more necessary or urgent. There are no shortcuts to 'growth'—the road to recovery is long and arduous to traverse; but new hope has been

aroused and new dynamics have been released; and it is more than likely that the nation, by which I mean all components which go to make our country, will provide the will and imagination to move forward.

The 1976 budget has given due recognition to the need for correcting or removing many of the deterrents presently impeding investment and has introduced many welcome measures like revision of the personal income-tax rates in the higher income brackets to a realistic level, investment allowance for industry in place of Development Rebate, Surtax concessions etc. The incidence of excise duty, however, has not been reduced significantly, if it had been done as one expected, it would have helped in the case of certain industries at least to overcome the acute demand recession presently endangering their very survival.

I suggest that what the economy needs urgently is a 'swell' of demand—effective demand; and that alone can lead to purposeful revival. The fall in the prices of food, however comfortable it may appear on the surface, can bring in its trail some problems. Our procurement policy, and price support must be geared at making farming profitable. Let us take note that any other policy, however tempting it may be on other counts, can only lead in the ultimate analysis to the consumer paying more in the form of higher prices consequent to curtailed production. This will hurt both the consumer and the economy which is intended to serve. A buoyant agriculture will serve the nation as it releases more purchasing power in the hands of the vast rural poor leading to what I said earlier 'a swell of effective demand' and a right focus towards a profitable agriculture will make our country free from food imports and the psychological and economic costs such dependence for our food entails.

Given the socio-economic imperatives with which a developing economy has to contend, the 'growth pains' are to some extent inevitable; on balance, therefore, I feel—with the new awareness in the quarters that matter of the need for investment-induced growth—the outlook for the economy to shake off the effects of temporary stagnation in certain spheres and to surge forward appears promising. I must mention here that the recent liberalisation of procedures and rules of Government in many areas cannot but help speed the tempo of industrial activity and the helpful attitude being shown by the concerned Government agencies is, in this context, indeed encouraging.

Having shared my thoughts with you on what I believe are some of the immediate requisites for revival of the latent vigour of the economy, I may perhaps touch on what I feel is the industry's responsibility in the context of the social and economic renaissance that our national leadership is presently engaged in accomplishing. Excellent industrial performance cannot count for much if it is not enlightened enough to bring with it an increased commitment to social welfare and securing greater benefits to society. Enough has been said on the subject before; nevertheless, I wish to stress that a service-oriented attitude must assume greater significance in industrial actions so as to balance the profit motive. A voluntary code of conduct and measure of self-discipline that will temper private gain in the interest of public good must at all times be adhered to by industry if its constituents can claim to be true corporate citizens.

I now turn to the prospects of the fertiliser industry in which your company is engaged. I must express my great pleasure at the uniformly



Dr. Bharat Ram
Chairman, Coromandel Fertilisers Ltd.

good production performance of all the units both in the public and private sectors that has made it possible for the Government's production target of 1.5 million tonnes of nitrogenous fertiliser to be achieved during the year 1975-76. It is in this context, that the disturbing trend of a drop in consumption which was perceptible last year has somewhat unnerved even the established units and ironically this has happened when the production record has been an all-time high. However, the recent decision to subsidise the prices of fertilisers to the farmer, one hopes, will help stimulate the off-take of fertilisers sufficiently. Ultimately, it is only by enabling the fertiliser manufacturers to keep their raw material and other input costs under control, can it be ensured that the fertiliser prices do not prove uneconomic to the farmer.

Two events of the year are auguries of promise: the awareness of responsibility of nation building. I refer to the focal theme of the Indian Science Congress where its President gave a broad sweep of what he calls 'our agricultural assets and liabilities' and suggested we persuade ourselves to meet with our agricultural destiny by involvement in integrated rural development and to canalise the vast 'natural dynamism' of the rural poor turning them into engines for progress. For indeed, as Dr. M. S. Swaminathan says, and if I may use it in the context of our development dilemma—'our most important task is to draw the greatest benefit from our existing human resources and to limit its further unplanned growth'. This is, pregnant with meaning and portent, the second notable event—and here I feel—speaking for myself and I hope you share my view—that for the first time in 25 years, our population policy has acquired substance and significance. It is one thing to spell out the need and outlines of policy, however admirable, timely and necessary, and quite another thing to give it coherence, depth and meaning, acceptance with the concomitant involvement—this is the only way leading to implementation. The policy is a document, a charter. And here I plead for wider participation by one and all—at every level and in every segment of our national life to help the containment of unplanned population growth.

Earlier this year, we were most fortunate in having one of the most distinguished thinkers to deliver the Sixth Coromandel Lecture. Dr. W. David Hopper, economist, socio-anthropologist and presently the President of the International Development Research Centre, Ottawa delivered a brilliant and stimulating lecture on 'A Perspective on India's Food Production'. This is not the place to comment on this thoughtful lecture which has roused great interest among the various publics who are concerned about India's food problem. I commend this to all serious students of the agricultural situation of India. As is customary with your Company, the Borlaug Award was presented this year to Dr. A. B. Joshi, Director of I. A. R. I., for his outstanding contributions to Indian agriculture and agricultural education.

There have been no changes in the Board and it is in the fitness of things that I should thank all our employees at the Plant, at Delhi and at Secunderabad for their devoted and loyal co-operation through the year.

Our promoter companies in the U. S. have continued to be responsive and have given of their co-operation and encouragement very freely. We are grateful to them.

Thank you.

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

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Indo-Pak joint statement

PURSUANT TO the letter written by prime minister Zulfikar Ali Bhutto on March 27, and the reply of prime minister Mrs Indira Gandhi of April 11, the delegations of India and Pakistan met in Islamabad from May 12 to 14, 1976, with the objective of resuming normalization of relations between the two countries as envisaged in the Simla Agreement. The discussions were held in a frank and friendly atmosphere.

His Excellency Mr J.S. Mehta, Foreign Secretary led the Indian delegation. He was assisted by representatives of the ministries of External Affairs, Tourism and Civil Aviation, Finance, Home Affairs, Railways, Shipping and Transport and Commerce. The Pakistani delegation was led by Mr Agha Shahi, Foreign Secretary. He was assisted by the representatives of the Ministries of Foreign Affairs, Railways, Finance, Communications, Commerce, Interior, Information and Broadcasting, Law, Aviation

Division, the departments of Civil Aviation, Ports and Shipping and Pakistan International Airlines Corporation.

In regard to matters relating to civil aviation, the two delegations discussed the modality of withdrawing the cases and counter-claim pending before the Council of the International Civil Aviation Organisation and agreed to send a joint letter to the Council for the purpose. They further agreed to the resumption of overflights and the restoration of air-links between the two countries. It was decided that expert delegations from the two countries will meet to work out the necessary details.

Two-way Traffic

The two delegations agreed to resume goods and passenger traffic by rail through the Wagah Attari border. In this connection the Pakistan delegation stated that the rail track on its side was already functional. The Indian delegation undertook to carry out the necessary repairs on its side as soon as possible.

The two sides recognised the advantage that would

accrue to trade between the two countries with the resumption of freighting of goods by rail.

It was decided that the experts of the two countries should meet urgently to work out a detailed agreement regarding interchange, freight rating, compensation claims, custom formalities, the creation of a wagon pool etc for the goods and passenger traffic between the two countries.

Multiple Entry Visa

The two sides agreed to grant multiple journey visas valid for one year to the members of the railway staff operating on scheduled on scheduled services along the specified route.

The two delegations agreed that goods meant for the other country could also be transported by road upto the Wagah Attari border. For this purpose, they undertook to make necessary arrangements for the transshipment, warehousing, bonding and customs clearance etc.

The two delegations discussed the question of early re-establishment of diplomatic relations between their countries. They agreed that each country should be represented by an Ambassador with supporting staff in the capital of the other country. In view of the problems which had been faced in the past in the functioning of their respective diplomatic missions, the two delegations reaffirmed their adherence to the Vienna Convention on Diplomatic Relations

1961 to which they were party and agreed on a basis of reciprocity, to grant each other's missions all facilities and courtesies for their normal functioning.

Private Sector

The two delegations reviewed the working of the Indo-Pakistan Trade Agreement of January 23, 1975, and the Shipping Protocol of January 15, 1975. They agreed that in terms of Article 3 of the Trade Agreement, in addition to state trading organisations, the private sector be also enabled, with effect from July 15, 1976, to participate in the trade between the two countries subject to the laws, rules, regulations and procedures in force in their respective countries from time to time.

The two delegations also agreed that the Joint Committee envisaged under Article 9 of Trade Agreement should be constituted immediately to review the working of that Agreement and that the first meeting of the Joint Committee should be held at the Commerce Secretaries' level as soon as possible and, in any case, before the end of 1976.

The two sides decided that a further meeting of the respective shipping experts should be held, as early as possible, to review the Protocol on Shipping as provided in Article 22 of that Protocol.

The two delegations reviewed the existing visa agreement for regulating travel between the two countries. They noted that

the arrangements envisaged in that agreement were working satisfactorily and required no change.

The two delegations discussed measures for promoting cultural and scientific exchanges as envisaged in

the Simla Agreement. They agreed that further discussions on these measures could be undertaken in due course.

The two sides held discussions on the question

Annual report on coal

THE COAL production in our country has gone up by 22 million tonnes in the last two years having risen from about 78 million tonnes to nearly 100 million tonnes. According to the Annual Report of the ministry of Energy, out of the 100 million tonnes of coal produced in 1975-76 nearly 89 million tonnes of coal was contributed by Coal India and the balance by Singareni Collieries and captive-mines of Tata Iron & Steel Co. and Indian Iron & Steel Company. As a result of the increase in production and also improvement in transporta-

tion, the supply of coal to the consumers has shown remarkable improvement. In fact some of the consumers have asked for suspension of supplies as there was no room for stocking further quantity of coal.

The stock of coking coal at the steel plants had improved enormously from three days' consumption in December 1974 to over 18 days' consumption on February 29, 1976. On the same date, the stocks held by power houses were equal to 39 days' consumption and by cement plants 23 days' consumption.

The production and productivity in the coal industry has shown substantial increase after the emergency which had given a new direction and involvement of those engaged in the

TABLE I
Production of Coal by Major Coalfields
(In million tonnes)

Year	W. Bengal	Bihar	Outlying	Total
1970-71	18.61	33.82	20.52	72.95
1971-72	17.31	32.61	22.50	74.42
1972-73	19.37	33.77	24.08	77.22
1973-74 (P)	19.38	33.48	25.31	78.17
1974-75 (P)	21.12	36.93	30.36	88.41
1975-76 (E)	23.67	41.25	34.96	99.88

E=Entimated P=Provisional
Source: Office of the Coal Controller.

of the detainees and agreed that this humanitarian issue needed to be resolved expeditiously. They also agreed to make efforts to locate persons still untraced and repatriate them with all possible dispatch in accord-

ance with the existing working arrangements.

The leader of the Indian delegation, His Excellency Mr J.S. Mehta, was received by the President of the Islamic Republic of Pakistan.

coal industry. In pursuance of the 20-point programme, a 12-point action programme was drawn up to increase production and improve productivity and efficiency in the coal industry.

The target for coal production in the current

financial year (1976-77) is 108 million tonnes and this will be further raised to 135 million tonnes by 1978-79. A total of 10 projects had been sanctioned up to January '76. In addition, a large number of small schemes were also taken up for execution.

TABLE II
Consumer-wise Despatch of Coal by CIL/BCCL/During
1975-76 As Compared to 1974-75 (April to January)

(Provisional)
(In lakh tonnes)

Name of consumer	Year	Despatches	Difference
Power House	1975-76	231.57	(+)27.10
	1974-75	186.47	
Loco	1975-76	121.26	(+)5.44
	1974-75	115.82	
Steel Plants	1975-76	108.29	(+)18.22
	1974-75	90.07	
Cement Plants	1975-76	37.08	(+) 1.47
	1974-75	35.61	
Others (including internal consumption).	1975-76	244.76	(+)21.00
	1974-75	223.76	
Total :	1975-76	724.96	(+)73.23
	1974-75	651.73	

These projects along with other projects sanctioned since April 1974 will ultimately contribute to an increased production of 27 million tonnes at an estimated investment of Rs 1550 million. The contribution of these projects in 1978-79 would be about 11 million tonnes. In addition to coal mining projects, two washing projects were also sanctioned for beneficiating coking coal to meet the requirements of steel plants.

A low temperature carbonisation plant at an estimated cost of 203 million rupees was sanctioned during the year and is to be located at Dankuni near Calcutta. The plant will produce about 0.37 million cubic metres of coal gas, about 1,000 tonnes of soft coke and 110 tonnes of tar per day.

Coal Dumps

Coal India Ltd has started six coal dumps in UP at Lucknow, Varanasi, Gorakhpur, Agra, Meerut and Kanpur to meet the requirements of small scale industries and the brick kilns. Two more dumps have been set up at Saharanpur and Bareilly to cater to the needs of the soft coke consumers in hilly areas. The feasibility of the Department of Coal taking over the responsibility for distribution is under examination.

In view of the easy availability of rail wagons, some non-sponsored movement of coal and coke had also been under-

taken by the Railways after meeting the sponsored demands. During 1975-76, by and large, all the demands of coal were met in full and the consumers had

adequate stocks with them.

696,000 tonnes of coal was expected to be exported to Bangladesh, Burma and Sri Lanka during 1975-76.

Progress had also been made in substitution of petroleum products by coal during the year under review. Two units of Trombay power station and one unit

TABLE III

Details of Fatal Accidents in Public Sector Coal Companies

Name of the company	No. of persons killed in fatal accidents		
	1973	1974	1975
Bharat Coking Coal Ltd.	50	53	74
Eastern Coalfields Ltd.	41	56	56
Central Coalfields Ltd.	28	23	31
Western Coalfields Ltd.	43	59	73
Assam Coalfields Area	2	2	1
Singareni Collieries Co. Ltd.	19	19	35*
Total	183	211	270

*Provisional

TABLE IV

Details of Serious Accidents in Public Sector Coal Companies

Name of the company	No. of persons injured in serious accidents		
	1973	1974	1975
Bharat Coking Coal Ltd.	373	377	249
Eastern Coalfields Ltd.	262	172	289
Central Coalfields Ltd.	137	143	123
Western Coalfields Ltd.	569	642	539
Singareni Collieries Co. Ltd.	343	417	566
Assam Coalfields Area	14	14	23
Total	1698	1744	1871

of Ahmedabad 'C' station and Barauni power station had changed over from oil firing to coal firing. It is estimated that with increased supply of coal to power stations, 0.5 million tonnes of furnace oil had been saved during the last year.

Substitution of oil by coal had also made progress in the cement industry. The coal allocation for this industry was raised from 455,000 tonnes to 510,000 tonnes per month. It is estimated that 2.3 million tonnes of additional coal had been made available to major sectors where substitution had taken place and this had resulted in saving one million tonnes of furnace oil.

Housing Programme

After the nationalisation of coal mines 11,705 houses had been constructed for miners and of these 6000 houses were constructed in 1975. Another 18,236 houses are now under construction and are expected to be completed during 1976. The total cost of these houses would be over Rs 300 million. The nationalised coal companies have been spending over 40 million rupees annually for providing medical facilities to the coal workers. Cooperatives stores and fair price shops had also been opened for supplying foodgrains and essential commodities to the workers and cooperative credit societies were being started and reactivated to relieve the workers from the clutches of the money-lenders.

TABLE V

List of Major Coal Mining Projects Sanctioned During 1974-75 and 1975-76 (Upto January 1976)

Name of the Project		Capital Outlay (Rs. in crores)	Capacity (in million tonnes)	Production in 1978-79 (in million tonnes)
(1)		(2)	(3)	(4)
1974-75	Kusmunda-I	17.13	1.50	—
	Bhatagon	10.41	1.00	0.13
	Shobhapur	10.60	0.95	0.30
	Central Saudna	3.32	0.70	0.70
	Nandan	7.54	0.60	0.20
	Mahabir	1.83	0.90	0.90
	Tipong	0.04	0.47	0.47
				(in 1979-80)
	Borgolai	2.86	0.44	0.40
	Giridih	0.47	0.36	0.36
	Kenda	2.18	0.34	0.34
	Bonjamohari	2.49	0.45	0.38
	Giridih (Opencast)	2.29	0.30	0.30
	Kumardih	0.82	1.00	0.61
1975-76	West Jharkhand	2.87	0.54	0.30
	West Barakar	2.38	0.40	0.40
	Bhadra	2.17	0.36	0.18
	Dalurband	1.06	0.58	0.50
	Hutar	0.40	0.14	0.12
	Ara	0.90	0.90	0.50
	Ib-River	0.85	0.14	0.12
	Total	76.61	12.07	7.21
	Chinakuri	8.43	1.00	0.76
	Kedla	9.75	1.00	0.50
	Rajgamar	9.58	0.72	0.10
	New Chachai (Amlai)	4.05	0.50	0.42
	Nakrakonda	3.78	0.75	0.20
	Begunia	4.86	0.36	0.14
	Junkundar	3.69	0.36	0.36
	Bhurungia	3.65	0.30	0.17
	Sudamdih	1.98	0.27	0.27
	West Chirimiri	3.63	0.60	0.51
	Total	53.40	5.86	3.43

TABLE VI

Production, Despatch and Stocks of Coal from 1970-71 Upto 1975-76

(In million tonnes)

Year	Production			Despatch			Closing stock		
	Coking	Non-coking	Total	Coking	Non-coking	Total	Coking	Non-coking	Total
1970-71	17.82	55.13	72.95	15.18	47.07	62.25	2.17	7.38	9.55
1971-72	16.75	55.67	72.42	15.31	50.21	65.52	1.64	6.18	7.62
1972-73	16.62	60.60	77.22	14.63	55.53	70.16	1.43	4.79	6.22
1973-74 (P)	15.77	62.40	78.17	14.28	54.31	68.59	0.85	5.80	6.65
1974-75 (P)	20.96	67.45	88.41	18.30	60.66	78.96	1.72	5.76	7.48
1975-76 (E)	22.11	77.77	99.88	18.68	75.42	94.10	2.30	9.67	11.97

P=Provisional E=Estimated

Source : Office of the Coal Controller and Coal India Limited.

TABLE VII

Performance of Washeries under Department of Coal

(In million tonnes)

Name of organisation/washery	Target of production of during 1975-76	Production during		
		1973-74	1974-75 (Provisional)	1975-76 (April, 1975 to Jan. 1976)
1. Kargali	1.60	1.37	1.45	1.40
2. Kathara	1.00	0.65	0.80	0.80
3. Sawang	0.35	0.22	0.29	0.38
4. Gidi	0.30	—	0.12	0.28
5. Digwadi I & II	4.23	1.34	1.55	1.52
6. Bhojudih		1.27	1.63	1.59
7. Patherdih		0.75	0.83	0.82
8. Lodna	—	0.20	0.22	0.19
9. Nowrozabad	N.A.	N.A.	N.A.	N.A.

Swaran Singh panel report

THE FOLLOWING is the text of the report of the Swaran Singh Committee set up by the Congress president, to suggest amendments to the Constitution.

The tentative proposals formulated by the Committee for Amendment of the Constitution were circulated to all the Congress Chief Ministers and Pradesh Congress committee presidents for ascertaining their views.

The committee held discussions on the proposals with members of the Congress Party in Parliament on May 10, 11, 12 and 14, 1976.

Diverse Views

The committee invited the Bar Associations of the Supreme Court and all the high courts to send their representatives for eliciting their views on the proposals. The Supreme Court Bar, the All-India Bar, the Bar Council of India, and the bars and bar councils of several high courts responded to the invitation. Their representatives met the committee from May 17 to May 20, 1976, and there was a free and frank exchange of views on the different aspects and implications of the Committee's proposals. A few individuals, including Mr P. K. Tripathi, Member, Law

Commission and Mr Ramrao Adik, Advocate-General of Maharashtra, and representatives of organisations interested in the legal and constitutional studies also met the committee.

The tentative proposals received wide notice in the press and in public forums and several newspapers editorially commented on them and some carried special articles. A large number of written memoranda and opinions have been received from individuals, professional bodies etc.

Rewarding Exchange

The committee has given earnest attention and careful thought to the several views expressed. The discussions with members of Parliament and the representatives of the bar have been particularly rewarding. They have greatly assisted the committee in clarifying its own thoughts and views and have influenced it to some extent in modifying some of its earlier tentative proposals. The committee's recommendations set out below are made in this background.

In making these recommendations, the committee has kept before it certain important objectives. Our Constitution had functioned without any serious impediment during the past 26 years and more. While this is so, difficulties have been thrown up from time to time in the interpretation of some of its provisions, more particularly where they con-

cern the Right of Parliament to be the most authentic and effective instrument to give expression and content to the sovereign will of the people.

Three Pillars

It is the scheme of the Constitution that the three main pillars of our parliamentary democracy, namely, the Legislature, the Executive and the Judiciary have to function harmoniously if we are to achieve our desired objectives of securing to all citizens justice, social, economic and political. Ours is a dynamic, moving and changing society, and the need to quicken the pace of socio-economic progress of our people has never been more urgent. Some of the amendments to the Constitution that we have proposed have been conceived in this spirit.

The committee would like to emphasize that the respect of the people for the three organs of our democracy and their confidence in these organs have to be sustained and strengthened. An attempt has been made to clarify and define, where possible, with greater precision their respective functions in the light of the experience gained, so that our democratic institutions may work smoothly in an atmosphere of complete understanding.

I. System of Government: The parliamentary system is the best suited to our country, and it is unnecessary

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to abandon it in favour of the presidential or any other system. In a vast country like India, with the kind of regional diversity as we have, the parliamentary system preserves best the unity and integrity of the country and ensures greater responsiveness to the voice of the people.

II. The Preamble: The committee is of the opinion that the concepts of Secularism and Socialism should be clearly spelt out in the Constitution. It is accordingly recommended that the preamble should be amended by substituting the expression "Sovereign, Democratic, Secular, Socialist Republic" for "Sovereign Democratic Republic". It is also proposed that the words "and integrity" should be inserted after the word "unity".

Supreme Law

III. Amendment of the Constitution: The constituent power of Parliament to amend the Constitution as provided in Article 368 should not be open to question or challenge. The Constitution is the supreme law of the country and any amendment thereof is as much a fundamental law as is the rest of the Constitution. Though the language of Article 368, as it stands at present, is clear and categorical, it is considered necessary that the matter should be placed beyond doubt. It is accordingly proposed that a new clause may be inserted in Article

368 to the effect that any amendment of the Constitution, passed in accordance with the requirements specified in that article, shall not be called in question in any court on any ground.

IV. Power of Judicial Review:

(1) Constitutional Validity of Laws: Article 13 of the Constitution expressly prohibits the making of any law which may be inconsistent with or in derogation of any of the fundamental rights, Articles 32 and 226 confer power on the Supreme court and the high courts respectively for the enforcement of fundamental rights. The legislative power of the union Parliament and the state legislatures is contained primarily in Articles 245 and 246.

Validity of Law

The constitutional validity of a law may be challenged on the ground that the subject-matter of the legislation is not within the competence of, the legislature which has passed the law or that the law or some provision there of is repugnant to a provision of the Constitution. The validity of a law can also be challenged on the ground that it infringes one of the fundamental rights contained in the Constitution.

At present, the constitutional validity of a law, whether central or state, may be challenged in any high court or in the Supreme Court. The committee is of the opinion that the Constitution should

be suitably amended so as to provide that the constitutional validity of a central law and any rule, regulation or bye-law made thereunder may be challenged only in the Supreme Court. The constitutional validity of any state law and any rule, regulation or bye-law made under that law may be challenged in the high court having jurisdiction in the matter, with a right of appeal to the Supreme Court.

Two-third Majority

Where in a case the constitutional validity both of a central law and a state law is challenged, the questions of law involved may be decided only by the Supreme Court. The number of judges of the Supreme Court who are to sit for the purpose of deciding any case involving a question of constitutional validity of a law shall be not less than seven, and the decision of the court declaring a law invalid must have the support of not less than two-thirds of the number of judges constituting the bench. The number of judges of a high court for the same purpose shall be not less than five, and the decision of the court declaring a law invalid must be supported by not less than two-thirds of the number of judges constituting the bench. In a high court where the total number of judges is less than five, the full court shall sit, and the decision as to invalidity of a law should have the support of the whole court.

The committee would like

to observe that normally it should be presumed that Parliament or a state legislature will take due care to ensure that any law passed by it will be strictly in conformity with the provisions of the Constitution. It is for the executive as well as for Parliament and state legislatures to devise suitable agency in this regard.

(2) Article 226 : The words "for any other purpose" in article 226 have given very wide powers to the high courts in the matter of writ jurisdiction. While the jurisdiction conferred on the Supreme Court is restricted to the enforcement of fundamental rights, the high courts have been given power to issue directions, orders or writs not only for the enforcement of fundamental rights but also for any other purpose. The words "for any other purpose" have given the high courts an extraordinary jurisdiction which the Supreme Court does not enjoy.

Precise Limits

Experience has shown that it has not been possible to define, or to ascertain, with any degree of certainty, the precise limits of this extraordinary jurisdiction. It was, however, represented to the committee very forcefully that the existence of these words in Article 226 had proved to be the real constitutional safeguard for a citizen against what was broadly described as "bureaucratic excesses". It is of interest to point out in this connection that in

1954 a special sub-committee appointed by the Congress working committee presided over by Mr Jawaharlal Nehru, made the following recommendation, which the working committee accepted at its meeting held on May 22, 1954:

Right to issue directions, orders, or writs should be restricted to cases in which there has been substantial failure of justice or where public interest so requires. Delete "for any other purpose" from the last sentence of Article 226(1).

No Change

One of the suggestions put forward to the committee was that if this power enjoyed by the high courts at present in regard to citizens' complaints against administrative abuses or excesses is to be taken away, a tribunal somewhat on the French model may be constituted to deal with such complaints and provide appropriate remedies. The committee feels that while this suggestion has certain undoubted merits, it may not be possible to adopt it at this stage as we have not yet developed a system of administrative law.

The committee has considered the matter at great length. Keeping in view the recommendations of the special sub-committee headed by Mr Jawaharlal Nehru and having regard to the several points of view expressed, the committee would recommend the amendment of Article 226 in the following manner:

(i) The words "and for

any other purpose" may be deleted.

(ii) The existing power of the high courts to issue writs for the enforcement of fundamental rights will continue. A new clause may be inserted in Article 226 to the effect that the power conferred by Clause (1) of that article to issue directions, orders or writs to any government, authority or person may also be exercised by any high court in cases in which there has been a contravention of any provision of the Constitution other than any fundamental right enumerated in part III, or the contravention of any provision of a statutory law, where such contravention has resulted in substantial failure of justice. The exercise of this power should however, be subject to the proviso that where an alternative remedy is available under the Constitution or any provision of a statutory law, no such direction, order or writ shall be issued.

No Interim Stay

(iii) Another new clause may be added to provide that a court empowered to issue a writ under this article shall not issue any interim stay or injunction or any other such interim order unless prior notice of the proposal to move the court in that behalf is served on the respondent and copies of all documents in support of the plea for stay or injunction or any other such interim order are filed in the court and served on the opposite party and opportu-

nity given to the respondent to be heard.

(3) Service Matters: Administrative Tribunals may be set up both at the state level and at the centre to decide cases relating to service matters. These tribunals shall be constituted under a central law.

Labour Tribunal

(4) Industrial and Labour Disputes: Provision may be made for setting up an All-India Labour Appellate Tribunal to decide appeals from labour courts and industrial courts.

(5) Matters Relating to Revenue, Land Reforms, Procurement and Distribution of Foodgrains and other Essential Commodities: Disputes relating to the following matters shall be decided by tribunals.

(i) Any matter concerning the revenue or concerning any act ordered or done in the collection thereof.

(ii) Any matter relating to land reforms, ceiling on urban property, and procurement and distribution of foodgrains and other essential commodities.

In regard to the matters specified in (3) (4) and (5) above the writ jurisdiction of the Supreme Court under Article 32 and of the high courts under Article 226 shall be excluded.

The relevant statutes governing these matters will also make specific provision excluding the jurisdiction of courts over such matters. The right to apply for special leave under Article 186 of the Constitution from the

decision of any tribunal shall however remain.

In the matter of constituting tribunals referred to above, it should be ensured that they inspire confidence among all concerned and that the members are persons of high standing possessing special knowledge and experience in the respective fields. The tribunals should not be single-member tribunals. The objective should be that the matters going before these tribunals are decided fairly and expeditiously.

(6) Election Matters : No writ shall lie in relation to election matters.

(7) Article 227: Reference to tribunals in Article 227 should be omitted.

Scope Enlarged

V. Directive Principles: Article 31G provides that no law giving effect to the directive principles specified in Clause (b) or Clause (c) of Article 39 shall be deemed to be void on the ground that it contravenes Articles 14, 19 or 31. It is proposed that the scope of the present Article 31C should be widened so as to cover legislation for implementation of all or any of the directive principles enumerated in Part IV of the Constitution, and that such legislation should not be called in question on the ground of infringement of any of the fundamental rights contained in Para III. Provision should however, be made that no such law shall affect the special safeguards or rights conferred on the minorities, or the scheduled castes, the

scheduled tribes or other backward classes under the Constitution.

VI Disqualification for Membership: (1) Under Article 71 and 329A of the Constitution, disputed elections in relation to the offices of President, Vice-President, Prime Minister and Speaker, are to be decided by an authority or body to be created by a law of Parliament. It is felt that the Constitution should provide for another body or authority to determine all questions of disqualification (including the period of such disqualification) of members, both of Parliament and of state legislatures. This body or authority may consist of 9 members, 3 each from the Rajya Sabha and Lok Sabha and 3 to be nominated by the president. At present, this power is exercised by the president/governor after consulting the Election Commission and in accordance with the Commission's advice.

Legal Disability

(2) Article 102(1) (2) and Article 191(1) (a) in the case of members of state legislatures may be amended so as to provide that a person shall be disqualified for being chosen as, and for being, a member of either House of Parliament (or either house of a state legislature) if he holds any office or profit under government declared by Parliament (or by the state legislature in respect of its members) by law to disqualify its holder for such membership. The existing position

has led to a great deal of uncertainty.

VII. Emergency: Article 352: This Article may be amended so as to clarify that the president may, if he is satisfied, make a declaration of emergency restricted in scope to such part of the territory of India as may be specified in the proclamation. Provision may also be made to enable the president to lift the emergency from any part of the territory of India where emergency has been proclaimed.

VIII. Centre-State Co-ordination: (1) Agriculture and Education are subjects of prime importance to the country's rapid progress towards achieving desired socio-economic changes.

The need to evolve all-India policies in relation to these two subjects cannot be over-emphasized. It is, therefore, suggested that Education and Agriculture should be placed in the concurrent list. It may be clarified that the administration of these subjects will remain with the state governments.

(2) The centre's help is often sought when there is a grave situation of law and order in a state. If the Centre is to be able to render help effectively to the States in such situations, it should have the power to deploy police or other similar forces under its own superintendence and control in any state. Suitable provision may be made in

the Constitution for this purpose. Generally, however, the centre should consult the states. if possible, before exercising this power.

IX. General: (1) Some of the proposals made by the committee involve consequential amendments to other provisions of the Constitution. Similarly, proposals regarding the vesting of exclusive jurisdiction in regard to certain matters in tribunals will involve amendment of the relevant statutes. Suitable provision will also have to be made regarding pending suits in courts.

(2) The committee feels that certain other provisions of the Constitution may need amendment to meet

some administrative or procedural requirements. There are also provisions in the Constitution which have become obsolete or redundant and may therefore be deleted. Separate proposals will be made in this behalf.

(3) In the course of the committee's deliberations the subject of judicial delays was brought up very prominently. The committee would like that government and the judiciary should give serious and urgent attention to this and devise effective measures to remedy the situation. Protracted judicial processes may often result in denial of justice, apart from the heavy cost to the affected parties.

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