FOREWORD

The Reserve Bank of India regularly brings out the Report on Currency and Finance, which was traditionally considered as a comprehensive source and record of economic developments. The structure of this Report has been re-oriented since 1998-99 from just documenting the economic developments to a 'theme-based report'. The theme-based Report offers the professional economists working in the Bank, an opportunity to work on relevant topic every year and make incisive analysis of the theme both in the global and the Indian context and come out with an analytical Report offering possible policy solutions to the issues examined. The dissemination of these Reports to a wider section of the user-community is an important exercise. The Report pertaining to the period between 1935-36 and 1998-99 are available only in printed form. The Reports from 1999-2000 have been placed on the Reserve Bank's website. In these days of widespread use of information technology, it is felt useful to bring out the Reports in a single DVD. I hope this will be an invaluable collector's item among the policy makers and academia.

The digitization process of the Reports was undertaken by Shri Ashok Kapoor, Chief Archivist, Reserve Bank of India Archives and supported by the services of Smt. Sandhya Dhavale, Assistant Librarian, under the guidance of Shri K.U.B. Rao, Adviser, Department of Economic Analysis and Policy and Shri Sandip Ghose, Principal and Chief General Manager, College of Agricultural Banking, Pune. I place on record my deep appreciation of their efforts.

Mumbai
April 1, 2009

(Rakesh Mohan)
Deputy Governor
Reserve Bank of India

REPORT

ON

CURRENCY AND FINANCE

VOLUME I : ECONOMIC REVIEW

FOR THE YEAR 1974-75

The publication of the Report on Currency and Finance, 1974-75 has been slightly delayed primarily due to printing difficulties. The delay is regretted. It has been decided to bring out the Report in two volumes from this year: Volume I: Economic Review which will contain textual matter and Volume II: Statistical Statements. While Volume I is now being released. Volume II would be released by the middle of January 1976.

Director of Publications

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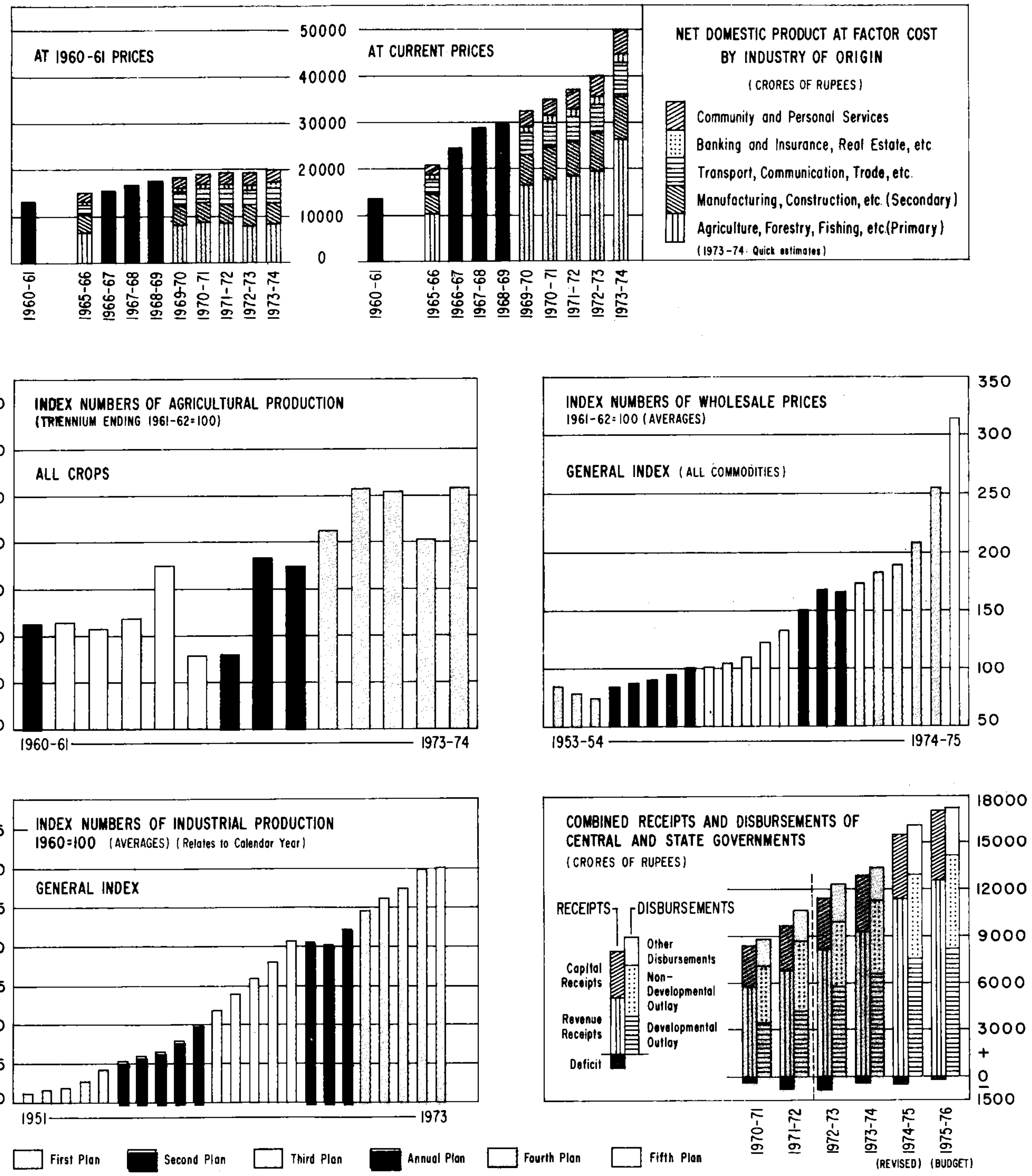

SELECTED ECONOMIC INDICATORS

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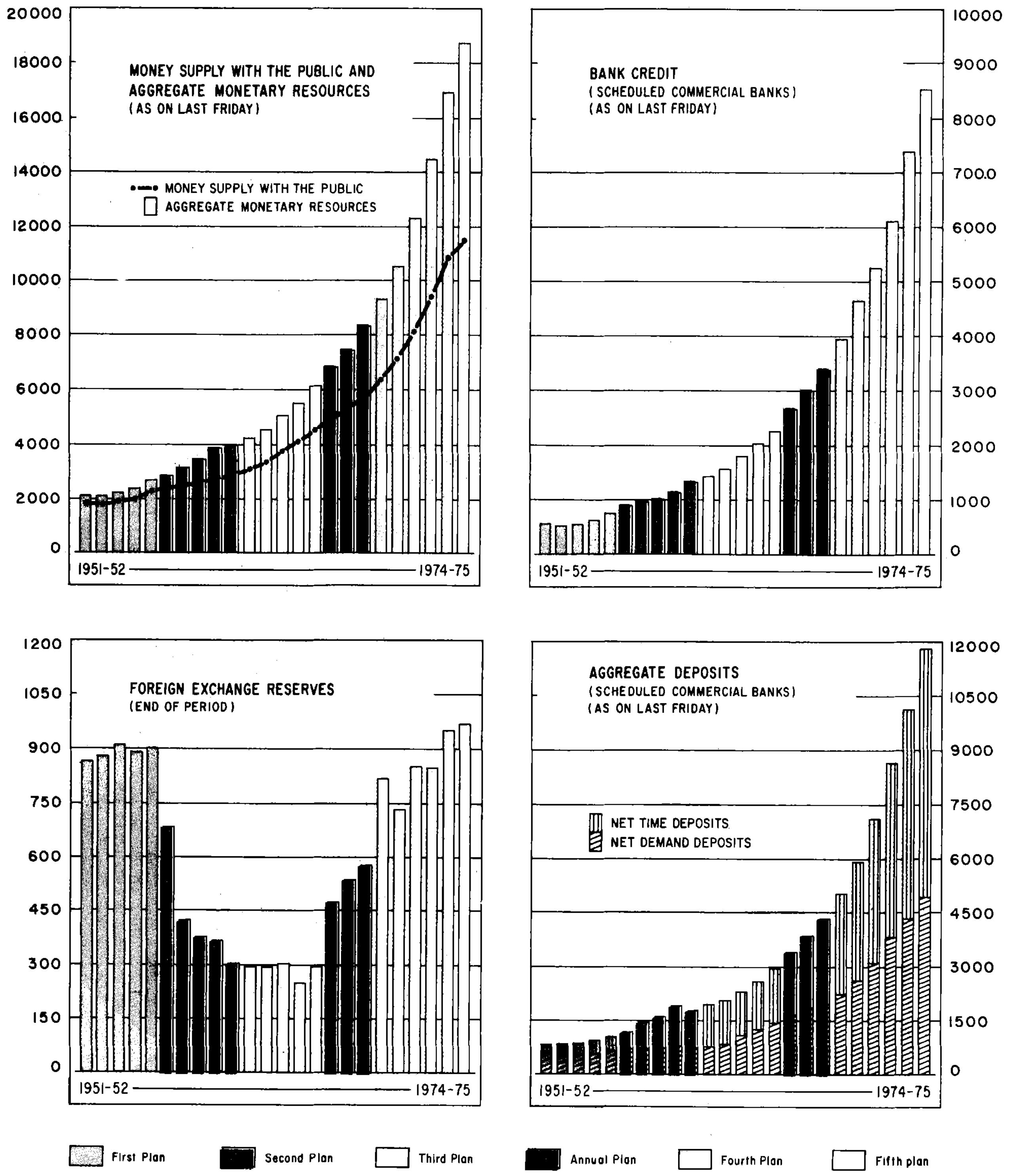

CHAPTER I : INTRODUCTION

Much the most significant achievement of the economy during the year 1974-75 (July-June) was containment of inflation ; the continuing price increase of the two preceding years was checked effectively, despite an increase of only 2 per cent in real national income. At the end of June 1975, the wholesale price index for all commodities was only 0.6 per cent higher than a year ago, and this trend has continued in the period subsequent to July 1975. In fact, by November 22, 1975 the wholesale price index was actually 6.2 per cent lower than the level a year ago : and the prevailing indications were that of a further decline in prices, following the garnering of the *kharif* harvest.

This containment of inflationary pressures was brought about essentially by fiscal and monetary policies affecting aggregate demand in the economy, supported by a variety of administrative measures to curb speculative and illegal activities impinging on current prices and price expectations. As will be explained in later chapters of this Report, monetary demand was restricted in both public and private sectors. On the fiscal side, there was a massive effort at mobilisation of resources accompanied by cuts in non-development expenditures ; these were further strengthened by immobilisation of part of the additional incomes through compulsory deposits and restriction on distribution of dividends. In the monetary area, credit expansion was reduced both through restriction of supply of loanable funds and an increase in interest rates. Furthermore, though in terms of agricultural production 1974-75 was not a particularly good year, market supplies of agricultural commodities benefited from larger imports and the steps taken to curb hoarding of stocks. Likewise, in the industrial sector significant improvements in supply of power, coal and steel were evident as a result of increased production as well as better transport. Based on larger export earnings, better utilisation of external assistance and IMF drawings, the economy was also able to sustain larger imports of industrial raw materials and capital equipment. All these resulted in narrowing the gap between current demand and available supplies in respect of both consumer articles and investment goods. Altogether, by mid-1975 the economy was in a much better shape than at any time since 1971.

While the steps taken to curb inflationary pressures have proved successful generally, there have also been areas in which demand remained stagnant or declined, giving rise to fears of recession in certain quarters. In industries such as transport equipment, consumer durables, steel, jute and cotton textiles sluggishness in demand has been evident for some time and this has resulted in accumulation of stocks or reduced utilisation of capacity. This situation derives from a variety of factors. For instance, in the case of cotton textiles the accumulation of stocks with mills was a consequence of weaknesses in the arrangements for distributing controlled cloth, reduced stock-holdings by traders, and consumer resistance to unduly high prices of finer varieties. In respect of consumer durables like passenger cars, refrigerators, television sets, air-conditioners and so forth, the dominant element was resistance to higher prices in a situation in which real incomes had registered at best a small increase. The markets for steel, cement, railway wagons and so forth were affected by inadequate increases in public sector investment in the last two years, while the accumulation of stocks in the jute and certain engineering industries derived from declines in export demand.

Since the difficulties of different industries were due to different causes, the situation did not warrant the adoption of such measures as a general reduction in excise duties or liberalisation of credit or reduction of interest rates. The balance achieved in regard to the supply and demand for food articles as well as other essential consumer goods was tenuous and it was clear that any major shift in supply or demand could again generate pressures on these prices. Consequently, steps taken to revive the economy had to ensure that there was no withholding of the supply of goods or an increase in the final consumer prices.

For this reason, policies for stimulating industrial activity had to be specific and related to the particular problem affecting production or sales.

Basically, the stimulus to larger industrial production has to come from increased investment in both the public and private sectors. The initial moves in this regard have been taken by the Government through policies designed to increase public investment under the Plan. Plan outlay for 1975-76 has already been raised by 23 per cent over the previous year's level. More specifically a series of measures have been taken to enlarge construction activity in the public sector, and accelerate investments in the power, irrigation and transport facilities. Steps have also been taken to facilitate larger exports by public sector enterprises and speedier payment of subsidies and duty drawbacks. All of these measures should improve the demand prospects for a variety of industries.

Alongside of increases in public spending for investment, efforts have also been made to stimulate private investment. There has been a major reform in licensing policy with the granting of blanket exemption from licensing to 21 industries in the medium sector. About 15 export-oriented engineering industries have been permitted automatic expansion of capacity upto 25 per cent of licensed capacity over a period of 5 years without having to obtain a licence for this purpose. Similarly, the ban on expansion which had been imposed on foreign companies and large monopoly houses in 30 important industries has also been lifted. Many fiscal and other incentives have been provided for stimulating exports. The restriction on declaration of dividends has been eased as also the scope for issue of bonus shares. Thus, industries are now able to declare higher dividends on a deferred payment basis and issue bonus shares with a time-lag of only 24 months as against the 40 months stipulated earlier. These relaxations should be of help in enlarging the flow of equity capital. Concurrently, the Reserve Bank has advised banking institutions to ensure that the genuine requirements of production credit are met in respect of export industries, industries in the core sector and industries producing mass consumption goods. The resources of term-lending institutions have been augmented and their procedures streamlined to enable larger support to new investment, particularly in the priority industries. Altogether, conditions for larger investment activity in both the public and private sectors have been or are being introduced with a view to taking advantage of the potential for larger output that exists in the economy.

Insofar as essential consumer goods industries are concerned, the expectation is that, with the increase in agricultural production and incomes, and some adjustments in prices and distribution arrangements, there would be enough demand to obviate any cuts in production. Concurrently, these industries will benefit from the improvement in the supply of raw materials, transport and power facilities. Adjustments have also been made in respect of short and medium-term credit facilities to the textiles and sugar industries to enable increased production and modernisation of equipment. As regards other consumer goods industries of a non-essential character, it is likely that they will also derive some benefit from production increases elsewhere in the economy. But over a period, their viability will depend on a readjustment of production patterns and pricing policies. Instead of concentrating on high unit prices and restricted appeal to higher income groups, they have to aim at catering to consumers in the low and middle income ranges, and this requires a shift to both new products and lower prices.

As already observed, the kharif harvest has been extremely favourable and the 1976 rabi season is also expected to surpass earlier performances. Despite pockets of low production, the overall performance of the industrial sector during 1975-76 is likely to be better than in the previous year. Thus, real supplies to the economy during the current year should be such as will permit somewhat larger expenditures for both consumption and investment purposes. And as long as monetary factors are kept under control, it should be possible to augment real investment and output without creating intolerable pressures on consumer prices and balance of payments. Some of the developments in recent months may be indicative of this possibility. In the last few months, prices have remained more or less stable notwithstanding the somewhat increased spending in the economy. Credit availed of by both the Government and commercial sectors has been larger. During the period March 28 to November 28, 1975 net bank credit to Government increased by over Rs. 1100 crores or more than 12 per cent as against an increase of around Rs. 850 crores or less than 10 per cent in the corresponding period of 1974. Likewise, bank credit to the commercial sector increased in the same period by over Rs. 900 crores or 8.5 per cent as against an increase of around Rs. 575 crores or 6 per cent in the previous year. Further, unlike in 1974 when foreign assets of the banking sector declined by about Rs. 175 crores, there has been an increase of Rs. 95 crores in such assets between March 28 and November 28, 1975. In other words, compared to the previous year there has already occurred substantial increase in spending by all the three sectors and a consequent increase in the liquid assets available to the economy for further deployment. However, corresponding to the enlargement of expenditure, there has also been an actual or anticipated increase in supplies which has prevented price increases. If in the same way, future demand expansion is matched carefully with supply increases, it should be possible to maintain price stability and also accelerate the growth rate.

It is important that the opportunity which exists for achieving development with price stability is not either exaggerated or underestimated. Improved supply of raw materials, power and transport facilities, together with the availability of foreign exchange and more stable industrial relations are all conducive to acceleration of growth. At the same time, monetary conditions are such that any large-scale recourse to 'deficit financing' by the public or private sectors could become counter-productive. While it should be possible to add substantially to investment expenditures in the coming year, it is essential that such augmentation be based on a larger mobilisation of domestic saving rather than on extensive credit creation. Like-wise, programmes for increasing the demand for capital and investment goods have to be supported by equally effective programmes for increased production and proper distribution of wage goods, particularly food articles. Notwithstanding the somewhat smaller anticipated increase in export earnings during 1975-76, availability of foreign exchange should not hamper a planned increase in food imports for the proximate future—though from a long-term point of view the position may remain somewhat uncertain. However, if in the next few years food and crude oil imports could be replaced by indigenous production, viability even on a long-term basis on this front will be possible.

The Indian economy faces at this juncture equal prospects of moving forward to a period of sutained growth and development or sliding back towards inflation, depending on the ingenuity with which production and investment policies are fashioned and implemented. The emergency and the 20-point economic programme have created an environment in which purposive action should be possible. Given concerted efforts by both the public and private sectors, the year 1975-76 may witness not only further strengthening of price stability but also the achievement of a significant growth rate of 5 to 6 per cent.

CHAPTER II : NATIONAL INCOME, SAVING AND INVESTMENT

Introduction :

In this Chapter an attempt is made, against the background of the estimated national income growth, to provide an assessment of saving and investment in the economy in 1974-75. Domestic saving is estimated separately for public sector, for private corporate sector and for the household sector. These estimates show that the ratio of domestic saving to national income declined marginally from 12.1 per cent in 1973-74 to 11.8 per cent in 1974-75. In terms of saving-income ratio, the decline was wholly accounted for by the household sector. The situation in 1974-75—with a rise in price at about the same rate as in 1973-74 and a smaller rise in real national income than in the previous year—turned out to be such that the efforts of the household sector to maintain the consumption level, seem to have caused an erosion in its capacity to save. Further, the estimates of aggregate investment are derived by adding the net inflow of foreign resources to the estimates of domestic saving. According to these estimates, aggregate investment in 1974-75 works out to 13.8 per cent of national income, as compared with 12.9 per cent during the previous year.

1. Trends in National Income

The 'Quick' estimates of national income for the year 1973-74(1) at constant (1960-61) prices, prepared by the Central Statistical Organisation, show an increase of 3.1 per cent over the previous year ; this is in contrast to a fall of 0.9 per cent witnessed in 1972-73 over the 1971-72 level. The Net National Product (national income) for India in 1973-74 is estimated at Rs. 19,724 crores (at 1960-61 prices) with a per capita income of Rs. 340.1 as compared to the corresponding figures of Rs. 19,130 crores and Rs. 337.4 respectively in 1972-73.

These quick estimates are based on the latest available data of agricultural and industrial production for 1973-74. Income from the agricultural sector recorded in 1973-74 an increase of 6.4 per cent over 1972-73, mainly due to a substantial rise in food production (6.6 million tonnes). On the other hand, there was a fall in income from sectors like forestry and logging (3.7 per cent), construction (6.1 per cent) and railways (11.3 per cent). As a result, the net increase in total national income was limited to 3.1 per cent. No official estimates of national income are as yet available for 1974-75. However, the growth of income in 1974-75 has been tentatively put around two per cent.(2)

2. Aggregate Domestic Saving

If the domestic economy is viewed in terms of public sector (including public sector undertakings), private corporate sector (including co-operative institutions) and the rest grouped as the household sector,(3) it will be observed that as in the preceding years the largest proportion of domestic saving originates in the household sector. Saving of this sector formed about 62 per cent of the total domestic saving in 1974-75, as compared with 72 per cent in 1973-74 (Table II.1). The share of public sector in domestic saving in 1974-75 was larger at 30 per cent as against 22 per cent in 1973-74 and 1972-73. Similarly, the share of the corporate sector also increased from 5 per cent in 1973-74 to 8 per cent in 1974-75.

It is clear from these figures that the rate of domestic saving declined in 1974-75 : the ratio of domestic saving to national income declined marginally from 12.1 per cent in 1973-74 to 11.8 per cent. In fact, the decline becomes significant when compared with the ratio of 12.6 per cent in 1972-73. Thus, the rate of saving declined for the second year in succession. In terms of saving-income ratio, the decline was wholly accounted for by the household sector.

(1) All references in this Chapter relate to Financial Year (April-March) unless stated otherwise.

(2) Annual Plan : 1975-76, Planning Commission.

(3) The household sector is a residual sector comprising individuals, non-government non-corporate enterprises in agriculture, trade and industry, non-profit making organisations like trusts, charitable and religious institutions, etc.

Table II.1 : Estimates of Domestic Saving
(Provisional)

(Rupees Crores at Current Prices)

Sector	Financial Year (April-March)		
	1972-73	1973-74	1974-75
1	2	3	4
1. Public Sector	1126 (22.5)	1346 (22.5)	2162 (29.7)
Per cent of Net National Product at current prices ..	2.8	2.7	3.5
2. Domestic Private Corporate Sector (Including Co-operatives)	157 (3.1)	322 (5.4)	563 (7.7)
Per cent of Net National Product at Current Prices ..	0.4	0.7	0.9
3. Household Sector	3729 (74.4)	4324 (72.1)	4544 (62.5)
Per cent of Net National Product at Current Prices ..	9.4	8.7	7.4
4. **Total Domestic Saving (1+2+3)**	**5012**	**5992**	**7269**
Per cent of Net National Product at Current Prices	12.6	12.1	11.8

Note : Figures in brackets indicate percentages to total domestic saving.

3. Household Sector Saving

Total Saving of the Household Sector

The total saving of the household sector comprises its saving in the form of (a) financial assets and (b) physical assets ; these have to be offset by (c) its financial liabilities. Although aggregate saving of this sector is estimated to have increased from Rs. 4324 crores in 1973-74 to Rs. 4544 crores in 1974-75, as a proportion of Net National Product (NNP), it declined from 8.7 per cent to 7.4 per cent (Table II.2). The trends in the various components of saving may now be briefly discussed.

Table II. 2 : Saving of the Household Sector
(Provisional)

(Rupees Crores at Current Prices)

Assets	Financial Year (April-March)		
	1972-73	1973-74	1974-75
1	2	3	4
1. Financial and Physical Assets	4553	5287	5247
Per cent of Net National Product at Current Prices ..	11.5	10.7	8.6
2. Financial Liabilities	824	963	703
Per cent of Net National Product at Current Prices (net)	2.1	2.0	1.2
3. **Total (net) Saving (excluding Financial Liabilities) i.e., 1—2**	**3729**	**4324**	**4544**
Per cent of Net National Product at Current Prices ..	9.4	8.7	7.4

Financial Assets

Saving in the form of financial assets accounts for more than 70 per cent of the household sector's saving. Financial saving is estimated to have declined from Rs. 3660 crores in 1973-74 to Rs. 3223 crores in 1974-75, or from 7.4 per cent of NNP at current prices to 5.3 per cent (Table II.3). While three components, namely, currency, insurance and corporate and co-operative shares and debentures including units of Unit Trust of India recorded a decline during 1974-75, all the other components showed a rise.

Table II.3: Composition of Saving in the Form of Financial Assets

(Provisional)

(Rupees Crores at Current Prices)

Assets	Financial Year (April-March) 1972-73	1973-74	1974-75
1	2	3	4
Total Financial Assets (1 to 6)	**3246**	**3660**	**3223**
Per cent of Net National Product at Current Prices	8.2	7.4	5.3
1. Currency	591	847	41
(*a*) Per cent of total financial assets	18.2	23.1	1.3
(*b*) Per cent of NNP at current prices	1.5	1.7	Neg.
2. Deposits†	1587	1531	1710
(*a*) Per cent of total financial assets	48.9	41.8	53.1
(*b*) Per cent of NNP at current prices	4.0	3.1	2.8
3. Insurance	304	358	348
(*a*) Per cent of total financial assets	9.4	9.8	10.8
(*b*) Per cent of NNP at current prices	0.8	0.7	0.6
4. Provident Funds	509	581	734
(*a*) Per cent of total financial assets	15.7	15.9	22.8
(*b*) Per cent of NNP at current prices	1.3	1.2	1.2
5. Claims on Government	144	213	286
(*a*) Per cent of total financial assets	4.4	5.8	8.8
(*b*) Per cent of NNP at current prices	0.4	0.4	0.5
6. Corporate and Co-operative shares and debentures including units of Unit Trust of India	111	130	104
(*a*) Per cent of total financial assets	3.4	3.6	3.2
(*b*) Per cent of NNP at current prices	0.2	0.3	0.2

† Including deposits with commercial banks, co-operative institutions and non-banking companies.

Currency

Although saving in the form of currency and deposits continue to account for a major part of financial saving, there occurred in 1974-75 a sharp decline in the currency component as compared to the previous year during which saving in this form has risen sharply. The decline in saving in the form of currency by the household sector has obviously to be expected in the *macro* context of a much slower rate of expansion of currency in 1974-75 for the economy as a whole.(4) Besides, a fall in demand for currency as a saving asset is not altogether unexpected during a year in which wholesale prices recorded, on an average, a rise of 23.4 per cent, on the top of a rise of 22.8 per cent in the preceding year. Basically, the saving capacity of those who are ordinarily expected to save in this form of asset (such as low and middle income, farm and non-farm households) may have been adversely affected. Secondly, the tendency to shift from currency (and other monetary media) to physical assets which was much in evidence in 1973-74 probably continued for part of the year in view of the rapid rise in prices till September 1975. Thirdly, in the wake of the increase in interest rates in July 1974, some substitution between currency and deposits may have taken place. Since the household sector as defined here covers a wide spectrum of saving entities, it is difficult to say which of these factors was of overwhelming importance : but taking the sector as a whole the decline in saving in form of currency in 1974-75 reflects the cumulative impact of all these factors.

Deposits

Household sector's saving in the form of insurance is measured by the changes in life fund of the Life Insurance Corporation plus postal insurance, state insurance and premium deposits of Life Insurance Corporation. Although the share of saving in the form of insurance in total financial assets increased from 10 per cent in 1973-74 to 11 per cent in 1974-75, in terms of percentage to national income its share declined marginally. In absolute amounts the figure declined from Rs. 358 crores in 1973-74 to Rs. 348 crores.

Corporate Co-operative and UTI Investments

Investment in shares and debentures of corporate and co-operative sectors and the units of Unit Trust of India (UTI) forms an important part of household sector's financial assets. While household investment in shares and debentures of co-operative institutions accounted for a substantial part of saving in this category, direct purchases of shares and debentures of corporate sector formed a little less than one-fourth of total saving through these media during 1974-75. Further, there was dis-saving in the form of investment in units sold by the Unit Trust of India during 1974-75, as reflected in excess of repurchases over sales of units by UTI. As a net result, saving in this category declined from Rs. 130 crores in 1973-74 to Rs. 104 crores.

Provident Funds

The total collection from various Provident Funds rose significantly from Rs. 581 crores to Rs. 734 crores ; the growth is mainly attributable to a rise in wages and salaries. The funds included in this category are Employees' Provident Fund, State (Central and State Governments) Provident Funds and 'other' provident funds. Nearly one-half of total savings in these Funds is attributable to Employees' Provident Fund. While the proportion of Provident Funds collections to national income remained unchanged, their share in total financial assets improved significantly.

Claims on Government

Under the category "Claims on Government", small savings collections from individuals, direct investment in Government securities and refund of annuity deposits, compulsory deposits and prize bonds are included. Savings in the form of small saving collections declined sharply during the year. However, the deposits impounded under the Additional Emoluments (Compulsory Deposits) Act, 1974 and the Compulsory Deposit Scheme (Income Tax Payers) Act, 1974 brought in additonal saving in 1974-75. As a result, claims on government increased from Rs. 213 crores to Rs. 286 crores.

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(4) *Vide*, "Impact of Domestic and External Factors on Money Supply : the 1974-75 Experience," R.B.I. Bulletin, June 1975.

Saving in Physical Assets

It is not possible to estimate saving in the form of physical assets(5) with any degree of precision if only for the reason that the relevant data are not available for making such estimates. The estimates given here are on the assumption that the proportion of saving in the form of physical assets to national income has remained unchanged. Needless to add, this implies an undefined margin of error in the estimates; but given the fragmentary nature of data available, there is little else that can be hazardous at this stage.

Financial Liabilities

Financial liabilities of the household sector consist of advances from commercial banks and co-operative institutions, loans (net of repayment) from Life Insurance Corporation, Loans and advances (net of repayment) from Central and State Governments. Adjustment has also been made in respect of net borrowing by the corporate sector from the household sector in the form of trade transactions, i.e. change in 'net trade credit' position. It has been observed that the household sector has always been a net creditor to the corporate sector. Financial liabilities are estimated to have declined from Rs. 963 crores in 1973-74 to Rs. 703 crores in 1974-75.

4. Saving of the Domestic Private Corporate Sector

Saving of the non-government corporate sector (including that of co-operative institutions) is estimated to have risen from Rs. 322 crores in 1973-74 to Rs. 563 crores in 1974-75 ; as a proportion to total saving in the economy it rose to 8 per cent during 1974-75 as compared to 5 per cent during the previous year. It must be added that while full data for estimating are available for the year 1972-73(6), the estimates for 1973-74 and 1974-75 are based on partial data. Preliminary examination of data relating to medium and large companies reveals that retained profits in 1973-74 and 1974-75 would have recorded a sharp increase, as a result of the Ordinance restricting dividend distributions and rise in profit before tax. To these estimates of retained profits, changes in tax provision (net of advances of income tax) are added to derive saving of the non-government non-financial corporate sector.

Published data for estimating the saving of the co-operative sector are available upto 1972-73.(7) For subsequent years, the estimates of saving of the co-operative sector are based on the expectation that the past trends in the growth rate (simple) would have been maintained in both 1973-74 and 1974-75.

5. Saving of the Public Sector

Saving of the Central and State Governments (including their departmental undertakings) and local authorities(8) account for the bulk of public sector saving, the rest being contributed by non-departmental undertakings (Table II.4).

Saving of the Central Government

The net saving of the Central Government administration is estimated to have shown a sharp increase from Rs. 456 crores in 1973-74 to Rs. 726 crores in 1974-75. Saving of the Central Government administration as percentage of its revenue receipts improved from 9.4 per cent in 1973-74 to 12.0 per cent in 1974-75. Saving of departmental undertakings comprises depreciation provisions plus the retained profits minus expenditure on renewals and replacements. These undertakings incurred a loss of Rs. 75 crores in 1974-75 as against a loss of Rs. 21 crores in the previous year. Taking depreciation provision net of expenditure on renewals and replacements, these undertakings made a dis-saving of Rs. 57 crores in 1974-75 as against a dis-

(5) Physical assets for the purpose of estimation of saving comprise (*i*) fixed investment by the household sector in (*a*) agriculture, (*b*) construction (rural and urban) and (*c*) business (rural non-farm and urban) and (*ii*) inventories held by it.

(6) *Vide*, Finances of Medium and Large Public Limited Companies, 1972-73, Reserve Bank of India Bulletin, October 1974 and Finances of Medium and Large Private Companies, 1972-73 Reserve Bank of India Bulletin, February 1975.

(7) *Vide*, Statistical Tables relating to the Co-operative Movement in India, Part I (credit societies) Part II (Non-credit societies) 1972-73, Reserve Bank of India.

(8) *Vide*, Finances of Local Authorities, 1967-68 and 1968-69, Reserve Bank of India Bulletin, March 1974.

Table II.4 : Public Sector Saving
(Provisional)

(Rupees Crores at Current Prices)

Item	Financial Year (April-March)		
	1972-73	1973-74	1974-75
1	2	3	4
1. Central Government (including Departmental Undertakings)	308	431	669
2. State Governments (including Local Authorities)	677	716	1149
3. Non-departmental Financial and Non-financial Undertakings	141	199	344
4. **Total (1+2+3)**	**1126**	**1346**	**2162**
5. Per cent of Net National Product at Current Prices ..	2.8	2.7	3.5

saving of Rs. 25 crores in the previous year. These estimates are based on the Economic and Functional Classification of Central Government Budget for 1975-76.

Saving of Non-Departmental Undertakings

The retained profits(9) of the Reserve Bank of India constitute the major component of the saving of non-departmental non-financial undertakings ; these profits recorded an impressive increase from Rs. 115 crores in 1973-74 to Rs. 220 crores ir 1974-75.(10)

The non-departmental industrial and commercial undertakings of the Central Government made an overall profit of Rs. 63 crores in 1973-74 as against a profit of Rs. 21 crores in 1972-73. Of the 114 such undertakings in operation, while 73 enterprises earned a net profit of Rs. 161 crores, 41 enterprises incurred a loss of Rs. 96 crores. On the other hand, out of 101 running concerns in 1972-73, 67 undertakings earned a profit of Rs. 105 crores while 34 enterprises incurred a loss of Rs. 87 crores.(11) The encouraging performance by the enterprises in 1973-74 was largely attributable to the improvement in capacity utilisation and improved managerial practices. The relevant data for 1974-75 are not available. However, on the basis of reported improvement in operational efficiency in the case of enterprises producing petroleum products, enterprises rendering trading and marketing services and transport services and heavy engineering industries, the net profit of non-departmental undertakings has been presumed to be higher during 1974-75 than in 1973-74.

6. Aggregate Investment in the Economy

Estimates of aggregate investment in the economy are derived by adding the net inflow of foreign resources(12) to the estimates of domestic saving.

(9) These include net accretions to various funds, *viz.*, National Agricultural Credit (Long-Term Operations) Fund, the National Agricultural Credit (Stabilisation) Fund and the National Industrial Credit (Long-Term Operations) Fund but exclude the surplus of profit that is payable by the Reserve Bank of India to the Central Government.

(10) The accounting year of the Reserve Bank of India is July-June ; retained profits for a given accounting year are taken as equivalent for the same fiscal year.

(11) *Vide*, Annual Report on the Working of Industrial and Commercial Undertakings of the Central Government, 1972-73 and 1973-74 ; Ministry of Finance, Government of India.

(12) Net inflow of foreign resources is different from net aid. The former indicates total net draft on foreign saving and comprises net current account deficit on balance of payments excluding net official transfer payments, retained earnings of foreign controlled rupee companies, non-cash flow and net transactions on account of branches other than oil companies. The latter indicates the amount of foreign aid adjusted for debt servicing charges including both interest and amortisation payments.

A major indicator of the net inflow of external resources is the magnitude of current account deficit on balance of payments (excluding net official transfer payments). It is not possible to estimate as yet with precision the net inflow of external resources during 1974-75, since complete data in respect of current account deficit are not available. However, on the basis of partial data it appears that the net inflow in 1974-75 would have shown a sharp increase rising from 0.8 per cent of national income to 2.0 per cent. On this basis, aggregate investment in 1974-75 would work out to 13.8 per cent of national income as compared to 12.9 per cent in 1973-74.

The share of domestic saving in total investment is estimated to have declined from the previous year's level of 94 per cent to 86 per cent in 1974-75. Correspondingly, the net inflow of foreign resources has gone up from 6 per cent of the total investment in 1973-74 to 14 per cent in 1974-75 (Table II.5).

Table II.5 : Estimates† of Domestic Saving and Investment : Per cent of Net National Product at Current Prices
(Provisional)

Item	Financial Year (April-March)		
	1972-73	1973-74	1974-75
1	2	3	4
1. Domestic Saving (Net)	12.6	12.1	11.8
2. Inflow of Foreign Resources (Net)	0.8	0.8	2.0
3. Aggregate Investment (Net) (1+2)	13.4	12.9	13.8

† Because of reclassification of budgets of State Governments and other revisions, these estimates are not strictly comparable with the estimates published earlier.

Sectoral Investment

It is not possible to give a sectoral breakup of the aggregate investment in the absence of full details regarding sectoral flow of resources. However, broad indicators that are available regarding investment activities in different sectors as observed from diverse sources, are briefly discussed in the following paragraphs.

Public Sector Investment

Investment in public sector acts as a pacesetter and stimulates private investment in various fields of the economy. However, estimates of investment in the public sector are not available. Nonetheless one important indicator is capital formation through the budget of the Central Government; the relevant data are shown in Table II.6. Capital formation through the budget of Central Government accounted for 5.4 per cent of NNP at current prices in 1974-75 as compared to 5.3 per cent in 1973-74.

Gross direct fixed capital formation rose by Rs. 145 crores in 1974-75 over the previous year, while net capital formation (*i.e.* excluding expenditure on renewals and replacements) is estimated to have been higher by Rs. 381 crores in 1974-75 than that in 1973-74. The Central Government, besides spending on direct capital formation, also provides financial assistance for capital formation to States, Union Territories, non-departmental commercial undertakings, local authorities and others. Such financial assistance increased from Rs. 1883 crores in 1973-74 to Rs. 2429 crores in 1974-75.

Gross capital formation in non-departmental industrial and commercial undertakings is financed by their own internal resources, assistance from the Government, borrowings from banks and other institutions. Capital formation by non-departmental industrial and commercial undertakings rose from Rs. 671 crores in 1972-73 to Rs. 1554 crores in 1973-74. The relevant data for 1974-75 are not yet available.

Table II.6 : Capital Formation Through Central Government Budget

(Rupees Crores at Current Prices)

Item	Financial Year (April-March)		
	1972-73	1973-74	1974-75 (R.E.)
1	2	3	4
1. Gross Direct fixed capital formation	665	711	856
2. Variation in inventories	12	71	293
(*a*) Works Stores	59	9	3
(*b*) Stocks of foodgrains & fertilizers	—47	62	290
3. Net Capital formation (*i.e.* gross direct fixed capital formation minus expenditure on renewals and replacements plus increase in inventories)	538	629	1010
4. Financial assistance for capital formation	1950	1883	2329
(*a*) To states, union territories	1062	1191	1204
(*b*) To non-departmental commercial undertakings ..	731	593	1103
(*i*) Financial Concerns	139	111	133
(*ii*) Others	592	482	970
(*c*) Other parties	157	99	122
5. Investment in Central Government's non-departmental industrial and commercial undertakings	671	1554	N.A.
(*i*) Gross fixed assets	644	894	N.A.
(*ii*) Variation in inventories	27	660	N.A.

R. E. = Revised Estimates
N.A. = Not Available
Source : (1) An Economic and Functional Classification of the Central Government Budget, Ministry of Finance, Government of India.
(2) Annual Report on the Working of Industrial and Commercial Undertakings of the Central Government, 1973-74, Ministry of Finance, Government of India.

Investment by Private Corporate Sector

Finally, although it is not possible to ascertain precisely the magnitude of investment in private corporate sector, it is possible to provide a broad idea of the trend of investment on the basis of (*i*) identifiable sources of funds flowing into this sector through financial intermediaries and (*ii*) internal resources generated. Data regarding capital raised (including debentures) are consolidated by the Controller of Capital Issues and are available on a calendar year basis. These are adjusted for intra-sector flows. Private Corporate Sector's share in total bank credit is derived on the basis of Banking Statistics (Basic Statistical Returns) compiled by the Reserve Bank of India. Net borrowings (after adjusting for repayments) from the Government (both Central and States) are derived from budgets. The method of estimating depreciation provision, bank deposits and cash is similar to that followed for estimating retained profits. The broad estimates of identifiable sources and uses (cash assets, fixed capital formation and inventories) of funds of private non-financial corporate sector are provided in Table II.7.

On the basis of these data, the amount of gross capital formation in the private non-financial corporate sector appears to have increased from Rs. 1514 crores in 1973-74 to Rs. 1925 crores in 1974-75. These figures should not be taken as precise estimates but merely indicating broad investment trends in the sector.

Table II. 7: Investment—Private Non-Financial Corporate Sector

(Provisional)

(Rupees crores at Current Prices)

	Financial Year (April-March)						
SOURCES				USES			
	1972-73	1973-74	1974-75		1972-73	1973-74	1974-75
1	2	3	4	1	2	3	4
1. Capital raised (including debentures) ..	149	113	116	1. Bank Deposits and cash	26	181	269
Less: Intra Sector flows (estimated)	30	23	23	2. Gross fixed Assets and Inventories	1146	1514	1925
	119	90	93				
2. Retained Profits	157	290	482				
3. Borrowings	498	898	1055				
4. Depreciation Provision ..	398	417	564				
TOTAL	**1172**	**1695**	**2194**	**TOTAL**	**1172**	**1695**	**2194**

Note: Borrowings under item 3 include borrowings from commercial banks, Government (both Central and States), households and term-financing institutions.

CHAPTER III : TRENDS IN OUTPUT AND PRICES

In this Chapter, the trends in output of the agricultural and industrial sectors are discussed in detail, and against this background, the trends in prices, both overall and in respect of specific commodities, are analysed.

I. Agricultural Sector

The momentum for growth exhibited by agriculture in the late 1960's was hardly in evidence in the early 1970's. In fact agricultural production declined consecutively for two years 1971-72 and 1972-73 and even the rise in production of about 9 per cent in 1973-74 merely meant regaining lost ground. This inability of the agricultural sector to grow has had a pervasive influence on the growth of the economy as a whole, in so far as it affects industrial production through availability of raw materials, balance of payments through lower exports of agricultural and agriculture-based commodities/goods and higher imports of foodgrains, and the price situation through lower availability of foodgrains and other agricultural commodities. Although one may take shelter in the fact that agricultural stagnation in the early 1970's is largely attributable to the weather factor, there are other dimensions of agricultural growth which should not be overlooked. Notwithstanding the expansion of irrigation since the inception of planning in 1951, the degree of vulnerability of the agricultural sector to vagaries of climate does not seem to have diminished significantly. This exposes the whole economy to erratic growth. Again, the technological breakthrough in agriculture seems to be confined to some sub-sectors : while wheat has benefited, there is no visible impact on rice. Among coarse grains, with the exception of bajra, new high yielding varieties have yet to establish their popularity. In the case of pulses, there do not seem to be at present any effective high-yielding varieties. Among non-food crops, new varieties have made a significant impact only on cotton.

Agricultural development programmes in future may therefore have to give greater emphasis on reducing the degree of vulnerability of agriculture to weather and ensuring a wider spread of technological progress.

Against this broader background, trends in production in 1974-75 may be briefly reviewed in the light of the progress achieved under various programmes of agricultural development.

Although the index for overall agricultural production in 1974-75 is not yet available, broad indicators suggest that agricultural output remained at about the same level as in 1973-74. Notwithstanding the unfavourable climatic factors which affected *kharif* crops, the level of total foodgrains production amounted to 104-105 million tonnes, thanks to a larger *rabi* crop.

As regards the commercial crops, the picture was mixed; while the production of raw cotton and sugarcane recorded increases, raw jute and oilseeds registered declines. The production of tea and coffee was relatively higher. A detailed review of production trends follows :

1. Foodgrains: Production and Distribution

Production of foodgrains during 1974-75 estimated around 104-105 million tonnes, although was considerably lower than the target of 118 million tonnes set for the year, compares favourably with the output of 103.5 million tonnes in 1973-74. Production of *kharif* foodgrains was smaller at 62 million tonnes as against 66.7 million tonnes in 1973-74. On the other hand, *rabi* production which reached a record level of 43-44 million tonnes, due to timely rains and favourable climate, wiped out the shortfall in *kharif* output.

Overall Availability

The per capita availability of foodgrains which had declined from 467.3 grams in 1972 to 424.5 grams in 1973 rose to 448.4 grams in 1974; this was rendered possible by higher level of production in 1973-74 and larger imports (Table III.1). Since the output of foodgrains in 1974-75 is estimated at around the same level as in 1973-74 and imports were somewhat higher, net overall availability of foodgrains in 1975 may work out to be marginally higher than the 1974 level of 96 million tonnes. The per capita availability, however, is likely to remain in 1975 at the same level as in 1974.

Table III.1 : Availability of Foodgrains

(January-December basis)

(Million Tonnes)

Year		Gross Output(*a*)	Net Output	Imports	Change in Government stocks	Net availability	Per capita net availability per day (in grams)			Procurement	Public Distribution
							All foodgrains	Cereals	Pulses		
1		2	3	4	5	6	7	8	9	10	11
1970*	..	99·4	87·0	3·6	+ 1·1	89·5	455·0	403·1	51·9	6·7	8·8
1971*	..	108·3	94·8	2·1	+ 2·6	94·3	469·1	417·8	51·3	8·9	7·8
1972*	..	105·1	92·0	0·5	— 4·7	97·2	467·3	420·2	47·1	7·7	10·5@
1973*	..	97·0	84·9	3·6	— 0·5	89·0	424·5	383·1	41·4	8·4	11·4
1974*	..	103·5	90·6	4·8	— 0·5	95·9	448·4	408·5	39·9	5·7	10·6

(*a*) For agricultural year July-June. * Provisional. @ Excludes exports to Bangladesh.

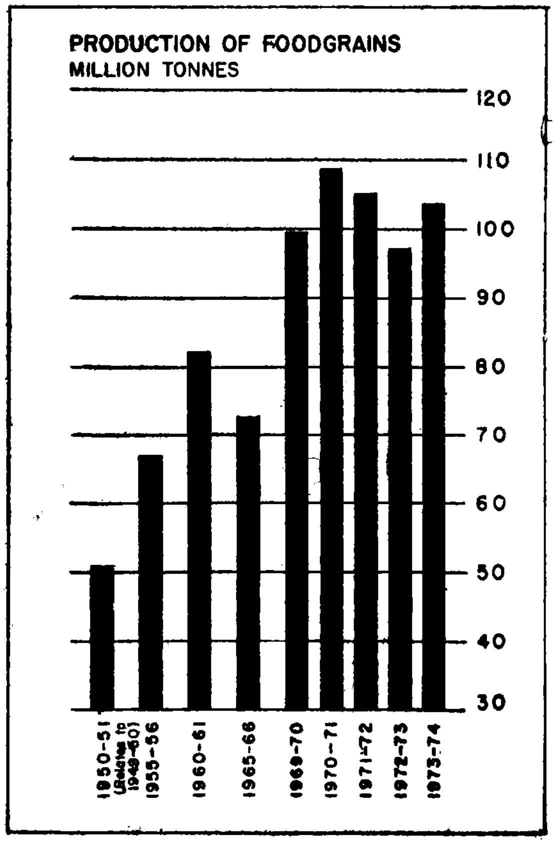
Note : (1) Net availability : Net production + Imports — Change in Government stocks.

(2) Net output is defined as 87·5 per cent of gross production, the balance being provided for feed, seed and wastage.

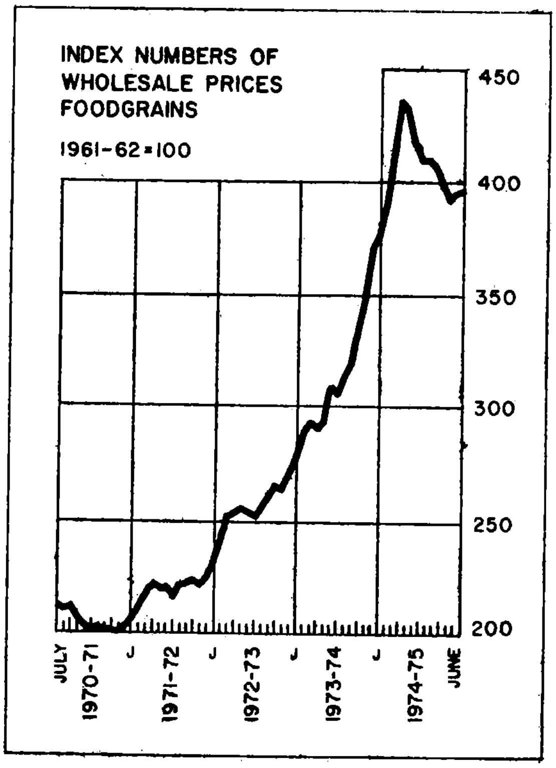
Source : Economic Survey, 1974-75.

The release of foodgrains for public distribution during the year 1974 aggregated 10.6 million tonnes; this compares with 11.4 million tonnes in 1973 and 10.5 million tonnes during 1972. During the period January-June 1975, the quantum of public distribution was higher at 5.7 million tonnes as compared with 5.2 million tonnes in the corresponding period of 1974.

Graph I



Graph 2



Procurement during the 1974-75 *kharif* marketing season (November-October) till end-August 1975 aggregated 3.9 million tonnes (Table III.2). The quantities procured were lower than the target of 4.6 million tonnes. This achievement, however, has to be viewed against the background of a smaller *kharif* out-turn in 1974-75 compared with the 1973-74 production. In the light of the bumper wheat crop in 1974-75, the target of wheat procurement during the 1975-76 *rabi* marketing season (April-March) has been fixed higher at 5.5 million tonnes ; actual procurement of wheat upto mid-July of 1975 was of the order of 3.6 million tonnes. The quantity procured till mid-July was sizeably larger than the entire 1974-75 season's procurement of 1.9 million tonnes.

Table III.2 : Procurement of Foodgrains—Targets and Achievements

(Million Tonnes)

Crop	1970-71		1971-72		1972-73		1973-74		1974-75	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
1	2	3	4	5	6	7	8	9	10	11
Kharif										
(November-October) Paddy/Rice ..	4·7	3·2	4·3	3·1	4·0	2·7	5·0	3·9	4·1	3·6@
Coarse Cereals	0·8	0·5	0·5	0·2	0·6	0·3	1·6	0·4	0·5	0·3@
Rabi										
(April-March) .. .. Wheat	4·0	5·1	6·5†	5·0	6·0	4·5	..	1·9	5·5	3·6@@
Coarse Cereals	..	0·01	..	0·07	..	0·01	..	—	..	—

.. Not available. — = Nil or negligible.
† Indicative target. @ Till end-August 1975. @@ Till mid-July 1975.
Sources : (1) Bulletin of Food Statistics, Government of India. (2) Department of Food, Ministry of Agriculture & Irrigation, Government of India. (3) APC's Report on Price Policy for *Kharif* Season, 1975-76.

Procurement Systems

In 1974-75, requisitioning of stocks was added to the armoury of the existing systems of procurement. The existing systems of procurement were : (1) Monopoly purchase-cum-compulsory procurement, (2) Graded levy on producers, (3) Levy on millers/dealers, and (4) Open market purchases.

The system of monopoly purchase-cum-compulsory procurement of paddy and rice was continued in Maharashtra in addition to the open market purchases made by co-operatives. While levy on millers/dealers/producers was continued in almost all the States, it was combined with a levy on traders and on rice mills including hullers in the States of Assam, Karnataka, Tamil Nadu and West Bengal. In Orissa, the system of monopoly purchase was replaced in the 1974-75 *kharif* season by a levy on producers and millers including hullers. In Andhra Pradesh, Bihar, Kerala, Madhya Pradesh, Tamil Nadu and West Bengal, the State Governments also took powers to requisition stocks of paddy/rice from stockholders.

In regard to wheat, in the surplus States of Punjab, Haryana, Madhya Pradesh, Rajasthan and Uttar Pradesh, a 50 per cent levy on the purchases of wheat by licensed dealers in the regulated markets/specified purchase centres was imposed at the beginning of the 1974-75 *rabi* season. In Maharashtra, wheat was procured under the State Government's monopoly purchase-cum-compulsory procurement scheme, as also through open market purchases by the co-operatives. In Madhya Pradesh, the State Government had also taken powers to requisition stocks of wheat from stockholders including agriculturists.

A levy on producers of wheat was introduced in Bihar in May 1974 and in Rajasthan in June 1974.

In respect of coarse cereals, a levy on producers ranging from 25 per cent to 50 per cent of production was imposed in almost all the States; in Madhya Pradesh this system was combined with 25 per cent levy on licensed dealers while a levy of 30 per cent in Maharashtra and 50 per cent in Tamil Nadu and Uttar Pradesh was continued. Further, in Maharashtra, besides the levy, procurement was also made by open market purchases through co-operatives.

Support, Procurement and Issue Prices

Minimum support prices were substantially raised in respect of the 1973-74 *kharif* foodgrains and minimum support price for wheat for the 1974-75 marketing season was also announced, for the first time since 1968-69, before the sowing of the crop (Table III.3). However, for *kharif* cereals of 1974-75 and for wheat of 1975-76 no support prices were announced in view of the policy of purchasing all the quantities offered for sale at procurement prices which were higher than the minimum support prices.

Procurement prices of *kharif* cereals as well as *rabi* cereals were fixed higher for the marketing seasons of 1974-75 and 1975-76, respectively. Consequently, issue prices were also revised upwards.

Rationing-Statutory and Informal

Statutory rationing of foodgrains continued to be in force in Calcutta and Asansol—Durgapur group of industrial towns in West Bengal for rice and wheat and in the city of Bombay in Maharashtra for rice only. The population covered under statutory rationing was about 17.8 million at the end of 1974 as against 17.1 million a year ago. Informal rationing of foodgrains continued in other areas. The total number of fair price/ration shops functioning in the country upto the end of 1974 was about 2,13,000 as against 2,07,000 at the end of 1973.

Buffer Stock

With a view to imparting an element of stability to the food situation, the Government has decided to build up a buffer stock of foodgrains of about 12 million tonnes by the end of the Fifth Plan. Despite the pressure on public distribution, the total stocks of foodgrains with the Central and State Governments rose from 2.4 million tonnes at the end of 1974 to 4.8 million tonnes at the end of June 1975 : this compares with 4.0 million tonnes at the end of June 1974.

2. Commodity-wise Review

Rice

According to advance estimates, the production of rice (*kharif*) in 1974-75 at 40-41 million tonnes compares with the previous year's production of 40.7 million tonnes. Inclusive of summer crop, output of rice in 1974-75 is estimated around 44 million tonnes —same as in 1973-74 (Table III.4).

Table III.4 : Basic Data Relating to Major Foodgrains

(Million Tonnes)

Year	Production			Procurement			Imports			Public distribution		Year-end stocks		
	Rice	Wheat	Coarse grains	Rice	Wheat	Coarse grains	Rice	Wheat	Coarse grains	Rice	Wheat	Rice	Wheat	Coarse grains
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1970-71 ..	42·2	23·8	30·5	3·2	3·2	0·4	0·2	3·4	—	3·1	5·4	1·8	3·1	0·4
1971-72 ..	43·1	26·4	24·6	3·1	5·1	0·3	0·2	1·8	—	3·2	4·5	2·3	5·0	0·6
1972-73 ..	39·2	24·7	23·1	2·7	5·0	0·3	—	0·3	—	3·6	6·6	1·4	1·9	0·1
1973-74 ..	43·7	22·1	28·0	3·9	4·5	0·4	—	2·4	1·2	3·2	7·1	1·4	1·0	0·5
1974-75 ..	43·7+	27·0	—	3·6@	1·9	0·3@	—	4·1	0·7	3·7*	5·6*	1·1*	1·2*	0·2*

@ Upto end-August 1975. + Estimated. * Provisional.

Note : Procurement figures relate to the marketing year. Imports, public distribution & year-end stocks relate to calendar year (January-December).

Sources : (1) Estimates of Area and Production of Principal Crops in India, 1973-74 (2) Bulletin on Food Statistics, (3) APC's Report on Price Policy for Wheat for the 1975-76 Season and (4) Department of Food, Ministry of Agriculture & Irrigation, Government of India.

Table III-3 : Minimum, Support, Procurement and Issue Prices

(Rupees per Quintal)

Commodity	1971-72			1972-73			1973-74			1974-75		
	Minimum support price	Procurement price	Issue price	Minimum support price	Procurement price	Issue price	Minimum support price	Procurement price	Issue price	Minimum support price@@	Procurement price	Issue price
1	2	3	4	5	6	7	8	9	10	11	12	13
Paddy Rice (Standard Variety)	46·00	47·00-58·00 74·30-99·00	128·00	Same as procurement price	49·00-58·00 83·00-95·25	100·00-150·00	63·00	70·00 98·00-119·00	125·00-160·00		74·00 104·00-125·00	135·00-172·00
Wheat*		71·00-76·00	78·00		71·00-82·00	78·00-84·00	85·00£	105·00	125·00		105·00	125·00
Jowar					58·00		63·00	70·00			74·00	86·00
Bajra					60·00		65·00	72·00			74·00	86·00
Maize	45·00	55·00	@		58·00	65·00	63·00	70·00	80·00		74·00	86·00
Ragi					57·00		62·00	70·00			74·00	86·00
Small Millets (*Kodon* and *Kutki*)	—	—	—		50·00	52·00	55·00£	60·00	60·00		—	—

£ Support price was fixed for the first time for 1973-74 season since 1968-69.

@ There were no issue prices of coarse grains during 1971-72.

* *Rabi* marketing seasons (April-March) 1972-73 onwards.

@@ Not announced.

Source : Department of Food, Ministry of Agriculture & Irrigation, Government of India.

The procurement target for rice during the 1974-75 marketing season (November-October) has been set at 4.1 million tonnes ; procurement till end-August 1975 is reported to be around 3.6 million tonnes. During the last season actual procurement was of the order of 3.9 million tonnes (Table III.5). State-wise, Punjab, Andhra Pradesh and Tamil Nadu, contributed the bulk of the procurement. Procurement in Haryana, Punjab and Tamil Nadu exceeded the target, that in Andhra Pradesh nearly touched the target. Procurement in Uttar Pradesh and West Bengal fell short of targets.

Table III.5 : Procurement of Rice

(November-October)*

(Thousand Tonnes)

STATES	1970-71	1971-72	1972-73	1973-74	1974-75**
1	2	3	4	5	6
Andhra Pradesh	466	267	326	696	845
Assam	83	87	89	112	103
Bihar	30	29	56	57	61
Gujarat	—	—	6	18	12
Haryana	252	316	277	417	258
Jammu & Kashmir ..	30	41	25	39	24
Karnataka	16	42	51	98	99
Kerala	71	61	57	44	30
Madhya Pradesh	571	428	243	208	116
Maharashtra	236	182	66	161	81
Orissa	257	169	209	214	55
Punjab	525	771	754	943	955
Tamil Nadu	118	161	131	272	439
Uttar Pradesh	259	296	227	429	276
West Bengal	266	254	176	159	219
Others	17	12	13	19	26
TOTAL :	**3197**	**3116**	**2706**	**3886**	**3599**

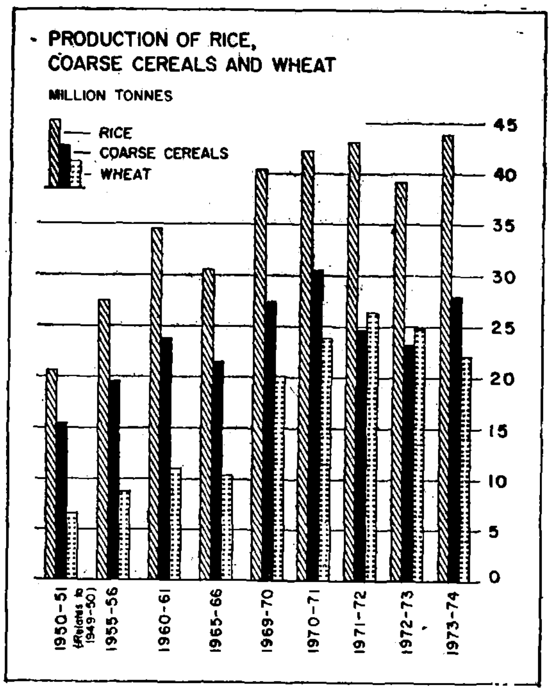
* Except in the case of Punjab, Haryana & Tamil Nadu where it is October-September.
** Upto end-August 1975 (A.P.C.'s report on prices policy for the 1975-76 *kharif* season).
Sources :—(1) Bulletin on Food Statistics, Government of India.
(2) Department of Food, Ministry of Agriculture & Irrigation, Government of India.

No rice was imported during the years 1973 and 1974. A quantity of about 40,000 tonnes of basmati rice was, however, exported upto the end of 1974.

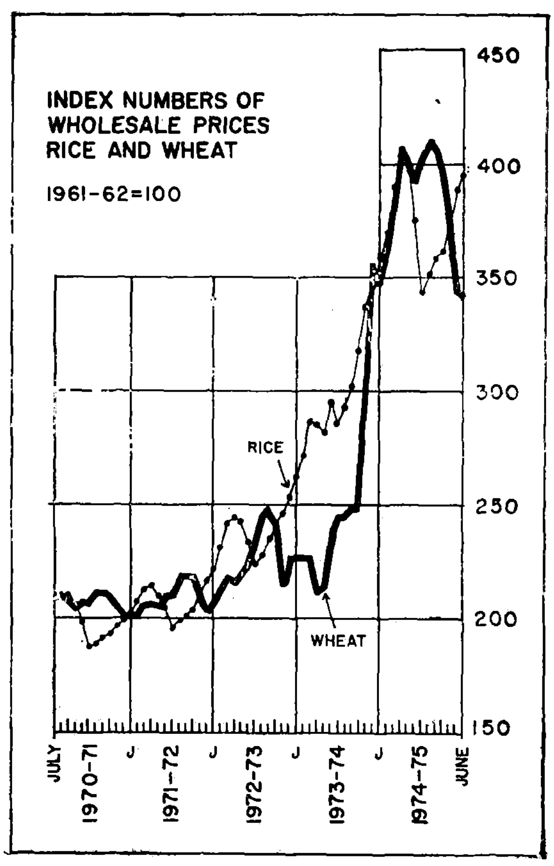
In pursuance of the Agricultural Prices Commission's (APC's) recommendations, the Union Government revised upwards the procurement prices of rice on October 1, 1974 from Rs. 70 per quintal for paddy (standard variety) to Rs. 74 per quintal (coarse variety) and that of rice from Rs. 98-119 to Rs. 104-125. Subsequently the issue prices of rice were also increased, with effect from 1st January 1975 as given below :

Quality	*Rs. per Quintal*
Coarse	135
Medium	150
Fine	162
Superfine	172

Graph 3



Graph 4



Wheat

The production of wheat is estimated at a record level of 27 million tonnes during 1974-75, surpassing the previous record level of 26.4 million tonnes reached in 1971-72 ; the record crop is attributable to favourable weather. Production in 1973-74 was 22.1 million tonnes (Table III.4).

Although the procurement price of wheat would continue at Rs. 105 per quintal for the 1975-76 marketing season, as recommended by the Agricultural Prices Commission, the Union Government has formulated a bonus scheme under which an average bonus of Rs. 4.75 per quintal would be paid to the State Governments in accordance with quantum of procurement. The State Governments, in turn, would utilise the bonus so received for providing incentives to farmers in kind, such as subsidised fertilizers, seeds, diesel oil, etc. Further, restrictions on inter-State movement of wheat would be continued by treating each State as a separate zone. No movement of wheat outside the State would be allowed except on Central Government account. The mode of procurement such as purchases in regulated markets and/or through a system of levy is to be decided by individual State Governments.

Because of the larger crop, the procurement target for wheat during 1975-76 marketing season was fixed at a higher level of 5.5 million tonnes. Actual procurement till mid-July 1975 was of the order of 3.6 million tonnes which exceeded the entire 1974-75 season's procurement of 1.9 million tonnes(Table III.6). Public distribution of wheat totalled 5.6 million tonnes in 1974 (January-December) as against 7.1 million tonnes in 1973. Imports of wheat were stepped up from 2.4 million tonnes in 1973 to 4.1 million tonnes in 1974. The bulk of the imports during 1974 were from the U.S.A. and the U.S.S.R.

Table III.6 : Procurement of Wheat

(April—March)

(Thousand Tonnes)

State	1970-71	1971-72	1972-73	1973-74	1974-75
1	2	3	4	5	6
Bihar	—	13	2	50	—
Haryana	482	709	818	586	249
Madhya Pradesh ..	8	50	65	192	124
Punjab	2,368	2,938	3,179	2,707	1,083
Rajasthan	1	154	46	146	127
Uttar Pradesh ..	322	1,145	843	816	320
Others ..	11	92	53	34	52
Total	**3,192**	**5,101**	**5,006**	**4,531**	**1,955**

— = Negligible.

Sources : (1) Bulletin of Food Statistics, Government of India. (2) Department of Food, Ministry of Agriculture & Irrigation, Government of India. (3) APC's Report on Price Policy for Wheat for the 1975-76 Season.

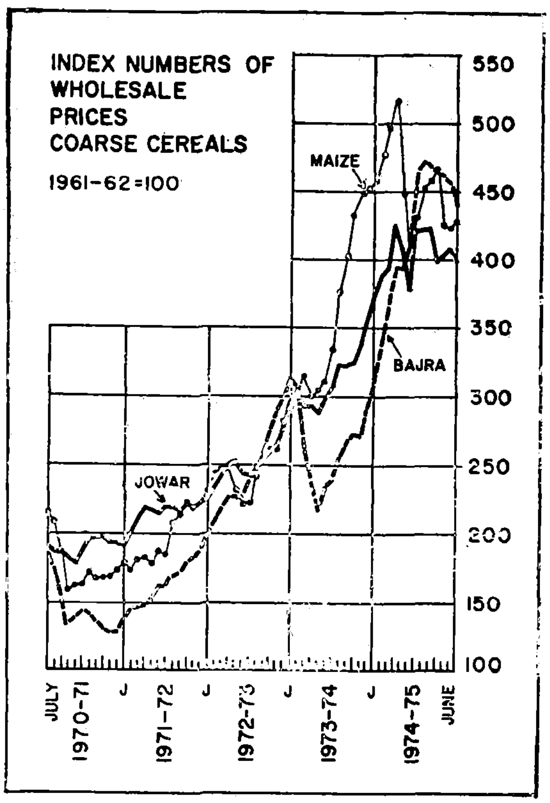
Coarse Grains

Official estimates of the output of coarse cereals for the year 1974-75 are not yet available. However, the output of bajra is reported to have declined sharply by about 3 million tonnes over the output of 1973-74. The output of other coarse cereals is estimated to have remained at the last year's level.

The procurement of *kharif* coarse grains during the 1973-74 marketing season (November-October) was higher at 3.88 lakh tonnes as against 3.11 lakh tonnes in 1972-73 (Table III.2). For the current *kharif* season (1974-75) upto mid-August 1975, about 2.98 lakh tonnes of *kharif* coarse cereals have been procured. Imports of coarse grains declined from 12 lakh tonnes in 1973 to 6.71 lakh tonnes in 1974. Even so, the distribution of coarse grains through the public distribution system was higher at 13.64 lakh tonnes in 1974 as against 10.64 lakh tonnes in 1973.

A uniform procurement price of Rs. 74 per quintal was announced for jowar, bajra, maize and ragi for the 1974-75 procurement season, as against Rs. 70 for jowar, maize and ragi and Rs. 72 in the case of bajra in 1973-74. The issue prices for jowar, bajra, maize and ragi were revised upwards to Rs. 86 per quintal as against Rs. 80 per quintal during the previous year.

Graph 5



Pulses

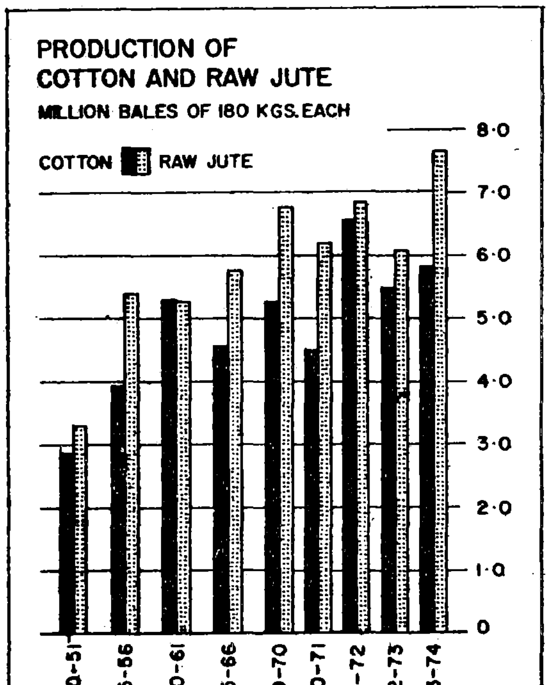
According to the All-India First Estimates, the area under *kharif* pulses during 1974-75, at 8.0 million hectares, showed a nominal decline of 1.3 per cent over the corresponding adjusted estimate of 8.1 million hectares in 1973-74. Although no estimate regarding the production of pulses is available, an additional production of 5 lakh tonnes is expected through the coverage of additional 2 lakh hectares under the short duration varieties such as *catch* crop, inter crop or mixed crop and through improved package of practices over an area of 16 lakh hectares.

Cotton

The All-India Final Estimates place the area under cotton during 1974-75 at 76.2 lakh hectares, higher by 0.5 lakh hectares, as against 75.7 lakh hectares in the preceding season. Production during 1974-75 has been placed at 66.9 lakh bales as against 59.6 lakh bales in 1973-74, representing a rise of 7.3 lakh bales. Trade estimates production of cotton during the 1974-75 season, at around 72.5 lakh bales, as against 67.5 lakh bales during the 1973-74 season.

The 1974-75 season commenced with a carry-over stock of 21.5 lakh bales as compared with 28.9 lakh bales in the previous season. Imports are expected to be around 1.4 lakh bales as against 2.0 lakh bales in 1973-74 season. Thus, by taking trade estimate of production at 72.5 lakh bales, overall availability of cotton during 1974-75 is expected at 95.4 lakh bales, somewhat lower than 98.4 lakh bales available in the previous season. As regards requirements, mills' and extra factories' consumption, in 1974-75 is estimated lower at 71.3 lakh bales as compared with 73.7 lakh bales in the previous season. Exports are also expected to be lower at 1.2 lakh bales than the 3.2 lakh bales achieved in the previous season. The total off-take including exports would be lower at 72.5 lakh bales in 1974-75 as compared with 76.9 lakh bales during the previous season (Table III.7).

Graph 6



Graph 7

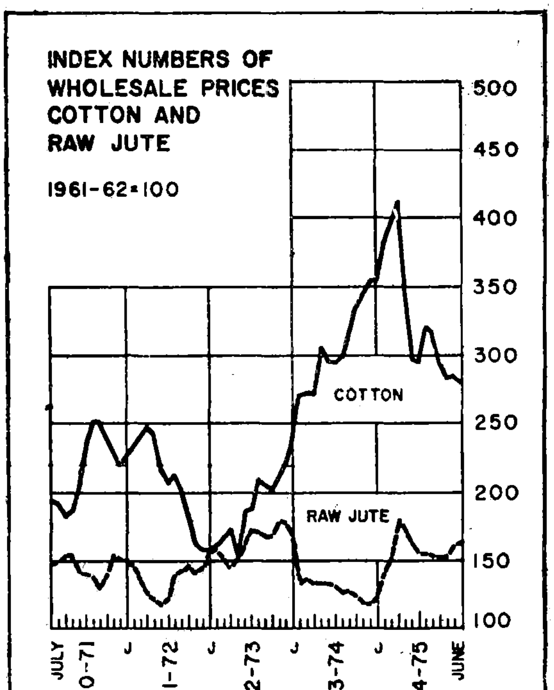


Table III.7 : Trends in Availability of Cotton

Year	Cotton (September-August)						
	Production ('000 bales of 180 kgs. each)	Yield per hectare (kgs.)	Imports ('000 bales of 180 kgs. each)	Exports	Consumption	Stock	Availability
1	2	3	4	5	6	7	8
1970-71	4499	106	845	191	6318	1715	7064
1971-72	6564	151	745	227	6758	2740	9024
1972-73	5417	127	442	170	6886	2940 (2890)	8599
1973-74	5958* (6750)	138	179 (203)	347 (320)	7274 (7368)	2095@ (2155)	9077 (9843)
1974-75	6686* (7250)	N.A.	240@ (139)	200@ (120)	6950@ (7130)	1871 (2294)	9021 (9544)

@ As furnished by the Cotton Advisory Board. N.A. = Not available.
* All-India Final Estimates.
Note : Figures in bracket indicate estimates of M/s Patel Cotton Company Ltd., Bombay.
Source : Directorate of Cotton Development.

An important development in regard to raw cotton was the signing of an agreement with Pakistan for the import of 2 lakh bales of Pakistani cotton with a staple length of 15/16" to 1" valued at about Rs. 25 crores. The import duty on Pakistani cotton which was reduced from 40 per cent *ad-valorem* to 15 per cent *ad-valorem* was subsquently withdrawn completely. As regards exports, the major development was the decision taken by the Government to allow exports of long staple Indian cotton of staple length of 1-1/32" (*i.e.* 26.2 mm) and above during the 1974-75 season. The export duty on this variety of cotton has been abolished with effect from May 15, 1975. As regards exports of Bengal Deshi, initially a ceiling of 2.3 lakh bales was fixed which was subsequently reduced to 1.5 lakh bales. Exports of other permissible varieties of cotton *viz*., Assam Comilas, Zodas and Yellow Pickings would be allowed freely as in the earlier years.

In April 1974, restrictions were imposed by the Textile Commissioner on cotton stocks to be held by mills with a view to arresting the rising trend in prices of domestic cotton. These restrictions on holdings of stocks of cotton by mills were relaxed during the year as shown below :

Stock Limits of Cotton to be held by Mills
(On the basis of average monthly consumption of the last year)

	(Months)		
	From April 11, 1974	From August 6, 1974	From December 19, 1974
Mills in Bombay and Ahmedabad	1½	2	3
Mills in Assam, Orissa, West Bengal and Bihar ..	2½	2½	4½
Mills in other areas ..	2	2	4

In view of the comfortable supply of long staple cotton, the Textile Commissioner issued a notification on February 24, 1975, whereby varieties of cotton having a staple length of 1-1/8" and above were exempted from the purview of stock restrictions.

The centrally sponsored Intensive Cotton District Programme was continued. The programme was extended to new irrigation project areas in Rajasthan, Andhra Pradesh, Karnataka and Maharashtra and also to the rice fallow areas in the States of Andhra

Pradesh, West Bengal and Orissa. The area proposed to be covered was 2.7 lakh hectares under irrigation projects and 0.4 lakh hectares in rice fallows. The programme targeted 11.5 lakh hectares in 1974-75 as compared with 7.2 lakh hectares in the previous year.

In addition to centrally sponsored scheme, a few State Governments continued to implement State Package Programmes. The area under two hybrids, *viz*., Hybrid-4 and Varalakhsmi was increased by more than three-fold from 2.1 lakh hectares in 1972-73 to 7.6 lakh hectares in 1974-75. The area under the centrally sponsored scheme for the production of hybrid seeds was stepped up from 2,183 hectares in 1973-74 to 3,225 hectares in 1974-75.

Raw Jute and Mesta

According to All-India Final Estimate for 1974-75, raw jute production is estimated at 44.9 lakh bales as compared with the corresponding estimate of 61.8 lakh bales during 1973-74. The fall in raw jute production during 1974-75 was due to shrinkage in area, drought and floods in jute growing States. The decline in area is attributed to diversion of jute growing areas to rice. Output of mesta in 1974-75 is also tentatively estimated lower at 10.2 lakh bales as compared with 11.5 lakh bales in 1973-74. The aggregate production of raw jute and mesta is thus provisionally estimated at 55.1 lakh bales in 1974-75 as compared with 73.3 lakh bales in the previous year. Annual Plan for 1975-76 has fixed the production target at 67.0 lakh bales of jute and mesta.

Despite the sharp reduction (24.8 per cent) in the production of raw jute and mesta, the overall availability was higher because of higher carry-over stock. The carry-over stock at the beginning of the 1974-75 season (end-June 1974) is estimated at 33.0 lakh bales as compared with 7.7 lakh bales at the beginning of the previous season. With imports from Bangladesh, at 1.2 lakh bales total availability of raw jute and mesta is estimated much higher at 89.3 lakh bales in 1974-75 as compared with 81.8 lakh bales in the preceding season (Table III.8).

Table III.8 : JUTE & MESTA (July--June)

('000 bales of 180 kgs each)

Year	Production	Imports	Exports	Consumption(1)	Stocks (2)	Availability
1	2	3	4	5	6	7
1970-71	6193	—	48	6450	1062	7165
1971-72	6811	—	362	7581	1285	7873
1972-73	6031	255	74	7320	767	7571
1973-74	7326	82	197	6442	3300	8175
1974-75	5510@	119	398*	6400@	1856@@	8929@

* Provisional.
@ Estimated.
@@ According to trade estimates, the calculated stock works out to 21·3 lakh bales.
(1) Includes village consumption.
(2) Estimated stocks with mills and other stockists at the end of the season.
Source : Directorate of Jute Development, Ministry of Agriculture, Government of India.

Total consumption of raw jute by mills during the 1974-75 season is estimated marginally lower at 62.0 lakh bales as compared with 62.4 lakh bales in 1973-74 and 71.2 lakh bales in 1972-73. The consumption of raw jute by mills in 1974-75 was considerably affected due to the dislocation in production caused by workers' strike for 48 days in jute mills in January-February 1975 and inadequate power supply to mills. The village level consumption is estimated at 2 lakh bales. Exports during 1974-75 were higher at 4.0 lakh bales as compared with 2.0 lakh bales in the previous year. Thus the 1974-75 season is expected to end up with a stock of more than 18.6 lakh bales.

For the year 1974-75, a uniform statutory price of Rs. 125 per quintal was fixed for Assam Bottoms for delivery at upcountry centres, while in the previous year this price was fixed for delivery at Calcutta. With a view to supporting prices of raw jute, the Jute Corporation of India initially fixed a procurement target for 1974-75 season at 25 lakh bales but in view of lower production the target was lowered to 15 lakh bales. The Corporation had procured 5.6 lakh bales upto end-June 1975.

The development efforts at increasing the production of raw jute and improving the quality of fibre were continued during the year. The Intensive Jute District Programme (IJDP) was implemented in 2,31,678 hectares (1,91,678 hectares under jute and 40,000 hectares under mesta). The overall coverage of the programme was 75 per cent and 100 per cent of the targeted area of jute and mesta, respectively.

Oilseeds

Official statistics regarding output of five major oilseeds for 1974-75 are not yet available. However, according to available indications production of *kharif* oilseeds such as groundnut, sesamum and castorseed have received setbacks due to unfavourable weather conditions. Trade estimates place the groundnut crop for 1974-75 at 5.0 million tonnes (nuts-in-shell) ; this would show a decline of 14 per cent from the final estimate of 5.8 million tonnes during 1973-74. Production of sesamum and castorseed is placed lower at 4.5 lakh tonnes and 2.25 lakh tonnes, respectively, in 1974-75. Production of rapeseed/mustardseed and linseed—the two main *rabi* oilseeds—in 1974-75 is expected to be higher at 2.2 million tonnes and 0.5 million tonnes, respectively. Thus, on present reckoning, the output of five major oilseeds would be lower at around 8.4 million tonnes in 1974-75 against 8.7 million tonnes (final estimate) in 1973-74. Thus production in 1974-75 would fall short by 16 per cent of the target of 10 million tonnes (Table III.9). Even so, taking into account the estimated carry-over stock of 3 lakh tonnes of groundnut, the domestic availability of five major oilseeds would be almost the same as in 1973-74.

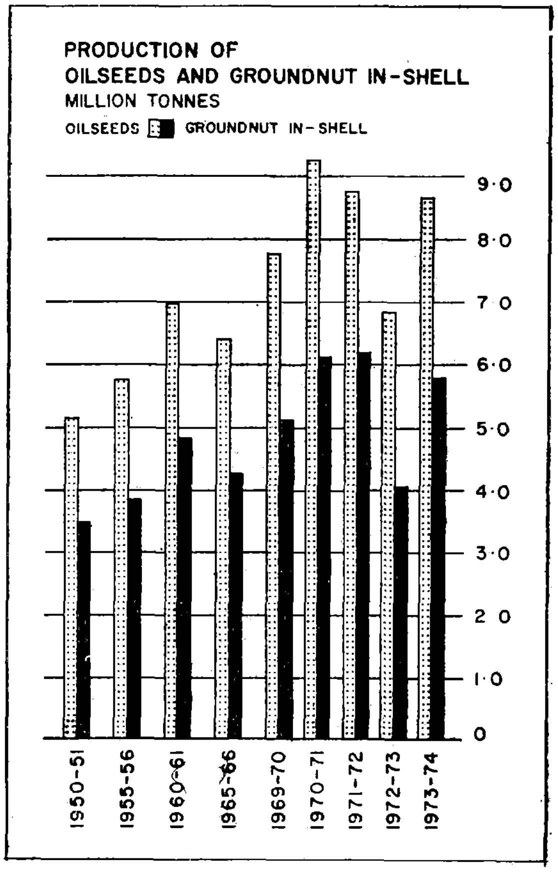
In view of the substantially lower production of groundnut, the maxiumum level of utilisation of groundnut oil in manufacture of vanaspati was reduced from 55-70 per cent in different zones in the country to a uniform level of 25 per cent for all zones with effect from January 5, 1975. Simultaneously, the minimum level of utilisation of cottonseed oil for manufacture of vanaspati has been

Table III.9 : Trends in Non-foodgrain Commodities

Commodity year as indicated	Oilseeds (November-October)@@		Tea (January-December)		Coffee (October-September)			Sugarcane Production (Million tonnes)	Tobacco Production (Million Kgs.)
	Production (Million tonnes)	Yield per hectare (Kgs.)	Production (Million Kgs.)	Exports (Million Kgs.)	Production ('000 tonnes)	Exports ('000 tonnes)	Consumption* ('000 tonnes)		
1	2	3	4	5	6	7	8	9	10
1970-71 ..	9·3	601	418·5	202·0	109·8	47·7	33·6	13·0	362
1971-72 ..	8·7	546	432·8	207·3	68·6	43·4	37·9	11·6	419
1972-73 ..	6·9	465	456·0	198·2	91·0	52·7	37·5	12·8	372
1973-74 ..	8·7	575	472·0	188·2	86·0	52·2	39·7	14·1	441
1974-75 ..	8·4@	..	490·1	205·9	90·0	55·0††	37·6	..	..

@ Estimated. .. = Not available. * Figures relate to the calendar year. @@ Five major oilseeds, viz. groundnut (nuts-in-shell), sesamum seed, castorseed, rapeseed/mustardseed and linseed.
†† Allocation.
Source : Ministry of Agriculture & Irrigation, Tea Board, Coffee Board and Directorate of Tobacco Development, Government of India.

Graph 8

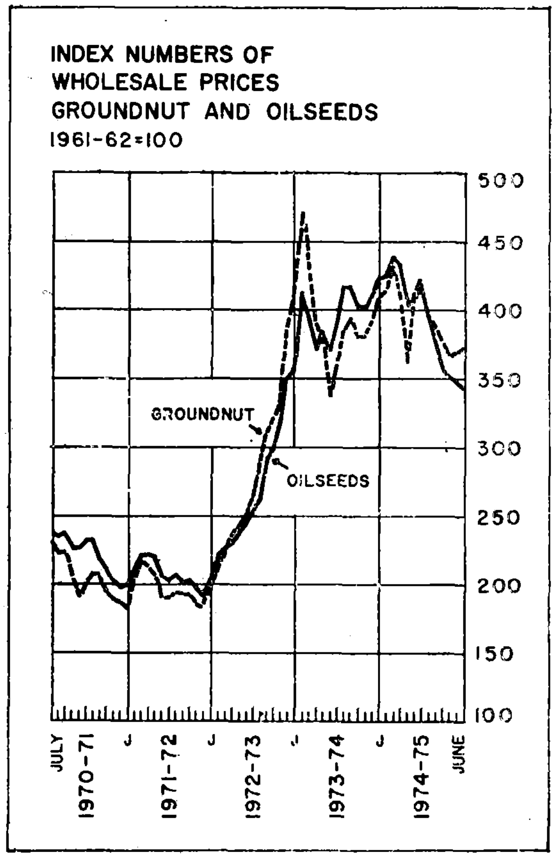


raised from 15 per cent to 30 per cent and the excise rebate would be permissible only on the usage in excess of 30 per cent. The statutory control on vanaspati was lifted from January 5, 1975. Further, the usage of mahuva oil and watermelonseed oil in the manufacture of vanaspati has been permitted with effect from April 8, 1975. Excise rebate on the use of rice bran oil and minor oils of tree origin in soap making would continue to be Rs. 350 and Rs. 1,250 per tonne as in the last year with the minimum qualifying limit raised for the use of rice bran oil from 15 per cent to 25 per cent.

With a view to increasing the production of major oilseeds, the Centrally Sponsored Programme of Intensive Oilseeds Development was initiated in 1974-75 in 26 districts of 10 States. As against a target of 7.34 lakh hectares to be covered under this programme, the actual achievement exceeded the target by 0.43 lakh hectares. Under Centrally Sponsored Schemes for development of sunflower and soyabean 3.28 lakh hectares and 0.67 lakh hectares were covered as compared with the target of 4.58 lakh hectares and 1.1 lakh hectares, respectively.

During the Fifth Plan it is proposed to raise the production of oilseeds to 12.5 million tonnes by 1978-79 from the assumed base level production of 9.4 million tonnes at the end of the Fourth Five Year Plan.

Graph 9



Sugarcane

According to the All-India Second Estimate of sugarcane for the year 1974-75, the area under sugarcane at 26.0 lakh hectares recorded an increase of about 2.4 per cent over the corresponding estimate of 25.4 lakh hectares for 1973-74. Estimates of sugarcane production for 1974-75 are not available. (Table III.9).

The basic minimum price of sugarcane payable by vaccum pan sugar factories during the 1974-75 season was raised by Re. 0.50 to Rs. 8.50 per quintal linked to a recovery of 8.5 per cent or below with a premium of 10 paise for every 0.1 per cent increase in recovery above 8.5 per cent. Further, in pursuance of the recommendations of the Sugar Industry Enquiry Commission, it was decided to allow the growers to share in the excess realisation accruing to the sugar industry from the sale of levy-free sugar in the ratio of 50 : 50 by way of additional cane price.

Tea

Production of tea established another record at 490.1 million kgs. in 1974, surpassing the earlier record of 472.0 million kgs. reached in the previous year, by 18.1 million kgs. or 3.8 per cent (Table III.9). As compared to the target fixed for 1974, actual production was higher by 12 million kgs. The entire rise in output was brought about by the rise in output in Northern India. Tea output in Northern India rose by 21.9 million kgs. to 390 million kgs. while that in Southern India declined by 3.7 million kgs. to 100 million kgs. Production during the first half of the year 1975 is estimated lower at 149.2 million kgs. as compared with 160.2 million kgs. in the corresponding period of the previous year.

Exports of tea during 1974 (January-December) were higher at 205.9 million kgs. valued at Rs. 188.8 crores as compared with 188.2 million kgs. valued at Rs. 142.7 crores during the previous year. The unit value of tea exports during 1974 was also higher at Rs. 9.17 per kg. as against Rs. 7.58 per kg. during 1973.

Coffee

Production of coffee during 1973-74 was lower at 86 thousand tonnes as compared with 91 thousand tonnes during 1972-73. During 1974-75, however, production is estimated at 90 thousand tonnes (Table III.9). The total quantity released for internal consumption during the calendar year 1974 at 37.6 thousand tonnes was lower than that released during the previous year (39.7 thousand tonnes) but almost equal to that in 1972 and 1971.

The export demand for coffee showed a considerable improvement. For the 1974-75 season's crop (October-September), a total quantity of 55 thousand tonnes has been allotted for exports as compared with average of about 52 thousand tonnes each released in the preceding two years. The value of exports during the fiscal year (April-March) at Rs. 58.5 crores in 1974-75 recorded a rise of 27 per cent as compared with a rise of 40 per cent recorded in the previous season.

The International Coffee Agreement has been extended upto 30th September 1976. The distinction between the quota and non-quota countries has been removed with effect from October 1, 1973 and each producing country is free to export any quantity to any country.

Tobacco

According to the All-India Final Estimates for 1973-74, production of tobacco at 441 million kgs. registered an increase of 18.5 per cent over the producton of 372 million kgs. in 1972-73 mainly due to increase in yield. (Table III.9). The final estimates of area and production of tobacco for 1974-75 are not yet available. However, reports from important producing centres indicate a drastic shortfall in area and production due to adverse seasonal conditions.

Internal consumption of raw tobacco declined further to 329.5 million kgs. in 1973-74 as compared with 333.1 million kgs. and 340.2 million kgs. in 1972-73 and 1971-72, respectively. Data for 1974-75 are not yet available.

According to the Customs data compiled by DGCI & S exports of unmanufactured tobacco during 1973-74 at 78.2 million kgs. were substantially below the record level of 94.5 million kgs. during 1972-73. In terms of value, however, exports touched the record level of Rs. 68.4 crores in 1973-74 as against Rs. 61.1 crores realised during 1972-73. During the first ten months of 1974-75 (April 1974-January 1975) a quantity of 66.7 million kgs. of unmanufactured tobacco valued at Rs. 70.7 crores was exported; thus earnings during a period of 10 months surpassed the earlier record earnings of Rs. 68.4 crores in the full year of 1973-74.

Under the Centrally Sponsored Scheme initiated in 1966-67 for increasing production of exportable types of tobacco in light soil areas, an area of 10.7 thousand hectares was covered with the financial assistance of Rs. 30.0 lakhs during 1974-75. The total area covered since 1966-67 aggregated 37.8 thousand hectares. Of the 26 million kgs. of Virginia Flue Cured (V.F.C.) tobacco which is expected to be produced during 1974-75 under the Scheme, at least 75 per cent will be of exportable standard. Under the Tobacco Extension Service and Package Schemes for increasing the yield of chewing tobacco, various incentives such as loans, provision of necessary inputs like seeds, fertilizers, pesticides as well as technical guidance are also being made available to tobacco growers.

A bill for the establishment of Tobacco Board under the Ministry of Commerce has been passed by the Parliament. The Board would undertake marketing operations when necessary with a view to ensuring remunerative prices to growers.

Strategy of Agricultural Production

The strategy of agricultural production in the Fourth Plan was based primarily on the exploitation of high yielding varieties of cereals and multi-cropping programme. Another aspect of the strategy was the involvement of a large part of the rural population, especially, the small and marginal farmers, cultivators in the dry areas and agricultural labourers. Experience of the Fourth Plan indicated that the impact of the high yielding varieties was felt mainly on wheat and bajra and not so much on rice and jowar ; the progress in the case of maize was rather patchy. The main bottleneck in the case of rice was inefficient water management in the command areas of major and medium irrigation projects. In the Fifth Plan, therefore, a programme of integrated development of irrigation projects covering 14 million hectares is being implemented : this will help not only the rice programme but also the multi-cropping programme of cash crops, particularly, oilseeds and pulses.

It is proposed to unify and enlarge the small farmers and marginal farmers schemes in the Fifth Plan. The reoriented programme will cover not only irrigated agriculture but also dry farming and would also encompass a large programme of local construction mainly in earth work, thereby providing employment opportunities to landless labourers. Problems of drought-prone areas are being tackled on the basic postulate that animal husbandry along with a fodder economy is more secure than a grain economy.

The progress achieved in respect of important programmes of agricultural developments is briefly reviewed in the following paragraphs.

3. Measures to Increase Production

High Yielding Varieties Programme

The area to be covered under the high yielding varieties programme in 1974-75 was targeted at 28.7 million hectares, as compared with 25.5 million hectares in 1973-74. Achievement is likely to be little over 27 million hectares (Table III.10). The crops covered under the

Table III.10 : Crop-wise Coverage under H.Y.V.P.

(Million Hectares)

Commodity	1970-71	1971-72	1972-73	1973-74	1974-75
	Actuals			(Estimate)	(Target)
1	2	3	4	5	6
Wheat	6·5	7·9	10·2	11·3	12·2
Rice	5·6	7·4	8·6	9·4	11·0
Maize	0·5	0·4	0·5	0·7	0·8
Jowar	0·8	0·7	0·9	1·1	1·2
Bajra	2·1	1·8	2·3	3·0	3·5
Total	**15·4**	**18·2**	**22·5**	**25·5**	**28·7**

Source : Ministry of Agriculture & Irrigation, Government of India.

scheme are rice, wheat, maize, jowar, and bajra. In rice, emphasis was laid on the introduction in different areas of high yielding varieties identified and accepted by farmers as suitable for those areas and conditions, through the implementation of the Central Sector mini-kit programme. For wheat, a new national mini-kit programme was launched with a view to introducing and demonstrating the utility of new varieties identified to be resistant to various rust diseases. Attention was also paid to the control of midge on jowar. In addition, a mini-kit programme of millet was initiated during the current year and a number of new varieties of sorghum hybrids and new disease resistant varieties of bajra were introduced. Simultaneously, programmes of extensive education of farmers were also arranged.

Quality Seeds

The National Seeds Corporation was expected to produce 7.82 lakh quintals of certified seeds during 1974-75 as against 3.07 lakh quintals produced in 1973-74. The Corporation has also stepped up its foundation seed production programme from 0.57 lakh quintals in 1973-74 to 1.03 lakh quintals in 1974-75. The Tarai Development Corporation is expected to produce 35,300 tonnes of quality seed in 1974-75 compared to 22,166 tonnes last year. The processing capacity of the National Seeds Corporation was expected to rise from 40,000 tonnes to 52,000 tonnes by the end of April 1975, and that of the Tarai Development Corporation from 20,000 tonnes to 40,000 tonnes. The Central Seeds Committee released during the year eight new varieties of wheat, two of barley, eight of jowar and one of soyabean. With a view to undertaking production and marketing of quality seeds of improved varieties, establishment of seeds corporations at State level, in collaboration with the National Seeds Corporation were under active consideration of the State Governments. Andhra Pradesh, Haryana, Karnataka, and Maharashtra States have already taken steps to set up such corporations whereas, some other States are contemplating to do so.

Minor Irrigation

During 1974-75, about 1.0 million hectares of additional irrigation potential was likely to have been created by minor irrigation works, thus increasing the total irrigation from minor irrigation schemes to 24.5 million hectares. The number of electric pumpsets and diesel pumpsets is anticipated to be around 24 lakhs and 18 lakhs, respectively, at the end of 1973-74. Steps were also taken to meet the requirements of power for agricultural purposes in important producing areas, particularly in Punjab, Haryana and Uttar Pradesh by diverting power from other uses.

Fertilizers

Domestic production of fertilizers in 1974-75 is unlikely to be higher than the production of 1.4 million tonnes in 1973-74. Total consumption of fertilizers during 1974-75 is estimated at 4.2 million tonnes, as against the target of 4.4 million tonnes (Table III.11). Consumption of chemical fertilizers during the 1974-75 *kharif* season at 1.4 million tonnes was higher by 16.5 per cent than that during the preceding year.

Table III.11 : Consumption of Fertilisers

(April-March)

(Thousand Tonnes)

Year	Nitrogenous (N)	Phosphatic (P_2O_5)	Potassic (K_2O)	Total
1	2	3	4	5
1970-71	1,487	462	228	2,177
1971-72	1,755	564	304	2,623
1972-73	1,779	587	333	2,699
1973-74	1,835	634	314	2,783
1974-75*	2,803	913	511	4,227
Fifth Plan Target	5,200	1,800	1,000	8,000

* Estimated consumption.
Source : Fertiliser Statistics, 1973-74.

In view of the importance of fertilizers in increasing the agricultural production, the Government took a series of measures to increase its domestic production, consumption and distribution. Notwithstanding a sizeable rise in the world prices of fertilizers, imports of fertilizers were stepped up. The performance of domestic fertilizer manufacturing units was also sought to be improved. The system of fertilizer distribution was rationalised by demarcating marketing zones for the different manufacturing units so as to avoid long haulage and cross movements of railways and regularising the entire production of these units through orders issued under the Essential Commodities Act. Guidelines were prepared and circulated to the States to make efficient use of fertilizers. These measures were reinforced by an ambitious programme for the development of local manurial sources, both in rural and urban areas. As against an estimated production of 170.0 million tonnes during 1973-74, the target for rural compost for the year 1974-75 was envisaged at 200 million tonnes. The present coverage under green manuring is estimated at 6 million hectares. Under the urban compost scheme, 4.8 million tonnes of urban compost was expected to be made available during 1974-75. Under the Fifth Five Year Plan, it is proposed to set up 27 compost plants in cities having population of more than 3 lakhs. About 7,000 gobar gas plants were set up by the end of 1973-74 while for 1974-75, the target was to set up 8,000 plants.

Plant Protection Measures

During 1974-75, a gross area of 64.0 million hectares benefited by plant protection measures as against an area of 60.53 million hectares covered by these measures in 1973-74. An area of 19.4 lakh hectares was covered with prophylactic plant protection measures both by aerial and ground spraying operations. Under this scheme, 12 surveillance stations are operating. Efforts are being made to popularise effective weed control through use of herbicides.

4. Schemes for Small Farmers

SFDA and MFAL Projects

During the year July 1974 to June 1975, the Government released grants of Rs. 8.1 crores to the 46 SFDAs and Rs. 5.0 crores to 41 MFALs set up in 97 districts during the Fourth Plan period, for utilising and for extending subsidies to the identified participants, for risk fund contributions, management subsidy to the co-operative institutions, and administrative costs (since their inception upto end-June 1975). SFDAs identified in all 32.9 lakh participants. Of these, 17.9 lakh participants were brought under the co-operative fold. Again, 41 MFAL Projects identified 14.7 lakh participants of which 6.1 lakh were enrolled as members of co-operative societies upto June 1975. The participants identified under these 87 projects received term-loans aggregating Rs. 94.6 crores. In addition, short-term production loans of Rs. 34.4 crores were disbursed by co-operative and commercial banks during July 1974 to June 1975.

Upto June 1975, the number of tubewells/dugwells constructed, pumpsets installed and other minor irrigation works completed by both the agencies aggregated 1.61 lakhs, 45,000 and 35,000 respectively. The number of units of milch cattle and poultry as also sheep breeding, goat rearing and piggery units set up by these agencies aggregated 1.21 lakhs, 10,000 and about 58,000, respectively. The number of beneficiaries under rural artisans programmes totalled 13,476 while that of labourers employed under rural works schemes was 3.09 lakhs (Table III.12).

The Fifth Plan envisages that programmes for small/marginal farmers and agricultural labourers will cover 160 districts, including 97 districts with 87 projects set up during the Fourth Plan. The basic approach in the new projects will be to implement crop husbandry programmes like intensive agriculture, multiple cropping, application of high yielding varieties of seed, fertilizers, minor irrigation, land shaping, soil conservation, etc., for the identified participants with special emphasis on dry-farming practices and better water management techniques. The distinction between the SFDA and the MFAL has been abolished and a new combined agency known as the

Table III.12 : SFDA and MFAL Programmes

Item	Progress Under SFDA Upto end-June 1974	SFDA Upto end-June 1975	MFAL Upto end-June 1974	MFAL Upto end-June 1975
1	2	3	4	5
1. Number of Projects	46	46	41	41
2. Number of farmers and labourers identified (in lakhs)	27·7	32·9	12·9	14·7
3. Of which brought under membership of co-operative fold (in lakhs)	15·4	17·9	5·0	6·1
4. Finance released (since inception) to the agencies (Rs. crores)	28·9	37·0	19·6	24·6
5. Of which actual utilisation (Rs. crores)	28·0	38·1£	17·2	23·5
6. Production loans (short-term) issued (Rs. lakhs)				
(i) By co-operatives during the year (July-June)	2,457·7	3,019·6	254·1	295·8
(ii) Advances by commercial banks (April-March)	207·7	103·0	44·6	23·9
7. Investment loans issued @ (Rs. lakhs)				
(i) By co-operatives	4,888·2	6,291·7	978·1	1,313·6
(ii) Advances by commercial banks	665·6	1,063·8	534·8	791·9
(iii) Total	5,553·8	7,355·5	1,512·9	2,105·5
8. Physical results@				
(i) Number of tubewells/dugwells constructed	1,04,904	1,36,782	17,348	24,254
(ii) Number of pumpsets installed	30,779	36,195	6,449	9,111
(iii) Number of other minor irrigation works*	29,196	32,769	1,218	2,183
(iv) Units set up				
(a) Milch cattle	46,318	66,130	35,717	54,735
(b) Poultry	5,109	5,883	3,606	3,770
(c) Other animal husbandry programmes**	12,904	19,139	16,251	38,453
(v) Rural artisans trained	5,512	8,553	3,638	4,923
(vi) Labourers employed under rural works	76,141	92,739	1,86,040	2,16,638

Note : The data relate to the SFDAs & MFALs established during the Fourth Plan.
@ Figures are cumulative totals since the inception of the projects. £In case of expenditure exceeding the funds released, the Agencies have utilised the funds received under 'other sources'.
*Include sprinklers, rahats, irrigation channels, bamboo learning and renovation of old wells.
**Piggery, fisheries, sheep-breeding, goat-rearing, bee-keeping, sericulture and duck-farming units.

Small and Marginal Farmers' and Agricultural Labourers' Development Agency has been established to implement the programme.

Each project will be confined to one revenue district and will attempt to cover 50,000 beneficiaries during a five-year period of operation adopting a compact area approach within the district. The proportion of small and marginal farmer beneficiaries will be roughly in proportion of their total numerical strength in the project area.

Cultivators having ownership holdings of more than 2.5 acres but less than 5 acres have been defined as small farmers and those possessing upto 2.5 acres as marginal farmers. Cultivators without any land holding but having a homestead and deriving more than 50 per cent of their income as agricultural wages will be identified as agricultural labourers. However, those identified persons who have a steady off-farm income of Rs. 200 or more per month for the family will not be covered by any programme of the Agency.

Upto June 1975, 46 new SFDA projects were registered in different States and a sum of Rs. 365 lakhs was released to them, the amount utilised so far was nominal at Rs. 10.7 lakhs.

Agro-Industries Corporations

The Agro-Industries Corporations, in addition to their usual activities, diversified their functions in the fields like manufacture of agricultural implements, processing of fruits and vegetable products, setting up of cattle and poultry feed plants, distribution of other inputs, etc.

The production of tractors is estimated at 30,000 to 32,000 during 1974-75. The total number of Agro-service centres upto January 1975 came to 1,808 and it is expected that by the end of 1974-75 another 75 centres would be established.

II. INDUSTRIAL SECTOR

The year 1974 was marked by a revival of industrial growth from a state of semi-stagnation in 1973. Although, the actual rate of industrial growth of about 3 per cent in 1974 was not high by any standard, the pace of industrial production gathered momentum during the last quarter, thus setting the tone for a faster industrial growth in 1975.

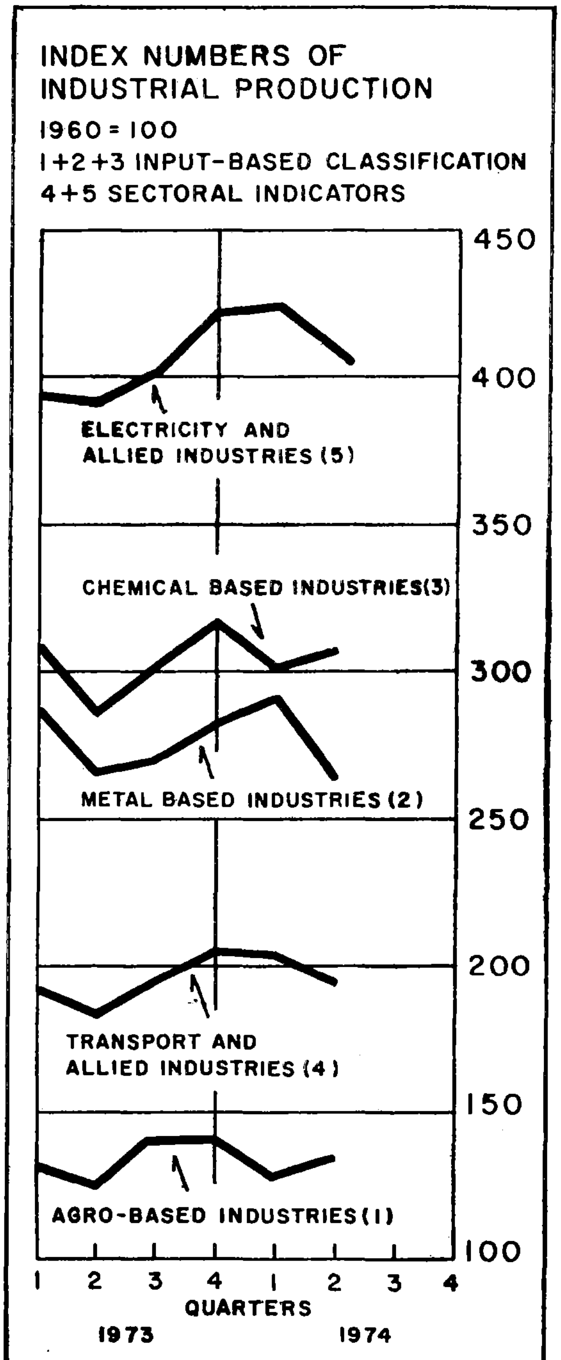
The outlook for industrial growth in 1975 is decidedly bright. An increase in the production of infra-structure industries like power, coal and steel, a significant improvement in the performance of public sector enterprises and the industrial harmony, which emerged consequent on the declaration of emergency—all these factors have rendered feasible the attainment of industrial growth of an order higher than in 1974.

Trends in Production : 1974

Available data for the first nine months of 1974 (January-September 1974) indicate that the level of industrial production(1) during the period rose by 1.2 per cent compared with a fractional rise of only 0.7 per cent during the corresponding period of 1973 (Table III. 13). Production data available in respect of certain key industries for the last quarter of 1974 indicate that the overall growth in industrial production during the entire year of 1974 might have been in the region of 3 per cent as compared to a growth of 1.0 per cent in 1973. Admittedly, the overall rate of growth of production came

(1) Recently, C.S.O., Calcutta, has revised the index of industrial production with 1970 as the base. The revised data relate only to the General Index. Data in respect of production of individual industries and groups of industries are not yet available with 1970 as base. Hence group-wise and industry-wise production trends are discussed on the basis of the old index with 1960 as the base ; these data are available upto July 1974.

Graph 10



nowhere near the targetted rate of 8.1 per cent per annum envisaged for industrial and minerals sector in the draft Fifth Plan. But there was evidence of some revival in industrial growth and the rate of growth was not much below the average annual rate of 4.1 per cent achieved during the Fourth Plan period (1969-70—1973-74).

Table III.13 : General Index of Industrial Production (Crude)

I

(*Base* : 1960 = 100)

Quarter	1970	1971	1972	1973	1974†
1	2	3	4	5	6
January-March	183.4	186.5 (+1.7)	201.4 (+8.0)	203.5 (+1.0)	204.2 (+0.3)
April-June	179.2	181.7 (+1.4)	193.9 (+6.7)	190.5 (—1.8)	198.8 (+4.4)
July-September	177.9	185.1 (+4.0)	198.0 (+7.0)	201.1 (+1.6)	
October-December	182.7	191.1 (+4.6)	204.3 (+6.9)	207.9 (+1.8)	

II

(*Base* : 1970=100)

Quarter	1973	1974†
1	2	3
January-March	117.3 (+0.9)	117.6 (+0.3)
April-June	109.0 (—0.5)	113.3 (+3.9)
July-September	114.3 (+1.7)	115.7 (+1.2)
October-December	117.6 (+1.8)	
January-September	113.5 (+0.7)	114.9 (+1.2)

† Provisional.
Note : Figures in brackets are percentage increases over the corresponding quarters of the preceding year.
Source : C.S.O.

What is noteworthy perhaps is that the revival in industrial production, came about at a time when a number of problems continued to plague the industrial growth : continued constraints like power and fuel shortages, transport bottlenecks which affected normal movements of coal and end-products of various industries, shortages of indigenous raw materials, especially agricultural raw materials and labour unrest. It is because of these constraints that industrial production did not show much progress during the first quarter but really picked up during subsequent quarters. The index of industrial production during the first quarter of 1974 went up just fractionally by 0.3 per cent. With the improvement in the availability of power and better performance in transport of coal and steel, the index of industrial production recovered by as much as 3.9 per cent in the second quarter and 1.2 per cent in the third quarter of 1974 as compared with the corresponding quarters of preceding year. Higher levels of production achieved in many public sector industries also contributed to the revival of industrial growth.

Growth : Category-wise Analysis

Not only was industrial growth in 1974 relatively higher than that during the previous year but it also had a wider spread. This becomes evident if industries are classified according to their variations in output. Data presented in Table III. 14 indicate that in terms of weightage, industries showing increases in output rose to about 60 per cent in 1974 of the total, from 34 per cent in 1973. Correspondingly, the weightage of industries showing declines in output came down. Production in basic, intermediate and consumer goods industries groups recorded rises of 1.8 per cent, 5.9 per cent and 3.8 per cent, respectively (Table III.15). The capital goods industries group, however, recorded a decline of 2.3 per cent during the period, as compared with a substantial increase of 13.9 per cent during the corresponding period last year.

Table III. 14 : Classification of Industries by their Growth Rates

Range of Growth Rates@	In terms of weights in the General Index (Base : 1960 = 100)					
	Full Year				January-July	
	1970	1971	1972	1973	1973	1974+
1	2	3	4	5	6	7
A. Increase						
Moderate : Less than 5 per cent	27.78	27.99	31.98	20.57	25.11	16.78
2. Marked : 5 per cent above	38.40	31·96	55.16	12.74	8.97	42.74
Of which:						
10 per cent and above	22.42	15.72	15.89	7.18	7.57	13·21
3. Total Weight (1+2)	**66.18**	**59.95**	**87.15**	**33.31**	**34·08**	**59.52**
B. Decline						
4. Moderate : Less than 5 per cent	16.10	19.98	5.53	42.93	39.29	20·97
5. Marked : 5 per cent and above ..	13.24	17.59	4.85	20.65	23.52	60.40
Of which :						
10 per cent and above	6.13	5.30	1.99	6.01	7.60	9.10
6. Total Weight (4+5)	**31.34**	**37.57**	**10.38**	**63.58**	**62.81**	**37.37**
C. Constant				0.63	0.63	0.63
Total Weight (A+B)	**97.52†**	**97.52†**	**97.52†**	**97.52†**	**97.52†**	**97.52†**

@ Growth rate represents percentage increase in output over the respective preceding year.
\+ Provisional.
† C.S.O. does not regularly publish the Index of industries with the balance of 2.48 percentage points of weightage.

Table III. 15: Trends in Industrial Production—Group-wise (Base: 1960=100) (Based on C.S.O.'s Index of Industrial Production)

(Variations during the year : per cent)

Group	Weights	1970	1971	1972	1973	January-July† 1973	January-July† 1974
1	2	3	4	5	6	7	8
General Index (Crude)	**100.00**	**+4.8**	**+2.9**	**+7.1**	**+0.7**	**—0.2**	**+2.3**
Use-Based Classification							
1. Basic Industries	25.11	+4.6	+5.5	+8.8	—1.5	—1.3	+1.8
2. Capital Goods Industries ..	11.76	+5.0	—0.1	+8.6	+12.4	+13.9	—2.3
3. Intermediate Goods Industries ..	25.88	+2.8	+1.0	+6.7	+2.2	—0.8	+5.9
4. Consumer Goods Industries ..	37.25	+6.5	+3.2	+5.3	—3.7	—5.0	+3.8
Input-Based Classification							
1. Agro-based Industries	44.08	+4.5	—0.3	+5.1	—1.8	—2.8	+2.2
2. Metal-based Industries	16.55	+5.7	+2.5	+7.0	+6.6	+7.9	+0.4
3. Chemical-based Industries ..	8.94	+8.0	+6.9	+12.9	+2.7	—1.0	+3.2
Sectoral Indicators							
1. Transport Equipment and Allied Industries	10.90	—	+0.5	+6.4	+6.5	+4.0	+5.3
2. Electricity and Allied Industries	8.42	+11.5	+9.0	+8.4	—1.0	—3.0	+5.8

† Provisional.
Note : Percentage variations are worked out over the corresponding period of the previous year.

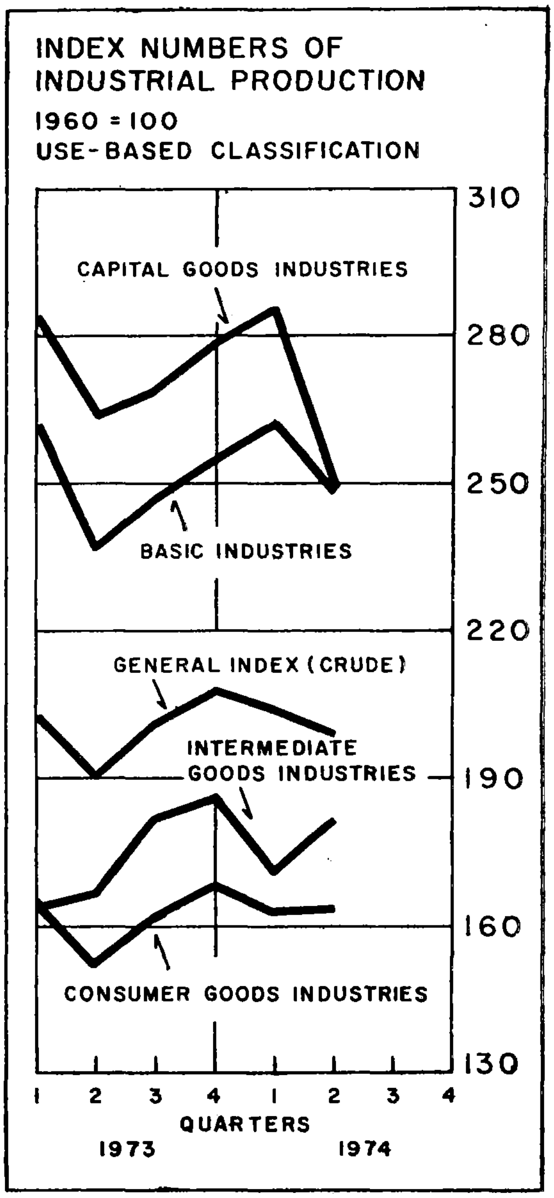
In the case of 'basic industries' group, the improvement of 1.8 per cent was largely brought about by a rise in production of coal and better electricity distribution. Production of cement, however, recorded a sharp decline for the second year in succession due to a combination of factors like shortage of coal, heavy power cuts and non-availability of wagons due to the railway strike in May 1974. Heavy inorganic chemicals, aluminium and brass manufacturing also suffered declines.

The 'intermediate goods' industries which had suffered a severe set-back in 1973 showed an improvement of 5.9 per cent in output in 1974 due to comfortable supply position of raw materials like cotton and rubber. Among these, cotton spinning, tyres and tubes, petroleum refinery products, structural clay products and batteries witnessed significant increases ranging from 5.6 per cent to 16.0 per cent. The improvement in the production of tyres and tubes was mainly brought about by comfortable availability of rubber and decontrol of its prices by the Government.

The improvement of 3.8 per cent in the 'consumer goods' industries was shared largely by industries like sugar (11.1 per cent), tea (10.3 per cent), matches (9.4 per cent) and paper and paper products (6.7 per cent). In this group non-availability of a wide range of raw materials and other components like mutton-tallow and vegetable oils affected a number of industries like soap, and vanaspati. Production of vanaspati declined by 11.6 per cent.

The performance of 'capital goods' indusdustries, however, was seriously affected due to unsatisfactory performance of metal-based industries. Among them, transport equipment industries consisting of railroad equipment and motor vehicles witnessed declines of 5.7 per cent and 3.5 per cent, respectively, in 1974 as compared with the increases of 11.5

Graph II



per cent and 6.9 per cent recorded in the corresponding period of 1973. Shortages of steel and power and high prices of imported metals were the main factors responsible for such a decline. Industries such as prime movers, boilers, electrical motors, wires and cables etc., registered declines ranging from 1.0 per cent to 27.5 per cent.

In view of the continuing set-back to industrial production, the Government took prompt steps to augment the supplies of raw materials by establishing special cells for streamlining the distribution of raw materials, steel and coal to priority industries and also ensured their quick movements to consuming centres. These measures went a long way towards facilitating the revival of industrial production in the last quarter of 1974.

The apprehensions expressed in certain quarters of a general recession in mid-1974 were belied by the size and range of increase in industrial production in the latter half of 1974. Even in the cases of those industries which showed some slackness, the main reasons for slackness were power and transport bottlenecks, shortages of agricultural raw materials and sluggish demand. Although such sluggishness of demand appears to have continued to affect some industries in 1975—external demand as in the case of jute goods industries and internal demand as in the case of cotton textiles—on the whole the pace of industrial growth has gained momentum to such an extent that 5 to 6 per cent industrial growth seemed feasible in 1975 (Table III. 16)

Capacity Utilisation

The trends in the utilisation of capacity may now be briefly discussed. The ratios of capacity utilisation in respect of 38 selected industries for the period January-September 1974 are set out in Tables III. 17 and 18. It should be pointed out that these ratios have been worked out as percentage of the physical output to the installed capacity for individual industries, on the assumption of a single shift working without any adjustment in the product-mix. This limitation has to be borne in mind in interpreting the data.

Capacity utilisation ratios during January-September 1974 do not show any significant change in relation to the ratios for the corresponding period last year. Nor do they appear to show any particular pattern in respect of different groups of industries. Out of the 38 selected industries, utilisation ratios in the case of only 15 industries were higher compared to their respective levels during January-September 1973. In the case of 3 industries they remained unchanged while, in the case of the remaining 20 industries they were lower.

Group-wise distribution of the 15 industries showing an increase in the utilisation ratios is as follows : Basic Industries—3 (soda ash, copper sheets and circles and nitrogenous fertilisers); Capital Goods Industries—5 (machine tools, electric motors, cement mill machinery, chemicals and pharmaceutical machinery and paper mill machinery) ; Intermediate Goods Industries—3 (automobile tyres, cycle tyres and cycle tubes) ; Consumer Goods Industries —4 (matches, hurricane lanterns, bicycles, and radio receivers). The order of increase in these cases showed a wide range between 116.4 per cent (hurricane lanterns) and 1.6 per cent (copper-sheet and circles). The extent of decline in the case of 20 industries, however, moved within a comparatively narrow range between 47.4 per cent (electric lamps) and 1.4 per cent (rubber footwear).

Table III. 16 : Trends in Output of Selected Industries

Industry	Months covered	Weight	Unit	Output			Percentage variations	
				1973	1974	1975@	(6) over (5)	(7) over (6)
1	2	3	4	5	6	7	8	9
1. Coal	January-June	9·72	Million tonnes	41·13	42·43	49·62	+3·2	+16·9
2. Steel Ingots	January-May	—	Lakh tonnes	26·3	26·3	29·3†	—	+11·4
3. Saleable Steel ..	,,	3·80	,,	19·3	21·1	22·3†	+9·3	+5·7
4. Cement	January-August	1·17	'000 tonnes	9682	8750	10308	—9·6	+17·8
5. Electricity Generated	January-March	5·37	Million K. Wtts.	15464·2	16992·7	18195·4	+9·9	+7·1
6. Motor Vehicles ..	January-June	2·51	'000 Nos.					
(i) Cars	,,		,,	NA	21·0	12·6	—	—40·0
(ii) Jeeps	,,		,,	NA	5·4	5·3	—	—1·9
(iii) Total Commercial Vehicles	,,		,,	NA	21·7	21·1	—	—2·8
(iv) Total of two and three wheelers ..	,,		,,	NA	83·8	98·7	—	+17·8
7. Tractors	,,		,,	NA	14·0	16·2	—	+15·7
8. Vanaspati	January-August	1·09	'000 tonnes	283	232	287	—18·0	+23·7
9. Petroleum Refinery Products	January-July		'000 Metric tonnes	10530	11722	11642	+11·3	—0·7
10. Jute Manutactures ..	January-May	3·97	,,	433·4	324·7	315·7	—25·1	—2·8
11. Cotton Yarn	January-May	11·79	Million Kgs.	380·2	403·3	400·4	+6·1	—0·7
12. Cotton Cloth ..	January-May	9·39	Million Metres	1687·9	1650·5	1743·6	—2·2	+5·6

@ Provisional.
† Partial data relating to 8 Plants including Bokaro which started production of saleable steel from May 1975.

Table III. 17 : Trend in Capacity Utilisation of Selected Industries

Range of capacity Utilisation Ratio	Industry	Capacity Utilisation ratio during: January-December 1973	January-September 1973	January-September 1974	Percentage change Col. 5 over Col. 4
1	2	3	4	5	6
	A. Basic Industries				
Above 80	1. Caustic Soda	95	94	82	—12.8
	2. Soda Ash	94	90	97	+ 7.8
71 to 80	3. Cement	76	74	69	— 6.8
	4. Aluminium-Sheets and Circles	75	74	63	—14.9
	5. Copper-Sheets and Circles	73	63	64	+ 1.6
61 to 70	6. Sulphuric Acid	66	65	61	— 6.2
	7. Nitrogenous Fertilizers (N' Content) ..	64	68	76	+11.8
	8. Phosphatic Fertilizers (P_2O_5)	69	70	60	—21.4
Below 50	9. Steel castings	39	40	40	—
	B. Capital Goods Industries				
Above 80	1. Motor Vehicles (Automobiles)	93	97	73	—24.7
71 to 80	2. Power Transformers	77	77	61	—20.8
	3. Machine Tools	71	69	78	+13.0
	4. Sugar Machinery	72	86	80	— 7.0
50 to 60	5. Electric Motors	51	51	61	+19.6
Below 50	6. Cement Mill Machinery	27	21	38	+ 8.1
	7. Chemicals and Pharmaceutical Machinery ..	41	41	53	+29.3
	8. Mining & Coal Washery Machinery ..	30	30	16	—46.7
	9. Paper and Pulp Machinery	31	31	59	+90.3
	C. Intermediate Goods Industries				
Above 80	1. Storage Batteries	97	97	76	—21.6
	2. Dry Cells	95	89	50	—43.8
	3. Tyres (Automobiles)	113	113	116	+ 2.7
	4. Tubes (Automobiles)	107	110	106	— 3.6
61 to 70	5. Ceramics (Refractories)	63	63	63	—
	6. Tyres—Cycles	62	55	76	+38.2
50 to 60	7. Paints and Varnishes	60	61	48	—21.3
Below 50	8. Tubes—Cycles	47	44	65	+47.7
	D. Consumer Goods Industries				
Above 80	1. Cigarettes	105	107	97	— 9.3
	2. Soaps	98	101	79	—21.8
	3. Matches	101	100	104	+ 4.0
	4. Electric Lamps (incandescent filament) ..	150	154	81	—47.4
71 to 80	5. Footwear (Rubber)	74	71	70	— 1.4
	6. Hurricane Lanterns	77	73	158	+116.4
	7. Electric Fans	80	79	79	—
61 to 70	8. Glass and Glassware (Sheet Glass)	65	65	41	—36.9
	9. Radio Receivers	64	61	74	+21.3
	10. Bicycles	59	55	64	+16.4
50 to 60	11. Footwear (Western Type—Leather) ..	52	52	47	— 9.6
Below50	12. Vanaspati	43	42	34	—19.0

Note : The range of capacity utilisation ratios have been arranged in respect of individual industry in relation to its performance during calendar year 1973.

Source : Based on C.S.C. data.

Table III.18: Production, Installed Capacity and Capacity—Utilisation Ratios of Selected Industries

Group/Industry	Accounting Unit	1972			1973†			1974 (Jan.-Sept.)†		
		Production	Capacity	Ratio	Production	Capacity	Ratio	Production	Capacity	Ratio
1	2	3	4	5	6	7	8	9	10	11
I. Basic Industries										
1. Cement	..'000 Tonnes	15,755	19,752	80	15,006	19,764	76	10,210	14,849	69
2. Sulphuric Acid	..'000 Tonnes	1,130	1,963	58	1,314	1,976	66	972	1,584	61
3. Caustic Soda	,,	396	432	92	418	439	95	314	382	82
4. Finished Steel	,,	4,971	..	..	4,828	..	..	3,631	..	..
5. Light, Medium and Heavy Structurals	,,	115	385	30	121	385	31	104	..	..
6. Steel Castings	,,	57	132	43	58	148	39	46	115	40
7. Aluminium—Sheets & Circles ..	,,	50	72	69	54	72	75	34	54	63
8. Copper—Sheets & Circles ..	..Tonnes	3,182	4,000	80	2,928	4,000	73	2,573	4,000@	64
9. Brass—Sheets & Circles ..	..'000 Tonnes	17	48	35	16	48	33	10	..	..
10. Soda Ash	,,	486	504	96	477	508	94	370	381	97
11. Nitrogenous Fertilisers ('N' Content)	,,	1,048	1,534	68	1,083	1,704	64	796	1,054	76
12. Phosphatic Fertilisers (P2 O5) ..	,,	302	484	62	338	491	69	220	365	60
II. Capital Goods Industries										
1. Railway Wagons	..'000 Nos.	10	34	29	12	34	35	8	34	24
2. Motor Vehicles (Automobiles) ..	,,	90	72	125	92	99	93	66	90	73
3. Power Transformers	..'000 Kva	9,288	6,684	139	11,809	15,320	77	6,825	11,158	61
4. Electric Motors	'000 HP	2,556	2,736	93	2,983	5,865	51	2,307	3,759	61
5. Machine Tools*	.. Rs. Crores	62.0	75.4	82	65.9	93.0	71	62.4	79.9	78
6. Building and Road Construction Machinery	..Rs. Lakhs	303	558	54	317	700	45	..	..	..
7. Cement Mill Machinery	,,	204	2,600	8	711	2,600	27	978@	2,600@	38
8. Chemical & Pharmaceutical Machinery	,,	2,615	6,367	41	3,000	7,250	41	3,902@	7,410@	53
9. Mining and Coal Washery Machinery	,,	793	3,000	26	900	3,000	30	483@	3,000@	16
10. Paper and Pulp Machinery ..	,,	618	1,354	46	450	1,460	31	900@	1,534@	59
11. Sugar Machinery	,,	1,968	2,815	70	2,040	2,815	72	2,260@	2,815@	80

Table III.18 : Production, Installed Capacity and Capacity—Utilisation Ratios of Selected Industries—(*Concld.*)

Group/Industry	Accounting Unit	1972			1973†			1974 (Jan.-Sept.)†		
		Production	Capacity	Ratio	Production	Capacity	Ratio	Production	Capacity	Ratio
1	2	3	4	5	6	7	8	9	10	11
III. Intermediate Goods Industries										
1. Storage Batteries	..'000 Nos.	1,105	1,284	86	1,251	1,284	97	986	1,296	76
2. Dry Cells	..Million Nos.	636	638	100	603	638	95	458	923	50
3. Tyres—Automobiles ..	..'000 Nos.	4,405	3,852	114	4,414	3,910	113	3,553	3,067	116
4. Tyres—Cycles	.. ,,	21,613	31,824	68	20,077	32,623	62	19,222	25,443	76
5. Tubes—Automobiles ..	.. ,,	4,347	3,852	113	4,222	3,950	107	3,379	3,188	106
6. Tubes—Cycles	.. ,,	14,425	28,956	50	13,609	28,956	47	14,130	21,717	65
7. Paints and Varnishes ..	..Lakhs Kgs.	750	1,032	73	748	1,238	60	488	1,017	48
8. Ceramics (Refractories) ..	..'000 Tonnes	792	1,140	69	715	1,140	63	536	853	63
IV. Consumer Goods Industries										
1. Radio Receivers	..'000 Nos.	1,920	2,658	72	1,656	2,568	64	1,524	2,046	74
2. Bicycles	.. ,,	2,245	3,720	60	2,344	3,959	59	1,881	2,921	64
3. Cigarettes	..Million Nos	61,776	56,400	110	64,450	61,200	105	48,766	50,400	97
4. Vanaspati	..'000 Quintals	6,023	10,644	57	4,664	10,774	43	2,718	8,088	34
5. Soap	..'000 Tonnes	295	216	137	214	218	98	156	197	79
6. Matches	..Million Sticks	2,18,400	2,14,356	102	2,15,951	2,14,356	101	1,67,085	1,60,767	104
7. Footwear (Western Type) (Leather)	Lakh Pairs	138	138	100	72	138	52	49	104	47
8. Footwear (Rubber) ..	.. ,,	436	516	84	383	520	75	273	390	70
9. Hurricane Lanterns ..	..'000 Nos.	3,492	3,120	112	2,390	3,120	77	3,990	2,530	158
10. Electric Lamps (Incadescent Filament)	..Million Nos	128	84	152	126	84	150	90	111	81
11. Electric Fans	..'000 Nos.	2,520	2,760	91	2,261	2,838	80	1,828	2,318	79
12. Glass and Glassware (Sheet Glass)	Lakhs Sq. Mts.	171	216	79	141	216	65	66	162	41

† Provisional.
* Includes 10 items.
@ Relates to the year 1974 as a whole.
Source : Based on C.S.O. data.

Data relating to frequency distribution of the 38 industries according to the range of capacity utilisation ratios during January-September 1973 and 1974 are set out in Table III. 19. These reveal some significant features. The number of industries with over 80 per cent utilisation ratio declined from 12 in 1973 to 8 in 1974. This was due to the dropping of five industries, namely, motor vehicles, storage batteries, soaps, sugar machinery and dry cells from this group to 71-80 per cent group in the case of first four industries and to 50-60 per cent group in the case of dry cells and the moving up of the hurricane lanterns industry from 71-80 per cent group to over 80 per cent group. The total number of industries working with less than 50 per cent capacity, remained unchanged at 7. The number of such industries underwent a change, however, category-wise ; in the case of capital goods industries the number dropped from 4 to 2 owing to the increase in the proporton of utilisation from 41 to 53 per cent in the case of chemicals and pharmaceutical machinery and from 31 to 59 per cent in the case of paper and pulp machinery. On the other hand, the number of consumer goods industries in the less than 50 per cent group increased from 1 to 3 as the ratio in the case of glass and glassware and footwear (Western type-leather) respectively, declined from 65 to 41 per cent from 52 to 47 per cent. The other industry which continued to be in this group was 'vanaspati' with its utilisation ratio having dropped from 42 to 34 per cent.

TABLE III.19: Frequency Distribution of Industries According to Capacity Utilisation Ratio During January-September 1973 and 1974

Industry/Group	Below 50		50—60		61—70		71—80		81 and above	
	1973	1974	1973	1974	1973	1974	1973	1974	1973	1974
1	2	3	4	5	6	7	8	9	10	11
					Number of Industries					
Basic Industries	1	1	—	1	4	4	2	1	2	2
Capital Goods	4	2	1	2	1	2	1	3	2	—
Intermediate Industries ..	1	1	1	1	2	2	—	2	4	2
Consumer Goods	1	3	2	—	2	2	3	3	4	4
Total	**7**	**7**	**4**	**4**	**9**	**10**	**6**	**9**	**12**	**8**

Range of Utilization Ratio

(ii) Selected Industries : A Review

A review of the performance of certain selected industries is attempted in this sub-section. These industries are also broadly grouped into four categories : basic, capital goods, intermediate goods and consumer goods industries.

A. Basic Industries

(a) Coal

The production of coal (including lignite) in the country reached an all-time record of 87.1 million tonnes during 1974 registering an increase of over 5.9 million tonnes or 7.3 per cent over the production of 81.2 million tonnes in 1973. In the preceding year output of coal had shown a smaller rise of 2.5 million tonnes or 3.2 per cent (Table III.20).

The increase in production during the year was achieved through concerted efforts made by the Government and the coal producing organisations for maximising production by better management, improved industrial relations, improved availability of essential inputs like power, steel, equipment and spares.

The Government also took advance action involving bulk purchase of standardised plant and equipment and ensured a pattern of rationalised movement of coal in consultation with the Railways. Agency-wise, the production of the Coal Mines Authority Ltd., and the Bharat Coking Coal Ltd., was 61.2 million tonnes and 17.6 million tonnes in 1974-75 as against 53.5 million tonnes and 16·3 million tonnes in 1973-74 respectively. During the same period, the Singareni Collieries Co. Ltd. recorded an increase in output by 1 million tonnes and the captive mines of TISCO and IISCO by 0.2 million tonnes.

The production of coal at the end of the Fourth Plan was about 79.0 million tonnes as against the targetted figure of 93.5 million tonnes. The Fifth Plan places the target at 135 million tonnes by 1978-79. The production target for 1975-76 is placed at 98 million tonnes including 23 million tonnes of coking coal. For attaining this target, the Government has provided an amount of Rs. 230 crores in the Annual Plan, 1975-76.

Table III.20: Coal (Including Lignite)

(Million Tonnes)

Year	Production		Despatches +	Exports £	Year-end stocks (at pit heads)
	Total	Coking Coal			
1	2	3	4	5	6
1970	75.6 (—4.2)	17.8 (+3.5)	66.0	0.5	9.2
1971	73.2 (—3.2)	16.7 (—6.2)	67.7	0.3	8.5
1972	78.7 (+7.5)	16.3 (—2.4)	72.4	0.5	6.9
1973	81.2 (+3.2)	15.8 (—3.1)	71.6	0.5	5.5
1974*	87.1 (+7.3)	17.7 (+12.0)	76.8	0.5	5.8

\+ Excluding coal consumed by the collieries and used for coal making etc.
£ Includes exports of coal and coke.
* Provisional.

Note : Figures in brackets represent percentage changes over the preceding year.

Source : Office of the Coal Controller, Calcutta.

Pursuant to the recommendations of an inter-ministerial committee headed by the Director-General of Bureau of Public Enterprises, the Government of India permitted an average increase in the price of coal of about Rs. 10 per tonne in respect of different grades of coal with effect from April 1, 1974 for a period of one year endng March 31, 1975. Meanwhile, in view of the mounting costs of production following the revision in wages of coal workers in terms of the "National Coal Wage Agreement of December 74" and escalation in the costs of other inputs like explosives, timber etc. another inter-ministerial committee headed by a member of the Planning Commission was constituted by the Government of India in January 1975, for reviewing coal prices. This Committee recommended a rise in coal prices amounting to an average of about Rs. 22 per tonne. In the light of the Committee's recommendation, the Government of India announced on July 10, 1975, an average increase of Rs. 17.50 per tonne in the price of coal from July 1, 1975, over the average price per tonne of about Rs. 50.

During 1974-75, it was proposed to export about 774 thousand tonnes of coal other than hard coke to Bangladesh, Burma, Sikkim, Bhutan and Nepal. With the increase in production, it is expected that after fully meeting the domestic requirements, the country would be in a position to export coal to neighbouring and other countries like Japan, Taiwan and West Europe, and take full advantage of the current demand for coal abroad and the high level of international prices.

It has been the declared policy of Government to develop coal as the prime source of energy, to the maximum extent possible, in view of the limited availability of alternative sources of energy in the country. The Fuel Policy Committee which was appointed in October 1970 to study the various aspects of development and consumption of commercial sources of energy submitted its Final Report in August 1974. The Committee urged for an evolution of energy policy based on the premise that coal would be the principal source of energy for the next two decades. A perspective plan for coal production with large scale open cast mining, selection of optimal mining technology that makes use of labour, opening up of a second mine at Neyveli, provision of gas plants in major cities and co-ordination of plans for thermal power generation and coal production—these are some of the important recommendations made by the Committee.

During the year 1974-75, the Government of India set up an expert group to advise and give shape to the project of conversion of coal into synthetic crude/fuel having regard to the present state of technology and its application for conversion of coal into oil.

(b) Iron-Ore

The production of Iron-ore declined by 2.0 per cent from 35.6 million tonnes in 1973 to 34.9 million tonnes in 1974 (Table III.21). In fact the fall in total output would be higher than 2.0 per cent if the production of Goa, Daman and Diu, which rose from 12.1 million tonnes to 12.3 million tonnes during the year under review, is isolated. Maharashtra and Bihar recorded increases in output, though marginal, of 0.1 million tonnes and 0.3 million tonnes, respectively. On the other hand, production declined in most of the major iron-ore producing states and in particular Karnataka and Orissa where the output stood at 2.8 million tonnes and 5.4 million tonnes respectively as compared with 3.4 million tonnes and 6.0 million tonnes in 1973. The production in Madhya Pradesh, however, remained constant at 8.2 million tonnes.

Table III.21: Iron-Ore

(Million Tonnes)

Year	Production£	Percentage Variation over the previous year£	Exports		Year-end stocks
			Quantity	Value (Rs. Crores)	
1	2	3	4	5	6
1970	31.2 (22.3)	+5.4 (+6.7)	20.4	114	1.7
1971	34.3 (23.7)	+9.9 (+6.3)	20.4	110	1.7
1972	35.5 (24.0)	+3.5 (+1.3)	21.4	114	2.5
1973	35.6 (23.5)	+0.3 (—2.1)	23.5	126	2.6
1974*	34.9 (22.6)	—2.0 (—3.8)	22.2	146	2.6

£ Production figures and percentage variations given in brackets are excluding those of Goa, Daman and Diu.
* Provisional.
Source : Minerals and Metals Trading Corporation of India Ltd., and Bulletin of Mineral Statistics and Information.

As regards exports, while the value of iron-ore exports rose by 16 per cent from Rs. 126 crores in 1973 to Rs. 146 crores, the quantum of exports showed a decline of about 1.3 million tonnes during 1974. The decline in the quantum was mainly due to the fall in production and also to inadequate transport arrangements and handling facilities at ports. It is estimated that production in 1975-76 would be around 42 million tonnes with an export target of 26 million tonnes.

(c) Cement

In 1974 the output of cement showed for the second year in succession, a decline of about 5 per cent. Even though there was an improvement in production during later part of the year, cement production during 1974 reached a low of 14.3 million tonnes as compared to 15.0 and 15.8 million tonnes during 1973 and 1972, respectively, (Table III.22). The decline in production in 1974 was due to shortage of power and coal for the major part of the year. The non-availability of covered wagons and labour unrest in some of the factories were other contributory factors. In order to discourage the use of cement for low priority uses, the Government in August 1974 imposed restrictions on the construction of certain categories of buildings. With the improvement in the supply position, these restrictions have since been removed. Further, Government's offtake of cement was also reported to be lower during 1974. These measures resulted in greater availability of cement, to some extent, in the free market, particularly during the latter part of the year.

Table III·22 : Cement

(Thousand Tonnes)

Year	Installed Capacity	Production	Year-end Stocks
1970	16956	13956 (+2.4)	290
1971	18491	14928 (+7.0)	292
1972	19752	15756 (+5.5)	190
1973	19764	15006 (—4.8)	281
1974*	19860	14265 (—4.9)	217

* Provisional.

Note : Figures in brackets represent percentage change over the preceding year in the Table.

Source : C.S.O. data.

Total despatches declined marginally from 14.9 million tonnes in 1973 to 14.3 million tonnes in 1974. Cement stocks were also marginally lower at 2.2 lakh tonnes at the end of 1974, against 2.8 lakh tonnes at the end of 1973.

The capacity utilisation in the cement industry continuously declined from 80 per cent during 1972 to 76 per cent and 69 per cent during 1973 and 1974, respectively. Moreover, there were no additions to the installed capacity, which remained stationary around 19.8 million tonnes between 1972 and 1974. With a view to providing some incentives for production, certain changes in the price policy were introduced by the Government during the year in pursuance of the recommendations of Tariff Commission. The ex-works retention price of cement for existing units was raised by Rs. 21 to Rs. 131 per tonne with effect from August 1974. The Government also permitted a rise of Rs. 3.20 per tonne to cover increase in cost consequent upon the higher prices of coal and higher dearness allowance payable to labourers. Subsequently, a further increase of Rs. 4.95 per tonne was permitted in September 1974, with a view to neutralising the increase in power tariff. The Government has further decided that price escalation will be allowed from July each year if circumstances so necessitate till March 31, 1979.

Recently, the position in respect of supply of coal and rail movement has considerably eased, which in turn, is expected to improve capacity utilisation substantially in 1975-76. The production therefore, is planned around 16.5 million tonnes in 1975-76.

Further, in order to achieve larger production of cement in the coming years through installation of new units and expansion of the existing units, the Government decided in April 1975 to grant to new units, which are expected to go into production by 1976-77, a retention price which would be higher by Rs. 10 per tonne than the price allowed to the existing units. An increase of the same order in retention price would be available to the existing units provided their expansion schemes would go into production by 1976-77. New units as also existing units with expansion schemes which would go into production during 1977-78 and 1978-79 would be allowed to fix ex-works retention price that would ensure a return of 14 per cent on the capital employed. However, for this purpose, it was stipulated that the capital cost per tonne of the new installed capacity would be limited to Rs. 650 per tonne.

The demand for cement is expected to go upto 28 million tonnes by the end of the Fifth Plan. The present installed capacity of 19.76 million tonnes is targetted to increase to 29 million tonnes by 1978-79. The actual production is likely to be around 25 million tonnes by 1978-79 from the level of 16 million tonnes in 1973-74. So far licences and letters of intent have been issued for creating additional capacity of 9 million tonnes.

(d) Iron and Steel Industry

The iron and steel industry staged a recovery during the year 1974-75, from the severe setback suffered in 1973-74. With the easing of the supply position of such essential inputs as coal and power and also with the improvement in transport facilities, almost all the plants recorded a rise in production. For instance, production of steel ingots, saleable steel and finished steel during 1974-75 rose to 7.2 million tonnes, 5.6 million tonnes and 5.5 million tonnes recording increases of 8.7 per cent, 26.4 per cent and 12.0 per cent, respectively, as compared to the 1973-74 levels (Table III. 23).

In fact, production would have been still higher but for the drastic cut imposed on production in the first quarter of 1974 because of the minimal flow of raw materials following from the frequent slow-down and industrial unrest in the railways. Further, production during the months of April and May 1974 had to be restricted considerably due to low stocks of coal at the plants on account of the railway strike. Production began to pick up from June 1974 onwards after the calling-off of railway strike resulting in adequate supply of coking coal to steel plants and these began to accelerate from September 1974 with the restoration of supply of power from DVC.

Table III.23: Production of Iron and Steel

(Thousand Tonnes)

Year	Bhilai	Durgapur	Rourkela	Bokaro	TISCO	IISCO	TOTAL (2 to 7)	MISL	Others	Grand Total
1	2	3	4	5	6	7	8	9	10	11
			Production of Steel Ingots							
1970-71	1940	634	1038	—	1715	627	5954	91	94	6139
1971-72	1953	700	823	—	1708	617	5801	133	364	6298
1972-73	2108	723	1177	—	1690	431	6129	155	696	6980
1973-74	1894	776	1081	18	1514	439	5722	156	766	6644
1974-75*	2001	820	1065	125	1722	532	6265	—	959	7224
			Production of Saleable Steel							
1970-71	1549	413	683	—	1375	523	4543	—	—	—
1971-72	1568	432	598	—	1387	493	4478	—	—	—
1972-73	1744	477	765	—	1456	351	4793	—	—	—
1973-74	1682	377	736	—	1200	358	4353	111	—	4464
1974-75*	1695	519	803	—	1460	414	4891	..	753	5644
			Production of Finished Steel							
1970-71	1215	337	593	—	983	464	3592	24	1272	4888
1971-72	1030	337	561	—	1002	449	3379	44	1538	4961
1972-73	1537	359	715	—	917	293	3821	54	1638	5513
1973-74	1372	275	735	—	853	331	3566	108	1277	4951
1974-75*	1320	415	791	—	1038	351	3915	..	1631	5546

* Provisional. *Source :* (1) Annual Report-Ministry of Steel & Mines (Dept. of Steel) Govt. of India, New Delhi.
(2) Steel Authority of India Ltd., New Delhi.
(3) Hindustan Steel Limited, Calcutta.

Plant-wise, the three plants of Hindustan Steel Ltd., together showed an increase of 3.6 per cent in output of steel ingots at 38.9 lakh tonnes in 1974-75. Similarly, the output of saleable steel and finished steel also rose by 7.9 per cent and 6.0 per cent to 30.0 lakh tonnes and 25.3 lakh tonnes, respectively, as compared with the 1973-74 levels.

The trial production of steel plant at Bokaro from the first converter started in December 1973 and the second converter was commissioned in April 1974. With the projected completion of hot strip mill in the second quarter of 1975 the finished steel will become available from Bokaro. During the years 1973-74 and 1974-75 production of steel ingots at Bokaro totalled 18 thousand tonnes and 125 thousand tonnes, respectively. The installed capacity of the Bokaro steel plant at 2.5 million ingot tonnes (likely to be commissioned by December 1975) is expected to be expanded to 4.75 million ingot tonnes by 1978-79.

Among the steel producing units in the private sector, the declining trend in production experienced by Tata Iron and Steel Co. Ltd., for nearly a decade, was reversed in 1974-75 and its ingot steel output went up by as much as 13.7 per cent to 1.7 million tonnes. Production of saleable steel and finished steel also showed remarkable improvements of 21.7 per cent each to 1.5 million tonnes and 1.1 million tonnes respectively, as compared to the 1973-74 levels. Expansion of TISCO aimed at raising capacity from 2 million tonnes to 5 million tonnes, of raw steel over a long-term is estimated to cost Rs. 1800 crores including the cost of development of collieries, captive ore mines, power generation, etc. Out of this capital expenditure programme, the company has sanctioned Rs. 180 crores to be utilised for this purpose in the five year period from 1974-75 to 1978-79. However, the Government has now decided to put-off this expansion programme for paucity of funds.

The Indian Iron and Steel Co. Ltd., continued to show improvement in production; production of steel ingots, saleable steel and finished steel recorded increases of 21.2 per cent, 15.6 per cent and 6.0 per cent respectively, in 1974-75 over the levels in 1973-74.

The management of the company which was taken over by the Government initially for a period of two years has been extended further by three years with effect from July 14, 1974 by an amending Act of Parliament for carrying out repairs/replacements to restore the capacity of the plant to its rated capacity level and to stabilise the improvements made in administration. Enabling provision is also made in the Act for further continuance of the take-over by a period of five years, if necessary.

Though the original target of installed capacity of steel by the end of the Fourth Plan was fixed at 12 million ingot tonnes it was subsequently scaled down to 11 million ingot tonnes. In fact, no additional capacity became available during the Fourth Plan mainly as a result of slippage in the commissioning schedule of Bokaro. The domestic demand for saleable steel by the end of the Fifth Plan is expected to be 10.7 million tonnes and actual production would be around 9.8 million tonnes. For attaining this level of production, an installed capacity of about 13 million ingot tonnes is expected to be achieved by 1978-79.

The capacity utilisation ratio in the main plants showed considerable improvement during the year 1974-75. Capacity utilisation of steel ingots at Bhilai, Durgapur, TISCO and IISCO improved to 80 per cent, 51 per cent, 86 per cent and 53 per cent, respectively, in 1974-75 from 76 per cent, 49 per cent, 76 per cent and 44 per cent in 1973-74; only in the case of Rourkela, capacity utilisation ratio declined marginally from 60 per cent in 1973-74 to 59 per cent in 1974-75. Likewise capacity utilisation of saleable steel improved to 42 per cent at Durgapur, 97 per cent at TISCO, 52 per cent at IISCO and 66 per cent at Rourkela. The utilisation ratio remained constant at 86 per cent at Bhilai.

In September 1974, a revised distribution policy for steel was introduced by the SAIL. Under this policy, major consumers numbering 800 would get their requirements directly from the plants whereas requirements of other consumers are met through stockyards of main producers. For this purpose, steel is moved to 55 identified base points and 17 destination points quickly in bulk by a new system of "rake load movement." Linkages have also been laid down between customers and delivery points. After the introduction of this scheme, the supply position in respect of steel items except plates which was somewhat in short supply, eased considerably. Again in May 1975, the Government withdrew distribution controls on all varieties of steel except plates and forging steel making it possible for consumers to obtain their supplies directly from producers' representatives posted all over the country. A disconcerting development arising partly out of increased production and rationalisation of distribution, has been the accumulation of stocks of saleable steel at the plants and at stock-yards. As on Otober 1, 1975 the stocks of the Hindustan Steel, TISCO and IISCO were about 7.4 lakh tonnes—about 2.3 lakh tonnes above the level recorded a year ago.

During the year the prices of steel materials and pig iron were revised upwards twice : on August 1, 1974 and September 15, 1974. The first increase was granted on account of upward revision of excise duty and railway freight on saleable iron and steel and the second increase was due to the increase in railway freight. Again on July 10, 1975, the price of steel was raised by about Rs. 80 per tonne on an average, in respect of saleable steel consequent on the price increase granted in respect of coal.

SAIL International Ltd., a wholly owned subsidiary of SAIL was incorporated on the 10th June 1974. The company would act as an Export-House and co-ordinate imports and exports of steel materials. The canalising agency for exports of steel was changed from Hindustan Steel Ltd., to SAIL International Ltd., during 1974-75. Total exports of steel during April-December 1974 were valued at Rs. 3.31 crores mainly to Iran and Middle East countries, as against Rs. 20.21 crores during the year 1973-74.

B. Capital Goods Industries

(a) Engineering Industries

With the exception of high steel-based heavy mechanical engineering units and metallurgical industrial units, the engineering industry on the whole had exhibited, during 1974, signs of recovery from the sluggishness which marked the preceding year. The prospects for further growth of the industry in 1975 are, however, not particularly encouraging in view of the likely impact of the recession in the developed countries on export demand.

The performance of the industry was especially good during the second half of 1974 as the earlier constraints such as raw material shortages, electric power cuts and transport bottlenecks eased considerably. The increases permitted by the Government in the prices of finished steel in August and again in September 1974 as well as the general decline in the investment outlays by the Government had however contributed to the decline in the output of heavy mechanical engineering units. The performance of light engineering goods sector, on the other hand, was relatively better despite curtailment of demand from large units which place bulk orders. The recovery in this sector is attributable not only to improvement in the availability of inputs including power but also to pick-up in capacity utilisation. The set-back experienced by metallurgical industries based on aluminium, copper, brass and zinc was on account of shortfall in raw materials which was caused partly by power shortage.

(i) Heavy Mechanical Engineering Industries :

In this group, the output of automobiles declined sharply by 19.9 per cent during 1974 as against a rise of 9.3 per cent in the preceding year. The emergence of this phenomenon was the result of slackness in demand which was caused by a steep rise in the prices of petrol, as also of automobiles and automobile accessories and spare parts due to heavy excise levies imposed during 1974-75. The decline in the production of commercial vehicles was of the order of 18.1 per cent : this may be explained additionally by the massive power cuts. The slackness in demand for passenger cars led to a decline in production by 19.0 per cent. Power cuts and non-availability of aluminium and ancillary items had limited the increase in the value of diesel engine output to only 3.3 per cent as against the rise of 63.5 per cent registered in 1973.

The decline in the output of structurals and railway wagons by 12.6 per cent and 25.0 per cent respectively, reflects the relative shrinkage in investments by both public and private sectors. Inadequate orders from the railways during the year under review as also limited availability of wheelsets accounted for the low output of wagons. The number of road rollers manufactured during 1974 at 1422 was slightly lower than that during 1973 (1483) : this was partly reflective of uncertainty in the quantum of orders in view of the proposed reduction in outlays in 1975-76 on road building. Steel castings and machine tools sections showed considerable improvement : the rise in output of the former from 235000 tonnes in 1973 to 263000 tonnes in 1974 was mainly on account of improved availabilities of steel scrap and power towards the close of the year and buoyancy in export demand. The improved performance of machine tools, the value of production of which rose by 26.3 per cent from Rs. 65.9 crores in 1973 to Rs. 83.2 crores in 1974 may be attributed to diversification of products and good export demand (Table III. 24).

Table III.24: Output of Heavy Mechanical Engineering Industries

Item	Unit	1970	1971	1972	1973	1974*
1	2	3	4	5	6	7
Automobiles (Total)	'000 Nos.	85.7 (+ 9.5)	90.8 (+ 6.0)	81.0 (—10.8)	88.5 (+ 9.3)	70.9 (—19.9)
(*i*) Passenger Cars	,,	35.8 (+ 1.4)	39.2 (+ 9.5)	39.5 (+ 0.8)	42.2 (+ 6.8)	34.2 (—19.0)
(*ii*) Commercial Vehicles	,,	40.6 (+15.3)	40.6 (—)	28.9 (—28.8)	33.2 (+14.9)	27.2 (—18.1)
(*iii*) Jeeps	,,	9.3 (+19.2)	11.0 (+18.3)	12.6 (+14.5)	13.1 (+ 4.0)	9.5 (—27.5)
Light Medium and Heavy Structurals	..'000 Tonnes	114.7	97.6 (—14.9)	113.4 (+16.2)	119.5 (+ 5.4)	104.4 (—12.6)
Steel Castings (including Alloy Steel Castings)	,,	273	251 (— 8.1)	251 (—)	235 (— 6.4)	263 (+11.9)
Diesel Engines (Stationery) ..	..Rs. Crores	23.3 (—43.6)	29.9 (+28.3)	33.4 (+11.7)	54.6 (+63.5)	56.4 (+ 3.3)
Railway Wagons+	..'000 Nos.	12.0 (—23.6)	8.9 (—25.8)	10.0 (+12.4)	12.0 (+20.0)	9.0 (—25.0)
Road Rollers	Nos.	335 (+ 3.1)	282 (—15.8)	657 (+133.0)	1483 (+125.7)	1422 (—4.1)
Machine Tools	..Rs. Crores	38.9 (+34.6)	51.9 (+33.4)	62.0 (+19.5)	65.9 (+6.3)	83.2 (+26.3)

+ In terms of 4 wheelers and relate to both private and public sectors.
* Provisional.
Note : Figures in brackets are percentage changes over the previous year in the table.
Source: C.S.O.

(ii) Light Mechanical Engineering Industries :

In this group, barring 'pressure stoves' and 'razor blades,' the output of the rest of the items (as shown in Table III. 25) registered increases during 1974. The most impressive increase of 122.6 per cent was recorded in the output of hurricane lanterns the demand for which buoyed up from both domestic and industrial consumers in view of the power shortages and increased mining activity. The production of 'bolts, nuts and rivets' and 'typewriters' had gone up by 44.8 per cent and 31.6 per cent respectively as a result of export demand and pick-up in domestic industrial activity. The growth rate of 6.1 per cent in the 'bicycles' section was on account of the buoyancy in export demand. The performance of 'rubber ply transmission and conveyor beltings' and 'ball and roller bearings' had improved by 7.3 per cent and 1.3 per cent respectively. On the other hand, declines were registered in the output of 'pressure stoves' and 'razor blades' by 58.9 per cent and 29.6 per cent respectively : the former being a reflection of the shift in consumers' preferences to safer variety of products while the latter is accounted for by reduced availability of basic raw material which is imported.

Table III.25 : Output of Light Mechanical Engineering Industries

Item	Unit	1970	1971	1972	1973	1974*
1	2	3	4	5	6	7
Ball and Roller Bearings	Million Nos.	18.1 (+35.1)	19.2 (+ 6.1)	21.4 (+11.5)	23.4 (+ 9.3)	23.7 (+ 1·3)
Typewriters	'000 Nos.	38.5 (+35.6)	43.9 (+14.0)	42.0 (— 4.3)	31.6 (—24.8)	41.6 (+31.6)
Rubber Ply Transmission & Conveyor Beltings	Tonnes	5244 (— 5.4)	6370 (+21.6)	6797 (+ 6.7)	6571 (+ 3.3)	7051 (+ 7.3)
Bicycles	'000 Nos.	2094 (+ 9.1)	1930 (— 7.8)	2245 (+16.3)	2344 (+ 4.4)	2486 (+ 6.1)
Sewing Machines	"	178 (—56.4)	329 (+84.8)	319 (— 3.0)	307 (— 3.8)	333 (+ 8.5)
Hurricane Lanterns	"	3564 (—12.4)	2712 (—23.9)	3492 (+28.8)	2390 (—31.6)	5320 (+122.6)
Razor Blades	Million Nos.	852 (— 1.0)	660 (—22.5)	972 (+47.3)	983 (+ 1.1)	692 (—29.6)
Stoves (Pressure Type)	'000 Nos	17.5 (—12.5)	21.2 (+21.1)	23.6 (+11.3)	9.5 (—59.7)	3.9 (—58.9)
Crown Corks	Million Nos.	1223 (—17.5)	1395 (+14.1)	1094 (—21.6)	1100 (+ 0.5)	1102 (+ 0.2)
Bolts, Nuts & Rivets	Tonnes	25020 (+ 3.4)	24903 (— 0.5)	31398 (+26.1)	33723 (+ 7.4)	48817 (+44.8)

* Provisional.

Note : Figures in brackets are percentage changes over the previous year in the table.
Source: C.S.O.

(iii) Electrical Engineering Industries :

Excepting 'power transformers' and 'domestic refrigerators' units, all the other units in the electrical engineering industries group had performed impressively in terms of output (Table III. 26). While some shortage of aluminium windings had affected the production of transformers, the slackness of consumer demand as also the steep rise in prices of refrigerators which were prompted by significant hikes-up in excise levies were responsible for the fall in output of domestic refrigerators. There were increases in production of electrical lamps (34.2 per cent in respect of flourescent lamps and 5.1 per cent in respect of G.L.S. lamps and others), fans (7.8 per cent), radio receivers (22.8 per cent); storage batteries (5.1 per cent), dry cells (5.8 per cent) and electric motors (3.1 per cent) the increase in production of these items was a result of greater attention being bestowed on power since 1973.

Table III.26 : Output of Electrical Engineering Industries

Item	Unit	1970	1971	1972	1973	1974*
1	2	3	4	5	6	7
Light Electrical Engineering						
Electrical Lamps						
(*i*) G.L.S. & others..	Million Nos.	105.2 (+17.3)	112.2 (+ 6.7)	140.3 (+25.0)	137.8 (— 1.8)	144.8 (+ 5.1)
(*ii*) Fluorescent	”	10.2 (—)	10.8 (+ 5.9)	12.3 (+13.9)	11.4 (— 7.3)	15.3 (+34.2)
Electric Fans	'000 Nos.	1572 (+ 1.0)	1944 (+23.7)	2520 (+29.6)	2261 (—10.3)	2438 (+ 7.8)
Radio Receivers	”	1776 (+ 2.4)	1944 (+ 9.5)	1920 (— 1.2)	1655 (—13.8)	2032 (+22.8)
Storage Batteries	”	1157 (—)	1134 (— 2.0)	1105 (— 2.6)	1251 (+13.2)	1315 (+ 5.1)
Dry Cells	Million Nos.	490.8 (+ 2.8)	549.6 (+12.0)	636.0 (+15.7)	602.8 (— 5.2)	637.6 (+5.8)
Domestic Refrigerators	'000 Nos.	65.4 (+33.5)	82.9 (+26.8)	89.3 (+ 7.2)	121.6 (+36.2)	102.4 (—15.8)
Heavy Electrical Engineering						
Power Transformers	'000 KVA	9012 (+78.5)	8784 (— 2.5)	9288 (+ 5.7)	11779 (+26.8)	9099 (—22.8)
Electric Motors	Million H.P.	2784 (+34.0)	2316 (—16.8)	2556 (+10.4)	2983 (+16.7)	3075 (+ 3.1)

* Provisional.
Note : Figures in brackets are percentage changes over the previous year in the table.
Source: C.S.O.

(iv) **Metallurgical Industries (other than Iron and Steel)** :

In this group, the major items, aluminium and its sheets, circles and wire rods showed considerable declines in output : the fall in respect of the metal was by about 17.0 per cent, sheets and circles by 16.6 per cent and wire rods for ACSR conductors by 33.9 per cent. The decline was attributable to primary shortages and cuts in power suply, which is the major economic input, and to some extent by the uneconomic pricing policy which, however, was corrected by the Government in the middle of 1974 through upward price revisions. The production of copper declined from 12,000 tonnes in 1973 to 11,100 tonnes in 1974 mainly owing to power shortage but the output of copper sheets and circles had gone up by 17.2 per cent partly because of improved availabilities of both domestic and imported copper. The reduction in the production of semi-manufactured products in brass and zinc by 19.2 per cent and 24.0 per cent respectively was on account of power shortage and increased production costs. There was, however, an improvement in lead output by 53.8 per cent from 2,600 tonnes in 1973 to 4,000 tonnes in 1974 (Table III. 27).

Table III.27: Output of Metallurgical Industries
(Other than Iron & Steel)

(Thousand Tonnes)

Item	1970	1971	1972	1973	1974*
1	2	3	4	5	6
Virgin Metals					
Aluminium	161.0 (+21.4)	176.2 (+9.4)	179.1 (+1.6)	154.3 (—13.8)	128.2 (—16.9)
Copper	9.3 (—5.1)	9.6 (+3.2)	10.3 (+7.3)	12.0 (+16.5)	11.1 (—7.5)
Lead	1.9 (—)	1.5 (—21.1)	2.7 (+80.0)	2.6 (—3.7)	4.0 (+53.8)
Semi-manufactures					
Aluminium Sheets and Circles	42.6 (+23.5)	44.5 (+4.5)	49.9 (+12.1)	53.8 (+7.8)	44.9 (—16.6)
Aluminium Wire Rods for A.C.S.R. ..	53.9 (+17.7)	59.3 (+10.0)	60.6 (+2.2)	46.9 (—22.6)	31.0 (—33.9)
Copper Sheets and Circles+	2.7 (+22.7)	3.2 (+18.5)	3.2 (—)	2.9 (—9.4)	3.4 (+17.2)
Brass Sheets and Circles+	14.9 (—6.9)	16.6 (+11.4)	16.5 (—0.5)	15.1 (—8.5)	12.2 (—19.2)
Zinc Sheets and Strips	7.0 (+1.4)	8.2 (+17.1)	7.6 (—7.3)	7.5 (—1.3)	5.7 (—24.0)

* Provisional.
\+ Includes strips.

Note : Figures in brackets are percentage variations over the previous year.
Source: C.S.O.

C. Intermediate Goods Industries

(a) Jute Textiles

For the second year in succession, production of jute goods suffered a set back in 1974. Despite a bumper crop of raw jute and mesta (73 lakh bales) during 1973-74, production of jute goods during 1974 at 9.5 lakh tonnes showed a decline of 8.7 per cent, on the top of a fall of 6.6 per cent witnessed in 1973 (Table III. 28). This adverse trend in production may be attributed mainly to the slackness in export demand and also to the 33 days' strike of the jute textile workers during February-March 1974 which is estimated to have resulted in a production loss of about one lakh tonnes. The position was further aggravated by the frequent power cuts and load shedding in West Bengal till August 1974.

Table III.28: Jute Textiles

(Thousand Tonnes)

Item	Year	Hessian	Sacking	Carpet Backing	Total@
1	2	3	4	5	6
1. Production£	1970	350.9	418.6	119.6	954.2
	1971	320.4	484.0	204.1	1087.0
	1972	332.3	486.1	186.9	1110.4
	1973	325.3	425.2	174.6	1037.2
	1974*	329.8	384.1	135.2	946.8
2. Exports	1970	251.3	75.9	118.9	478.9
	1971	275.1	99.8	203.4	607.1
	1972	269.0	113.2	183.6	640.0
	1973	241.8	95.0	176.8	591.3
	1974*	255.7	132.0	144.2	609.0
3. Domestic Consumption@@	1970	67.8	327.9	N.A.	441.3
	1971	59.6	369.0	N.A.	477.4
	1972	67.2	393.6	2.3	515.5
	1973	67.5	324.8	1.8	445.0
	1974*	66.3	266.8	4.7	381.8
4. Stocks (as at December end)	1970	35.5	33.8	13.9	87.4
	1971	30.0	57.8	11.9	109.9
	1972	26.5	49.6	21.8	110.0
	1973	31.9	58.0	15.1	121.2
	1974*	46.9	35.6	18.1	114.9

@ Includes 'others.'
£ Production figures relate to the production by mills in the membership of the Indian Jute Mills' Association (IJMA) which account for about 90 per cent of the total production of the industry.
@@ Figures represent despatches for internal consumption.
Source : IJMA Data.
* Provisional.

The decline in production during 1974 worked out to about 0.9 lakh tonnes shared almost equally by sacking and carpet backing. While hessian production was fractionally higher by 4,500 tonnes, sacking and carpet backing were down by around 41,000 tonnes each (Table III. 28). Compared with 1972, the decline in the production of carpet backing was of the order of over half-a-lakh tonnes (0.52 lakh tonnes), while that of sacking was over one lakh tonnes. The decline in the case of carpet backing, which is almost wholly for export, is attributable to the steep decline in export demand due to recessionary conditions in the U.S.A., which is the principal market and also to the growing competition from synthetic substitutes. The fall in production of sacking on the other hand, may be attributed largely to lower domestic demand consequent on the low level of both industrial and agricultural output during the past two years.

The aggregate quantum of exports of jute goods during 1974, however, recorded a modest rise of 17,700 tonnes (3.0 per cent) over the 1973 level, but compared to 1972, it was lower by 31,000 tonnes (4.8 per cent). The slight increase during the year was on acccuut of an increase of 37,000 tonnes in respect of sacking and of 13,900 tonnes in respect of hessian, while exports of carpet backing were lower by 32,600 tonnes. The slight increase in exports of hessian and sacking was accounted for mainly by the higher offtake of these items by the U.S.S.R, Japan and Countries in the African Continent. Apart from the factors mentioned above which affected exports during the year, the demand for Indian jute goods is also affected by the erosion in competitiveness of Indian goods in relation to other competitors mainly Bangladesh in international markets. The devaluation of the Bangladesh Taka in May 1975 by about 37-38 per cent in relation to the Indian rupee and by about 58 per cent in relation to the pound sterling is expected to further sharpen this edge of competitiveness.

With a view to correct the deterioration in competitiveness of Indian jute goods in the world markets the Government provided some fiscal reliefs. Export duties on carpet backing ranging between Rs. 200 and Rs. 750 per tonne depending on the quality of the construction was reduced to a flat rate of Rs. 200 per tonne in December 1974 and was completely abolished in May 1975. The export duty of Rs. 600 per tonne on hessian was also abolished in June 1975.

The rate of intake of jute goods by the domestic market during the past two years has also created some problems for the industry which is already under strain by the export slump. Internal consumption of these goods during 1974 registered a fall of 14.2 per cent on top of a fall of 13.7 per cent during 1973. This was largely due to the decline in Government orders for jute manufactures. In a bid to povide some relief to the industry and to avoid any loss on account of sales of B-twills to Government, an agreement was reached between Government and jute mills on May 20, 1975, in terms of which mills were granted a 14 per cent rise in prices for purchases to be contracted by Government during the five months from May 1975.

(b) Rubber Manufactures

The production of rubber goods which had registered a decline in 1973 staged a recovery during 1974 mainly owing to the improved availability of power and the decontrol of some of the categories of tyres and tubes since April 1974. The provisional index of manufacture of rubber goods compiled by the CSO at 269.3 in 1974 was higher by 14.3 per cent than the index of 235.5 in 1973.

The production of automobile tyres at 47 lakhs and tubes at 45 lakhs in 1974 registered increases of 7.3 per cent and 6.7 per cent, respectively, over the levels in 1973 (Table III. 29). The capacity utilisation ratio for automobile tyres increased from 112 per cent in 1973 to 116 per cent in 1974 and that for tubes moved up from 110 per cent in 1973 to 131 per cent in 1974. A distinct feature of the year was that the pattern of production was geared in conformity with the Government's desire to meet the pressure of demand for commercial vehicle tyres; in the process, however, the output of scooter tyres had got reduced. The export performance of the tyre industry has been on the whole creditable notwithstanding the fact that prices of natural rubber in India are higher than those in the international markets. The

Rubber Board was working out a scheme to provide natural rubber to the manufacturing units for production of goods exclusively meant for export (2).

The production of cycle tyres and tubes at 256.3 lakhs and 188.4 lakhs, respectively, recorded significant increases of 27.6 per cent and 38.4 per cent over the previous year. The capacity utilisation ratio of cycle tyres and tubes showed a remarkable rise from 54.8 per cent and 44.4 per cent in 1973 to 75.5 per cent and 65.1 per cent in 1974, respectively. Cycle tyres and tubes were the largest foreign exchange earners in the overall range of exports of rubber goods.

(2) The scheme has been since approved by the Government of India on August 1, 1975.

Among other rubber products, the decline in output of rubber footwear, experienced since 1969, continued in 1974. Its production at 362 lakh pairs in 1974 showed a further decline of 5.5 per cent over the previous year.

Table III.29: Rubber Products

(Thousand Numbers)

Year	Tyres (Automobiles)		Tubes (Automobiles)		Tyres (Cycles)		Tubes (Cycles)		Footwear (Rubber)*	
	Production	Year end stocks	Production	Year end stocks	Production	Year end stocks	Production	Year end stocks	Production	Year end stocks
1	2	3	4	5	6	7	8	9	10	11
1970 ..	3655 (+ 0.7)	67	3248 (+12.5)	114	20988 (— 2.9)	273	15840 (— 4.9)	312	448 (— 9.1)	59
1971 ..	4190 (+14.6)	84	4035 (+24.3)	119	19964 (— 4.9)	563	12517 (—21.0)	364	437 (— 2.7)	60
1972 ..	4405 (+ 5.1)	93	4347 (+ 7.7)	96	21613 (+ 8.3)	590	14425 (+15.2)	861	434 (— 0.7)	55
1973 ..	4414 (+ 0.2)	124	4222 (— 2.9)	72	20077 (— 7.1)	336	13609 (— 5.7)	561	383 (—11.8)	66
1974** ..	4738 (+ 7.3)	125	4505 (+ 6.7)		25628 (+27.6)		18840 (+38.4)		362 (— 5.5)	58

* Figures in lakh pairs.

** Provisional.

Note : Figures in brackets represent percentage changes over the previous year.

As regards the availability of raw material to the rubber industry, natural rubber output increased by 4.2 per cent, from 123 thousand tonnes in 1973 to 128 thousand tonnes in 1974. Synthetic rubber production which declined by 24.5 per cent in the previous year due to acute shortage of basic petroleum products registered a further fall by 3 thousand tonnes to 18 thousand tonnes or by 14.7 per cent in 1974 (Table III. 30).

Table III.30: Rubber

(Tonnes)

Item	1970	1971	1972	1973	1974@
1	2	3	4	5	6
Production					
Natural	89905	98884	109137	123232	128351
Synthetic	30337	33007	27842	21012	17922
Reclaimed	N.A.	16144	15365	15551	18023
Imports					
Natural	3390	383	399	125	—
Synthetic	5819	5803	5959	5618	6584
Reclaimed	N.A.	—	—	—	—
Consumption					
Natural	86469	93125	101100	123298	133538
Synthetic	31810	36672	38055	24743	21490
Reclaimed	N.A.	15225	15373	16513	18343
Stocks as at the end of the period					
Natural	41587	47546	55971	54477	47785
Synthetic	12730	14681	10688	12575	14906
Reclaimed	N.A.	4827	4819	3857	3537

@ Provisional.

Source : Rubber Board, Kottayam.

(c) Chemicals and Chemical Products

Trends in output index

According to the CSO, the index numbers of Industrial production for chemicals and chemical products, the group as a whole, showed a marginal rise of 2.6 per cent during the first seven months of 1974 (data available so far), as against a decline of 3.2 per cent in the comparable period of 1973. This improvement was reflected in the comparative increases recorded in the output indices of items like 'drugs and pharmaceuticals', 'fine and pharmaceutical chemicals', 'soaps and other washing and cleaning components', 'synthetics' and 'petroleum refinery products'—the increase ranging between 3.4 per cent and 17.5 per cent. But, these increases were substantially off-set by the decline in the output of 'fine chemicals', 'dyestuff and dyes', 'acids and allied chemicals', 'paints and varnishes' and 'synthetic resins and plastics', the decline ranging between 2.7 per cent and 15.8 per cent.

The index for 'fertilisers' declined marginally by 0.1 per cent as compared with an increase of 4.7 per cent and of 18.2 per cent in the corresponding periods of 1973 and 1972, respectively. Equipment failures in some major plants coupled with severe power cuts and labour troubles affected production during the period.

The data on the actual level of output are available up to September 1974 in respect of certain items in the group. On the basis of these data, trends in their production and capacity utilisation are briefly discussed below(3).

(3) The production data for the year 1974 as are used in these paragraphs have been arrived at on the basis of the 9 months data and these may be treated as provisional.

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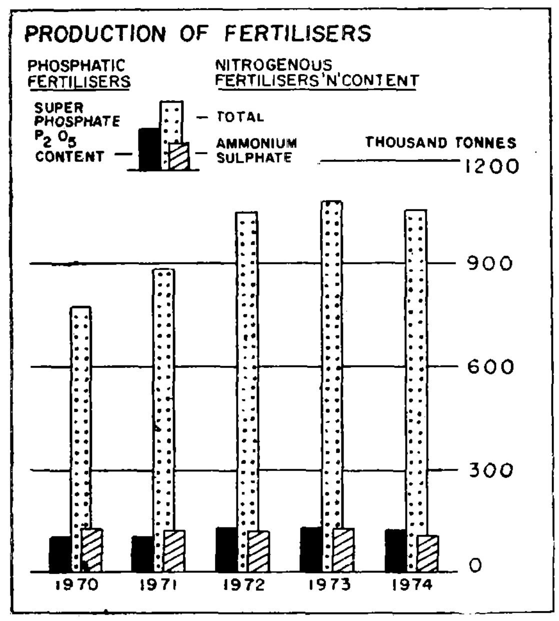
The output of *soda ash* rose by 3.6 per cent from 4.77 lakh tonnes to 4.94 lakh tonnes (Table III. 31). The installed capacity of 'soda ash' increased from 5.1 lakh tonnes in 1973 to 6.2 lakh tonnes in 1974. However, the capacity utilisation ratio declined over the year from 94 per cent to 80 per cent. Non-availability in adequate quantities of hard coke and sweet water was the main constraint for utilisation of capacity. The Fifth Plan targets of installed capacity of 'soda ash' has been fixed at 11.0 lakh tonnes and production at 8.8 lakh tonnes. To achieve these targets a number of letters of intent and licences have been granted. In regard to 'sulphuric acid' output declined by 1.3 per cent from 13.14 lakh tonnes in 1973 to 12.97 lakh tonnes in 1974 due to limited availability of the basic raw material, sulphur.

Production of *caustic soda* rose fractionally, from 4.18 lakh tonnes in 1973 to 4.19 lakh tonnes, in 1974. This may be attributed wholly to the up-turn in production during the last quarter of the year when power cuts were lifted by almost all the State Governments. Although installed capacity was somewhat higher at 5.3 lakh tonnes as against 4.4 lakh tonnes at the end 1973, the capacity utilisation ratio was substantially lower at 79 per cent as against 95 per cent last year. Installed capacity is expected to go up to 10 lakh tonnes and production to 7.9 lakh tonnes by the end of the Fifth Plan.

The output of *paints and varnishes* which had stagnated in 1973 at the 1972 level of 75,000 tonnes declined substantially in 1974 by 13.3 per cent to 65,000 tonnes. Production of soap which is suffering a set-back since 1972 declined further by 2.8 per cent to 2.1 lakh tonnes in 1974, on top of the steep decline of 28.2 per cent in 1973. Continued constraints like lower imports of tallow, palm oil and scarcity and high prices of indigenous oils and fats, sodium tripoliphosphate, etc. led to severe cutbak in the production of soaps and detergents, etc. However, the position improved during the last quarter of 1974 with the lifting of the informal price control on soap by the Government in September 1974, subject to the condition that the industry steps up its production to a level equal to the highest level of productions achieved in the last three years.

The production of *nitrogenous fertilisers* ('N' content) during the year declined by 1.9 per cent to 10.62 lakh tonnes and that of phosphatic fertilisers (super phosphate—P_2O_5 content) by 3.2 per cent to 1.20 lakh tonnes. The short-fall in production may be attributed to various reasons which vary from plant to plant. While production was affected at the Nangal, Trombay, Gorakhpur and Kanpur plants on account of cuts and fluctuations in power supply, production at Madras, Baroda and Goa was affected because of unexpected breakdowns of machinery. The plants at Durgapur and Cochin could not stabilise their production on account of certain technological problems and partly due to power cut. The production at Namrup, Rourkela and Sindri was affected on account of non-availability of raw materials of proper quality and inadequate quantities. The delays in commissioning schedules of the plants at Barauni, Nampur expansion, Tuticorin and Kalol have also acted as a contributory factor.

Graph 12



During the year, installed capacity of nitrogenous fertilisers increased from 17.0 lakh tonnes to 19.8 lakh tonnes and that of phosphatic fertilisers from about 5.0 lakh tonnes to 5.6 lakh tonnes. The capacity utilisation, however, declined from 64 per cent to 54 per cent in the case of nitrogenous and from 25 per cent to 21 per cent in the case of phosphatic fertilisers.

Table III.31: Major Chemicals and Chemical Products

(Thousand Tonnes)

Year	Sulphuric Acid		Caustic Soda		Paints and Varnishes		Nitrogenous Fertilisers ('N' content) production			Phosphatic Fertilisers (Super Phosphate) P_2O_5 Content)		Soda Ash		Soap+	
	Production	Year-end stocks	Production	Year-end stocks	Production	Year-end stocks	Total**	Ammonium Sulphate	Year-end Stocks$	Production	Year-end Stocks	Production	Year-end Stocks	Production	Year-end Stocks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1970	1188 (+ 0.6)	39	361 (+ 4.0)	9	66 (+ 6.5)	9	778 (+34.8)	126 (— 7.4)	6	103 (—11.2)	16	446 (+ 5.4)	12	232 (+ 3.6)	4
1971	1021 (—14.1)	29	373 (+ 3.3)	9	68 (+ 3.0)	10	885 (+13.8)	121 (— 0.4)	13	102 (— 1.2)	11	479 (+ 7.9)	20	320 (+37.9)	4
1972	1130 (+10.8)	60	396 (+ 6.2)	10	75 (+10.3)	9	1048 (+18.4)	118 (— 2.5)	N.A.	124 (+21.6)	16	486 (+ 1.5)	13	298 (— 6.9)	N.A.
1973	1314 (+16.3)	32	418 (+ 5.6)	15	75 (—)	9	1083 (+ 3.3)	124 (+ 5.1)	16	124 (—)	9££	477 (— 1.9)	21££	214 (—28.2)	N.A.
1974£	1297 (— 1.3)	22*	419 (+ 0.2)	9*	65 (—13.3)	9*	1062 (— 1.9)	106 (—14.5)	N.A.	120 (— 3.2)	N.A.	494 (+ 3.6)	N.A.	208 (— 2.8)	N.A.

£ Provisional. +Figures relate to the production of organised factories.

$ Relates to Ammonium Sulphate.

££ Relates to November 1973.

* Relates to September 1974.

** Includes production of (1) Ammonium Sulphate, (2) Double Salt, (3) Urea, (4) Ammonium Chloride (5) Ammonium Phosphate, (6) Calcium Ammonium Nitrate, (7) Nitro-Phosphate and (8) Di-Ammonium Phosphate.

Note : Figures in brackets represent percentage changes over the previous year in the table.

Source : CSO data.

The projected demand for nitrogenous fertilisers during 1975-76 at 29.71 lakh tonnes is expected to exceed the supply by well over 1 million tonnes. To tide over this shortfall in fertiliser availability the Government had planned larger imports of fertilisers from the USA, Canada, Japan, etc. But, some of these foreign suppliers backed out of their commitments due to inadequate world supplies and high international prices. The import policy for fertilisers was also streamlined during the year. The Minerals and Metals Trading Corporation (MMTC) which was hitherto handling imports of fertilisers only from rupee payments areas was also authorised to handle such imports from free currency areas, so that MMTC might have a bargaining advantage on prices with foreign suppliers and also make a better appraisal of the prices and supply position in international markets.

To reduce the anticipated pressure on naphtha, Government had decided to permit installation of fertiliser plants based on coal. Three large sized plants based mainly on coal are under implementation at Talcher, Ramagundam and Korba. Preliminary studies in respect of a few other units have also been completed.

With a view to compensating the manufacturers for the increase in the cost of naphtha, fuel oil, bags and freight, the delivered prices of the main nitrogenous fertilisers, *viz.* indigenous urea, calcium ammonium nitrate and ammonium sulphate were raised to Rs. 2,000, Rs. 1095 and Rs. 935 per tonne, respectively, (or increased by about 80 per cent) from June 1, 1974. However, effective July 18, 1975 the Government reduced the prices of these fertilisers as under: Urea by Rs. 150 per tonne and calcium ammonium nitrate by Rs. 85 per tonne in order to step-up the agricultural production in general and food production in particular. Prices of phosphatic fertilisers were put up six times during the year mainly due to sharp hike in prices of sulphur and rock phosphate, both indigenous and imported.

During the year under review, the petrochemicals industry did not show much progress. The growth in this sector was restrained on account of an unprecedented increase in the prices of crude oil, naphtha and fuel oil. Petroleum-based heavy organic chemicals like acetone, ethylene, butadiene, etc., showed decreases in their output whereas the output of methanol, benzene, DMT, etc. showed some improvement. Likewise, the output of thermosets and thermo plastics also decreased from 122 thousand tonnes in 1973 to about 116 thousand tonnes in 1974.

The production of essential drugs increased during the year. Their prices however continued to rise mainly on account of shortages and high prices of drug intermediaries in the international markets. Substantial price increases in 23 bulk drugs, ranging up to 70 per cent were announced by the Government in April 1974 on the recommendation of a working group of the Bureau of Industrial Costs and Prices.

(D). Consumer Goods Industries

(a) Cotton Textiles

Production of cotton textiles : The cotton textile industry registered some improvement in its out-put performance during 1974; the total production of cotton textiles having gone up by 6.6 per cent to 8284 million metres in 1974, in contrast to a decline of 3.2 per cent in 1973. This improvement came about despite two prolonged strikes of textile workers of over 40 days in Bombay and of 30 days in Coimbatore mills, power cuts of varying degrees and duration in almost all major textile producing centres, slackness in export demand and to some extent domestic consumers resistance to high prices (Table III. 32).

The increase in cloth production was shared by both mill and decentralised sectors. Production in the mill sector which had declined by 1.8 per cent to 4169 million metres in 1973 from 4244 million metres in 1972 increased by 3.5 per cent to 4316 million metres in 1974—the highest level since 1968. Production in the decentralised sector showed a larger increase of 10.2 per cent to 3968 million metres in contrast to a fall of 4.8 per cent to 3602 million metres in 1973. Consequently the share of mill sector to total cloth production declined over the year from 53.6 per cent to 52.1 per cent, while that of decentralised sector improved from 46.4 per cent to 47.9

per cent. Further, in the mill sector, the proportion of fine and superfine varieties declined from 17 per cent in 1973 to 12 per cent in 1974, while that of coarse and medium varieties increased from 83 per cent to 88 per cent.

Table III.32: Cotton Textiles

(Cloth in Million Metres)
(Yarn in Million Kgs.)

Sector	1970	1971	1972	1973	1974@
1	2	3	4	5	6
A. Mill Sector					
(*i*) Production	4156 (— 0.3)	3960 (— 4.7)	4244 (+ 7.2)	4169 (— 1.8)	4316 (+ 3.5)
Of which Fine & Superfine	604	663	546	726	533
(*ii*) Exports	419	387	453	631	468
(*iii*) Domestic Consumption*	3829	3452	3767	3571	3552
(*iv*) Year-end Stocks	148	180	159	130	202
B. Decentralised Sector					
(*i*) Production	3692 (+ 4.4)	3396 (— 8.0)	3784 (+11.4)	3602 (— 4.8)	3968 (+10.2)
(*ii*) Exports	28	29	47	56	68
(*iii*) Domestic Consumption	—	—	—	—	—
(*iv*) Year-end Stocks	—	—	—	—	—
C. Cloth—Total (A + B)					
(*i*) Production	7848 (+ 1.8)	7356 (— 6.3)	8028 (+ 9.1)	7771 (— 3.2)	8284 (+ 6.6)
(*ii*) Exports	447	416	500	686	536
(*iii*) Domestic Consumption	—	—	—	—	—
(*iv*) Year-end Stocks	—	—	—	—	—
D. Cotton Yarn—Mill Sector					
(*i*) Production	965 (— 0.7)	882 (— 8.6)	972 (+10.2)	998 (+ 2.7)	1007 (+ 0.9)
Of which Fine & Superfine	46	50	48	43	91
(*ii*) Exports	30	12	23	11	12
(*iii*) Domestic Consumption*	407	365	416	405	441
(*iv*) Year-end Stocks	10	13	14	26	16

* Represent deliveries for Civil Consumption. Figures for yarn relate to sale of yarn by mills to handlooms and power looms. Domestic consumption figures for cloth—total represent cloth available for home consumption *i.e.*, total cloth produced in the mill and decentralised sectors plus actual imports minus actual exports of cloth.

@ Provisional

Note : 1. Export Figures for decentralised sector relate to handlooms only. 2. Figures in brackets represent percentage changes over the preceding year. 3. Exports in million square metres.

Source : Indian Cotton Mills Federation Data.

Stocks of cloth with the mills stood higher at 202 million metres at the end of December 1974 showing an increase of 72 million metres over the level a year ago. The process of accumulation of stocks which started from May 1974 onwards accelerated so much that the level of stocks with the mills which stood at 99 million metres at the end of April 1974 rose to 276 million metres by the end of October 1974. Thereafter, due to the gradual pick-up in the demand, stocks were depleted by about 74 million metres and stood at 202 million metres at end-December 1974. The increase in stocks from May 1974 was attributed to the prolonged railway strike affecting movement of cloth: even after the return of normalcy to the Railways, the stock position did not improve because of slackness in internal as well as external demand, the latter having been caused partly by the onset of recessionary conditions in a number of Western countries and partly by the erosion of the competitiveness of Indian products in relation to those of Japan, South Korea, Pakistan, Hong Kong, etc. In view of the large stock position, Government has constituted a Study Group to look into the various aspects of accumulation of stocks with textile mills and suggest measures to clear them. The year-end stocks position, though higher than the levels recorded in any of the preceding years, however, represented hardly one month's average production in the mill sector. Exports of Indian cotton piecegoods during the year 1974 aggregated 468 million sq. metres compared to 631 million sq. metres in 1973.

Cotton yarn production also moved up for the third year in succession recording an increase of 9 million Kgs. over the 1973 level to reach an all-time high of 1007 million Kgs.

The industry's obligation to produce controlled cloth was raised from 400 million metres to 800 million metres from April 1, 1974. Prices of controlled cloth were also raised by 30 per cent and the penalty for non-fulfilment of the obligation was also increased from Re. 1/- to Rs. 2.50 per sq. metre. This scheme was modified in October 1974 whereby the combined controlled cloth and export obligation was replaced to 30 per cent of the industry's package production by the earlier obligation of 16 per cent for exports and 24 per cent for controlled cloth. However, on representation by the National Textile Corporation, Government delinked this obligation from July 1, 1975, though the obligation for controlled cloth was maintained at 800 million metres.

The Government is reported to have devised a new scheme envisaging an increase in the production of controlled cloth from 800 to 1200 million metres and further neutralisation of the increase in cost of production. It has been stipulated that the increased revenue resulting from the upward revision in prices is to be utilised for rehabilitation and modernisation of textile mills and not for distribution as dividends.

The number of mills at the end of 1974 increased by 2 to 691. The addition was under spinning mills numbering now 403, the number of composite mills remaining unchanged at 288. Total number of spindles and looms installed in them was 188.6 lakhs and 2.1 lakhs, respectively.

By an ordinance promulgated on September 21, 1974, the Government nationalised 103 sick cotton textile mills with retrospective effect from April 1, 1974. These sick mills are to be re-organised and rehabilitated with a view to augmenting production. The Annual Plan 1975-76 has therefore provided an outlay of Rs. 15 crores for the National Textile Corporation mainly for carrying out such rehabilitation and modernisation and for meeting the requirements of working capital and cotton purchase schemes.

The target of production for cotton yarn by the end of the Fifth Plan is fixed at 1300 million Kgs. and that for cloth at 10 400 million metres. This would require an increase in spinning capacity from 18.9 million spindles in 1974 to 23.9 million spindles in 1978-79 and that of weaving capacity from 2.07 lakh looms to 2.94 lakh looms.

The policy regarding expansion of the capacity of the textile industry during Fifth Plan period was announced on December 31, 1974. The salient features of the policy are: (*i*) to increase the supply of free yarn for the decentralised weaving sector with special reference to the handloom sector; (*ii*) to bring about better dispersal of spinning capacity to cater effectively to the needs of the weavers throughout the country; (*iii*) to increase the output of coarse and medium varieties of cloth and (*iv*) to increase production of fabrics with good export potential. The Government also formulated guidelines for expansion and installation of additional spinning, weaving and processing capacities of the cotton textile industry during the Fifth Plan.

(b) Paper and Paper Boards

The output of paper and paper boards (excluding newsprint) at 8.4 lakh tonnes during the year 1974 showed a rise of 5.0 per cent as compared to marginal increases of 1.7 per cent and 0.6 per cent in 1973 and 1972, respectively (Table III. 33). The production would have shown a still higher increase but for the various constraints such as shortage of coal, raw materials and chemicals, power, wagons for movement of coal and closure of some of the mills intermittently due to labour unrest.

The installed capacity in paper and paper boards industry was slightly higher at 9.9 lakh tonnes in 1974 as against 9.6 lakh tonnes in 1973. The total installed capacity envisaged at the end of the Fifth Plan is 14 lakh tonnes as suggested by the Task Force. Against this target the production is expected to reach 12 lakh tonnes from the level of 8.5 lakh tonnes in 1973-74. Consumption of paper by the end of the Fifth Plan is expected to reach 13.30 lakh tonnes.

In view of the acute shortage of paper, the Government in December 1974 allowed for the period of one year the imports of second-hand paper plants and equipments to increase the production of paper and to promote the growth of small units of 30 tonne per day capacity. Entrepreneurs whose investment is less than rupees one crore and who do not belong to big units could avail of this facility.

Table III.33: Paper and Paper Boards

(Thousand Tonnes)

Year	Installed Capacity	Production	Year-end Stocks	Capacity and Utilisation Ratio
1	2	3	4	5
1970	768	759 (+ 8.1)	22	99
1971	898	779 (+ 2.6)	19	87
1972	902	784 (+ 0.6)	21	87
1973	962	797 (+ 1.7)	20	83
1974*	992	837 (+ 5.0)	25	84
Newsprint				
1972	75	42	3	56
1973	75	48 (+14.3)	2	64
1974*	75	55 (+14.6)	3	73

* Provisional.

Note : Figures in brackets represent percentage changes over the preceding year in the table.
Source : C.S.O., Calcutta.

In August 1974, in order to safeguard the interest of consumers the Government imposed certain restrictions on the production of paper, fixing various percentages for the production of various varieties of paper by issuing the Paper (Control of Production) Order 1974 under the Essential Commodities Act. These stipulations were applicable to the manufacturers having a production capacity of 20 tonnes and over a day. Other steps were also taken under the Paper (Conservation and Regulation of use) Order 1974, issued simultaneously, to conserve paper by restricting its use for non-essential purposes, such as making calendars, greeting or invitation cards, etc.

A scheme was drawn on a voluntary basis between the Government and the industry at the beginning of the year to make available writing and printing paper to the vulnerable sections of the society at concessional rates. Under this scheme, the industry voluntarily agreed to make available 2 lakh tonnes of white printing paper at a fixed rate of Rs. 2,750 per tonne for distribution to the educational sector and to the Government.

The scheme of distribution of cultural varieties was revised in December 1974 following the failure of the allottees to lift the paper in time, resulting in an accumulation of stocks with the mills which was placed higher at 58,000 tonnes during the period April-October 1974. According to the revised scheme, it was made mandatory for allottees to open a revolving letter of credit or to pay 25 per cent of the value of the paper as advance money while placing orders with the mills or the distributors.

The production of rayon grade pulp during 1974 reached an all time high to 1 lakh tonnes as compared with 77,500 tonnes during 1973. The capacity utilisation also went up from 65.3 per cent in 1973 to 84.4 per cent in 1974. Apart from the three existing units with a total installed capacity of 1.19 lakh tonnes, letters of intent have been issued to 8 more units for establishing additional total installed capacity of 2.18 lakh tonnes.

The output of paper grade pulp, during the year, was larger at 21,000 tonnes as compared with 18,900 tonnes in 1973. The installed capacity of paper grade pulp, in 1974 remained unchanged at 22,500 tonnes as in 1972 and 1973. However, the expansion programme taken up by the firms to raise this capacity to 40,000 tonnes is nearing completion.

The output of newsprint at National Newsprint and Paper Mills Ltd. (NEPA)—the only newsprint mill in the public sector—increased to 55,000 tonnes in 1974 as against 43,847 tonnes in 1973. The expansion of the installed capacity of NEPA from 30,000 tonnes to 75,000 tonnes per annum has been completed and a proposal to expand it further to 156,000 tonnes is under consideration. In order to augment the domestic production of newsprint, a number of new projects have been sanctioned by the Government, notable among which are : (*a*) The Kerala Newsprint project of Hindustan Paper Corporation with a capacity of 80,000 tonnes per annum is in the advanced stage of implementation ; (*b*) A scheme of the West Bengal Industrial Development Corporation to establish a newsprint mill in West Bengal with a capacity of 60,000 tonnes per annum and that of West Coast Paper mills for 30,000 tonnes per annum. In addition to these, two mini newsprint projects have already been approved by the Government.

During the year, NEPA had sought permission of the Government to raise the price of its newsprint by Rs. 1,200 per tonne. Pending the decision of the Government, the mill decided from September 1, 1974 to supply newsprint only to those users who would deposit with it Rs.1,200per tonne as additional amount as 'guarantee money' along with the prevailing price of Rs. 1,800 per tonne. The guarantee money would be adjusted later in accordance with the Government decision.

In order to achieve a balance in the demand and supply of newsprint, the Government had imposed a further cut of 10 per cent in June 1974 in addition to the 30 per cent cut already existing at that time. However, this additional cut of 10 per cent was restored in August 1974, following availability of imported Soviet newsprint.

(c) Sugar

The production of sugar during the sugar year 1974-75 (October-September) aggregated 47.9 lakh tonnes, as compared to 39.5 lakh tonnes during 1973-74 (Table III.34).

Table III.34 : Sugar (October-September)

(Lakh Tonnes)

Year (Oct.-Sept.)	Opening Stock	Production	Exports	Consumption
1	2	3	4	5
1970-71 ..	20.9	37.4	4.0	40.3
1971-72 ..	14.1	31.1	1.4	37.8
1972-73 ..	6.0	38.7	1.0	35.1
1973-74 ..	8.6	39.5	5.4	36.3
1974-75 ..	8.8	47.9	10.2	35.0

Source : 'Sugar Situation', Ministry of Agriculture & Irrigation, Government of India.

The year 1974-75 (Oct.-Sept.) commenced with a carry-over stock of 8.8 lakh tonnes as compared to 8.6 lakh tonnes last year. The total availability during 1974-75 was therefore higher at 57 lakh tonnes (as against 48 lakh tonnes in 1973-74). The release of sugar for internal consumption during 1974-75 aggregated 35.0 lakh tonnes, as against 36.3 lakh tonnes during 1973-74. The lower releases for internal consumption by the Government during the year may be attributed to the Government's effort to make a larger quantum available for exports. In view of the favourable price situation in the world markets and the higher level of domestic production, exports were much higher than in the previous season. In fact, the total quantum of exports during 1974-75 stood at 10.2 lakh tonnes as against 5.4 lakh tonnes during 1973-74.

The policy of partial control on sales which had been in force since 1967, except for a short period from May 22, 1971 to June 30, 1972 was continued during the year. However, the proportion of levy sugar to free sale sugar was altered from 70:30 to 65:35 for the year 1974-75 (Oct.-Sept.). The proportion of levy sugar was reduced keeping in view the expected higher production this season and the need to keep the price of levy sugar unchanged. The ex-factory prices of levy sugar for 1974-75 were kept unchanged. The distribution of levy sugar to consumers through the fair price shops at the rate of Rs. 2.15 per

Table III.35: Rate of excise duty rebate on excess production

Month/Months of production	Levels of production	Rebate: Free sale sugar	Rebate: Levy sugar
1	2	3	4
		Rs. P.	Rs. P.
I. October-November 1974	(*a*) Overall production for the entire year does not equal the production of the preceding five sugar years.	60.00	16.00
	(*b*) Overall production for the entire sugar year equals or exceeds the production of preceding five years.	82.00	22.00
II. December 1974 to September 1975	(*a*) On excess production upto 7.5 per cent	20.00	5.00
	(*b*) On excess production on the next 10 per cent	40.00	10.00
	(*c*) On excess production on the next 10 per cent	50.00	14.00
	(*d*) On excess production on the next 10 per cent	60.00	18.00
	(*e*) On excess production beyond 37.5 per cent	82.00	22.00

Note : 1. Factories which had gone into production for the first time after 1967-68, first two years of production should not be taken into account while computing average for five years.

2. For sugar factories which had gone into production for the first time after the 1971-72, only preceding one year production would be taken into account.

Kg. throughout the country also remained unchanged. The excise duty on levy sugar continued to be at 20 per cent *ad valorem*. However, for free sale sugar the Union budget for 1975-76 raised the duty from 37.5 per cent to 45 per cent *ad valorem*. The tariff value of free sale sugar for purposes of excise duty assessment was changed on several occasions during 1974-75 as given below :—

Month	Tariff Value (Rs. per quintal)
September 1974	305
October 1974	320
November 1974	350
December 1974 & Jan. 1975	360
February 1975	345
March 1975	330
April 1975	310
June 1975	320

With a view to increasing sugar production during 1974-75, particularly during the early part of the crushing season, when the percentage of recovery is low, a scheme of excise rebate was announced on October 12, 1974; the scheme is more or less on the same lines as in the preceding year except that over-all production during the entire year would be now taken into account for granting rebate (Table III.35). Last year, graded excise rebates were allowed on the excess production during the quarter over the production of the corresponding quarter of the previous year.

III. PRICE SITUATION

The year 1974-75 marked a departure from the almost uninterrupted phase of price rise which had occurred since March 1972. Despite the persistence of supply-demand imbalances in the economy, the reversal of this trend in 1974-75 reflects the cumulative impact of a number of fiscal and monetary measures aimed at demand management. Further, the administrative measures taken to curb smuggling and hoarding reinforced these policies. The inflationary psychology which in the past was responsible for exacerbating price rises was considerably toned down during the year. Given the prospects of a significant increase in the national product, it seems very likely that the year 1975-76 will be one of remarkable stability in prices.

1. Three Phases

The movement of prices during the year 1974-75 could be conveniently analysed under three clear cut phases : (1) A rising trend between end-June and September 21, 1974, (ii) A declining trend from September 21, 1974 to April 5, 1975 and (iii) a mixed trend with an undertone of stability from April 5, 1975 onwards (Table III.36).

Phase I: End-June 1974 to September 21, 1974

The up-trend in prices during this phase, as in the last year, was very sharp. The index numbers of wholesale prices (Base : 1961-62 = 100) which had risen by 27.8 per cent during the year 1973-74 (July-June) recorded a further increase of 7.1 per cent in a period of just three months, reaching an all-time high of 330.7 on September 21, 1974. This was brought about by a combination of factors such as : (i) a continuation of rapid expansion of money supply, (ii) a strengthening of inflationary price expectations by unsatisfactory production conditions in both agricultural and industrial sectors and (iii) the impact of external factors in the form of a rise in import prices of petroleum, other basic materials, food and fertilisers.

Phase II: September 21, 1974 to April 5, 1975

During the second phase, the price index witnessed a fall of 7.4 per cent, off-setting completely the price rise which had occurred earlier. The decline in prices could be regarded as partly seasonal in character, but if it is remembered that such seasonal decline was conspicuous by its absence during the previous two years it is obvious that there were other factors at work. In large part, the decline could be attributed to a number of demand management measures taken by the Government like impounding a part of the additional dearness allowance as well as the entire increase arising from revision of wages and salaries and imposition of limits on declaration of dividends. Operations against smugglers, hoarders and black marketeers also

Table III.36 : Trends in Index Numbers of Wholesale Prices : Percentage Variations
(Base : 1961-62=100)

Group/Sub-Group/Commodity	Weights*	Percentage variations between 1973-74				Percentage variations between 1974-75				
		End-June 1973 and September 22, 1973	September 22, 1973 and April 6, 1974	April 6, 1974 and End-June 1974	End-June 1973 and end-June 1974	September 21, 1974 and September 21, 1973	End-June 1974 and September 21, 1974	September 21, 1974 and April 5, 1975	April 5, 1975 and End-June 1975	End-June 1974 and End-June 1975
1	2	3	4	5	6	7	8	9	10	11
All Commodities	**1000**	**+ 3·7**	**+14·1**	**+ 8·0**	**+27·8**	**+32·0**	**+ 7·1**	**− 7·4**	**+ 1·5**	**+ 0·6**
I. **Food Articles**	**413**	**+ 4·6**	**+ 7·9**	**+11·6**	**+26·0**	**+30·7**	**+ 8·6**	**− 8·3**	**+ 3·4**	**+ 2·9**
Foodgrains	(35·8)	+ 4·4	+16·1	+12·6	+36·6	+51·1	+15·6	−11·1	+ 1·1	+ 3·8
(a) Cereals	(29·3)	+ 4·7	+16·7	+15·8	+41·4	+54·5	+14·3	− 8·3	+ 1·0	+ 5·9
(i) Rice	(16·2)	+ 9·1	+15·8	+ 8·1	+36·7	+40·9	+12·6	− 9·9	+ 8·9	+10·4
(ii) Wheat	(7·8)	—	+18·1	+40·3	+65·7	+94·3	+17·3	− 7·1	−10·3	− 2·3
(iii) Jowar	(2·2)	+ 0·5	+ 9·2	+18·2	+29·7	+43·2	+11·0	− 6·5	− 1·8	+ 1·9
(iv) Bajra	(1·1)	−24·0	+12·2	+18·0	+ 0·7	+68·7	+27·4	+13·4	− 7·4	+33·6
(b) Pulses	(6·5)	+ 3·8	+14·3	+ 2·9	+22·0	+40·8	+19·8	−20·3	+ 1·2	− 3·4
II. **Liquor and Tobacco**	**25**	**+ 0·1**	**+ 9·9**	**+12·6**	**+23·9**	**+26·1**	**+ 1·8**	**— 0·1**	**+ 2·3**	**+ 4·1**
III. **Fuel, Power, Light and Lubricants**	**61**	**+ 2·3**	**+59·2**	**− 0·2**	**+62·4**	**+64·2**	**+ 3·4**	**+ 0·8**	**+ 0·5**	**+ 4·8**
IV. **Industrial Raw Materials**	**121**	**− 1·3**	**+ 9·3**	**+ 5·6**	**+13·8**	**+23·1**	**+ 6·7**	**−21·0**	**— 1·8**	**−17·1**
(i) Cotton Raw	(18·5)	+ 7·2	+25·9	+ 6·9	+44·3	+54·1	+14·5	−31·9	− 3·5	−24·8
(ii) Jute Raw	(9·6)	−17·3	− 6·6	− 7·6	−16·9	+44·5	+43·7	−18·9	+ 8·7	+26·7
Oilseeds	(43·3)	− 2·6	+ 6·0	+ 8·1	+11·6	+19·5	+ 4·3	−21·7	− 2·5	−20·3
(i) Groundnuts	(20·8)	−13·8	− 2·4	+11·8	− 5·9	+13·8	+ 4·2	−14·2	+ 2·0	− 8·8
V. **Chemicals**	**7**	**+ 1·7**	**+28·4**	**+ 4·8**	**+36·9**	**+41·0**	**+ 4·7**	**+ 9·2**	**+ 0·5**	**+14·9**
VI. **Machinery and Transport Equipment**	**79**	**+ 2·1**	**+21·6**	**+ 7·7**	**+33·7**	**+45·8**	**+11·2**	**+ 2·3**	**+ 0·7**	**+14·5**
VII. **Manufactures**	**294**	**+ 6·3**	**+18·8**	**+ 4·7**	**+32·2**	**+30·5**	**+ 4·9**	**− 3·9**	**− 0·2**	**+ 0·6**
(a) Intermediate Products	(19·5)	+10·2	+19·5	+ 8·6	+43·0	+26·9	− 2·2	—11·2	+ 1·2	−12·1
(b) Finished Products	(80·5)	+ 5·0	+18·5	+ 3·5	+28·9	+31·8	+ 7·4	− 1·5	− 0·7	+ 5·1
(c) Textiles	(38·6)	+ 5·2	+20·6	+ 1·3	+28·7	+30·2	+ 6·5	− 5·8	− 1·5	− 1·2
(i) Cotton Manufactures	(26·8)	+ 2·9	+14·1	+ 6·0	+24·4	+27·6	+ 5·5	− 3·3	+ 0·3	+ 2·2
(ii) Jute Manufactures	(8·1)	+ 8·5	+42·9	− 7·7	+43·1	+51·6	+15·0	−14·2	− 6·9	− 8·2
Metal Products	(13·0)	+ 6·2	+17·2	+ 0·2	+24·6	+28·3	+ 9·3	+ 3·6	—	+13·2
Chemical Products	(9·2)	+ 4·4	+19·8	+14·2	+42·8	+42·6	+ 4·2	+ 7·7	− 0·9	+11·1

* Figures in brackets refer to the percentage distribution of the weightage assigned to the respective main groups.
Source : Office of the Economic Adviser, Ministry of Industrial Development, Government of India.

contributed to this change. Restoration of the traditional pattern of prices, particularly in agricultural commodities, was an indication of the move of the economy towards normalcy. Though the decline in prices during this period was quite widespread it was particularly prominent in respect of 'Industrial Raw Materials' (21.0 per cent) followed by 'Food Articles' (8.3 per cent) and 'Manufactures' (3.9 per cent).

Phase III: April 5, 1975 to End-June 1975

The movement of prices during the third phase showed a mixed trend: prices increased by 2.5 per cent between April 5, 1975 to May 17, 1975 but tended to ease thereafter. Thus, during the period April 5, 1975 to end-June 1975 prices rose by 1.5 per cent ; the rise was largely attributed to the 'Food Articles' group.

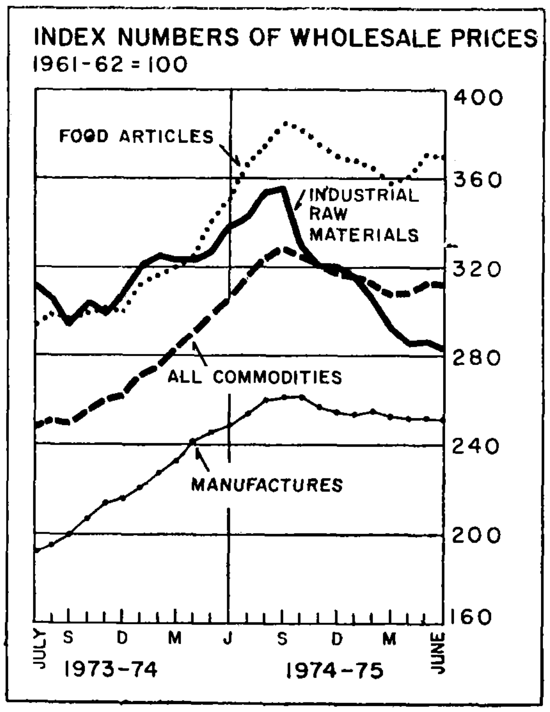
2. Overall Trends During 1974-75

Taking the year 1974-75 as a whole,(end-June 1974 to end-June 1975) the Economic Adviser's General Index witnessed only a fractional rise of 0.6 per cent, as compared with a rise of as much as 27.8 per cent and 21.5 per cent in 1973-74 and 1972-73, respectively (Table III-37). Taking the monthly averages, the general index recorded a much smaller rise of 16.9 per cent in 1974-75 as compared to 25.3 per cent during the previous year.

The stability in prices during 1974-75 was mostly accounted for by an actual decline of 17.1 per cent in the prices of 'Industrial Raw Materials' which had shown rises of 60.3 per cent and 13.8 per cent during 1972-73 and 1973-74, respectively. While the group 'Manufactures' remained stable in contrast to the rise of 32.2 per cent in 1973-74 the group 'Food Articles' went up marginally by 2.9 per cent ; during the previous two years this group had shown rises of the order of 23.6 per cent and 26.0 per cent, respectively.

Taking into account the weights assigned to these groups, the 'Food Articles' group continued to dominate the price situation, with a weighted contribution of 215.0 per cent followed by 'Machinery and Transport Equipment' (135.0 per cent) and 'Fuel, Power, Light and Lubricants' (45.0 per cent). Only the 'Industrial Raw Materials ' group showed a negative contribution of 345.0 per cent (Table III.38). In other words, but for the sharp decline in industrial raw material prices, the overall level of prices would have recorded a rise.

Graph 13



The price rise in the non-agricultural commodities (16.4 per cent) compared with the rise (17.7 per cent) in prices of agricultural commodities, was relatively lower. Thus, taking all agricultural commodities together the crude terms of trade appear to have moved in their favour. The ratio of index of agricultural prices to the index of non-agricultural prices moved up from 116.6 in 1973-74 to 117.9 in 1974-75 (Table III.39). This fact is also corraborated by an analysis of percentage rises in prices of selected commodities, as can be seen from the data presented in Table III.40.

Table III.37 : Trends in Index Numbers of Wholesale Prices

(Base : 1961-62 = 100)

Group/Sub-Group/Commodity	Weights†	End-June 1973	End-June 1974	End-June 1975	End-June 1974 over End-June 1973	End-June 1975 over End-June 1974
1	2	3	4	5	6	7
All Commodities	**1000**	**241·5**	**308·7**	**310·7**	**+27·8**	**+0·6**
I. Food Articles	**413**	**283·5**	**357·1**	**367·6**	**+26·0**	**+2·9**
Foodgrains	(35·8)	279·0	381·1	395·6	+36·6	+3·8
(*a*) Cereals	(29·3)	255·5	361·4	382·6	+41·4	+5·9
(*i*) Rice	(16·2)	263·4	360·0	397·5	+36·7	+10·4
(*ii*) Wheat	(7·8)	211·3	350·1	342·0	+65·7	—2·3
(*iii*) Jowar	(2·2)	297·6	386·1	393·4	+29·7	+1·9
(*iv*) Bajra	(1·1)	316·8	318·9	426·2	+0·7	+33·6
(*b*) Pulses	(6·5)	385·1	469·9	454·0	+22·0	—3·4
Fruits and Vegetables	(5·7)	282·6	335·6	292·0	+18·8	—13·0
Milk and Milk Products	(14·7)	262·7	326·2	348·1	+24·2	+6·7
Edible Oils	(13·0)	337·9	418·9	352·4	+24·0	—15·9
Fish, Eggs and Meat	(4·9)	384·4	529·9	556·3	+37·9	+5·0
Sugar and Allied Products	(15·7)	299·1	285·1	331·6	—4·7	+16·3
(*i*) Sugar	(8·9)	211·3	222·9	236·7	+5·5	+6·2
(*ii*) Gur	(5·9)	426·8	372·1	468·4	—12·8	+25·9
Others	(10·2)	193·0	278·1	324·4	+44·1	+16·6
II. Liquor and Tobacco	**25**	**246·1**	**305·0**	**317·4**	**+23·9**	**+4·1**
III. Fuel, Power, Light and Lubricants	**61**	**190·1**	**308·8**	**323·7**	**+62·4**	**+4·8**
IV. Industrial Raw Materials	**121**	**295·6**	**336·5**	**278·9**	**+13·8**	**—17·1**
Fibres	(34·0)	211·5	271·3	234·5	+28·3	—13·6
(*i*) Cotton raw	(18·5)	250·2	361·0	271·4	+44·3	—24·8
(*ii*) Jute raw	(9·6)	156·6	130·2	165·0	—16·9	+26·7
Oilseeds	(43·3)	377·7	421·4	335·9	+11·6	—20·3
(*i*) Groundnuts	(20·8)	432·3	406·9	371·1	—5·9	—8·8
Minerals	(2·9)	153·5	172·7	160·4	+12·5	—7·1
Others	(19·8)	281·5	286·7	247·7	—1·8	—13·6
V. Chemicals	**7**	**209·5**	**286·8**	**329·4**	**+36·9**	**+14·9**
VI. Machinery and Transport Equipment	**79**	**175·7**	**234·9**	**268·9**	**+33·7**	**+14·5**
(*i*) Electrical Machinery	(23·8)	175·9	227·5	260·1	+29·3	+14·3
(*ii*) Non-Electrical Machinery	(49·0)	189·9	265·0	302·8	+39·5	+14·3
(*iii*) Transport Equipment	(27·2)	149·9	187·3	215·6	+24·9	+15·1
VII. Manufactures	**294**	**188·9**	**249·8**	**251·3**	**+32·2**	**+0·6**
(*a*) Intermediate Products	(19·5)	237·4	339·6	298·6	+43·0	—12·1
(*b*) Finished Products	(80·5)	177·1	228·2	239·8	+28·9	+5·1
Textiles	(38·6)	175·5	225·8	223·1	+28·7	—1·2
(*i*) Cotton Manufactures	(26·8)	175·3	218·1	222·9	+24·4	+2.2
(*ii*) Jute Manufactures	(8·1)	172·9	247·4	227·1	+43·1	— 8·2
(*iii*) Silk and Rayon Manufactures	(2·6)	132·0	187·9	163·8	+42·3	—12·8
(*iv*) Woollen Manufactures	(0·9)	324·7	331·8	334·8	+2·2	+0·9
Metal Products	(13·0)	206·1	256·9	290·9	+24·6	+13·2
Chemical Products	(9·2)	160·1	228·7	254·2	+42·8	+11·1
Leather Products (Shoes)	(3·0)	104·2	125·4	149·6	+20·3	+19·3
Rubber Products	(3·4)	161·3	209·8	232·8	+30·1	+11·0
Paper Products	(3·3)	140·6	214·3	230·3	+52·4	+7·5
Oilcakes	(2·6)	331·4	338·3	287·6	+2·1	—15·0

† Figures in brackets refer to the percentage distribution of the weightage assigned to the respective main groups.

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

Table III.38 : Weighted Contribution made by Major Groups to the Price Rise

(In percentage)

Groups	Percentage variations			Weighted Contribution		
	End-June 1975 over End-March 1972	End-June 1974 over End-June 1973	End-June 1975 over End-June 1974	End-June 1975 over End-March 1972	End-June 1974 over End-June 1973	End-June 1975 over End-June 1974
1	2	3	4	5	6	7
Food Articles	+69·8	+26·0	+ 2·9	+52·8	+45·1	+215·0
Liquor and Tobacco	+51·8	+23·9	+ 4·1	+ 2·3	+ 2·2	+15·0
Fuel, Power, Light and Lubricants	+81·8	+62·4	+ 4·8	+ 7·5	+11·1	+45·0
Industrial Raw Materials	+56·2	+13·8	−17·1	+10·2	+ 7·3	−345·0
Chemicals	+65·7	+36·9	+14·9	+ 0·8	+ 0·7	+15·0
Machinery and Transport Equipment	+65·2	+33·7	+14·5	+ 7·1	+ 7·0	+135·0
Manufactures	+44·9	+32·2	+ 0·6	+19·3	+26·6	+20·0
All commodities	+61·6	+27·8	+ 0·6	100·0	100·0	100·0

Table III.39 : Percentage Increases in the Prices of certain Individual Commodities and Commodity Sectors

Sector/Commodity	Weights	Average Index†			Percentage Increase	
		1961-62	1973-74	1974-75	1974-75 over 1973-74	1974-75 over 1961-62
		(July-June)				
1	2	3	4	5	6	7
Agricultural Commodities	**332**	**100·4**	**299·5**	**352·6**	**+17·7**	**+ 251·2**
Non-Agricultural Commodities ..	**668**	**100·7**	**256·8**	**299·0**	**+16·4**	**+ 196·9**
Cloth Manufactures@	268	100·4	194·0	224·6	+15·8	+ 123·7
Edible Oils	130	99·3	370·7	394·2	+ 6·3	+ 297·0
Vanaspati	24	99·4	271·6	351·5	+29·4	+ 253·6
Soap	15	100·8	166·9	219·9	+31·8	+ 118·2
Sugar	89	101·0	219·1	248·3	+13·3	+ 145·8
Gur	59	103·1	380·8	422·2	+10·9	+ 309·5
Salt	0·8	101·0	165·1	182·3	+10·4	+ 80·5
Matches	11	101·3	114·1	114·1	—	+ 12·6
Bicycles	26	100·9	136·9	168·2	+22·9	+ 66·7
Fertilizers	18	99·6	166·9	298·9	+79·1	+ 200·1
Insecticides	1	101·4	185·5	253·6	+36·7	+ 150·1
Diesel Oil	7·5	100·1	203·2	319·7	+57·3	+ 219·4

† Based on official Index Numbers of Wholesale Prices (Base : 1961-62=100)
@ Includes non-controlled varieties of cloth.
Source : See Table III.37 and III·40.

Table III.40 : Relative Price Indices of Agricultural Commodities and Non-Agricultural Commodities

Year (July-June)/Item	Weights	1972-73	1973-74	1974-75
1	2	3	4	5
General Index of Wholesale Prices :	**1000**			
Index		216·2	271·0	316·8
Percentage Increase		(13·1)	(25·3)	(16·9)
Index for Agricultural Commodities :	**332**			
Index		234·3	299·5	352·6
Percentage Increase		(16·7)	(27·8)	(17·7)
Index for Non-Agricultural Commodities :	**668**			
Index		207·2	256·8	299·0
Percentage Increase		(11·1)	(23·9)	(16·4)
Index of Agricultural commodities as percentage of the Index for Non-agricultural commodities	—	113·1	116·6	117·9

Sources : Derived on the basis of Index Numbers of wholesale prices (Base : 1961-62=100).

3. Trends in Major Commodity Groups

Food Articles

Among 'Food Articles', the index for foodgrains rose by only 3.8 per cent in 1974-75 as compared with a 36.6 per cent rise recorded during the previous year. Among foodgrains, bajra recorded the highest rise of 33.6 per cent as a consequence of a sharp fall in its output from 7 million tonnes in 1973-74 to a mere 4 million tonnes in 1974-75. The indices of rice and jowar also recorded rises of 10.4 per cent and 1.9 per cent, respectively. In the case of rice, though production during 1974-75 remained at the previous year's level, prices showed a rising trend : this was partly due to an upward revision of the procurement price for the standard variety of paddy from Rs. 70 to Rs. 74 per quintal and partly due to inadequate procurement. A decline of 2.3 per cent in wheat prices was a result of the anticipated higher level of wheat producton as also the higher level of imports during 1974-75. Pulses also registered a decline of 3.4 per cent as against a rise of 22.0 per cent during the previous year ; this could be attributed atleast in part to consumer resistance to very high prices. Among other commodities in the 'Food Articles' group despite prospects of lower output of oilseeds, edible oils prices declined by 15.9 per cent : this was a result of dehoarding of stocks by traders in the wake of stringent conditions in the money market and Government's action against hoarders. Restrictions on the use of groundnut oil in the manufacturing of vanaspati also aided the sentiment. Expectations of good export demand for sugar and the upward revision of tariff value of free sale sugar led to an increase of 6.2 per cent in the prices of sugar.

Industrial Raw Materials

The decline of 17.1 per cent in the prices of 'Industrial Raw Materials' was brought about by the fall in prices of almost all the commodities in this group with the exception of raw jute. Raw jute prices actually witnessed a rise of 26.7 per cent in

1974-75 in contrast to a decline of 16.9 per cent during the previous year. Among the factors responsible for the rise mention may be made of : (i) a significant fall in production during 1974-75 and (ii) the upward revision of the statutory minimum support price. In the case of cotton, prices dipped sharply: restricted mill demand due to imposition of power cuts, especiallly in Maharashtra, Gujarat and Tamil Nadu together with heavy selling pressure arising out of larger arrivals at the terminal markets brought about a decline of 24.8 per cent in cotton prices.

Manufactures

In the group 'Manufactures', the sub-groups 'Intermediate Products' and 'Finished Products'showed divergent trends. 'Intermediate Products' prices declined by 12.1 per cent during the period reflecting easiness in the price situation of industrial raw materials. On the other hand, 'Finished Products' witnessed a marginal rise of 5.1 per cent ; this was mainly due to the rise in the prices of metal products and chemical products.

Over and above the price rise of 24.6 per cent witnessed in 1973-74 metal prices went up further by 13.2 per cent during 1974-75 primarily due to firmness in the world prices of non-ferrous metals and to some extent due to price increases permitted by the Government in respect of certain basie metals. Acute power shortage and paucity of essential critical raw materials pushed up the prices of 'chemical products' by 11.1 per cent. Despite a sizeable decline in raw cotton prices referred to earlier, cotton manufactures prices remained unchanged ; thus the benefits of lower cotton prices were not passed on to the consumer. On the other hand, though raw jute prices had gone up by 26.7 per cent, prices of jute manufactures registered a decline of 8.2 per cent, reflecting the sluggish overseas demand for jute goods and lower domestic offtake.

Corresponding to the trend in wholesale prices, the All-India Consumer Price Index for Industrial Workers (Base : 1960 = 100) rose by 9.0 per cent during 1974-75 (July 1974—June 1975) ; the index for Urban Non-Manual Employees also showed a similar rise of 10.5 per cent between end-July 1974 and end-June 1975 (Table III.41). Taking monthly averages, these indices recorded rises of 22.6 per cent and 19.8 per cent, respectively, during the periods mentioned above. For the corresponding period of 1973-74, both the indices had gone up by 24.3 per cent and 17.8 per cent, respectively.

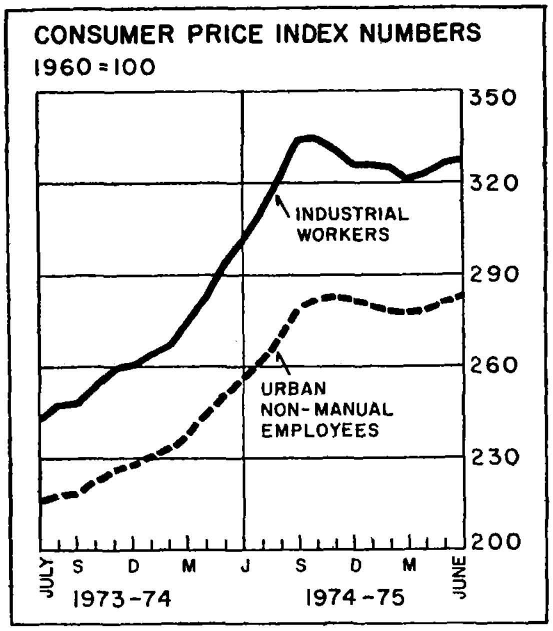
Table III.41 : Trends in Consumer Price Index Numbers (All-India)

Year/Item	Annual Average (July-June)			Year-end (June)		
	1972-73	1973-74	1974-75	1972-73	1973-74	1974-75
1	2	3	4	5	6	7
Industrial Workers						
(Base : 1960=100) : Index						
Percentage Increase	214	266	326	233	301	328
	(11·5)	(24·3)	(22·6)	(15·9)	(29·2)	(9·0)
Urban Non-manual Employees						
(Base : 1960=100) : Index						
Percentage Increase	197	232	278	211	256	283
	(7·7)	(17·8)	(19·8)	(11·6)	(21·3)	(10·5)

Sources : (1) Labour Bureau, Government of India, for Industrial Workers.

(2) Central Statistical Organisation, for Urban Non-Manual Employees.

Graph 14



Despite the moderate rise in prices witnessed during the year 1974-75 (July-June), the wholesale price index for 'all commodities' at 310.7 at the end of June 1975 was 61.6 per cent higher than the level in March 1972. Among the commodity groups the index for 'Fuel, Power, Light and Lubricants' recorded the highest increase of 81.8 per cent, reflecting primarily the steep hike in oil prices. At the other end of the scale, was the 'Manufactures' group, which recorded a rise of 44.9 per cent. The index for 'Food Articles' rose by 69.8 per cent (Table III.38).

Price Rise Since March 1972

More interesting is the analysis of the relative contribution of the various groups to the overall price rise. The weighted contribution of the 'Food Articles' group to the overall price rise during the period worked out to 52.8 per cent ; this was followed by 'Manufactures' at 19.3 per cent, 'Industrial Raw Materials' at 10.2 per cent and the 'Fuel Power, Light, and Lubricants' group at 7.5 per cent. This highlights once again the crucial role of food prices in the Indian economy and the need for controlling these prices in any package of measures aimed at price stabilisation.

4. The Outlook for 1975-76

As regards the general outlook for prices in 1975-76, the year has begun with a phase of price stability. Between April 5 and end of September 1975—a period which covers the major part of the conventional slack season—prices remained practically unchanged. This is in a sharp contrast to rises of 15.6 per cent and 15.0 per cent during comparable periods of 1974 and 1973. The contrast of the 1975-76 experience becomes sharper if a point-to-point comparison is made : the index of wholesale prices on November 15, 1975 at 302.6 was *lower* by 5.6 per cent as compared to the level a year ago. During the corresponding periods of 1974 and 1973 the index had actually recorded rises of 22.5 per cent and 24.0 per cent, respectively. Thus the traditional rise of prices between *rabi* harvest (April) and the market arrivals of the *kharif* crop (October) is conspicuous by its absence during the current year. Apart from the monetary and fiscal discipline and the impact of the administrative measures taken to discourage hoarding and to curb black money the easiness of prices during this period could be primarily attributed to excellent *kharif* prospects. Indeed the *kharif* output in 1975-76 is expected to set a new record. Adequate imports of foodgrains and the proposal to build-up buffer stocks have also had a stabilizing impact on price expectations. On present indications, therefore, it is expected that the year 1975-76 as a whole would be characterised by price stability, in contrast to bouts of price-rises witnessed during the last 3 years or so.

CHAPTER IV: MONEY AND BANKING: TRENDS AND POLICY MEASURES

Introduction

This Chapter is divided into three sections. While the first section discusses monetary trends, the second section deals with the main developments in banking and credit policy. In the last section, developments in the sphere of rural credit, with particular reference to Reserve Bank's credit to co-operatives and institutional finances are covered.

I. MONETARY TRENDS

The most notable feature of the year 1974-75 was the deceleration in monetary expansion: money supply with the public recorded a remarkably slower rate of expansion of 6.3 per cent (Rs. 727 crores) in 1974-75 as compared with an expansion of 14.9 per cent (Rs. 1487 crores) in 1973-74 (Table IV.1). In point of fact the rate of growth of money supply in 1974-75 was the lowest recorded since 1962. Although both the components of money supply registered slower growth, the deceleration was particularly conspicuous in currency. Currency with the public rose by only 2.5 per cent (Rs. 163 crores) as against 13.3 per cent (Rs. 773 crores) in 1973-74, while demand deposits rose by 11.6 per cent (Rs. 564 crores) as compared with 17.3 per cent (Rs. 714 crores). The aggregate monetary resources (AMR) also showed a relatively lower rate of increase at 10.2 per cent (Rs. 1834 crores) in 1974-75 as against 15.9 per cent (Rs. 2454 crores) in 1973-74. The slow-down in the growth of money supply reflects the cumulative impact of credit and fiscal policies both of which were geared to demand management.

Table IV.1 : Trends in Money Supply and Aggregate Monetary Resources—Annual

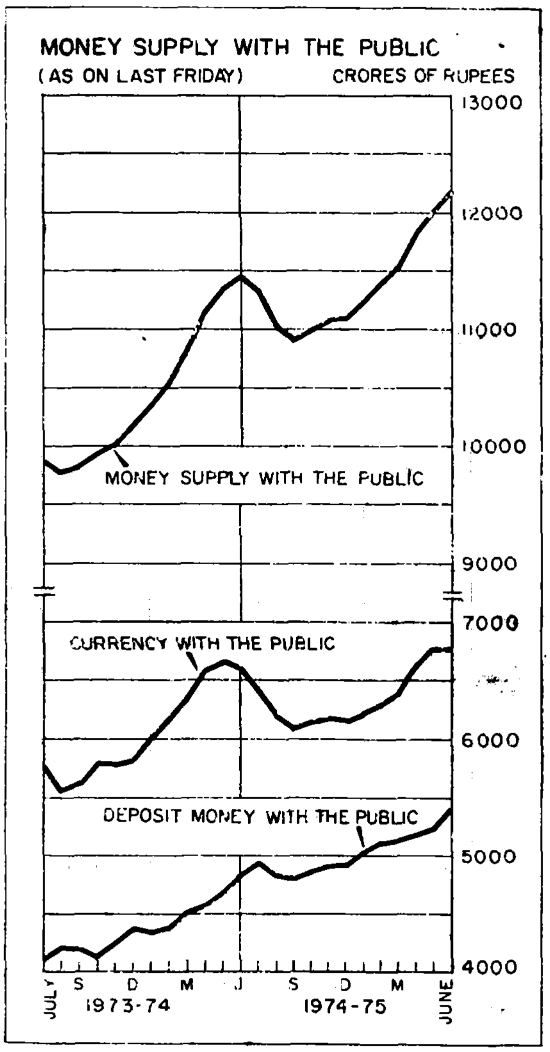
(Rupees Crores)

Items	Outstandings at the end of June			Variations during	
	1973	1974	1975	1973-74	1974-75
1	2	3	4	5	6
A. Money Supply with the Public (1+2)	**9963**	**11450**	**12177**	+1487 (+14·9)	+ 727 (+ 6·3)
1. Currency with the Public	5830	6603	6766	+ 773 (+13·3)	+ 163 (+ 2·5)
2. Demand Deposits	4133	4847	5411	+ 714 (+17·3)	+ 564 (+11·6)
B. Factors Affecting Money Supply Variations (1+2+3+4—5)					
1. Net Bank Credit to Government (a+b)	**8416**	**9102**	**10491**	**+ 686** (+ 8·2)	**+1389** (+15·3)
(a) Reserve Bank's Net Credit to Government	6149	6570	7515	+ 421 (+ 6·8)	+ 945 (+14·4)
(b) Other Banks' Credit to Government	2268	2532	2976	+ 264 (+11·6)	+ 444 (+17·5)
2. Bank Credit to Commercial Sector (a+b)	**7880**	**10014**	**11242**	**+2134 (+27·1)**	**+1228 (+12·3)**
(a) Reserve Bank's Credit to Commercial Sector	290	652	625	+ 362 (+124·8)	— 27 (— 4·1)
(b) Other Banks' Credit to Commercial Sector	7590	9362	10617	+1772 (+23·3)	+1255 (+13·4)
3. Net Foreign Exchange Assets of the Banking Sector	**590**	**672**	**310**	**+ 82**	**— 362**
4. Government's Net Currency Liabilities to the Public	**483**	**521**	**546**	**+ 38**	**+ 25**
5. Non-monetary Liabilities of Banking Sector (a+b+c)	**7406**	**8859**	**10413**	**+1453**	**+1554**
(a) Time Deposits with Banks	5491	6459	7566	+ 968 (+17·6)	+ 1107 (+17·1)
(b) Net Non-monetary Liabilities of R.B.I.	1143	1474	1957	+ 331	+ 483
(c) Residual	772	926	890	+ 154	— 36
C. Aggregate Monetary Resources (A+B 5(a))	**15455**	**17909**	**19743**	**+2454 (+15·9)**	**+1834 (+10·2)**

Note : Figures in brackets are percentage variations

Although the various fiscal and monetary measures are discussed in the relevant chapters, the analysis in terms of factors affecting money supply may be provided here. In this context three major factors become important, namely, net foreign exchange assets and non-monetary liabilities of the banking sector and bank credit to commercial sector. Net foreign exchange assets of the banking system declined sharply by Rs. 362 crores in 1974-75 in contrast to a rise of Rs. 82 crores witnessed during the previous year. This fall in foreign exchange assets contributed significantly to moderating the growth of money supply.

Graph 15



Another factor which had a contractionary impact on money supply was : non-monetary liabilities of the banking sector. These liabilities recorded a growth of Rs. 1554 crores, as compared to an expansion by Rs. 1453 crores in 1973-74. Bank credit to commercial sector no doubt expanded but the rate of expansion was less than one half of that in 1973. It rose by about 12 per cent (Rs. 1228 crores) as against an expansion of as much as 27 per cent (Rs. 2134 crores) during the previous year. On the other hand, net credit to Government during 1974-75 rose sizeably by 15.3 per cent (Rs. 1389 crores), or at nearly twice the rise of 8.2 per cent (Rs. 686 crores) witnessed in 1973-74. The rise in Reserve Bank's net credit to Government was more than double the level in 1973-74. Similarly other banks' credit to Government also showed a higher rate of increase at 17.5 per cent as against 11.6 per cent.

At this stage, some explanation for the extremely smaller rate of currency expansion during 1974-75 may be appropriate. Currency expansion in 1974-75 at Rs. 163 crores was barely one-fifth of the expansion of Rs. 773 crores witnessed during the previous year. This is attributed mainly to the significant decline in the foreign exchange assets of the banking system referred to above. A sizeable part of foreign exchange was utilised for financing imports of food, fertilizers and fuel which accounted for the bulk of the increase in the country's import bill for the year 1974-75. The eventual sale of these goods/commodities to the public helped in siphoning off a sizeable amount of currency in circulation. The raising of domestic retail prices, during the year, of food, fertilisers, petrol and kerosene, further assisted the process of withdrawal of currency. In other words, the drawing down of foreign exchange not only assisted in slowing down monetary growth in general but more specifically, as a consequence of the use to which the bulk of foreign exchange was put, brought about a sharp fall in the rate of expansion of currency.

Seasonal Trends

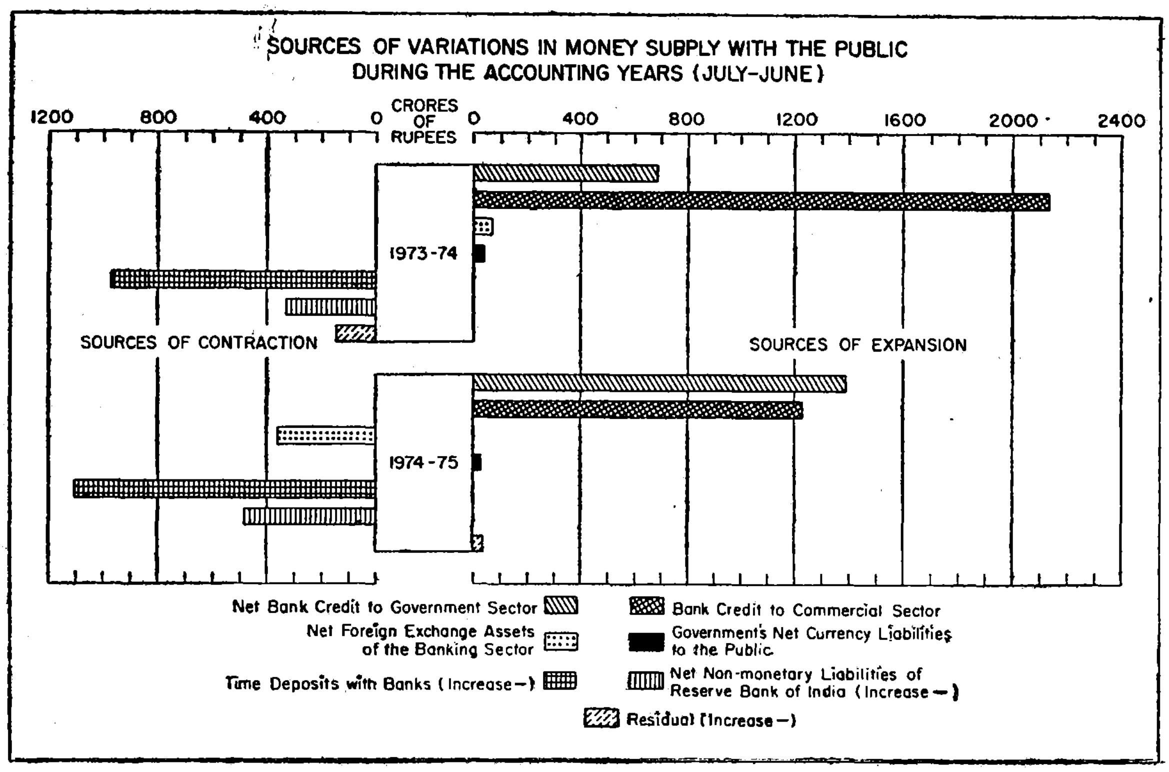
Slack Season: 1974

In contrast to the marked expansion during the preceding four slack seasons, money supply during the 1974 slack season witnessed a substantial decline of Rs. 150 crores (Table IV. 2.) The phenomenal decline in currency with the public by Rs. 433 crores was mainly responsible for the fall in money supply, with the growth in deposit money being higher at Rs. 283 crores as compared with Rs. 227 crores in the previous slack season.

Aggregate monetary resources showed a much smaller rise of Rs. 498 crores in the 1974 slack season, as against a rise of Rs. 1003 crores in the earlier season, because of both a fall in money supply and a lower order of rise in time deposits.

The contraction in money supply stemmed mainly from the fall in net foreign exchange assets of the banking sector of Rs. 162 crores and a rise in non-monetary liabilities of the banking sector. The relative decline in the rates of growth in the net bank credit to the Government and bank credit to the commercial sector also aided monetary contraction. Net bank credit to the Government recorded a smaller rise of Rs. 527 crores as compared with Rs. 603 crores in the previous slack season whereas the increase in bank credit to the commercial sector was much lower at Rs. 251 crores as against a substantial rise of Rs. 588 crores in the 1973 season. The Reserve Bank's credit to commercial sector declined by Rs. 76 crores while other banks' credit to the commercial sector recorded a rise of only Rs. 328 crores as compared with Rs. 534 crores in the last season. The increase in the non-monetary liabilities of the banking sector was

Graph 16



of the order of Rs. 774 crores as against that of Rs. 903 crores in the 1973 season.

Busy Season 1974-75

The slower growth trend in money supply continued during the busy season of 1974-75 with money supply registering a rise of Rs. 834 crores as compared with the increase of Rs. 1219 crores in the previous busy season. Currency with the public and deposit money increased by Rs. 500 crores and Rs. 333 crores respectively in the 1974-75 busy season, as against increases of Rs. 783 crores and Rs. 435 crores respectively in the previous busy season.

Among the major factors affecting money supply, net bank credit to the Government revealed a much larger increase of Rs. 799 crores as against Rs. 267 crores in the previous season. Bank credit to commercial sector on the other hand recorded a lower expansion of Rs. 1191 crores as compared with Rs. 1451 crores in the 1973-74 busy season. The expansionary influence of these factors was partly moderated by a sharp decline in the net foreign exchange assets of the banking sector of Rs. 118 crores in contrast to the previous season's rise of Rs. 77 crores and a substantial rise of Rs. 1058 crores in the non-monetary liabilities of the banking sector.

Table IV. 2: Trends in Money Supply and Aggregate Monetary Resources—Seasonal

(Rupees Crores)

Items	Variations during				
	Slack Season			Busy Season	
	1973	1974	1975	1973-74	1974-75
1	2	3	4	5	6
A. Money Supply with the Public (1+2)	**+ 322** (**+ 3.4**)	**— 150** (**— 1.3**)	**+ 284** (**+ 2.4**)	**+1219** (**+12.3**)	**+ 834** (**+ 7.6**)
1. Currency with the public	+ 96 (+ 1.7)	— 433 (— 6.6)	— 157 (—2.4)	+ 783 (+13.5)	+ 500 (+ 8.1)
2. Demand Deposits	+ 227 (+ 5.8)	+ 283 (+ 6.2)	+ 442 (+ 8.5)	+ 435 (+10.5)	+ 333 (+ 6.9)
B. Factors Affecting Money Supply variations (1+2+3+4—5)					
1. Net Bank Credit to Government (a + b)	**+ 603** (**+ 7.4**)	**+ 527** (**+ 5.9**)	**+ 257** (**+ 2.5**)	**+ 267** (**+ 3.1**)	**+ 799** (**+8.4**)
(*a*) Reserve Bank's Net Credit to Government	+ 412 (+ 7.0)	+ 168 (+ 2.6)	+ 129 (+ 1.8)	+ 193 (+ 3.1)	+ 578 (+8.7)
(*b*) Other Banks' Credit to Government	+ 191 (+ 8.6)	+ 359 (+14.4)	+ 128 (+ 4.2)	+ 74 (+ 3.1)	+ 221 (+ 7·7)
2. Bank credit to commercial sector (a+b) ..	**+ 588** (**+ 7.7**)	**+ 251** (**+ 2.6**)	**+ 571** (**+ 5.2**)	**+1451** (**+17.7**)	**+1191** (**+12.0**)
(*a*) Reserve Bank's credit to commercial sector	+ 54 (+21.9)	— 76 (—12.9)	— 20 (— 3.1)	+ 290 (+96.3	+ 134 (+26.0)
(*b*) Other Banks' credit to commercial sector	+ 534 (+ 7.3)	+ 328 (+ 3.6)	+ 591 (+ 5.7)	+1160 (+14.7)	+1057 (+11.3)
3. Net Foreign Exchange Assets of the Banking Sector	**+ 7** (**+ 1.2**)	**— 162** (**—24.1**)	**+ 68** (**+17.4**)	**+ 77** (**+12.9**)	**— 118** (**—23.1**)
4. Government's net Currency Liabilities to the Public	**+ 26**	**+ 8**	**+ 7**	**+ 19**	**+ 20**
5. Non-monetary liabilities of Banking Sector (a+b+ c)	**+ 903**	**+ 774**	**+ 619**	**+ 595**	**+1058**
(*a*) Time Deposits with Banks	+ 681 (+12.9)	+ 647 (+10.3)	+ 787 (+10.7)	+ 295 (+ 4.9)	+ 435 (+ 6.3)
(*b*) Net Non-monetary Liabilities of R. B. I.	+ 60	+ 64	+ 299	+ 206	+ 433
(*c*) Residual	+ 162	+ 63	— 469	+ 94	+ 191
C. Aggregate Monetary Resources [A+B 5(a)]	**+ 1003** (**+ 6.7**)	**+ 498** (**+ 2.9**)	**+ 1071** (**+ 5.6**)	**+1514** (**+ 9·5**)	**+1268** (**+7.1**)

Note : Figures within brackets relate to percentage variations.

Slack Season: 1975

During the current slack season the growth in money supply was Rs. 284 crores (2·4 per cent) as against a decline of Rs. 150 crores (1.3 per cent) in the previous slack season. The increase in AMR at Rs. 1071 crores was however, more than twice the amount of increase registered in the last year and the growth rate moved up from 2.9 per cent to 5.6 per cent.

As for the causative factors, the expansionary influence exercised by the rises in bank credit to commercial sector by Rs. 571 crores (5.2 per cent) and in net bank credit to the Government sector by Rs. 257 crores (2.5 per cent) was further contributed by an increase of Rs. 68 crores (17.4 per cent) in net foreign exchange assets of the banking sector. The rise in non-monetary liabilities of the banking sector by Rs. 619 crores (5.9 per cent) was also sluggish as compared with a decline of Rs. 774 crores (8.9 per cent).

Trends in Currency Ratio

The declining trend in the proportion of currency to money supply and to AMR further accelerated during the year under review (Table IV. 3). The incremental ratios of currency to money supply as well as to AMR declined sharply between 1973-74 and 1974-75: the former from 52.0 per cent to 22.4 per cent and the latter from 31.5 per cent to 8.9 per cent. As indicated earlier, the absorption of currency by the public sector through sale of imported foodgrains, fertilisers and oil resulted in a substantial

Table IV.3 : Average and Incremental Ratios Relating to Components of Money Supply and Aggregate Monetary Resources

Year (July-June)	Currency	Deposit Money £	Money Supply	Time Deposits	Monetary Resources	Proportion of Money Supply (%)		Proportion of Aggregate Monetary Resources (%)		
						Currency	Deposit Money£	Currency	Deposit Money£	Time Deposits
1	2	3	4	5	6	7	8	9	10	11
Outstandings as at end June		(Rupees Crores)						(Average Ratios)		
1970-71 ..	4591	2871	7462	3660	11122	61·5	38·5	41·3	25·8	32·9
1971-72 ..	4979	3544	8523	4476	12999	58·4	41.6	38·3	27·3	34·4
1972-73 ..	5830	4133	9963	5491	15455	58·5	41·5	37·7	26·7	35·5
1973-74 ..	6603	4847	11450	6459	17909	57·7	42·3	36·9	27·1	36·1
1974-75 ..	6766	5411	12177	7566	19743	55·6	44·4	34·3	27·4	38·3
Increases (July-June)			(Rupees Crores)					(Marginal Ratios)		
1970-71 ..	421	406	828	562	1390	50·8	49·0	30·3	29·2	40·4
1971-72 ..	388	673	1061	816	1877	36·6	63·4	20·7	35·9	43·5
1972-73 ..	851	589	1440	1015	2456	59·1	40·9	34·6	24·0	41·4
1973-74 ..	773	714	1487	968	2454	52·0	48·0	31·5	29·1	39·4
1974-75 ..	163	564	727	1107	1834	22·4	77·6	8·9	30·8	60·4

£ Including 'other deposits' with R.B.I.

reduction of the share of currency in money supply. Further, in terms of assets preference, holdings of cash perhaps came to command a lower preference; this is reflected in the sharp increases in deposit money. Among deposits, the preference for time deposits was more pronounced, presumably because of the increase in the deposit rates introduced in July 1974.

Trends in Reserve Money

The growth in 'reserve money' or 'high-powered money' which provides the base for monetary expansion, during the fiscal year 1974-75, was lower at Rs. 125 crores as compared with Rs. 1244 crores in 1973-74. The trend towards a gradual decline in the share of currency with the public in the stock of reserve money noticed since 1972-73 continued during 1974-75 : it was 86 per cent as against 87 per cent in 1973-74. An important feature of the year was that the increase in currency with the public was of such a low magnitude that it was outstripped, though marginally, by the quantum of expansion in bank reserves (Table IV. 4).

Table IV.4 : Analysis of Reserve Money Variations during the Fiscal Years

(Rupees Crores)

Items	Out-standings as at the end of March 1970	1970-71	1971-72	1972-73	1973-74	1974-75	Out-standings as at the end of March 1975
1	2	3	4	5	6	7	8
A. Reserve Money (1+2+3)	**4390**	**+ 424**	**+ 566**	**+ 635**	**+1244**	**+ 125**	**7385**
1. Currency with the Public ..	4010	+ 373	+ 439	+ 621	+ 892	+ 43	6379
2. Bank Reserves@	322	+65	+ 92	+ 42	+ 358	+ 49	928
3. Other Deposits with R.B.I. ..	58	— 14	+ 36	— 29	— 6	+ 33	78
B. Factors Affecting Reserve Money							
Reserve Bank's Claims on ; 1. Government (net)	3500	+ 312	+ 882	+ 800	+ 746	+ 335	6575
2. Commercial and Co-operative Banks	514	+ 161	— 144	— 70	+ 265	+ 188	914
3. Commercial Sector*	77	+ 48	+ 107	+ 33	+ 297	+ 90	652
Of which : (*a*) Commercial bills rediscounted with R.B.I. ..	—	+ 7	+ 35	— 6	+ 222	— 74	183
4. Net Foreign Exchange Assets of Reserve Bank	566	— 40	+ 70	— 45	+ 108	— 281	378
5. Government's Net Currency Liabilities to the Public ..	360	+ 24	+ 27	+ 46	+ 45	+ 27	529
minus 6. Net Non-monetary Liabilities of R.B.I.	627	+ 80	+ 377	+ 128	+218	+ 233	1663

@Comprise cash on hand with banks and banks' balances with R.B.I.
* Represent investments in bonds/shares of financial institutions and land mortgage banks and loans to them and holding of internal bills purchased and discounted.

Notes : 1. Figures relate to the last Friday of March.
2. Figures may not add up to totals due to rounding.

Among factors affecting 'reserve money,' the expansionary influence of the Reserve Bank's claims on the Government, commercial and co-operative banks, and the commercial sector, which quantitatively was of a lower order in 1974-75 as compared with 1973-74, was to a considerable extent offset by a relative fall in the net foreign exchange assets of the Reserve Bank and a relative increase in the net non-monetary liabilities of the Reserve Bank. The lower order of expansion in the Reserve Bank's claims on the commercial and co-operative banks was attributable to the credit policy followed by the Reserve Bank in respect of refinance and to the introduction of a discretionary element in the bills rediscounting facility.

The faster growth in money supply as compared with reserve money was reflected in an increase in the average as well as marginal money multipliers (Table IV. 5). The marginal multipliers both in relation to money supply and AMR had more than doubled during 1974-75.

Income Velocity

The perceptibly lower rates of increase in money supply with the public in relation to a marginal decline in the rate of growth of national income at current prices had pushed up the average income velocity, from 4.90 in 1973-74 to 5.47 in 1974-75 (Table IV. 6). The income velocity of AMR too had risen from 3.10 to 3.40. The rise in national income at current prices by 24.4 per cent during 1974-75 was lower by only 0.1 percentage point over the recorded increase of the previous year : this factor coupled with the lower order of preference for holding cash explains the faster turnover of money in 1974-75 than in the previous year.

Table IV.5 : Trends in Money Multiplier in India

Average of Fridays of the months (April-March)	Reserve Money (Rupees Crores)	Money Supply (Rupees Crores)	Aggregate Monetary Resources (Rupees Crores)	Average Money Multiplier		Increases in (Rupees Crores)			Marginal Money Multiplier	
				Money Supply	Aggregate Monetary Resources	Reserve Money	Money Supply	Aggregate Monetary Resources	Money Supply	Aggregate Monetary Resources
1	2	3	4	5	6	7	8	9	10	11
1970-71.. ..	4577	6729	9979	1·470	2·180	+426	+718	+1165	1·685	2·735
1971-72.. ..	5045	7557	11476	1·498	2·275	+468	+828	+1497	1·769	3·199
1972-73.. ..	5531	8559	13304	1·547	2·405	+486	+1002	+1828	2·062	3·761
1973-74.. ..	6777	10058	15896	1·484	2·346	+1246	+1499	+2592	1·203	2·080
1974-75.. ..	7241	11211	18022	1·548	2·489	+464	+1153	+2126	2·485	4·582

1. Aggregate Monetary Resources are net of P.L. 480 and P. L. 665 Funds as furnished by the American Embassy.

2. Reserve Money comprises currency with Public, bank reserves i.e. cash with banks and Banks' Balances with R.B.I. and "other deposits" with the R.B.I.

3. Money multiplier refers to ratio of money supply or aggregate monetary resources to reserve money.

Table IV. 6 : Income Velocity of Money Supply & Aggregate Monetary Resources

(Rupees Crores)

Year	National Income at Current Prices£		Currency with the Public*		Money Supply with the Public*		Aggregate Monetary Resources*		Average Income Velocity of		
	Amount	Annual percentage increase	Amount	Annual percentage increase	Amount	Annual percentage increase	Amount	Annual percentage increase	Currency	Money Supply	Monetary Resources
1	2	3	4	5	6	7	8	9	10	11	12
1970-71 ..	34627+	8·3+	4159	10·5	6729	11·9	9979	13·2	8·33	5·15	3·47
1971-72 ..	36599+	5·7+	4576	10·0	7557	12·3	11476	15·0	8·00	4·84	3·19
1972-73 ..	39592+	8·2+	4969	8·6	8559	13·3	13304	15·9	7·97	4·63	2·98
1973-74 ..	49290+	24·5+	5850	17·7	10058	17·5	15896	19·5	8·43	4·90	3·10
1974-75 ..	61337@	24·4@	6322	8·1	11211	11·5	18022	13·4	9·70	5·47	3·40

£ At factor cost and not at market prices (for want of details).
* Average of outstanding as on last Friday of each month.
+ Provisional.
@ Estimated.

II. TRENDS IN BANKING AND CREDIT POLICY

Introduction

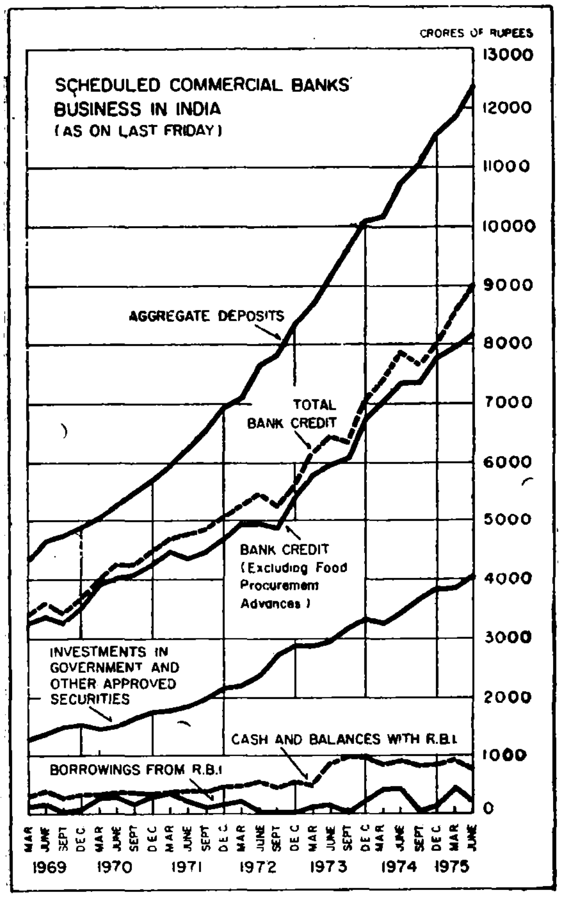
In the context of the continued inflationary pressure, the credit policy persued during 1974-75 (July-June) emphasised the need to restrain the growth in bank credit and also to keep banks' recourse to the Reserve Bank down to a minimum. Movements in the major banking variables during the year, largely reflected the achievement of these policy objectives. Not only was there a sharp slow-down in the expansion of bank credit despite a marked increase in advances for food procurement, but banks' obligations to the Reserve Bank—both under refinance and rediscounting arrangements was also liquidated to a large extent. Although for the year (July-June) as a whole, deposit growth rate was somewhat lower than in 1973-74, the growth was higher during the slack season (May-October) of 1975. On present indications it appears that this uptrend would persist through the busy season of 1975-76.

Qualitatively, distinct progress was evident in the deployment of credit to priority sectors. The Credit Authorisation Scheme was further streamlined to ensure a more judicious use of bank credit as also to oversee the end-use of such credit. The tempo of branch expansion by commercial banks was maintained during the year, so that there was further improvement in the spread of banking facilities, especially in the rural and hitherto unbanked areas. The decision of the Government of India to establish a chain of regional rural banks marks another significant step towards institutional coverage of rural credit requirements.

Objectives of Credit Policy

The over-riding objective of credit policy in 1974-75 was containment of the mounting inflationary pressures. Bank credit had to be viewed as a scarce resource and the use of created money, through recourse to the Reserve Bank had to be kept at a minimum, in terms of both amount and duration of use. To these ends, an indication was given to banks of the broad priorities to be observed in the deployment of credit ; the interest rates structure was adjusted upwards and recourse to the Reserve Bank, through both refinance and rediscount of bills, was allowed almost entirely on a discretionary basis, with the requirements of banks being evaluated individually.

Graph 17



In pursuance of these objectives, banks were asked even at the outset of the slack season of 1974, to give prime attention to the liquidation of their obligations to the Reserve Bank, which had increased substantially by Rs. 253 crores in addition to an increase of Rs. 244 crores under bills rediscounting scheme in the preceding busy season. While the addition of 2 per cent of statutory cash reserves introduced in June 1973 was allowed to expire at the end of June 1974, the minimum statutory liquidity ratio (under section 24 of the Banking Regulation Act—1949) was raised by 1 percentage point, from 32 to 33 per cent of total demand and time liabilities. These requirements of borrowings, liquidation and additional investment did not permit much further scope for credit expansion and it was also clearly spelt out that over the slack season period as a whole, no more than 33 to 35 per cent of the additional deposits could be used for increasing credit. Banks were asked to reduce the limits of bills rediscounted with the Reserve Bank to about 40 per cent of the outstanding level at the end of the previous busy season.

Credit Policy: Slack Season 1974

Structure of Interest Rates

Concerned with the need to check the growth in money and credit, the Reserve Bank announced on July 22, 1974 a general increase in the structure of interest rates, covering both lending and deposit rates. The Bank rate was stepped up by 2 percentage points to a record level of 9 per cent and the minimum lending rate on commercial bank advances from 11 per cent to 12.5 per cent. The minimum rate on advances against commodities covered by selective credit controls was also raised by 2 percentage points. The maximum lending rates applicable to export credit and food procurement advances were increased from 9 to 10.5 per cent, and from 9 to 11 per cent, respectively. Subsequent to the introduction of interest tax, the rates were further revised in September 1974 to 12 per cent in the case of food procurement advances and 11.5 per cent for export credit. The rate on deferred payments exports was also raised from 7 to 8 per cent.

The revision of deposit rates had the principal objective of encouraging savings. Hence, while the rate on savings deposits (which was raised by one percentage point in April 1974), was retained at 5 per cent, the rates on various categories of fixed deposits were increased. The increase was 0.5 per cent in respect of short-term deposits but was as much as 2 percentage points for deposits of above 5 years and 1.25 per cent for deposits in the category of 3 to 5 years.

Credit Trends: Slack Season 1974

Borrowings from the Reserve Bank declined by Rs. 270 crores, an amount which was more than the increase during the previous busy season (Table IV.7). The outstanding amount of bank borrowings from the Reserve Bank was lower at the commencement of the busy season of

1974-75 than in the previous busy season (Rs. 63 crores as against Rs. 80 crores). Banks also brought down the outstandings of bills rediscounted from Rs. 279 crores to Rs. 108 crores. (Table IV. 8) As a result, gross bank credit recorded a decline of Rs. 42 crores over the slack season period. However, total bank credit (exclusive of bills rediscounted) increased by Rs. 129 crores as against an increase of Rs. 346 crores in 1973. Food advances declined by Rs. 170 crores while other advances (to sectors other than food procurement) increased by Rs. 299 crores. This figure has to be compared with the corresponding increase of Rs. 403 crores in the slack season of 1973 and of Rs. 923 crores in the busy season of 1973-74. Deposits rose during the season by Rs. 912 crores which meant a lower pace (8.8 per cent) of growth than in 1973 (10.3 per cent). The credit-deposit ratio at the end of the season was 68.9 per cent, while in the previous slack season it was 1.6 percentage points lower. However, the incremental credit-deposit ratio for the slack season as a whole was only 14.1 per cent which was considerably lower than the limit of 33 to 35 per cent indicated at the beginning of the season.

Table IV.7 : Seasonal Variations in Scheduled Commercial Banks' Data

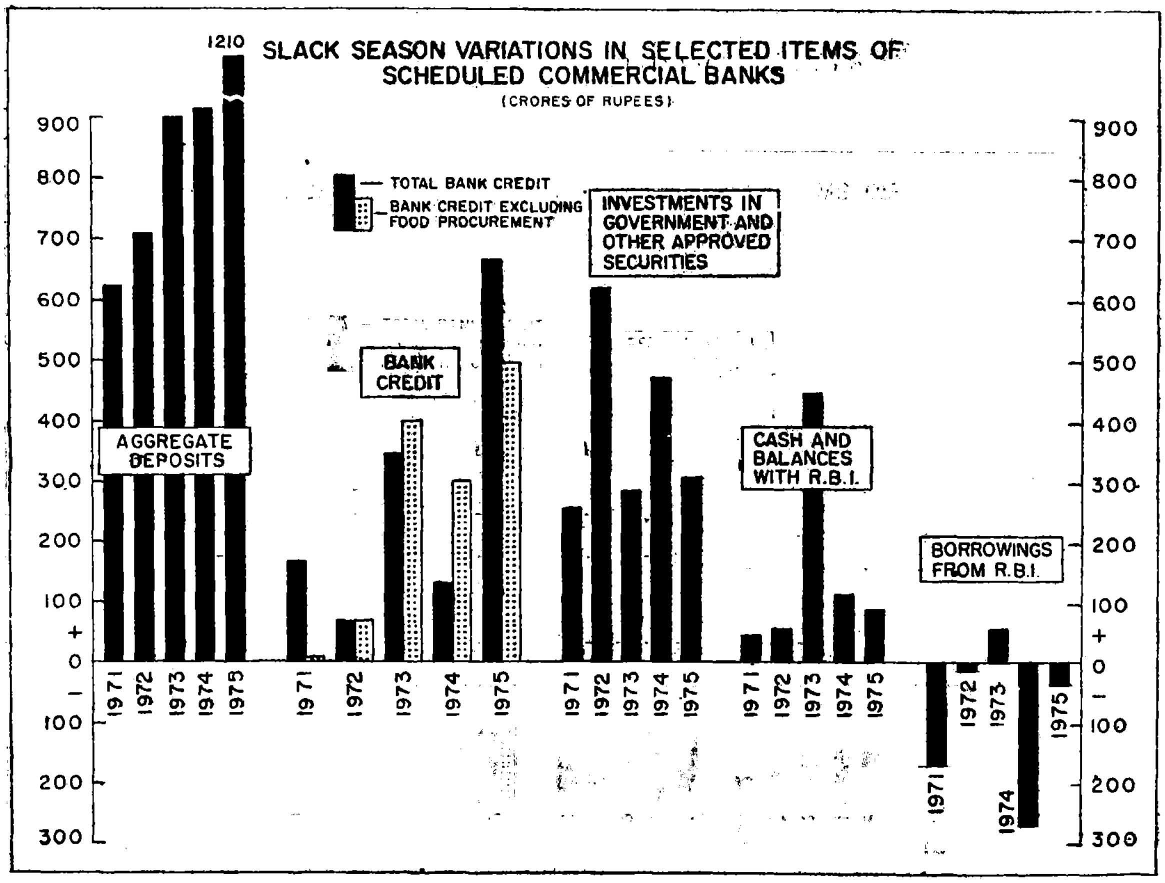
(Rupees Crores)

Item	Seasonal Variations				
	Slack Season 1973	Busy Season 1973-74	Slack Season 1974	Busy Season 1974-75*	Slack Season 1975*
1	2	3	4	5	6
1. Bank Credit	**+346**	**+1111**	**+129**	**+893**	**+665**
Of which :					
(*a*) Food Procurement Advances	—57	+188	—170	+317	+173
(*b*) Other Advances	+403	+923	+299	+576	+492
2. Investments in Government and Other Approved Securities	**+282**	**+157**	**+472**	**+269**	**+302**
(*a*) In Government Securities	+187	+73	+349	+223	+120
(*b*) In Other Approved Securities	+95	+84	+123	+46	+182
3. Cash and Balances with the RBI	**+444**	**—214**	**+118**	**— 102**	**+86**
4. Money at Call and Short Notice	**—41**	**—96**	**+61**	**+29**	**—13**
5. Aggregate Deposits	**+899**	**+677**	**+912**	**+716**	**+1210**
(*a*) Demand	+252	+407	+298	+294	+456
(*b*) Time	+647	+270	+614	+422	+754
6. Borrowings from the RBI	**+56**	**+253**	**—270**	**+183**	**—38**
7. Bills Rediscounted with the RBI	**+15**	**+244**	**—171**	**+59**	**—80**

*Provisional; revised on the basis of figures available since the publication of the Bank's Annual Report and Trend and Progress of Banking in India, 1974-75.

Notes: (1) Data are based on weekly returns submitted by banks under Section 42(2) of the Reserve Bank of India Act, 1934, except in respect of borrowings from the Reserve Bank of India, which are based on weekly borrowing advices received from regional offices of the Reserve Bank of India.
(2) The variations are based on the last Friday figures of April and October.
(3) Figures relating to balances with the Reserve Bank of India are those shown in its weekly Statement of Affairs.

Graph 18



The main elements of the policy for the busy season of 1974-75 were firstly, an indication of the priorities to be observed in credit deployment and secondly, a further extension of the principle of discretionary lending by the Reserve Bank. Again, in view of the continued need to curb speculative pressures on the prices of sensitive commodities, the structure of selective controls on advances against such commodities was maintained.

Credit Policy: Busy Season 1974-75

It was, however, stressed that while the need for overall restraint continued, banks had to assist production and investment with available resources. Certain broad guidelines were given on the priorities to be adopted in extending credit. The building up of an adequate public distribution system for food and the requirements of agricultural credit and exports were to be accorded top priority. In the private industrial sector, units in the "core" sector and those engaged in the production of wage goods were to be given preference. Selectivity was introduced in the small-scale industrial sector also and it was indicated that the extension of scarce bank credit was to be governed not only by the size of the borrowing unit but also by the type of production in which it was engaged. In the public sector, preference was to be given to manufacturing units as against those engaged in trading operations.

Discretionary Accommodation

As a part of the overall objective of limiting the use of created money for credit expansion, a portion of the enhanced statutory cash reserves was released, thus augmenting banks' own resources. The minimum statutory balances with the Reserve Bank was reduced from 5 to 4 per cent of demand and time liabilities. This reduction was effected in two instalments of 0.5 per cent each, the first with effect from

December 14, 1974 and the second from December 28, 1974. This provided banks with lendable resources of Rs. 120 crores.

Automatic access to Reserve Bank funds was further restricted with the extension of the policy of discretionary accommodation to the rediscounting of bills. As before, in respect of borrowings, any amount in excess of 1 per cent of a bank's demand and time liabilities (as on the last Friday of September 1974) was to be allowed at the discretion of the Reserve Bank, at rates determined by the net liquidity ratio. The minimum net liquidity ratio, relevant to borrowings at the Bank rate was reduced from 40 to 39 per cent effective December 28, 1974 ; but the maximum rate charged on borrowings continued at 18 per cent. The corresponding basic quota for bills was fixed at 10 per cent of the total inland bills purchased and discounted as on the last Friday of September 1974. Rediscount limits in excess of this were to be allowed at the Reserve Bank's discretion, not only in regard to amount but in respect of rates of interest also, within the range of 10 to 15 per cent.

Table IV.8: Trends in Principal Ratios of Scheduled Commercial Banks' Data

(As on last Friday of the month)

(Rupees Crores)

Item	October 1973		April 1974		October 1974		April 1975*		October 1975*	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
1	2	3	4	5	6	7	8	9	10	11
1. Bank Credit	6503	67.3	7614	73.7	7743	68.9	8636	72.2	9301	70.6
Of which										
(*a*) Food Procurement Advances	235	2.4	423	4.1	253	2.3	570	4.8	743	5.6
(*b*) Other Advances	6268	64.9	7191	69.6	7490	66.6	8066	67.4	8558	65.0
2. Investments in Government and Other Approved Securities ..	3173	32.9	3330	32.2	3802	33.8	4071	34.0	4373	33.2
(*a*) In Government Securities ..	2329	24.1	2402	23.2	2751	24.5	2974	24.9	3094	23.5
(*b*) In other approved securities	844	8.8	928	9.0	1051	9.3	1097	9.1	1279	9.7
3. Cash and Balances with the RBI	999	10.3	785	7.6	903	8.0	801	6.7	887	6.7
4. Money at Call & Short Notice	135		39		100		129		116	
5. Aggregate Deposits	9656	100.0	10333	100.0	11245	100.0	11961	100.0	13171	100.0
(*a*) Demand	3992	41.3	4399	42.6	4697	41.8	4991	41.7	5447	41.4
(*b*) Time	5664	58.7	5934	57.4	6548	58.2	6970	58.3	7724	58.6
6. Borrowings from the RBI ..	80		333		63		246		208	
7. Bills Rediscounted with the RBI	35		279		108		167		87	

* Provisional ; revised on the basis of figures available since the publication of the Bank's Annual Report and Trend and Progress of Banking in India, 1974-75.

Notes : (1) The percentages are ratios to aggregate deposits.

(2) The data are based on weekly returns submitted by banks under section 42(2) of the Reserve Bank of India Act, 1934, except in respect of borrowings from the Reserve Bank of India, which are based on weekly borrowings advices received from regional offices of the Reserve Bank of India.

(3) Figures relating to balances with the Reserve Bank of India are those shown in its weekly statement of Affairs.

Special refinance continued to be allowed in respect of credit for public food procurement. However, this was to be limited to 50 per cent of the increase when outstanding food credit rose above Rs. 300 crores and full refinance when the outstanding crossed Rs. 450 crores level. As before, the refinance was allowed without impairment of the net liquidity ratio at a fixed rate of 10 per cent.

It may be noted that no indicative ceiling for credit expansion was prescribed for the 1974-75 busy season, as was done in 1973-74. It was felt that the objective of keeping credit expansion to a minimum, while also ensuring the flow of adequate credit for the legitimate needs of production, distribution and investment in accordance with the priorities specified, would be better achieved through discussions with individual banks. While detailed discussions on their credit budgets were held separately with each of the banks, close touch was also maintained with the major banks right through the year which enabled the Reserve Bank to have a "feel" of the situation. The strict limitation of automatic recourse to the Reserve Bank and the emphasis placed on discretion in allowing the use of its borrowing facilities added significance to this version of "moral suasion."

Deposit rates: Concessions to Smaller Banks

With a view to enabling smaller banks to mobilise larger amounts of deposits, some concessions were given to them so as to enable them to pay relatively higher rates of interest on deposits. It may be recalled that the permission given to small banks to pay slightly higher rate of interest on deposits had been withdrawn in July 1974, except in the case banks with demand and time liabilities of less than Rs. 10 crores which were allowed to pay an additional 0.5 per cent on their savings deposits. With effect from February 1, 1975 banks with aggregate liabilities of less than Rs. 25 crores were allowed to pay a rate higher by 0.25 per cent over and above the prescribed rates on all term deposits for periods ranging upto 5 years. The additional interest payable on savings deposits was 0.5 per cent for banks with aggregate liabilities of less than Rs. 10 crores and 0.25 per cent for banks with aggregate liabilities of Rs. 10 crores and above but less than Rs. 25 crores.

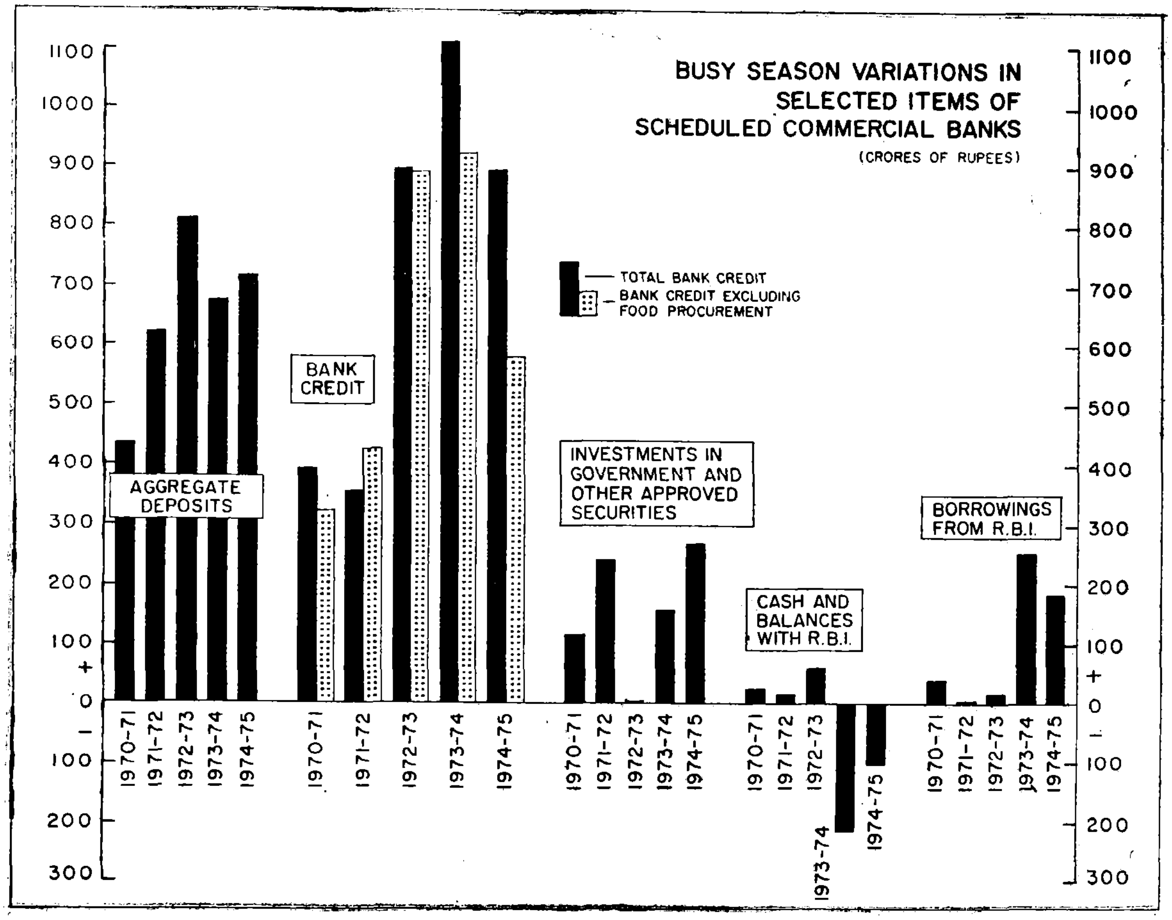
Credit Trends: Busy Season 1974-75

The effectiveness of the restrictionary credit policy followed throughout the year may be seen in terms of the pace of credit expansion. Considered in gross terms (*i.e.* inclusive of bills rediscounted), bank credit as stated earlier not only recorded a decline in the slack season, but the order of their expansion during the 1974-75 busy season was also substantially smaller. Thus, during the busy season as a whole, gross credit expanded by Rs. 952 crores or 12.1 per cent as against Rs. 1355 crores or 20.7 per cent in 1973-74 busy season (Table IV.7). Account has also to be taken of the fact that the increase in food credit during the 1974-75 season amounted to Rs. 317 crores, which was considerably higher than the corresponding increase of Rs. 188 crores in the 1973-74 busy season. Excluding food procurement credit, the rate of increase in gross credit was even lower at 8.4 per cent, which was less than one-half of the increase of 18.5 per cent in 1973-74. The pace of deposit accretion during the busy season of 1974-75 was slightly lower at 6.4 per cent than the 7.0 per cent increase in the previous year. There was a marked change in the composition of the incremental deposits. In 1973-74, about 60 per cent of additional deposits had been in the form of demand deposits. In the 1974-75 season, however, almost the same proportion was accounted for by time deposits, reflecting perhaps a preference for time deposits following the increase in interest rates on fixed deposits. The credit-deposit ratio, at the end of the busy season 1974-75, stood lower at 72.2 per cent as against 73.7 per cent a year ago.

Borrowings from Reserve Bank

The peak level of total recourse to the Reserve Bank (in terms of both refinance and rediscount) touched during the busy season 1974-75 was Rs. 656 crores. This was lower than the previous season's peak of Rs. 698 crores ; it was also brought down substantially to Rs. 413 crores at the close of the season, while in the previous year the decline was less sharp, to Rs. 612 crores. A further point of significance relates to the composition of refinance. The peak level of borrowings from the Reserve Bank during the 1974-75

Graph 19



busy season touched at Rs. 473 crores of which Rs. 227 crores was on account of food procurement credit, while a further Rs. 22 crores was the special refinance allowed in respect of credit to oil companies. In the previous busy season, the borrowings at Rs. 422 crores consisted of Rs. 42 crores for food procurement and Rs. 16 crores on account of oil. Thus, the extent of support that had to be provided for non-specified purposes was much lower than in the last busy season.

Credit Policy: Slack Season 1975

Turning to credit policy for the slack season 1975, no major change was effected at the close of the conventional busy season of 1974-75. As in the previous year, banks were asked to bring down their indebtedness to the Reserve Bank in stages. While the basic refinance quota of 1 per cent of demand and time liabilities was continued for the slack period, it was stressed that this should not be viewed as a resourse for credit expansion but as temporary recourse to be used only when unavoidable. In respect of rediscount, greater manoeuverability was allowed, with scope for minimal additional discretionary accommodation over and above the basic quota. The special refinance for food procurement was allowed at the busy season formula (50 per cent of the increase in the credit between the levels of Rs. 300 crores and Rs. 450 crores and full refinance thereafter) but it was indicated that this extent of support might not continue in the next busy season.

The general structure of controls remained unchanged. In laying stress on the continuing need for restraint, banks were told to plan their operations in such a way that for the year 1975-76 (May-April) as a whole credit expansion would be limited to around 63 to 64 per cent of the accretion to deposits.

The importance of export credit was reiterated and some relaxations in the terms of credit were announced. Formerly banks were allowed to charge "normal" rates of interest on pre-shipment credit for outstandings in excess of 90 days. It was now directed that in such cases the rate may be increased by not more than 2 per cent for a further period of 45 days. Also, the duration of the application of the concessionary rate for pre-shipment credit was increased from 90 to 180 days in the case of specified medium and heavy engineering goods. When factors beyond the control of the exporter require an even longer period for pre-shipment credit, banks were asked to charge not more than 2 per cent over the ceiling rate for a further period of 90 days. The list of categories eligible for these benefits covers fifty-five export items.

The priorities to be observed in credit deployment, indicated earlier were reiterated with special emphasis on the financing of fertilizer distribution. In view of the need to stimulate investment, banks were also asked to increase their involvement in term-lending for high priority projects. But it was made clear that this was to be done out of the banks' own resources and in keeping with the policies governing term-lending.

Credit Trends : Slack Season 1975

The trend in the 1975 slack season reveals a larger increase both in bank credit and deposits. Bank credit expanded by Rs. 665 crores (7.7 per cent) as against Rs. 129 crores (1.7 per cent) in the 1974 slack season (Table IV.7). The increase was shared by both food advances (Rs. 173 crores) and non-food advances (Rs. 492 crores), whereas the increase during the same period of 1974 was fully on account of non-food advances (Rs. 299 crores), food advances showing a decline of Rs. 170 crores. Gross bank credit (including bills rediscounted) showed an increase of Rs 585 crores as against a decline of Rs. 42 crores in the previous slack season. Deposit accretion at Rs. 1210 crores during the season showed a growth rate of 10.1 per cent as compared to Rs. 912 crores or 8.8 per cent during the corresponding period last year. The dominance of time deposits continued ; their increase during the season amounted to Rs. 754 crores as compared to Rs. 614 crores last year. Although banks reduced their obligations to the Reserve Bank under rediscounting of bills by Rs. 80 crores to Rs. 87 crores, their repayment of borrowings was considerably smaller at Rs. 38 crores as compared to Rs. 270 crores last year. In the result, the outstandings under refinance stood at Rs. 208 crores at the end of October 1975, as compared to Rs. 63 crores a year ago. The increase may be attributed to the refinance provided by the Reserve Bank in respect of food procurement advances. Banks' investment in Government and other approved securities also showed a smaller increase of Rs. 302 crores as compared to Rs. 472 crores last year. The credit-deposit ratio at the end of October 1975 stood at 70.6 per cent, was 1.7 percentag points higher than that a year ago (68.9 per cent).

Overall Assesment 1974-75

Considering the year July 1974—June 1975, as a whole, it becomes clear that the pattern of use of funds was very different from the previous year. Deposit growth was only marginally higher, in terms of amount (Rs. 1606 crores as against Rs. 1591 crores) and lower in terms of percentage (14.9 per cent as against 17.4 per cent) (Table IV. 9). The decline in the growth rate was wholly due to demand deposits : their growth in 1974-75 worked out to 11.7 per cent as against 17.4 per cent last year. The rate of growth of time deposits was fractionally higher at 17.4 per cent than the growth rate of 17.3 per cent last year. The increase in bank credit, on the other hand, was much lower, at Rs. 1105 crores or 14.1 per cent as against Rs. 1446 crores or 22.6 per cent in 1973-74. In terms of the expansion in gross credit, the increase was even lower at only 11.8 per cent as against 26.5 per cent in the previous year. On the other hand, both borrowings and bills rediscounted recorded a decline during 1974-75 as against an increase in the previous year. In other words, while Reserve Bank facilities were a net source of funds in 1973-74, in 1974-75, the liquidation of such obligations was one of the uses to which available funds were put. This is also reflected in the incremental credit-deposit ratio which was 68.8 per cent in 1974-75 as against 90.9 per cent in the previous year (Table IV.9).

Table IV. 9 : Annual Variations in Important Variables of Scheduled Commercial Banks (July-June)

(Rupees Crores)

Item		1971-72		1972-73		1973-74		1974-75	
		Outstand-ing as on end-June 1972	Varia-tions during 1971-72	Outstand-ing as on end-June 1973	Varia-tions during 1972-73	Outstand-ing as on end-June 1974	Varia-tions during 1973-74	Outstand-ing as on end-June 1975*	Varia-tions during 1974-75*
1		2	3	4	5	6	7	8	9
1. Total Bank Credit	..	**5480**	**+675**	**6412**	**+932**	**7858**	**+1446**	**8963**	**+1105**
Of which :									
(*a*) Food Procurement Advances	..	542	+163	468	—74	523	+55	795	+272
(*b*) Other Advances	..	4938	+512	5944	+1006	7335	+1391	8168	+833
2. Total Bank Credit Including Bills Rediscounted with the RBI	..	**5491**	**+676**	**6427**	**+936**	**8132**	**+1705**	**9095**	**+963**
3. Total Investments	..	**2318**	**+511**	**2937**	**+619**	**3422**	**+485**	**4055**	**+633**
(*a*) In Government Securities ..	..	1721	+346	2180	+459	2440	+260	2874	+434
(*b*) In Other Approved Securities	..	597	+165	757	+160	982	+225	1181	+199
4. Cash and Balances with the RBI ..	..	**537**	**+140**	**843**	**+306**	**902**	**+59**	**795**	**—107**
5. Money at Call and Short Notice ..	..	**91**	**+8**	**120**	**+29**	**45**	**—75**	**98**	**+53**
6. Aggregate Deposits	..	**7610**	**+1394**	**9165**	**+1555**	**10756**	**+1591**	**12362**	**+1606**
(*a*) Demand	..	3358	+615	3958	+600	4647	+689	5189	+542
(*b*) Time	..	4252	+779	5207	+955	6109	+902	7173	+1064
7. Borrowings from the RBI	..	**42**	**—165**	**141**	**+99**	**421**	**+280**	**274**	**—147**
8. Bills Rediscounted with the RBI ..	..	**11**	**+1**	**15**	**+4**	**274**	**+259**	**132**	**—142**
9. Key Ratios	..								
A. Credit-Deposit Ratio									
(*a*) End-June Ratio ..	..	72·0		70·0		73·1		72·5	
(*b*) Incremental Ratio ..	..		48·4		59·9		90·9		68·8
(*c*) Incremental Non-food Credit-Deposit Ratio ...	..		36·7		64·7		87·4		51·9
B. Investment-Deposit Ratio (For Total Investments)	..	30·5		32·0		31·8		32·8	
(a) For investments in other approved securities ..	..	7·8		8·3		9·1		9·6	
C. Cash-Deposit Ratio ..	..	7·1		9·2		8·4		6·4	

*Provisional; revised on the basis of the figures available since the publication of the Bank's Annual Report and Trend and Progress of Banking in India, 1974-75.

Sources: (1) Returns submitted under Section 42(2) of the Reserve Bank of India Act, 1934, except in respect of borrowings from the Reserve Bank of India, which are based on weekly borrowing advices received from regional offices of the Reserve Bank of India.

(2) Figures relating to balances with the Reserve Bank of India are those shown in its weekly Statement of Affairs.

Selective Credit Controls

Keeping in line with the tight credit policy, the existing selective credit control measures in respect of advances against sensitive commodities continued to operate during the year with certain minor modifications.

The ceiling limits for advances against selected commodities continued to be fixed on a party-wise basis, while the permissible level was related to the peak level of advances outstanding per party during any of the preceding three years *viz.*, (November-October) 1973-74, 1972-73 and 1971-72. The minimum lending rates to all parties (except the exempt categories) were raised from 12 per cent to 14 per cent and from 13 per cent to 15 per cent, as the case may be, with effect from July 23, 1974.

The changes made in the provisions of the directives relating to advances against individual commodities during 1974-75 are indicated below :

(*i*) *Foodgrains :* Exemption from ceiling restrictions on advances to rice mills against paddy, to the extent of procurement levy, was extended to include advances against paddy and rice, other than those covered under the procurement scheme, to the rice mills in West Bengal and Bihar. Further, the minimum margin in respect of advances against paddy not covered by the levy scheme in the two States was prescribed at not less than 25 per cent, while the margin against rice remained unchanged at 60 per cent. These concessions which were initially operative upto end-March 1975 were later extended upto end-June 1975. Commercial banks were also advised to ensure that no credit was granted to the husking units which undertook milling operations on customers' account.

Exemption granted in respect of advances to exporters against the security of rice was extended in November 1974 to pre-shipment and post-shipment credit against the security of all "other foodgrains".

(*ii*) *Oilseeds and Oils :* Advances against stocks of oilseeds and oils thereof (including vanaspati) to the wholesale and retail dealers appointed/licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of the quantum meant for public distribution were completely exempted from the provisions of selective credit controls with effect from February 6, 1975.

The concessional margin of 25 per cent on advances against stocks of oils processed from linseed oil and castorseed oil for use as industrial raw material, hitherto available to factories in Bihar and West Bengal, was extended to factories in Madhya Pradesh and Uttar Pradesh also.

Advances against stocks of vanaspati held by vanaspati manufacturers for being delivered to Army Purchase Organisation were completely exempted from the provisions of selective credit controls. This exemption could be extended, with the prior approval of the Reserve Bank, to stocks to be delivered to other agencies designated for the purpose of public distribution by the Central or State Governments.

The period of exemption to advances against by-product of oil to exporters of de-oiled and/or de-fatted cakes was extended from 15 days to 30 days.

(*iii*) *Cotton and Kapas :* The minimum margin prescribed in respect of advances against cotton and *kapas* to mills under Authorised Controller was made applicable with effect from November 6, 1974 to mills owned/managed by the National Textile Corporation.

Since March 4, 1974, banks were allowed to discount the bills of exchange drawn by mills arising out of sale of cotton textiles (including cotton yarn and fabrics) and yarn and fabrics made out of man-made fibres with usance not exceeding 45 days. This concession was extended to powerloom units, irrespective of whether the drawee was a manufacturer or dealer.

It was clarified that certain categories of advances which are exempted from the provisions of the selective credit control directives would continue to be subject to the general minimum lending rate of 12.5 per cent unless specifically exempted.

Advances Against Sensitive Commodities

Scheduled commercial banks' advances against the major sensitive commodities at Rs. 477 crores at end-March 1975 showed a decline of Rs. 56 crores over the year (Table IV·10). Exclusive of Rs. 63 crores outstanding against raw jute (which are not covered under the selective credit controls), the advances stood at Rs. 414 crores, indicating a decline of Rs. 51 crores over the year. Of the total amount, advances against cotton and *kapas*, and sugar accounted for Rs. 168 crores (40.5 per cent) and Rs. 155 crores (37.5 per cent), respectively. Exclusive of advances against raw jute, the proportion of total advances against commodities under the selective credit controls to the total credi of all scheduled commercial banks declined to 4.8 per cent from 6.3 per cent a year ago.

Table IV. 10 : Advances of Scheduled Commercial Banks against Selected Commodities

(Rupees Lakhs)

Security	As on the last Friday of								
	March 1971			March 1974*			March 1975*		
	Amount	Percentage to total of 1 to 6	Percentage to total Bank Credit	Amount	Percentage to total of 1 to 6	Percentage to total Bank Credit	Amount	Percentage to total of 1 to 6	Percentage to total Bank Credit
1	2	3	4	5	6	7	8	9	10
1. Foodgrains (excluding food procurement advances) ..	**52,01**	**12·2**	**1·1**	**41,10**	**8·8**	**0·5**	**46,80**	**11·3**	**0·5**
(*a*) Paddy and Rice ..	22,50	5·3	0·5	17,75	3·8	0·2	15,49	3·7	0·2
(*b*) Wheat	15,78	3·7	0·3	2,83	0·6	—	9,51	2·3	0·1
(*c*) Other foodgrains ..	13,73	3·2	0·3	20,52	4·4	0·3	21,80	5·3	0·2
2. Sugar	**1,96,52**	**46·3**	**4·2**	**128,47**	**27·6**	**1·7**	**1,55,54**	**37·5**	**1·8**
3. Oilseeds	**10,83**	**2·5**	**0·2**	**18,27**	**4·0**	**0·3**	**26,80**	**6·5**	**0·3**
(*a*) Groundnut	10,34	2·4	0·2	12,03	2·6	0·2	9,95	2·4	0·1
(*b*) Rapeseed/mustardseed	—	—	—	5,16	1·1	0·1	16,09	3·9	0·2
(*c*) Linseed	33	0·1	—	32	0·1	—	15	—	—
(*d*) Castor seed	16	—	—	76	0·2	—	61	0·2	—
4. Vegetable Oils	**12,16**	**2·9**	**0·3**	**12,67**	**2·7**	**0·2**	**9,85**	**2·4**	**0·1**
(*a*) Groundnut oil ..	9,02	2·1	0·2	6,45	1·4	0·1	4, 06	1·0	—
(*b*) Rapeseed/mustard seed oil	2,23	0·5	0·1	3,01	0·6	—	2,42	0·6	—
(*c*) Castor Oil	56	0·1	—	2,69	0·6	—	2,70	0·6	—
(*d*) Linseed Oil	35	0·1	—	52	0·1	—	67	0·2	—
5. Vanaspati	**6,25**	**1·5**	**0·1**	**5,95**	**1·3**	**0·1**	**7,34**	**1·8**	**0·1**
6. Cotton and Capas	**1,47,05**	**34·6**	**3·1**	**2,58,78†**	**55·6**	**3·5**	**1,67,92†**	**40·5**	**2·0**
(*a*) Indigenous	—	—	—	2,15,49	46·3	2·9	1,38,16	33·3	1·6
(*b*) Imported	—	—	—	43,29	9·3	0·6	29,76	7·2	0·4
7. Total of 1 to 6	**4,24,82**	**100·0**	**9·1**	**4,65,24**	**100·0**	**6·3**	**4,14,25**	**100·0**	**4·8**
8. Raw Jute**	**33,37**		**0·7**	67,93@		**0·9**	**62,81@**		**0·7**
9. Total of 7 and 8	**4,58,19**		**9·8**	**5,33,17**		**7·2**	**4,77,06**		**5·6**
Total Bank Credit.. ..	**46,72,14**		**100·0**	**73,99,14**		**100·0**	**85,36,52**		**100·0**

*Data are provisional.
**Not covered by Selected Credit Control.
†Inclusive of advances granted to Cotton Corporation of India.
@Inclusive of advances granted to Jute Corporation of India.

Sources: Data for March 1971 are based on the returns on Form 7 received directly from the branches of banks. Data for March 1974 and March 1975 are based on BSR-3 received from the Head Offices of banks.

A major part of the advances against sensitive commodities was in the case of processing units, millers and industrial users. They accounted for 77 per cent of total advances against these commodities at the end of March 1975 as compared to 73 per cent a year ago. (Table IV.11). Commodity-wise, the proportion was higher in respect of vanaspati, wheat, groundnut and castor oil but relatively lower in case of groundnut oil, castorseed, linseed and rapeseed/mustard seed.

Table IV.11: Security-wise Advances to total Processing Units, Millers and Industrial Users

(As percentages of total credit against respective commodities)

Commodity	End-March 1974	End-March 1975
1	2	3
1. Sugar and Khandsari	96	95
2. Vanaspati	86	95
3. Linseed Oil ..	90	84
4. Wheat	83	92
5. Cotton and Kapas	64	64
6. Castor Oil	86	98
7. Rapeseed/Mustard Oil	83	78
8. Paddy/Rice.. ..	83	80
9. Castorseed	84	73
10. Groundnut Oil ..	75	59
11. Groundnut ..	42	55
12. Linseed	59	42
13. Other Foodgrains	41	40
14. Rapeseed/Mustard seed	82	6@
All Selected Commodities	73	77

Source: Basic Statistical Returns-3.

@ The steep decrease to the proportion under column 3 compared with column 2 is due to a large amount advanced to STC, included under 'others'.

II. CALL MONEY MARKET

It may be recalled that in 1973-74, except for the first three months, the call money markets both in Bombay and Calcutta were characterised by extremely stringent conditions, with rates shooting up to the all time high of 30 per cent by thirteenth December 1973. The Indian Banks' Association had therefore to intervene and fix a ceiling rate of 15 per cent.

In 1974-75, consequent upon the tightening of the refinance and rediscount facilities with the Reserve Bank, there was considerable pressure on deposit resources of banks which was reflected in the call money rates. Except for intermittent spells of easiness, stringent conditions generally prevailed both in the Bombay and the Calcutta call money markets. In Bombay, the call money rate which ruled at the ceiling level of 15 per cent till July 10, 1974, fluctuated between 9 and 15 per cent till mid-September but tended to harden again fluctuating between 11 to 15 per cent till end-October. In the beginning of the busy season 1974-75, the rate varied within the range of 9 to 12 per cent, but as the season progressed it again firmed up and touched the ceiling of 15 per cent by mid-December 1974. These tight conditions were attributed to broadening of demand for funds for tax payments and for subscription to the new Central Government loans. However, with the improvement in supply of funds, the rate eased to 5-6 per cent in the second half of January 1975. This easiness was short lived and the rate firmed up subsequently and hovered around the ceiling till third week of May 1975, except for a short easiness in the second half of April. Subsequently the market ruled distinctly easy and the rate fell to 3 — 4 per cent on July 25, 1975. However, the rate fluctuated both ways thereafter with a firm under tone and stood higher at 14-15 per cent on November 8, 1975 as against 9-11 per cent on November 8, 1974.

In Calcutta, the rate remained at the ceiling level during the first fortnight of July 1974 and then fluctuated between 7 and 15 per cent till mid-September. Thereafter, it moved up and ruled around the ceiling level till the end of the slack season. After ruling somewhat easy during the initial period of the 1974-75 busy season, the rate firmed up to the ceiling level and continued to rule generally high till mid-January 1975 and then gradually eased to $5\frac{1}{2}$-7 per cent on January 25. Thereafter, the rate again firmed up and was quoted at 15 per cent till the third week of May 1975 after which it eased to reach at 3 per cent by July 17, 1975. The rate tended to firm from the beginning of August 1975 and closed higher at $13\frac{1}{2}$ per cent on November 8, 1975 as against 10-12 per cent on November 8, 1974.

III. WORKING OF DIFFERENT SCHEMES

A. Credit Authorisation Scheme

The Credit Authorisation Scheme which entered the tenth year of operations has been tuned during the past few years to subserve the overall policy of credit restraint. Under the scheme, a practice of advising banks, while conveying authorisation for additional credit facilities, was introduced to ensure that drawals were restricted to meet the very essential credit requirements of the borrower and to exercise utmost caution in ensuring proper end-use of funds. With a view to restraining credit effectively, it was decided in July 1974 to carry out a scrutiny of big borrowal accounts of major banks. To begin with, banks were advised to make immediate arrangements to watch the accounts of their 50 biggest borrowers. For scrutinising the larger accounts, public sector banks were advised to form Committees of Directors consisting of the banks' Chairman/Managing Director and the nominees of the Government and the Reserve Bank. In case of the private sector banks, Reserve Bank's officers were to be deputed to each of the Head/Principal Offices of the banks to ascertain the progress made in the scrutiny of accounts and examine the important findings of the scrutiny.

Recommendations of Study Group to Frame Guidelines for follow-up of Bank Credit

It was mentioned in the last year's Report that in July 1974, the Reserve Bank constituted a Study Group to frame guidelines for follow-up of bank credit from the point of view of ensuring proper end-use of funds. The Group submitted an interim report in October 1974 on inventory norms for the 1974-75 busy season and a second interim report, in December 1974, on an experimental set of statements for obtaining information from customers of banks. The Reserve Bank introduced the norms suggested by the Group for the 1974-75 busy season and also introduced the information system tentatively drawn up by the Group on a trial basis among 34 banks with deposits of Rs. 50 crores and above.

In its final report submitted to the Reserve Bank in August 1975, the Group has made recommendations/suggestons for (*i*) evolving norms for build-up of current assets and debt-equity ratio to ensure minimal dependence on bank credit, (*ii*) improving the manner and style of lending, (*iii*) evolving an adequate planning, assessment and information system, and (*iv*) ensuring a disciplined flow of credit to meet the genuine production needs and its proper supervision. The salient features of the major recommendatons are summed up in the following paragraphs.

Norms for Inventories and Receivables : The Group has suggested norms for each of the 15 major industries[1]. These norms should apply to all industrial borrowers, in both private and public sectors, including small-scale industries, with aggregate credit limits from the banking system in excess of Rs. 10 lakhs and progressively extended to smaller borrowers as early as possible. As for industries not covered by norms at present, the purpose and spirit behind such norms should be kept in view when extending credit. All credit limits should be considered in the light of the norms and, where the levels of inventory and receivables are excessive, they should be reduced, bringing down also the dues to the bank and/or other credit within a period of about two months.

Working Capital Gap and Bank Finance : The working capital gap, *viz.*, the borrowers' requirement of finance to carry current assets (based on norms) other than those financed out of his other current liabilities, could be bridged partly from his owned funds and long-term borrowings and partly by bank borrowings. The maximum permissible level of bank borrowings could be worked out in three ways, *viz.* (*i*) the borrower will have to contribute a minimum of 25 per cent of the working capital gap from long-term funds, *i.e.* owned funds and term borrowing, (*ii*) the borrower will have to provide a minimum of 25 per cent of total current assets from long-

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(1)The industries are cotton and synthetic textiles, man-made fibre, jute textiles, rubber products, fertilizers, pharmaceuticals, dyes/dyestuff, basic industrial chemicals, vegetable/hydrogenated oils, paper, cement, automobiles and ancillaries engineering consumer durables, engineering ancillaries (other than automobile ancillaries and component supplliers and machinery manufacturers other capital equipment Suppliers (other than heavy engineering).

term funds, and (*iii*) the borrower's contribution from long-term funds will be to the extent of the entire core current assets, as defined, and a minimum of 25 per cent of the balance current assets. A beginning may be made with the first method, placing all borrowers in this category within a period of about one year. Any excess over the finance to which a borrower would be eligible under the new formula will have to be reduced progressively, by transferring the excess to a term-loan amortised over a suitable period.

The Study Group has also stipulated terms and conditions for granting additional credit by banks to borrowers already having excess borrowings as judged by any of the three methods, either on a regular basis or for a short period for financing specific transactions/ contracts.

Proposed Style of Credit and Information System: The annual credit limit may be bifurcated into a loan comprising the minimum level of borrowing throughout the year and a demand cash credit to take care of fluctuating requirements, both being reviewed annually. In order to ensure that the new cash credit facility is used in a planned manner by the customer, financing should be placed on a quarterly budgetary reporting system for operational purposes. A part of the total credit requirement within the overall eligibility may also be provided by way of bill limits to finance seller's receivables as far as possible, rather than by cash credit against book debts.

The proposed system of lending and the style of credit may be extended to all borrowers having credit limits in excess of Rs. 10 lakhs from the banking system, while the information system may be introduced, to start with, in respect of borrowers with limits of Rs. 1 crore and above from the entire banking system and then extended progressively to others.

Mechanics of Lending : Actual drawings within the sanctioned limit will be determined by the customer's inflow and outflow of funds, as reflected in the quarterly funds flow statement and the permissible level of drawing will be the level as at the end of the previous quarter plus or minus the deficit or surplus shown in the funds flow statement.

The Reserve Bank has accepted the recommendations of the Group in respect of norms for inventory and receivables, approach to lending, style of credit and information system. All commercial banks have been asked to regulate fresh loan proposals according to the norms suggested by the Group. In the case of the existing borrowers, if the levels of inventories and receivables are excessive on the basis of the suggested norms, a programme for a phased reduction should be worked out the borrowers. In case excess levels persist without justification, the banks may consider charging a higher rate of interest on the portion of borrowings considered as excessive. The control, however, is to be exercised with due flexibility and understanding of the circumstances which may warrant deviation from the norms for temporary periods.

The information system proposed by the Group is to be introduced, initially, in respect of borrowers with limits aggregating Rs. 1 crore and above from the entire banking system.

In the context of the new system of lending the Bank has proposed to revise suitably in future the data base for proposes of the Credit Authorisation Scheme. Also, in view of the steps taken to implement the recommendations of the Study Group, the minimum limit of prior Credit Authorisation was raised in November 1975 from Rs. 1 crore to Rs. 2 crores for private sector undertakings.

The Bank has set up a Committee of Direction in April 1975 consisting of representatives of the Reserve Bank and of certain major scheduled commercial banks to consider, *inter alia*, the problems that might arise in the implementation of the recommendations of the Study Group. Commercial banks with deposits of Rs. 50 crores and above have also been asked to set up similar internal committees to ensure effective implementation and review of the Group's recommendations.

Working of the Credit Authorisation Scheme

With the tightening of credit control measures, great care was taken by the Reserve Bank in screening of the applications received from banks for credit authorisation. In the result, aggregate limits approved during the year were lower than in the preceding year. Although the number of applications received increased over the year from 953 to 1058, the number of applications authorised fell sharply from 644 to 528, while the amount authorised aggregated Rs. 429 crores (42 per cent of the amount applied for) as against Rs. 469 crores or 48 per cent last year (Table IV.12). The average amount of credit authorised per application was however marginally higher at Rs. 0.81 crore as compared to Rs. 0.73 crore last year. In the case of public sector undertakings the amount authorised was only Rs. 158 crores for 84 applications as compared to Rs. 226 crores for 69 applications in 1973-74.

At the end of June 1975, parties covered under this Scheme numbered 1786 or 164 more than a year ago. Of the total number of parties, 192 belonged to the public sector as against 166 at the end of June 1974.

The total limits in force (including reported cases) under the Scheme increased by Rs. 554 crores to Rs. 7253 crores over the year. The increase was shared by the units in the public sector (Rs. 161 crores) and in the private sector (Rs. 393 crores) ; their respective level of limits at the end of June 1975 stood at Rs. 2644 crores and Rs. 4609 crores as compared to Rs. 2483 crores and Rs. 4216 crores at the end of June 1974.

The purpose-wise distribution of the total limits in force, reveals the continued predominance of working capital requirements though their proportion to the total showed a decline. Limits in respect of working capital amounted to Rs. 6443 crores (88.8 per cent of the total limits) as against Rs. 5985 crores (89.4 per cent) at the end of June 1974 (Table IV.13). The share of export finance and term finance showed an increase both in absolute terms and in terms of percentage. The limits in respect of the former increased from Rs. 597 crores (8.9 per cent) to Rs. 697 crores (9.6 per cent), while that in respect of the latter increased from Rs. 530 crores (7.9 per cent) to Rs. 601 crores (8.3 per cent).

Table IV.12 : Operation of Credit Authorisation Scheme

(Applications Received, Authorised, Cases Reported and Total Limits in Force)

(Amount in Rupees Crores)

Period/Year (July-June)	Applications received		Applications authorised		Reported cases		Total limits in force at the end of the period
	Number	Amount involved	Number	Amount involved	Number	Amount involved	
1	2	3	4	5	6	7	8
1973-74							
July-December 1973 ..	593 (81)	623 (249)	418 (34)	283 (111)	406 (94)	236 (108)	6459 (2359)
January-June 1974 ..	360 (50)	344 (175)	226 (35)	186 (115)	431 (49)	54 (9)	6699 (2483)
Total (1973-74) ..	953 (131)	967 (424)	644 (69)	469 (226)	837 (143)	290 (117)	6699 (2483)
1974-75							
July-December 1974 ..	426 (44)	413 (73)	150 (25)	153 (65)	482 (82)	—13(—91)	6839 (2457)
January-June 1975 ..	632 (76)	609 (183)	378 (59)	276 (93)	696 (67)	138 (93)	7253 (2644))
Total (1974-75) ..	1,058 (120)	1,022 (256)	528 (84)	429 (158)	1,178 (149)	125 (2)	7253 (2644)
Quarter-wise							
1974							
January-March ..	190 (30)	191 (124)	115 (24)	96 (56)	249 (32)	71 (28)	6626 (2443)
April-June	170 (20)	153 (51)	111 (11)	90 (59)	182 (17)	—17(—19)	6699 (2483)
July-September ..	209 (14)	169 (22)	67 (10)	50 (14)	283 (58)	82 (50)	6831 (2547)
October-December ..	217 (30)	244 (51)	83 (15)	103 (51)	199 (24)	—95(—141)	6839 (2457)
1975							
January-March ..	304 (37)	172 (68)	212 (37)	167 (68)	334 (35)	75 (45)	7081 (2570)
April-June	328 (39)	437 (115)	166 (22)	109 (25)	362 (32)	63 (48)	7253 (2644)

Note : Figures in brackets relate to public sector undertakings.

Table IV. 13 : Distribution of Credit Limits by Type of Credit

(Amount in Rupees Crores)

Type of credit	As on June 30, 1973		As on December 31, 1973		As on June 30, 1974		As on December 31, 1974		As on June 30, 1975	
	Total	Of which Public Sector units	Total	Of which Public Sector units	Total	Of which Public Sector units	Total	Of which Public Sector units	Total	Of which Public Sector units
1	2	3	4	5	6	7	8	9	10	11
1. Working Capital* ..	5285 (90·3)	1870 (92·8)	5769 (89·3)	2134 (90·5)	5985 (89·4)	2254 (90·8)	6064 (88·7)	2225 (90·6)	6443 (88·8)	2390 (90·4)
Of which:										
(a) Bills purchased and discounted	537 (9·2)	72 (3·6)	548 (8·5)	67 (2·8)	602 (9·0)	88 (3·5)	642 (9·4)	90 (3·7)	697 (9·6)	89 (3·4)
(b) Export finance ..	469 (8·0)	89 (4·4)	543 (8·4)	94 (4·0)	597 (8·9)	106 (4·3)	651 (9·5)	124 (5·0)	697 (9·6)	128 (4·8)
2. Sale of machinery on deferred payment basis..	166 (2·8)	14 (0·7)	173 (2·7)	18 (0·8)	184 (2·7)	21 (0·8)	206 (3·0)	21 (0·8)	209 (2·9)	21 (0·8)
3. Term Finance	406 (6·9)	131 (6·5)	517 (8·0)	207 (8·7)	530 (7·9)	208 (8·4)	568 (8·3)	211 (8·6)	601 (8·3)	233 (8·8)
Total limits in force ..	**5857 (100·0)**	**2015 (100·0)**	**6459 (100·0)**	**2359 (100·0)**	**6699 (100·0)**	**2483 (100·0)**	**6839 (100·0)**	**2457 (100·0)**	**7253 (100·0)**	**2644 (100·0)**
Number of parties ..	1,392	130	1,523	148	1,622	166	1,654	183	1,786	192

* Includes cash credit and overdrafts, bills purchased and discounted and export finance.
Note : Figures in brackets indicate percentages to total limits in force.

Industry-wise, the increase in the total limits in force was largely shared by five industries : *viz.*, engineering (including electrical)—Rs. 239 crores, fertilizers—Rs. 76 crores, iron and steel—Rs. 40 crores, cotton textiles—Rs. 50 crores, chemicals and pharmaceuticals—Rs. 44 crores (Table IV.14). The bulk of the increase in limits in respect of engineering, fertilizers and iron and steel industries was accounted for by the public sector units. Limits in the case of the trading sector, however, recorded a decline of Rs. 110 crores. This was largely due to the two public sector units namely the Cotton Corporation of India and the Food Corporation of India. The limits in regard to these two institutions declined from Rs. 130 crores and Rs. 676 crores at the end of June 1974 to Rs. 10 crores and Rs. 660 crores, respectively. Consequently, the proportion of the credit limits to the trading sector declined further during the year from 16.5 per cent to 13.7 per cent, while the share of public sector units in trading sector declined to 31.9 per cent from 39.3 per cent last year.

Advances to Sugar Industry

In view of higher prospects of sugar production during the 1974-75 season, banks were advised in November 1974 that they might continue to sanction credit limits on merits, to individual sugar mills without obtaining Bank's prior authorisation to the extent of the maximum outstandings under the regular limits sanctioned to them for the previous two crushing seasons (*i.e.* 1972-73 and 1973-74 seasons). The limits sanctioned in respect of each borrower, together with other relevant data are, however, to be reported to the Bank. Also, for allowing limits in excess of the above levels banks would have to apply for prior authorisation. It was also reiterated that banks should continue to obtain from the sugar mills, at frequent intervals, control data as hitherto and these data should be obtained more frequently in the case of habitual defaulters, so that prompt payment of cane dues by the sugar mills to the sugarcane growers is ensured.

Table IV.14 : Industry-wise Distribution of Total Limits in Force

(Rupees Crores)

Industry	As on June 30, 1973		As on June 30, 1974		As on June 30, 1975		Variation during the year ended June 30, 1974		Variation during the year ended June 30, 1975	
	Total limits in force	Of which public sector units	Total limits in force	Of which public sector units	Total limits in force	Of which public sector units	Total limits in force	Of which public sector units	Total limits in force	Of which public sector units
1	2	3	4	5	6	7	8	9	10	11
1. Engineering (including electricals)	1214 (20·7)	203 (10·2)	1488 (22·2)	413 (16·6)	1727 (23·8)	538 (20·3)	+ 274	+ 210	+ 239	+ 125
2. Iron and Steel	221 (3·8)	120 (6·0)	293 (4·4)	71 (2·9)	333 (4·6)	110 (4·2)	+ 72	— 49	+ 40	+ 39
3. Cement	61 (1·0)	2 (—)	63 (0·9)	2 (0·1)	67 (0·9)	3 (0·1)	+ 2	—	+ 4	+ 1
4. Coal	33 (0·6)	22 (1·1)	47 (0·7)	34 (1·4)	53 (0·7)	40 (1·5)	+14	+ 12	+ 6	+ 6
5. Paper	59 (1·0)	—	66 (1·0)	—	71 (1·0)	3 (0·1)	+ 7	—	+ 5	+ 3
6. Fertilizers	109 (1·9)	30 (1·5)	114 (1·7)	27 (1·1)	190 (2·6)	66 (2·5)	+ 5	— 3	+ 76	+ 39
7. Petroleum	88 (1·5)	35 (1·7)	154 (2·3)	110 (4·4)	153 (2·1)	110 (4·2)	+ 66	+ 75	— 1	—
8. Chemicals & Pharmaceuticals	214 (3·7)	7 (0·3)	277 (4·1)	14 (0·6)	321 (4·4)	23 (0·9)	+ 63	+ 7	+ 44	+ 9
9. Cotton Textiles ..	651 (11·1)	3 (0·1)	660 (9·9)	11 (0·4)	710 (9·8)	18 (0·7)	+ 9	+ 8	+ 50	+ 7
10. Jute Textiles	130 (2·2)	—	135 (2·0)	—	153 (2·1)	—	+ 5	—	+ 18	—
11. Sugar	277 (4·7)	5 (0·2)	297 (4·4)	11 (0·4)	330 (4·6)	23 (0·9)	+ 20	+ 6	+ 33	+ 12
12. Plantations	17 (0·3)	3 (0·1)	36 (0·6)	2 (0·1)	42 (0·6)	2 (0·1)	+ 19	— 1	+ 6	—
13. Electricity Undertakings	205 (3·5)	191 (9·6)	288 (4·3)	259 (10·4)	291 (4·0)	260 (9·8)	+ 83	+ 68	+ 3	+ 1
14. Trading	996 (17·0)	844 (41·9)	1105 (16·5)	976 (39·3)	995 (13·7)	845 (31·9)	+ 109	+ 132	— 110	— 131
Of which :										
Food Corporation of India	676 (11·5)	676 (33·5)	676 (10·1)	676 (27·2)	660 (9·1)	660 (25·0)	—	—	— 16	— 16
Cotton Corporation of India	115 (2·0)	115 (5·7)	130 (1·9)	130 (5·2)	10 (0·1)	10 (0·4)	+ 15	+ 15	— 120	— 120
15. Others	1582 (27·0)	550 (27·3)	1676 (25·0)	553 (22·3)	1817 (25·1)	603 (22·8)	+ 94	+ 3	+ 141	+ 50
Total	**5857 (100·0)**	**2015 (100·0)**	**6699 (100·0)**	**2483 (100·0)**	**7253 (100·0)**	**2644 (100·0)**	**+ 842**	**+ 468**	**+ 554**	**+ 161**

Note : Figures in brackets represent percentages to total.

Advances to Jute Industry

In view of the smaller jute crop in 1974-75, the permission given to banks to finance inventory equivalent to a maximum of 4 months' consumption of raw jute without prior authorisation under the Credit Authorisation Scheme was withdrawn in September 1974. Banks were, therefore, advised not to sanction additional credit limits to mills which would enable them to effect fresh purchases over and above the levels prescribed by the Jute Commissioner.

The position in regard to the financial needs of the jute mills was reviewed again in April 1975, with particular reference to the accumulation of finished goods, consequent upon worsening of export situation, and it was felt that some temporary relaxation in the inventory levels permissible for bank financing might be of some assistance. Accordingly banks were advised that the credit needs of individual mills might be worked out on the basis of maximum inventory level of finished goods intended for exports equal to 9 weeks' production as against the existing maximum level of 6 weeks' production. In deserving cases, banks might also consider marginally exceeding the maximum inventory level with the Bank's approval. It was clarified that the sanction of higher limits should be for a temporary period up to end-June 1975 and that Bank's prior authorisation under the Credit Authorisation Scheme would be necessary only in cases where higher proposed limits were in excess of 10 per cent of the existing credit limits against inventories. (These relaxations were subsequently extended up to end-December 1975).

The banks were also advised, in May 1975 that they might consider relaxation in margin on advances against raw jute and jute goods in individual cases on merits but not below the levels obtaining prior to November 30, 1973. These relaxations would be operative till the end of December 1975.

Advances to Textile Industry

In view of the importance of providing adequate credit to the National Textile Corporation which is engaged mainly in the production of controlled varities of cloth needed for mass consumption, it was suggested to banks that they might consider granting reasonable *ad hoc* limits related to the production programme of each textile mill taken over by the Corporation, pending detailed examination of the credit requirements based on usual financial data.

In order to enable banks to meet the immediate needs of these sick textile units expeditiously, it was decided to exempt from prior authorisation, during the transitional period of six months till end of June 1975 (since extended till end-December 1975), the sanction of the following facilities—(*i*) Temporary limit up to Rs. 25 lakhs to a sick textile mill taken over by the National Textile Corporation for a period not exceeding six months for genuine production/trade operations provided the concerned mill is not already enjoying such a temporary facility from any other bank. (*ii*) Interim accommodation up to Rs. 25 lakhs to a sick textile mill, pending prior authorisation for higher limits sanctioned by banks on a regular basis. (*iii*) Temporary excess drawings by a sick textile mill over the sanctioned limits up to 10 per cent thereof or Rs. 25 lakhs whichever is lower. The total temporary credit facilities under the three items mentioned above should not exceed Rs. 25 lakhs at any point of time for each sick textile mill.

Fertilizer Credit

The fertilizer industry has had to face recently the problem of accumulation of finished goods. In June 1975, the Reserve Bank discussed with representatives of fertilizer manufacturers and distributors and those of banks, the credit requirements of the industry arising out of stock accumulation. Consequent on these discussions and in view of the priority accorded to the industry, it was decided to modify the norms for financing inventory and receivables and the margins applicable to the industry, temporarily upto the end of December 1975. A permissible level equivalent to $2\frac{1}{2}$ months' sales was indicated for financing inventory of finished goods and receivables. This was further relaxed in October to 4 months' sales till March 1976. Banks were advised to use their discretion in allocating limits between finished goods and receivables within the maximum. The determination of margins was also left to the discretion of banks, with the indication of a range of 15 per cent to 25 per cent.

Withdrawal of Exemptions on Export Credit

One of the major concessions hitherto allowed to banks from the requirements of prior authorisation under the Scheme was the exemption in favour of pre-shipment and post-shipment export credit. While the exemption would continue to be available in respect of all post-shipment credits, it was decided to bring within the scope of prior authorisation, sanction of export packing credits, including advances made against duty drawback, cash assistance, etc., at the pre-shipment stage with effect from July 6, 1975. The objective of this measure was to ensure that pre-shipment export credit limits were reasonable in relation to the past and projected exports and that total credit limits were related to the total projected production. The requirement of prior authorisation, was however, made applicable to export packing credit limits exceeding Rs. 5 lakhs to a single borrower from one bank ; such limits of Rs. 5 lakhs and below were, however, to be reported to the Bank.

B. Bills Rediscounting Scheme

The policy of encouraging the use of the bills of exchange as an instrument of credit continued to operate during the year. However, while the promotion of a genuine trade bill market and the use of bill financing in preference to the cash credit system has been and continues to be an objective of long-term policy, it was also considered necessary to prevent the use of the preferential treatment accorded to bills as a means of circumventing overall credit restraints. Accordingly, the scope of the rediscounting facility under the Scheme was modified.

In June 1974, a distinction was made between drawees' and drawers' bills with a higher minimum rate in respect of the former. It was also stipulated that the rate of interest on the drawees' bills should be on par with the rate of interest on the cash credit accommodation extended to the same party, with a view to prevent bill finance for inventory purchases being cheaper than that under the cash credit system. In pursuance of this objective, the minimum rate on drawees' bills was raised from 11 to 12·5 per cent in July 1974 and that on drawers' bills to 11 per cent. Further to ensure the return flow of Reserve Bank funds utilised through rediscount of bills, it was stipulated at the outset of the 1974 slack season that the outstandings of bills rediscounted should be reduced by 40 per cent during the slack season.

The constraint on rediscounting of bills facility was further tightened in the policy for the 1974-75 busy season, when this facility was placed largely on a discretionary basis. A basic rediscount quota equal to 10 per cent of each of the eligible bank's total inland bills purchased and discounted as on September 27, 1974 was allowed. This accommodation (aggregating Rs. 122 crores) was made available at the Bank Rate. Any additional limit for rediscount was allowed only at the discretion of the Reserve Bank, both in regard to amount and interest, the rates ranging from 10 per cent to 15 per cent. In allowing discretionary limits, the considerations that were taken into account included the sectoral deployment of credit of a bank, the total assistance provided by the Reserve Bank and the composition of a bank's bill portfolio as between buyers' and sellers' bills. The basic quotas sanctioned to banks during the 1974-75 busy season have been allowed to be continued for the 1975 slack season.

As a result of these measures, banks' recourse to the rediscounting facilities during the year was substantially smaller than in 1973-74. During the slack season of 1974, the outstanding under bills rediscounting was brought down by as much as Rs. 171 crores from Rs. 279 crores to Rs. 108 crores indicating a large return flow of funds. During the 1974-75 busy season also, the increase under bills rediscounting amounted to Rs. 59 crores as against Rs. 244 crores in the 1973-74 busy season. Taking the year as a whole, the amount outstanding as on June 27, 1975 at Rs. 132 crores showed a decline of Rs. 142 crores over the end-June 1974 level in contrast to an increase of Rs. 259 crores witnessed in 1973-74.

Finally, two developments relating to the rediscounting facility may be noted. It was decided to permit the scheduled commercial banks to rediscount genuine trade bills of exchange held by them, with any of the following institutions *viz.*, commercial banks, Life

Insurance Corporation of India, Unit Trust of India, General Insurance Corporation/companies and Industrial Credit and Investment Corporation of India Ltd., besides the Reserve Bank. However banks are not permitted to rediscount bills with any State-level term-lending institutions or other in-institutions, excepting those specified above. Secondly, bills rediscounting facilities were also made available, with effect from April 1, 1975, at the Ahmedabad Office of the Reserve Bank of India.

C. Scheme of Differential Interest Rates

It was mentioned in the last year's Report that the scope and coverage of the Scheme was enlarged in February 1973. The eligibility criterion for borrowing under the Scheme was further modified in January 1975. In terms of this modification, members of the Scheduled Castes and Tribes would be eligible to borrow under the Scheme irrespective of the size of their land holdings, provided they satisfy other conditions as stipulated under the Scheme. The progress of the Scheme since its inception is reflected in a substantial increase both in respect of the number of borrowal accounts as well as the amounts as can be seen from the table below :

Table IV·15: Progress of Lending under the Scheme of Differential Interest Rates

At the end of	No. of Accounts	Balance Outstanding (Rs. Crores)
1	2	3
March 1973	55,536	2.07
March 1974	256,584	10.85
June 1974	274,964	11.24
September 1974	286,457	11.90
December 1974	314,595	13.44
March 1975*	334,025	14·23

* Provisional.
Source: Special Returns received from scheduled commercial banks.

D. Participation Certificates Scheme

The Participation Certificates Scheme which was originally introduced on an experimental basis was extended from time to time and has been further extended upto the end of June 1976. The terms and conditions governing the issue of Participation Certificates were also modified during the year. The number of banks approved by the Reserve Bank under the Scheme has increased over the year from 34 to 37. (One more bank has been approved in July 1975). The amount of Participation Certificates issued and remaining outstandings aggregated Rs. 97·4 crores at the end of June 1975 which was higher by Rs. 55·4 crores than that a year ago.

Banks were permitted to enter into participation arrangement only with other commercial banks, Life Insurance Corporation of India, Unit Trust of India, General Insurance Corporation of India, general insurance companies and with the Industrial Credit and Investment Corporation of India Ltd., All financial institutions other than those mentioned above have been excluded for the purpose of entering into participation arrangements under the Scheme.

It was also stipulated that the period of maturity of participation certificates should not be less than 30 days nor more than 180 days, subject to the condition that banks should not issue any certificate whose maturity extends beyond June 30, 1976. In keeping with the rise in the interest rates structure, the maximum rate of interest at which a bank can issue the certificate was raised to 12 per cent with effect from August 1, 1974. However, the restrictions regarding the minimum and maximum periods and the ceiling on the rate of interest were not applicable to participation certificates issued by commercial banks to any other commercial bank irrespective of whether the latter was authorised to issue participation certificates or not.

IV. QUALITATIVE CHANGES IN BANK CREDIT DISTRIBUTION

Sectoral Deployment of Credit 1974-75 Busy Season

An analysis of the sectoral deployment of credit during the 1974-75 busy season shows a broad compliance with the priorities specified. The most prominent feature is the larger share, as compared to the previous busy season, of food credit (Table IV.16). Credit for public food procurement accounted for as much as 31.2 per cent of the total increase in gross credit in the 1974-75 busy season, as against only 13.3 per cent in the busy season of 1973-74. The share of the priority sectors in the 1974-75 busy season (19.7 per cent) was also larger than in the previous busy season (15.4 per cent). Among the priority sectors, the larger increase in agriculture is especially significant, accounting for 8.4 per cent of the total credit as against 2.4 per cent last season. The smaller share of small-scale industry (7.9 per cent in the 1974-75 busy season as against 11.2 per cent in the previous busy season) resulted among other things from the qualitative check on advances to this sector. Also significant was the decline in the share of export credit. This, however, should not be taken as a symptom of neglect by banks of the export sector but there were other reasons for the decline. The reduction, since last year, of the duration for which preferential credit may be extended to exports has had the desired effect of a faster turnover of credit used by the sector, which would be reflected in a reduction in the outstanding level on any particular date. With the annual value of exports at around Rs. 3200 crores, an outstanding figure of credit at about Rs. 750 crores represents, roughly, an average turnround of credit every 3 months, which is in keeping with the limit set by policy for the availability of credit at preferential rates. However, in view of the crucial importance of exports, certain relaxations in the duration of credit at preferential rates have now been allowed, in terms of the slack season credit policy announced on May 8, 1975.

Table IV. 16 : Sectoral Deployment of Gross Bank Credit (Including Bills Rediscounted with the Reserve Bank of India)

(Amounts in Rupees Crores)

Items	Variations During					
	Busy Season 1973-74			Busy Season 1974-75		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
1	2	3	4	5	6	7
1. Public Food Procurement Credit	+187 (49·3)	—	+187 (13·3)	+306 (68·6)	—	+306 (31·2)
2. Priority Sectors (including Export Credit) ..	+13 (3·4)	+203 (19·8)	+216 (15·4)	+8 (1·8)	+186 (34·7)	+194 (19·7)
(a) Small-Scale Industries ..	+4 (1·0)	+154 (15·0)	+158 (11·2)	+1 (0·2)	+77 (14·4)	+78 (7·9)
(b) Agriculture	+8 (2·1)	+25 (2·4)	+33 (2·4)	+7 (1·6)	+76 (14·2)	+83 (8·4)
(c) Other Priority Sectors ..	+1 (0·3)	+24 (2·4)	+25 (1·8)	—	+33 (6·1)	+33 (3·4)
3. All Other Sectors* (Including Export Credit)	+179 (47·2)	+824 (80·2)	+1003 (71·3)	+132 (29·6)	+350 (65·3)	+482 (49·1)
4. Non-Food Credit (2+3) ..	+192 (50·7)	+1027 (100·0)	+1219 (86·7)	+140 (31·4)	+536 (100·0)	+676 (68·8)
5. Of item 4 -Export Credit ..	+42 (11·1)	+179 (17·4)	+221 (15·7)	+9 (2·0)	—22	—13
6. **Total Gross Credit (1+4)** ..	**+379** **(100·0)**	**+1027** **(100·0)**	**+1406** **(100·0)**	**+446** **(100·0)**	**+536** **(100·0)**	**+982** **(100·0)**

*Includes large and medium industries and wholesale trade.

Notes : 1. Figures in brackets are proportions to Gross Bank Credit.
2. This table is based on data collected from 59 major banks. Hence the figures of total credit are not strictly comparable with the figures in the earlier tables.

Sectoral Distribution of Bank Credit : Annual Trend

Data on sectoral deployment of bank credit on an annual basis are available with a slightly different classification only up to June 1974. These data as set out in Table IV.17 reveal that the broad pattern of distribution of credit between June 1972 and June 1974 remained by and large, unchanged. However, the share of industrial sector which declined from 57.6 per cent in 1972 to 55.1 per cent in 1973, had increased to 56.9 per cent in 1974. This increase was largely accounted for by large and medium size industries whose share had gone up from 43.1 per cent in 1973 to 44.4 per cent in 1974. The share of small-scale industries which remained almost steady between 1972 and 1973 also increased, though by a smaller order from 12.0 to 12.5 per cent. The share of agricultural sector which increased from 6.8 per cent in 1972 to 9.0 per cent in 1973, remained almost at that level in 1974. The proportion of credit to the internal trade, after rising from 17.4 per cent to 18.6 per cent between 1972 and 1973 dropped to 17.5 per cent in 1974. It is, however, significant that the share of food advances during the three year period ending June 1974 declined from 10.2 per cent to 6.5 per cent.

Table IV. 17 : Sectoral Classification of Scheduled Commercial Banks' Advances

(Rupees Crores)

Sector	Outstanding as on							
	March 31, 1968		June 30, 1972		June 29, 1973		June 28,1974	
	Amount	Percentage to total	Amount	Percentage to total	Amount	Percentage to total	Amount	Percentage to total
1	2	3	4	5	6	7	8	9
I. INDUSTRY	**2068**	**67·5**	**3053**	**57·6**	**3490**	**55·1**	**4555**	**56·9**
(a) Large & Medium Industries	1857	60·6	2414	45·5	2731	43·1	3550	44·4
(b) Small-scale Industries	211	6·9	639	12·1	759	12·0	1005	12·5
II. AGRICULTURE & ALLIED ACTIVITIES	**67**	**2·2**	**360**	**6·8**	**572**	**9·0**	**709**	**8·9**
Of which :								
(a) Direct Finance	..	..	213	4·0	262	4·1	349	4·4
(b) Plantations	58	1·9	115	2·2	109	1·7	133	1·7
III. INTERNAL TRADE	**588**	**19·2**	**924**	**17·4**	**1176**	**18·6**	**1396**	**17·5**
(a) Wholesale Trade	541	17·7	766	14·4	1006	15·9	1180	14·8
Of which : Food Procurement	109	3·5	542	10·2	468	7·4	523	6·5
(b) Retail Trade	47	1·5	158	3·0	170	2·7	216	2·7
IV. SERVICES	..	..	..	..	**362**	**5·7**	**461**	**5·7**
V. PERSONAL LOANS	..	..	..	..	**204**	**3·2**	**289**	**3·6**
VI. ALL OTHERS	**341†**	**11·1**	**963†**	**18·2**	**529**	**8·4**	**589**	**7·4**
VII. TOTAL	**3064**	**100·0**	**5300**	**100·0**	**6333**	**100·0**	**7999**	**100·0**

..Not available. †includes 'Services and Personal Loans.'

Sources : Data for March 31, 1968 are based on 'Survey of Advances of Scheduled Commercial Banks According to Purpose'. Data for June 30, 1972, are based on U.B.B· returns. Data for June 29, 1973 and June 28, 1974 are based on 'Basic Statistical Returns.'

Industry-wise Distribution of Bank Credit

Industry-wise distribution of bank credit between June 1972 and June 1974 reveals the continued predominance of the textiles, engineering and basic metal industries which together accounted for about one half of bank credit to the industrial sector. The share of the textiles group which increased from 10 per cent in 1972 to 12 per cent in 1973 increased further to 12.2 per cent in 1974 (Table IV.18). In the case of engineering industries, the decline noticed between 1972 and 1973 was reversed with their share moving up from 9.9 per cent in 1973 to 10.8 per cent. The share of basic metal industries, however, declined fractionally from 6.6 per cent to 6.5 per cent as against an increase of 2.3 percentage points between 1972 and 1973.

Table IV.18 : Advances of Scheduled Commercial Banks to Major Industries

(Percentage to total bank credit)

Industry	As on			
	March 31,1968	June 30,1972	June 29,1973	June 28,1974
1	2	3	4	5
1. Basic Metal & Metal Products	..	4·3	6·6	6·5
(a) Iron & Steel	3·7	2·8	3·7	3·7
2. Beverage and Tobacco	..	1·0	1·2	1·3
3. Cement	1·3	0·5	0·5	0·5
4. Chemicals & Chemical Products	6·0	5·4	5·1	5·6
Of which: (a) Heavy Industrial Chemicals	..	..	0·7	0·7
(b) Drugs and Pharmaceuticals	..	1·4	1·3	1·3
(c) Fertilisers	..	0·6	0·7	0·9
5. Coal	0·8	@	0·4	0·6
6. Edible oils and Vanaspati	1·4	0·6	1·2	1·2
7. Engineering	15·7	12·9	9·9	10·8
(a) Heavy Engineering	8·9	..	6·8	7·3
(b) Light Engineering	6·8	..	3·1	3·5
8. Leather & Leather Products	..	0·6	1·0	0·8
9. Manufacture of Basic Minerals	..	..	0·5	1·0
10. Paper, Paper Products & Printing	1·6	@	1·8	1·7
11. Rice Mills, Flour and Dal Mills	..	..	0·5	0·6
12. Rubber ad Rubber Products	0·7	0·9	0·6	0·7
13. Sugar	5·3	1·9	2·6	2·1
14. Textiles	15·5	10·0	12·0	12·2
Of which: (*a*) Cotton Textiles	10·3	7·5	7·3	7·3
(*b*) Jute Textiles	3·1	1·5	1·5	1·7
15. Vehicles, Vehicle Parts and Transport Equipment	..	2·9	2·5	2·7
16. Other Industries	17·6	16·6	8·7	8·6
Total Credit to Industries	67·5	57·6	55·1	56·9
Total Bank Credit	**100·0**	**100·0**	**100·0**	**100·0**

..Not available @Included under 'Other Industries'.

Sources : Data for March 31, 1968 are based on 'Survey of Advances of Scheduled Commercial Banks According to Purpose.' Data for June 30, 1972 are based on U.B.B. returns received directly from the branches of the banks. Data for June 29, 1973 and June 28, 1974 are based on 'Basic Statistical Returns.'

Bank Credit for Financing Inventories

The relative share of bank credit in financing inventories by banks continues to show a decline. Data pertaining to 1650 medium and large public limited companies in the private sector included in the R. B. I. study on company finances show that the proportion of short-term bank credit to the total value of inventories has declined almost steadily from 57.4 per cent in 1970-71 to 47.2 per cent in 1973-74. (Table IV-19).

Distribution of Bank Credit by size of Borrowal Accounts

Another notable feature of the deployment of credit was the continuing high share of smaller borrowal accounts, both in number and amount (Table IV.20). At end-June 1974, the loans ranging upto Rs. 1 lakh accounted for 98.3 per cent of the number of accounts and 22.1 per cent of the credit outstanding. Of these, 90.3 per cent of the accounts with 8.9 per cent outstandings related to loans amounting to Rs. 10,000 each or less, as against 90.2 per cent of the accounts with 8.9 per cent of outstanding loans during the preceding year.

Table IV.19 : Inventories-Sales and Bank Borrowings-Inventories Ratios (Public Limited Companies in the Private Sector)

Year	Total Inventories as percentage of Sales	Inventories in the form of raw materials and components as percentage of total Inventories*	Short-term Bank Borrowings as percentage of total Inventories	Total Bank Borrowings as percentage of total Inventories
1	2	3	4	5
1501 Medium and Large Public Limited Companies+				
1965-66	33·8	30·9	54·5	58·0
1966-67	33·9	30·7	57·7	60·8
1967-68	34·5	32·2	60·0	63·1
1968-69	32·5	30·9	61·4	64·9
1969-70	31·5	31·6	60·8	64·2
1970-71	31·6	31·2	58·8	61·8
1650 Medium and Large Public Limited Companies+				
1970-71	32·0	31·8	57·4	62·8
1971-72	32·4	32·6	53·8	58·7
1972-73	30·9	34·3	49·1	53·4
1973-74	32·8	34·4	47·2	51·3
355 Large Public Limited Companies++				
1970-71	30·6	34·0	54·7	59·7
1971-72	31·8	34·7	50·2	54·8
1972-73	30·7	35·6	45·6	49·4
1973-74	32·2	35·3	43·8	47·3

*Inventories exclude finished goods and work-in-progress.
+ Each with paid up capital of Rs. 5 lakhs and above.
++ Each with paid up capital of Rs. 1 crore and above.
Source : RBI studies on company finances.

Table IV.20 : Size-wise Classification of Borrowal Accounts and Advances of Scheduled Commercial Banks

(Number of Accounts in full)
(Amount in Rupees Lakhs)

Range of Credit Limit† Rs.	March 31, 1968		June 29, 1973		June 28, 1974	
	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding
1	2	3	4	5	6	7
10,000 or less	10,01,632 (88·9)	127, 21 (4·2)	42,22,051 (90·2)	562,32 (8·9)	4984,855 (90·3)	710,29 (8·9)
Over 10,000 and upto 1 lakh ..	97,537 (8·6)	309,38 (10·0)	3,79,553 (8·1)	842,91 (13·3)	4,41,315 (8·0)	1,054,16 (13·2)
Over 1 lakh and upto 5 lakhs ..	19,123 (1·7)	399,19 (13·0)	58,309 (1·2)	802,54 (12·7)	67,836 (1·3)	1,013,29 (12·7)
Over 5 lakhs and upto 25 lakhs ..	8,061 (0·8)	1,362,14 (44·5)	14,309 (0·3)	944,46 (14·9)	18,065 (0·3)	1,349,87 (16·9)
Over 25 lakhs and upto 1 crore ..			5,039 (0·1)	1,310,29 (20·7)	4,951 (0·1)	1,540,13 (19·2)
Over 1 crore and upto 5 crores ..	474	866,44	1,036 (Neg.)	1,051,18 (16·6)	1,306 (Neg.)	1,372,20 (17·1)
Over 5 crores and upto 10 crores ..	(Neg.)	(28·3)	65 (Neg.)	255,48 (4·0)	98 (Neg)	405,74 (5·1)
Over 10 crores ..			46 (Neg.)	543,99 (8·6)	61 (Neg.)	533,64 (6·7)
Composite limit and unclassified ..			2,027 (0·1)	20,30 (0·3)	1,572 (Neg.)	19·74 (0·2)
Total	**11,26,827 (100·0)**	**3,064,36 (100·0)**	**46,82,435 (100·0)**	**6,333,47 (100·0)**	**55,20,059 (100·0)**	**7,999·09 (100·0)**

Neg.—Negligible.

Note : Figures within brackets represent percentages to total.

† The size-wise classification for 1968 is based on outstanding credit while that for other years it is based on credit limit.

Sources : Data for March 31, 1968 are based on the 'Survey of Advances of Scheduled Commercial Banks According to Purpose, and for June 29, 1973 and June 28, 1974 are based on 'Basic Statistical Returns'.

Table IV.21 : Scheduled Commercial Banks' Credit to Public and Private Sectors

(Amount in Rupees Crores)

As on	Public Sector		Private Sector		Total Bank Credit Outstanding
	Amount Outstanding	% to total Credit	Amount Outstanding	% to total Credit	
1	2	3	4	5	6
June 28, 1968	267·2	8·6	2835·7	91·4	3102·9
June 29, 1973	1056·8@	16·7	5276·7	83·3	6333·5
December 28, 1973	1052·4@	14·8	6038·6	85·2	7091·0
June 28, 1974	1218·9@	15·2	6780·2	84·8	7999·1
Of which :					
(*a*) Trade & Other Sectors	775·1	22·5	2667·9	77·5	3443·0†
(*b*) Manufacturing of which :	365·7	8·2	4072·4	91·8	4438·1
(1) Cotton Textiles	8·5	1·5	575·5	98.5	584.0
(2) Chemicals & Chemical Products ..	16·5	3·7	428·9	96·3	445·4
(3) Basic Metal & Metal Products ..	38·1	7·4	478·1	92·6	516·1
(4) Engineering	167·3	19·4	696·4	80·6	863·6
(*c*) Electricity Generation, Transmission and Distribution	78·1	66·2	39·9	33·8	118·0

@ Sector-wise breakup of credit available from BSR-1 (Part A) relates to accounts with credit limits of over Rs. 10,000. However, it may be assumed that there are no public sector borrowings with limits below this level. Hence, the amounts under 'Public Sector' are taken from Part A of BSR-1 while figures from Part B (i.e. relating to accounts with limits of Rs. 10,000 and below) are included wholly under Private Sector.

† Includes Rs. 523 Crores for public food procurement operations.

Bank Credit to Public Sector

During the year, the proportion of credit to public sector recorded a slight decline from 16.7 per cent at the end of June 1973 to 15.2 per cent at the end of June 1974 (Table IV.21). However, the proportion of credit for financing manufacturing activities in the public sector recorded an increase from 7.2 per cent to 8.2 per cent.

Distribution of Credit According to Interest Range

Data on bank credit classified according to various interest rates reveal the impact of monetary policy which had adopted a levering up of interest rates structure as a restrictionary measure. The quantum of credit given at high interest ranges has increased with a concomitant decline in low cost credit. Advances given at or below 9 per cent rate which formed 24.0 per cent of total credit in June 1973 declined to 18.3 per cent in 1974 (Table IV.22). Even more

Table IV.22 : Distribution of Outstanding Credit† of Scheduled Commercial Banks According to Interest Range

(Amount in Lakhs of Rupees)

Interest Range	As on the last Friday of					
	June 1973		December 1973		June 1974	
	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Oustanding	No. of Accounts	Amount Outsanding
1	2	3	4	5	6	7
6 per cent and less	16,558 (4·3)	143,28 (3·0)	18,161 (4·2)	140,80 (2·7)	19,235 (4·2)	141,51 (2·5)
Above 6 per cent and upto 8 per cent	35,984 (9·4)	431,51 (9·2)	33,828 (7·8)	476,88 (9·2)	34,588 (7·6)	546,24 (9·4)
Above 8 per cent and upto 9 per cent	20,240 (5·3)	554,22 (11·8)	22,197 (5·2)	373,88 (7·2)	22,588 (4·9)	368,30 (6·4)
Above 9 per cent and upto 10 per cent	56,329 (14·7)	935,43 (19·8)	44,191 (10·3)	419,85 (8·1)	43,437 (9·5)	228,49 (4·0)
Above 10 per cent and upto 11 per cent	135,321 (35·5)	1770,39 (37·6)	119,559 (27·8)	1702,83 (32·7)	98,680 (21·7)	1500,19 (26·0)
Above 11 per cent and upto 12 per cent	90,281 (23·6)	721,79 (15·3)	95,120 (22·1)	1354,07 (26·0)	72,637 (15·9)	1032,18 (17·9)
Above 12 per cent and upto 13 per cent			68,794 (16·0)	585,99 (11·2)	155,105 (34·0)	1875,21 (32·5)
Above 13 per cent and upto 15 per cent	27,147 (7·1)	147,55 (3·1)	27,349 (6·3)	149,20 (2·8)		
Above 15 per cent	89 (—)	30 (—)	1,298 (0·3)	6,36 (0·1)	10,252 (2·2)	74,54 (1·3)
Unclassified	280 (0·1)	8,77 (0·2)	—	—	—	—
Total	**382,229 (100·0)**	**4713,24 (100·0)**	**430,497 (100·0)**	**5209,86 (100·0)**	**456,702 (100·0)**	**5766,66 (100·0)**

† Relates to accounts with credit limit more than Rs. 10,000; excludes inland and foreign bills purchased and discounted.

Note : Figures in brackets indicate percentages to total.

Source : Basic Statistical Returns.

striking is the fact that credit extended above 12 per cent rate which constituted only 3.3 per cent of the total in 1973 increased to as much as 33.8 per cent in 1974.

V. ADVANCES TO PRIORITY SECTORS

Overall Position

Commercial banks showed further progress in respect of improving the relative share of credit to priority sectors, in particular, to the agricultural sector. Preferential treatment was also extended to the export sector. During the year, scheduled commercial banks' advances to the priority sector as a whole increased by 17.3 per cent from Rs. 2466 crores to Rs. 2892 crores. Consequently, the share of these advances rose from 36.7 per cent of the total bank credit (excluding credit for food procurement) in December 1973 to 37.5 per cent in December 1974. Public sector banks accounted for 86.8 per cent of the total priority sector advances at the end of December 1974. The shares of State Bank Group and that of the fourteen nationalised banks in total priority sector advances worked out to 29.2 per cent and 57.6 per cent, respectively. During the year, the share of direct agricultural finance in the total priority sector advances increased from 17.2 per cent to 18.6 per cent (Table IV.23). The share of small-scale industries in total priority sector advances, also increased from 34.8 per cent in December 1973 to 35.2 per cent in December 1974.

While the trend in the scheduled commercial banks' advances to agriculture is discussed under 'Rural Credit' Section of this Chapter, the trends in advances to the other priority sectors are briefly reviewed below.

Advances to Small Scale Sector

The small scale sector continued to receive increasing amount of bank credit. At the end of December 1974, the total amount of credit outstanding to this sector aggregated Rs. 1147 crores showing an increase of Rs. 184 crores or 19.1 per cent over the level a year ago. At this level, advances to this sector accounted for 14.9 per cent of total bank credit (excluding food advances). The bulk of this amount (Rs. 1017 crores) or 88.7 per cent was in respect of the small scale industries as against Rs. 859 crores at the end of December 1973. Consequently, their proportion to the total bank advances (excluding food advances) increased from 12.8 per cent to 13.2 per cent. However, their proportion to the total priority sector advances declined from 34.8 per cent to 35.2 per cent. Advances to industrial estates and road and water transport operators also increased during the year by Rs. 3 crores and Rs. 23 crores, respectively.

Advances to Export Sector

The export sector continued to be an important segment of the priority sector. The outstanding export credit at the end of December 1974 stood at Rs. 771 crores or Rs. 63 crores higher than the level a year ago. The increase was wholly accounted for by public sector banks whose share increased from Rs. 557 crores to Rs. 627 crores. Further, the increase was more pronounced in respect of post-shipment credit which moved up by over Rs. 61 crores, the pre-shipment credit recording a rise of Rs. 2 crores.

Graph 20

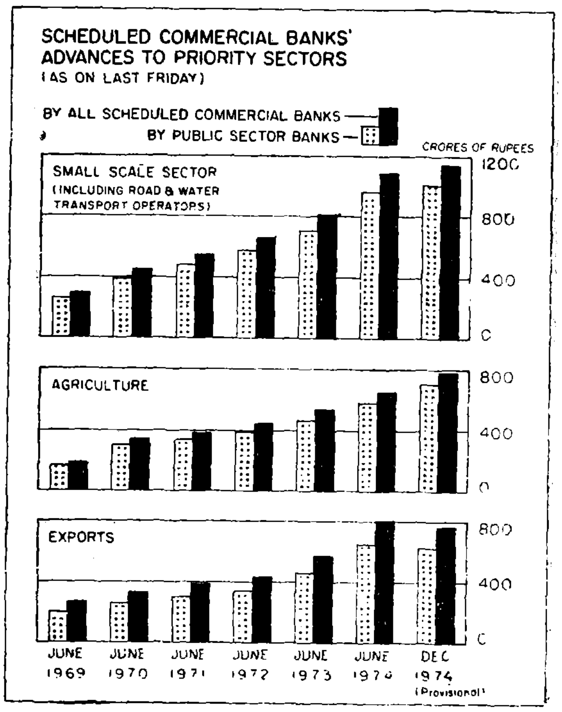

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Table IV.23 : Scheduled Commercial Banks' Advances to the Priority Sectors

(No. of Accounts in thousands)
(Amount in Rupees Crores)

Sectors	Period ending	Public Sector Banks		All Scheduled Commercial Banks	
		No. of Accounts	Amount outstanding	No. of Accounts	Amount outstanding
1	2	3	4	5	6
1. Agriculture	**June 1969**	**165**	**162**	**268**	**188**
	December 1973	**1789**	**547**	**2178**	**617**
	December 1974*	**2213**	**706**	**2570**	**781**
Of which :					
(i) Direct Finance	June 1969	160	40	257	54
	December 1973	1570	369	1950	423
	December 1974*	1920	478	2267	539
(ii) Indirect Finance	June 1969	5	122	11	134
	December 1973	219	178	228	194
	December 1974*	293	228	303	242
2. Small-Scale Sector@	**June 1969**	**75**	**257**	**85**	**294**
	December 1973	**247**	**852**	**265**	**963**
	December 1974*	**279**	**1014**	**298**	**1147**
Of which :					
(i) Road & Water Transport Operators@	June 1969	2	6	3	8
	December 1973	57	79	64	98
	December 1974*	66	95	74	121
(ii) Small-Scale Industries@	June 1969	73	251	82	286
	December 1973	190	767	201	859
	December 1974*	213	910	224	1017
(iii) Setting up of Industrial Estates	June 1969	Neg.	Neg.	Neg.	Neg.
	December 1973	Neg.	6	Neg.	6
	December 1974*	Neg.	9	Neg.	9
3. Exports	**June 1969**	—	**204**	—	**270**
	December 1973	—	**557** (256)	—	**708** (339)
	December 1974*	—	**627** (306)	—	**771** (400)
4. Other Priority Sectors	**June 1969**	**42**	**22**	..	..
	December 1973	**480**	**148**	**521**	**178**
	December 1974*	**560**	**162**	**599**	**193**
Of which :					
(i) Retail Trade and Small Business	June 1969	33	19	..	..
	December 1973	305	116	335	141
	December 1974*	347	125	374	149
(ii) Professional and Self employed persons	June 1969	8	2	..	..
	December 1973	162	28	171	33
	December 1974*	199	33	208	40
(iii) Education	June 1969	1	1	..	..
	December 1973	13	4	15	4
	December 1974*	14	4	17	4
Total Priority Sector Advances (1+2+3+4)	**June 1969**	**282**	**645**	**395**	**774**
	December 1973	**2516**	**2104**	**2964**	**2466**
	December 1974*	**3052**	**2509**	**3467**	**2892**
Total Bank Credit (excluding food advances)	**June 1969**		**2783**		**3366**
	December 1973		**5568**		**6711**
	December 1974		**6466**		**7705**
Percentage of Priority Sector advances to Total Bank Credit	June 1969		23·2		22·3
	December 1973		37·8		36·7
	December 1974*		38·8		37·5

* Provisional. @ The total is based on number of units and not number of accounts in respect of small-scale sector.
.. = Not available. Neg. = Negligible.
Note : Figures in brackets relate to post-shipment credit.

During the year some modifications were effected in regard to bank credit to this sector. Consequent on the general increase in the lending rates of banks, the maximum rate of interest on export credit was raised in July 1974 from 9 per cent to 10.5 per cent excepting in the case of post-shipment credit given on deferred payment terms. The ceiling rate of interest on such post-shipment credit was maintained at 7 per cent, until the 24th September 1974 when, following the introduction of a tax on interest earned by banks, it was raised to 8 per cent. Simultaneously, the maximum rate of interest on other export credit was also stepped up from 10.5 per cent to 11.5 per cent. The concessional ceiling rate of 8 per cent is applicable only for post-shipment credit given on deferred payment basis for more than one year irrespective of whether the amount is payable in a lump sum or instalments. In respect of loans and advances granted against duty drawbacks and cash incentives, at the pre-shipment or post-shipment stage, the ceiling rate was made applicable upto a period not exceeding 90 days.

Further, in view of the international developments which warranted provision of additional incentives to the export sector, some relaxations were effected in respect of the duration of the concessional rate of interest available for export credit. As stated earlier, these relaxations were announced as a part of the 1975 slack season credit policy.

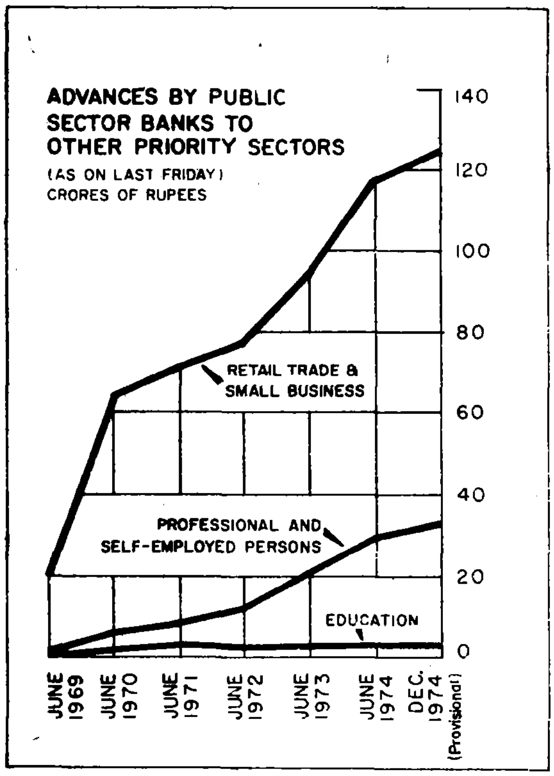
Export Credit (Interest Subsidy) Scheme, 1968

Under the Export Credit (Interest Subsidy) Scheme 1968, commercial banks are eligible for interest subsidy at 1.5 per cent per annum for export credit given by them at a rate of interest not exceeding the prescribed ceiling. The claims for subsidy under the Scheme amounting to Rs. 7.53 crores received from 43 eligible banks were settled during the period July 1974 to June 1975 ; pre-shipment credit accounted for Rs. 4.21 crores and post-shipment credit for Rs. 3.32 crores. The total subsidy disbursed under the Scheme since its inception upto June 30, 1975 amounted to Rs. 30.07 crores.

Standing Committee on Export Finance

Problems of export finance are not only complex but their character may undergo changes in the light of international developments. To provide an institutional means for dealing with the problems as they arise, the Reserve Bank has set up a Standing Committee on Export Finance. The Committee includes representatives of Industrial Development Bank of India, Export Credit Guarantee Corporation of India Ltd., Foreign Exchange Dealers' Association of India, Union Ministries of Commerce and Finance and commercial banks. The Standing Committee is expected not only to look into problems, as they arise out of the implementation of export credit policies but also to anticipate such problems and suggest suitable solutions.

Graph 21



Advances to Other Priority Sectors

Commercial banks' advances to other priority sectors like retail trade, small business, professional and self-employed persons as also educational purposes aggregated Rs. 193 crores at the end of December 1974 or Rs. 15 crores more than at the end of December 1973. More than half of the increase was accounted for by retail and small business.

VI. GEOGRAPHICAL AND FUNCTIONAL COVERAGE OF BANKS

Branch Expansion and Geographical Coverage

The year 1974-75 (July-June) witnessed a significant expansion in bank branches and a consequential improvement in the spread of banking facilities. During the year, commercial banks opened 1803 new offices as against 1593 offices opened last year. Of these new offices, 492 were opened by the State Bank of India and its subsidiaries, 851 by the nationalised banks, 459 by private sector banks and 1 by Sonali Bank (Bangladesh). However, due to the closure of 9 offices, there was a net increase of 1794 offices during the year. With this, the number of commercial bank offices in the country since July 19,1969, increased by 10,409 to 18,730 at the end of June 1975 (Table IV.24). In the result, the average number of population per bank office which came down progressively from 65,000 (1961 census) at the end of June 1969 to 30,000 (1971 census) at the end of December 1974 dropped further to 29,000 (1971 census) at the end of June 1975.

The emphasis on extending banking facilities to the unbanked areas was also sustained with 547 of the new offices opened during the year being in these areas. Population group-wise, the rural centres topped the list. Of the increase of 10,409 offices since July 19, 1969, 4946 (47.5 per cent) were in the rural centres and 2225 (21.4 per cent) were in the semi-urban centres ; the urban and metropolitan centres respectively accounted for 1811 (17.4 per cent) and 1427 (13.7 per cent) offices.

State-wise Growth in Branches, Deposits and Advances

Data on the growth of bank branches, deposits and advances on State-wise basis which are available upto June 1974 are set out in Tables IV.25 and 26. It could be seen from these data that the expansion in bank offices between June 1969 and June 1974 was widespread over all the States. In absolute terms, the increase was the highest in Uttar Pradesh (924). This State together with Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu accounted for 50 per cent of the increase in offices during the five-year period.

The growth in bank offices also helped mobilisation of deposits and larger disbursement of credit in all the States. In absolute terms, deposit growth was the highest in Maharashtra, followed by West Bengal and Uttar Pradesh—all the three accounting for 42.4 per cent of the overall increase in deposits during the period. Nevertheless, the share of Maharashtra and West Bengal to total deposits declined, while that of Uttar Pradesh as also most of the other states increased.

In the case of bank credit also, the overall increase of Rs. 4457 crores was shared by all the States (Table IV.26). However, in the case of some states, for example, Bihar, Himachal Pradesh, and Jammu & Kashmir the increase in bank credit was conspicuously smaller than the increase in deposits. Further, their respective shares in total bank credit, except in the case of Bihar, either remained unchanged or showed only fractional rises during the period.*

Growth in Deposits and Credit : Population Group-wise

Population group-wise, rural centres recorded a marked increase in bank credit. The rate of growth in credit in these centres was one and a half times that of deposits ; in the semi-urban centres also the rate of growth was considerably higher than that of deposits while the opposite trend was noticed in urban and metropolitan centres where the growth rate in deposit far exceeded the rate of growth in credit. The larger rate

* Bank credit as referred to in this paragraph and in subsequent paragraphs relate to credit according to sanction and not according to utilisation.

of growth in bank credit in the rural and semi-urban centres may be attributed to the continuous efforts made by banks since nationalisation of the 14 major banks to provide larger finance to these areas.

Among the States, Uttar Pradesh topped the list with an increase of Rs. 100 crores (Table IV.27) in deposit in rural centres, followed by Gujarat (Rs. 86 crores), Punjab (Rs. 76 crores) and Karnataka (Rs. 54 crores). In the case of advances, Andhra Pradesh accounted for the largest increase of Rs. 50 crores in rural centres, followed by Karnataka (Rs. 47 crores) and Tamil Nadu (Rs. 44 crores).

Graph 22

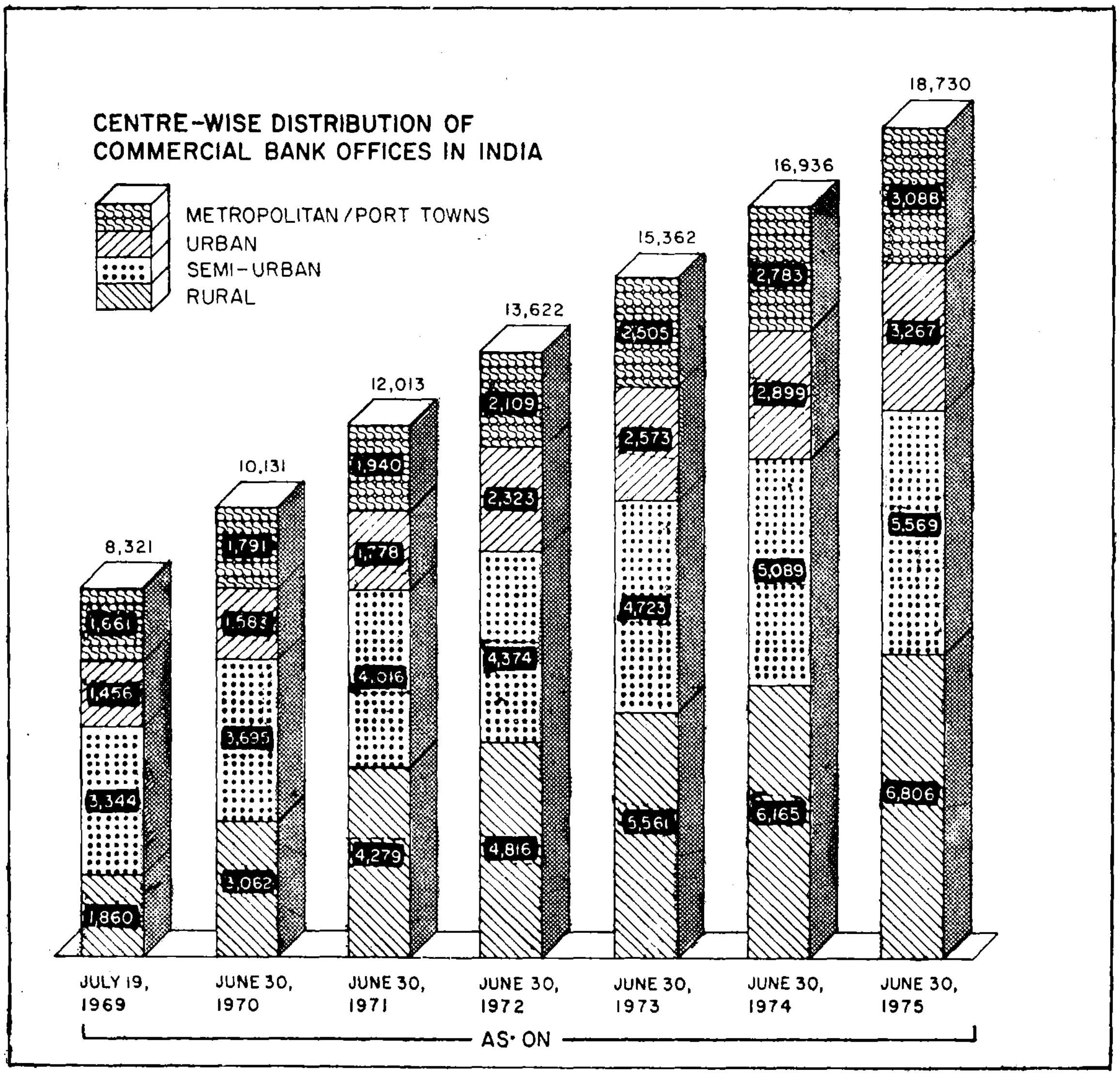


Table IV.24 : Centre-wise Distribution of Commercial Bank Offices in India

Bank Group	Number of offices as on						
	19-7-1969					30-6-1974	
	Rural	Semi-Urban	Urban	Metropolitan/Port town	Total	Rural	Semi-Urban
1	2	3	4	5	6	7	8
State Bank of India ..	462 (29·4)	796 (50·7)	163 (10·4)	150 (9·5)	1,571 (100·0)	1,167 (38·0)	1,124 (36·6)
Subsidiaries of S.B.I. ..	358 (40·0)	375 (42·0)	86 (9·6)	75 (8·4)	894 (100·0)	737 (44·6)	566 (34·3)
14 Nationalised Banks ..	703 (16·9)	1,465 (35·1)	928 (22·3)	1,072 (25·7)	4,168 (100·0)	3,195 (35·4)	2,363 (26·2)
Other Commercial Banks	337 (20·0)	708 (41·9)	279 (16·5)	364 (21·6)	1,688 (100·0)	1,066 (33·4)	1,036 (32·4)
Grand Total	**1,860 (22·3)**	**3,344 (40·2)**	**1,456 (17·5)**	**1,661 (20·0)**	**8,321 (100·0)**	**6,165 (36·4)**	**5,089 (30·1)**

Bank Group	Number of offices as on							
	30-6-1974			30-6-1975				
	Urban	Metropolitan/ Port town	Total	Rural	Semi-urban	Urban	Metropolitan/ Port town	Total
1	9	10	11	12	13	14	15	16
State Bank of India ..	437 (14·2)	344 (11·2)	3,072 (100·0)	1,378 (39·7)	1,194 (34·3)	503 (14·5)	400 (11·5)	3,475 (100·0)
Subsidiaries of S.B.I. ..	189 (11·4)	160 (9·7)	1,652 (100·0)	764 (43·9)	594 (34·2)	213 (12·2)	168 (9·7)	1,739 (100·0)
14 Nationalised Banks ..	1,723 (19·1)	1,736 (19·3)	9,017 (100·0)	3,473 (35·2)	2,595 (26·3)	1,905 (19·3)	1,890 (19·2)	9,863 (100·0)
Other Commercial Banks	550 (17·2)	543 (17·0)	3,195 (100·0)	1,191 (32·6)	1,186 (32·5)	646 (17·7)	630 (17·2)	3,653 (100·0)
Grand Total	**2,899 (17·1)**	**2,783 (16·4)**	**16,936 (100·0)**	**6,806 (36·4)**	**5,569 (29·7)**	**3,267 (17.4)**	**3,088 (16·5)**	**18,730 (100·0)**

Notes : 1. Centres are defined as :

(*a*) Rural Centres—Places with a population upto 10,000.
(*b*) Semi-Urban Centres—Places with a population over 10,000 and upto 1,00,000.
(*c*) Urban Centres—Places with a population over 1,00,000 and upto 10,00,000.
(*d*) Metropolitan Centres—Places with a population over 10,00,000.
(*e*) Port Towns—Cochin, Kakinada, Mangalore, Nagapattinam, Okha, Paradeep, Pondicherry, Port Blair, Kandla, Visakhapatnam and Tuticorin.

2. Figures in brackets relate to percentages to the total in each bank group.
3. Reclassified on the basis of 1971 census population totals; figures have also been revised subsequent to the publication of the Bank's Annual Report and Trend and Progress of Banking in India, 1974-75.

Source : Returns submitted by banks.

Table IV. 25: Commercial Bank Offices, Deposits and Credit—State-wise and Population Group-wise 1969 and 1974

(As on the last Friday of June)

(Amount in Rupees Lakhs)

State/Union Territory	Rural						Semi-Urban					
	No. of Offices		Deposits		Advances		No. of Offices		Deposits		Advances	
	1969	1974	1969	1974	1969	1974	1969	1974	1969	1974	1969	1974
1	2	3	4	5	6	7	8	9	10	11	12	13
Andhra Pradesh ..	107	450	506	3964	420	5385	256	400	4652	11674	3444	8463
Assam	9	84	116	1184	60	205	44	68	2248	4730	698	1815
Bihar	29	269	468	3568	431	2677	156	264	8968	27271	2524	8407
Gujarat	199	578	2383	11027	351	3353	314	454	14602	28326	3662	11587
Haryana	42	158	212	1902	165	1154	107	194	3749	10339	1945	8349
Himachal Pradesh ..	23	133	395	3242	26	321	19	26	1011	2821	356	733
Jammu & Kashmir ..	5	85	42	956	3	145	9	21	217	859	4	240
Karnataka	189	709	2127	7560	925	5605	303	454	5844	12718	3064	9334
Kerala	118	429	1299	5701	422	2939	293	448	7283	15711	2896	7967
Madhya Pradesh ..	60	342	339	2507	37	1135	154	272	3239	8903	1517	4416
Maharashtra ..	121	447	805	5477	458	4063	328	507	8165	19692	2958	9630
Orissa	17	113	190	920	10	398	44	84	966	3011	427	1561
Punjab	90	425	1838	9485	264	2023	148	260	8815	19830	2024	7231
Rajasthan	112	339	549	2818	191	1703	154	236	2653	6060	1336	3775
Tamil Nadu	113	492	715	4035	448	4862	496	636	6634	16366	5089	14111
Uttar Pradesh ..	126	659	1345	11339	1081	5040	308	468	10641	27068	5440	11904
West Bengal	27	219	601	4312	15	947	148	247	6433	16959	657	3315
Delhi	—	—	—	—	—	—	—	—	—	—	—	—
Goa, Daman & Diu ..	52	89	556	3088	110	583	33	44	4384	6814	1871	3891
Pondicherry	3	11	9	103	12	120	9	15	500	1103	470	1174
Others	1	38	1	397	—	82	14	31	1402	3422	275	404
All India	**1443**	**6069**	**14496**	**83585**	**5429**	**42740**	**3337**	**5129**	**102406**	**243677**	**40657**	**118307**

Source : Banking Statistics.

Table IV. 25: Commercial Bank Offices, Deposits and Credit—State-wise and Population Group-wise, 1969 and 1974—(*Concld.*)

(As on the last Friday of June)

(Amount in Rupees Lakhs)

State/Union Territory	Urban/Metropolitan						Total					
	No. of Offices		Deposits		Advances		No. of Offices		Deposits		Advances	
	1969	1974	1969	1974	1969	1974	1969	1974	1969	1974	1969	1974
	14	15	16	17	18	19	20	21	22	23	24	25
Andhra Pradesh ..	204	384	11121	29005	10803	23808	567	1234	16279	44643	14667	37656
Assam	15	26	1065	3090	643	2124	68	178	3429	9004	1401	4144
Bihar	87	138	7500	19965	2272	6828	272	671	16936	50804	5227	17912
Gujarat	240	405	23212	42806	15530	35932	753	1437	40197	82159	19543	50872
Haryana	22	38	1375	3088	512	1141	171	390	5336	15329	2622	10644
Himachal Pradesh ..	—	—	—	—	—	—	42	159	1406	6063	382	1054
Jammu & Kashmir ..	21	58	2627	5823	538	1947	35	164	2886	7638	545	2332
Karnataka	263	457	15714	31973	13473	33013	755	1620	23685	52251	17462	47952
Kerala	137	191	6620	12505	6553	13628	548	1068	15202	33917	9871	24534
Madhya Pradesh ..	129	205	7538	18304	4974	13019	343	819	11116	29714	6528	18570
Maharashtra ..	665	1045	103472	213341	103646	198952	1114	1999	112442	238510	107062	212645
Orissa	39	58	1957	4969	1227	2944	100	255	3113	8900	1664	4903
Punjab	107	185	9655	20706	3530	13017	345	870	20308	50021	5818	22271
Rajasthan	98	168	5295	11944	2899	6969	364	743	8497	20822	4426	12447
Tamil Nadu	451	655	22000	55695	32526	63056	1060	1783	29349	76096	38063	82029
Uttar Pradesh ..	304	535	24504	56920	10774	29878	738	1662	36490	95327	17295	46822
West Bengal	328	522	57311	115954	69298	112528	503	988	64345	137225	69970	116790
Delhi	274	501	44925	94955	29122	69267	274	501	44925	94955	29122	69267
Goa, Daman & Diu ..	—	—	—	—	—	—	85	133	4940	9902	1981	4474
Pondicherry	—	—	—	—	—	—	12	26	509	1206	482	1294
Others	23	47	3726	7221	6480	17429	38	116	5129	11040	6755	17915
All India	3407	5618	349617	748264	314800	645480	8187	16816	466519	1075526	360886	806527

Source : Banking Statistics.

Table IV. 26 : Growth in Offices, Deposits and Advances of Scheduled Commercial Banks—State-wise

(June 1969 and June 1974)

(Amount in Rupees Crores)

Sr. No.	States/Union Territories	Increase between June 1969 and June 1974 in						Percentage share of			
		Bank Offices (Number)	Per cent to total	Deposits (Amount)	Per cent to total	Advances (Amount)	Per cent to total	Total Deposits		Total Advances	
								June 1969	June 1974	June 1969	June 1974
1	2	3	4	5	6	7	8	9	10	11	12
1.	Andhra Pradesh ..	667	7.7	284	4.7	230	5.1	3.5	4.2	4.1	4.7
2.	Assam . .	110	1.3	56	0.9	27	0.6	0.7	0.8	0.4	0.5
3.	Bihar	399	4.6	339	5.6	128	2.9	3.6	4.7	1.5	2.2
4.	Gujarat	684	7.9	419	6.8	313	7.0	8.6	7.6	5.4	6.3
5.	Haryana	219	2.5	100	1.6	80	1.8	1.1	1.4	0.7	1.3
6.	Himachal Pradesh ..	117	1.4	46	0.8	7	0.2	0.3	0.6	0.1	0.1
7.	Jammu & Kashmir ..	129	1.5	47	0.8	17	0.4	0.6	0.7	0.2	0.3
8.	Karnataka	865	10.0	286	4.7	305	6.8	5.1	4.8	4.8	5.9
9.	Kerala	520	6.0	187	3.1	147	3.3	3.3	3.2	2.7	3.0
10.	Madhya Pradesh ..	476	5.5	187	3.1	120	2.7	2.3	2.8	1.8	2.3
11.	Maharashtra	885	10.2	1261	20.7	1056	23.8	24.1	22.2	29.7	26.4
12.	Orissa	155	1.8	57	0.9	32	0.7	0.7	0.8	0.5	0.6
13.	Punjab	525	6.1	297	4.9	165	3.7	4.3	4.7	1.6	2.8
14.	Rajasthan	379	4.4	123	2.0	80	1.8	1.8	1.9	1.2	1.5
15.	Tamil Nadu	723	8.5	468	7.7	439	9.8	6.3	7.1	10.5	10.2
16.	Uttar Pradesh ..	924	10.7	589	9.7	296	6.6	7.8	8.9	4.8	5.8
17.	West Bengal	485	5.6	729	12.0	468	10.5	14.0	12.8	19.4	14.5
18.	Delhi	227	2.6	500	8.2	402	9.0	9.6	8.8	8.1	8.6
19.	Goa, Daman and Diu..	48	0.6	49	0.8	25	0.6	1.1	0.9	0.5	0.6
20.	Pondicherry	14	0.2	7	0.1	8	0.2	—	0.1	0.1	0.2
21.	Others..	78	0.9	59	0.9	112	2.5	1.2	1.0	1.9	2.2
	All India	**8629**	**100.0**	**6090**	**100.0**	**4457**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source : Banking Statistics.

Table IV. 27: Growth in Bank Offices, Deposits and Advances—Statewise and Population Group-wise (Rural, Semi-Urban & Urban/Metropolitan)

(June 1969 and June 1974)

(Amount in Rupees Crores)

Sr. No.	State/Union Territories	RURAL — Increases in: Bank Offices (Number)	Per cent of the total number offices opened in the State	Deposits (Amount)	Per cent of the deposits mobilised in the State	Increases in: Advances (Amount)	Per cent of advances made in the State	Bank Offices (Number)	Per cent of the number of offices opened in the State
1	2	3	4	5	6	7	8	9	10
1.	Andhra Pradesh ..	343	51	35	12	50	22	144	22
2.	Assam	75	68	11	20	1	4	24	22
3.	Bihar	240	60	31	9	22	17	108	27
4.	Gujarat	379	55	86	21	30	13	140	21
5.	Haryana	116	53	17	17	10	13	87	40
6.	Himachal Pradesh ..	110	94	28	61	3	43	7	6
7.	Jammu & Kashmir	80	62	9	19	1	6	12	9
8.	Karnataka	520	60	54	19	47	15	151	17
9.	Kerala	311	60	44	24	25	17	155	30
10.	Madhya Pradesh ..	282	59	22	12	11	9	118	25
11.	Maharashtra	326	37	47	4	36	3	179	20
12.	Orissa	96	62	7	12	4	13	40	26
13.	Punjab	335	64	76	26	18	11	112	21
14.	Rajasthan	227	60	23	19	15	19	82	22
15.	Tamil Nadu	379	52	33	7	44	10	140	19
16.	Uttar Pradesh ..	533	58	100	17	40	13	160	17
17.	West Bengal	192	40	37	5	9	2	99	20
18.	Delhi	—	—	—	—	—	—	—	—
19.	Goa, Daman & Diu	37	77	25	51	5	20	11	23
20.	Pondicherry	8	57	1	14	1	13	6	43
21.	Others	37	47	4	7	1	1	17	22
	All India	**4626**	**54**	**690**	**11**	**373**	**8**	**1792**	**21**

Source : Banking Statistics.

Note : Rural Centres : Places with population upto 10,000.
Semi-Urban Centres : Places with population over 10,000 and upto 1,00,000.
Urban Centres : (*a*) Metropolitan towns : Places with population over 10,00,000.
(*b*) Others : Places with population over 100,000 and upto 10,00,000.

Table IV. 27: Growth in Bank Offices, Deposits and Advances—Statewise and Population Group-wise (Rural, Semi-Urban & Urban/Metropolitan)

(June 1969 and June 1974)

(Amount in Rupees Crores)

		SEMI-URBAN					URBAN/METROPOLITAN				
		Increases in					Increases in				
Sr. No.	State/Union Territories	Deposits Amount	Per cent of the deposits mobilised in the State	Advances (Amount)	Per cent of the advances made in the State	Bank Offices (Number)	Per cent of the number of offices opened in the State	Deposits (Amount)	Per cent of the deposits mobilised in the State	Advances (Amount)	Per cent of the advances made in the State
		11	12	13	14	15	16	17	18	19	20
1.	Andhra Pradesh ..	70	24	50	22	180	27	179	64	130	56
2.	Assam	25	45	11	41	11	10	20	35	15	55
3.	Bihar	183	54	60	47	51	13	125	37	46	36
4.	Gujarat	137	33	79	25	165	24	196	46	204	62
5.	Haryana	66	66	64	80	16	7	17	17	6	7
6.	Himachal Pradesh ..	18	39	4	57	—	—	—	—	—	—
7.	Jammu & Kashmir	6	13	2	12	37	29	32	68	14	82
8.	Karnataka	69	24	63	21	194	23	163	57	195	64
9.	Kerala	84	45	51	35	54	10	59	31	71	48
10.	Madhya Pradesh ..	57	30	29	24	76	16	108	58	80	67
11.	Maharashtra	115	9	67	6	380	43	1099	87	953	91
12.	Orissa	20	35	11	34	19	12	30	53	17	53
13.	Punjab	110	37	52	32	78	15	111	37	95	57
14.	Rajasthan	34	26	24	30	70	18	66	55	41	51
15.	Tamil Nadu	98	21	90	21	204	29	337	72	305	69
16.	Uttar Pradesh ..	165	28	65	22	231	25	324	55	191	65
17.	West Bengal	106	15	27	6	194	40	586	80	432	92
18.	Delhi	—	—	—	—	227	100	500	100	402	100
19.	Goa, Daman & Diu	24	49	20	80	—	—	—	—	—	—
20.	Pondicherry	6	86	7	87	—	—	—	—	—	—
21.	Others	20	34	1	1	24	31	35	59	110	98
	All India	**1413**	**23**	**777**	**17**	**2211**	**35**	**3987**	**66**	**3307**	**75**

Source : Banking Statistics.

Table IV. 28 : Distribution of Deposits of Scheduled Commercial Banks According to Population Group and Type of Deposits

(As on the last Friday of June 1974)

(No. of Accounts in thousands)
(Amount in Rupees lakhs)

Population-Groups	Current			Savings		
	No. of Accounts	Amount Outstanding	Average per Account (Rs.)	No. of Accounts	Amount Outstanding	Average per Account (Rs.)
1	2	3	4	5	6	7
RURAL	**3,77**	**87,95**	**2333**	**50,60**	**343,18**	**678**
Per cent to total deposit category	(10.4)	(4.0)		(12.1)	(12.1)	
Per cent to total deposits	5.3	10.5		71.6	41.1	
SEMI-URBAN	**10,01**	**376,93**	**3766**	**92,95**	**770,55**	**829**
Per cent to total deposit category	(27.5)	(17.1)		(30.2)	(27.1)	
Per cent to total deposits	7.3	15.5		67.8	31.6	
URBAN	**10,46**	**517,19**	**4944**	**78,40**	**717,72**	**915**
Per cent to total deposit category	(28.7)	(23.5)		(25.5)	(25.2)	
Per cent to total deposits	8.7	19.5		65.5	27.0	
METROPOLITAN ..	**12,17**	**1219,52**	**10021**	**85,56**	**1012,02**	**1183**
Per cent to total deposit category	(33.4)	(55.4)		(27.8)	(35.6)	
Per cent to total deposits	9.6	25.3		67.5	21.0	
TOTAL	**36,41**	**2201,59**	**6047**	**307,51**	**2843,47**	**925**
Per cent to total deposit category	(100.0)	(100.0)		(100.0)	(100.0)	
Per cent to total deposits	8.0	20.5		67.7	26.5	

Source : Basic Statistical Returns.

The category-wise distribution of deposits reveals the predominance of savings deposits in respect of number of accounts and of fixed deposits in respect of amount. About 68 per cent of the 45 million deposit acccounts held by the commercial banks at the end of June 1974 were savings accounts but in respect of amount they accounted for only 27 per cent of the total deposits (Rs. 10,747 crores). On the other hand, fixed deposits accounted for over one half of the total amount held in less than one-fourth of the total number of accounts (Table IV. 28). Current deposits accounted for only 8.0 per cent of the total accounts and about one-fifth of the total amount of deposits. About 38 per cent of the total number of current accounts and 21 per cent of the current deposits were held by rural and semi-urban offices ; in the case of savings deposits they accounted for 47 per cent of the number of accounts and 39 per cent of the amount, while in the case of fixed deposits, their share was 46 per cent of the number of accounts and 30 per cent of the amount.

Table IV. 28 : Distribution of Deposits of Scheduled Commercial Banks According to Population Group and Type of Deposits

(No. of Accounts in thousands)
(Amount in Rupees lakhs)

Population -Groups	Fixed			Others			Total		
	No. of Ac-counts	Amount Out-standing	Average per Ac-count (Rs.)	No. of Ac-counts	Amount Out-staning	Average per Ac-count (Rs.)	No. of Ac-counts	Amount Out-standing	Averge per Ac-count (Rs.)
	8	9	10	11	12	13	14	15	16
RURAL	**15,84**	**400,61**	**2529**	**50**	**3,71**	**742**	**70,713**	**85,45**	**1182**
Per cent to total deposit category	(15.0)	(7.2)		(11.0)	(2.9)		(15.6)	(7.8)	
Per cent to total deposits	22.4	48.0		0.7	0.4		100.0	100.0	
SEMI-URBAN ..	**32,98**	**1275,38**	**3867**	**1,24**	**11,63**	**938**	**137,18**	**2434,49**	**1775**
Per cent to total deposit category	(31.2)	(22.9)		(27.2)	(9.3)		(30.2)	(22.7)	
Per cent to total deposits	24.0	52.4		0.9	0.5		100.0	100.0	
URBAN	**29,40**	**1388,00**	**4721**	**1,35**	**36,24**	**2684**	**119,61**	**2659,15**	**2223**
Per cent to total deposit category	(27.7)	(24.9)		(29.7)	(28.8)		(26.3)	(24.7)	
Per cent to total deposits	24.6	52.2		1.2	1.3		100.0	100.0	
METROPOLITAN ..	**27,61**	**2512,20**	**9099**	**1,46**	**74,11**	**5076**	**126,80**	**4817,85**	**3800**
Per cent to total deposit category	(26.1)	(45.0)		(32.1)	(59,0)		(27.9)	(44.8)	
Per cent to total deposits	21.8	52.1		1.1	1.6		100.0	100.0	
TOTAL	**105,83**	**5576,19**	**5269**	**4,55**	**125,69**	**2762**	**454,30**	**10746,94**	**2366**
Per cent to total deposit category	(100.0)	(100.0)		(100.0)	(100.0)		(100.0)	(100.0)	
Per cent to total deposits	23.3	51.8		1.0	1.2		100.0	100.0	

Source : Basic Statistical Returns.

VII. WORKING OF DIFFERENT INSTITUTIONS

E. Export Credit and Guarantee Corporation Ltd.

The business of the Export Credit and Guarantee Corporation (ECGC) during 1974-75 (July-June) showed further progress reflecting the growing tempo in exports. The number of policies and guarantees issued, increased from 5635 at the end of June 1974 to 6284 at the end of June 1975 (Table IV. 29). The number of policies and guarantees in force at the end of June 1975 stood at 6664 while the value of risks covered increased from Rs. 1426 crores to Rs. 2113 crores during 1974-75; of this, the value of shipments covered under policies amounted to Rs. 359 crores as compared to Rs. 255 crores during 1973-74. The value of financial guarantees amounting to Rs. 1753 crores was also higher than that of Rs. 1170 crores during the year 1973-74. The bank finance availed of by exporters also stood higher at Rs. 1701 crores as against Rs. 1261 crores in 1973-74. The premium income during the year at Rs. 3.93 crores was higher compared to Rs. 2.65 crores during 1973-74.

Table IV·29 : ECGC's Guarantees and Policies for Exporters
(July-June)

(Rupees Crores)

	Number of Policies and Guarantees					
	Issued during		In force at the end of		Bank finance availed of	
	1973-74	1974-75	1973-74	1974-75	1973-74	1974-75
1	2	3	4	5	6	7
1. Standard Policies	2232	2451	4462	4557	90.34	190.18
2. Packing Credit Guarantees ..	1718	1731	1376	1205	1075.16	1356.47
3. Post-shipment Guarantees ..	364	467	260	344	24.94	53.83
4. Export Finance Guarantees ..	254	304	178	174	8.92	11.26
5. Export Production Finance Guarantees	70	92	69	60	44.93	60.09
6. Export Performance Guarantees	997	1209	974	305	16.36	19.80
7. Transfer Guarantees	—	30	—	19	—	9.73
TOTAL	**5635**	**6284**	**7319**	**6664**	**1260.65**	**1701.36**

The Corporation also liberalised its cover in respect of the post-shipment credit and export performance guarantees by raising the rate of guarantee from 66⅔ to 75 per cent of the loss. The premium on post-shipment guarantee was also kept unchanged at 5 paise per Rs. 100/- per month. The increase in the rate of guarantee cover in respect of Export Performance was particularly helpful to intending bidders as banks are requested to issue bid bonds in a number of tenders before their clients succeed in securing a bid.

F. Credit Guarantee Corporation of India Ltd.

Advances guaranteed under the three schemes of the Credit Guarantee Corporation of India Ltd. as on the last Friday of December 1974 amounted to Rs. 530 crores, showing an increase of Rs. 98 crores over the December 1973 level. This included Rs. 526 crores of credit guaranteed under the Small Loans Guarantee Scheme. Over 66 per cent of the guaranteed credit under this Scheme went to farmers and agriculturists (Table IV.30). Credit guaranteed under the Financial Corporations Guarantee Scheme and the Service Co-operative Societies Guarantee Scheme, amounted to Rs. 3 crores and about Rs. 1 crore respectively.

Upto end-June 1975, 1748 claim applications involving Rs. 57.66 lakhs were received (Sector-wise details are furnished in Table IV.31). Of these, the Corporation discharged 68 claims for amounts aggregating Rs. 2.35 lakhs and rejected 33 claims for an aggregate amount of Rs. 1.66 lakhs. The credit institutions withdrew 84 claims for the total amounts of Rs. 1.75 lakhs as borrowers had subsequently adjusted their loan accounts. In cases where the Corporation has made payments in respect of claims, it becomes subrogated to the right of the credit institution to the extent of such payment. Accordingly, amounts aggregating Rs. 0.34 lakh towards repayments on account of claims paid were received by the Corporation till end-June 1975.

Table IV. 30 : Credit Facilities Guaranteed by the Credit Guarantee Corporation

(Rupees Crores)

	As on the last Friday of			
	June 1973	December 1973	June 1974	December 1974
1	2	3	4	5
A. Small Loans Guarantee Scheme (1)				
1. Transport operators	36·05	54·19	57·87	63·85
2. Traders in goods other than fertilisers or mineral oils	35·14	53·20	55·43	57·51
3. Traders in fertilisers or mineral oils	3·20	3·65	6·56	8·25
4. Professional and self-employed persons ..	16·94	26·58	28·47	31·26
5. Business enterprises	8·96	14·68	15·03	16·40
6. Farmers and agriculturists	199·72	276·09	295·63	346·25
7. Residual category of borrowers under the Differential Interest Rates Scheme	—	—	0·57	2·22
	300·01	428·39	459·56	525·74
B. Financial Corporations Guarantee Scheme(2)				
1. Transport operators	2·59	2·61	2·68	2·76
2. Business enterprises	0·19	0·18	0·18	0·20
	2·78	2·79	2·86	2·96
C. Service Co-operative Societies Guarantee Scheme (3)				
1. Service Co-operative Societies	0·53	0·97	0·95	0·94

(1) Figures as on last Friday of December 1974 relate to 70 out of 73 scheduled commercial banks which have joined the Scheme.
(2) Figures as on last Friday of December 1974 relate to 12 out of 18 financial corporations.
(3) Figures as on last Friday of December 1974 relate to 4 scheduled commercial banks only.

Table IV. 31 : Claims Under Guarantee Scheme upto end-June 1975

Sector	No. of Claims	Amount (Rs.)
1	2	3
1. Transport Operators ..	59	4,23,959
2. Traders in goods other than fertilisers or mineral oils	198	4,06,946
3. Traders in fertilisers or mineral oils	1	340
4. Professional and self-employed persons ..	189	2,23,411
5. Business enterprises ..	16	18,403
6. Farmers and agriculturists	1284	46,91,597
7. Differential Interest Rates Scheme ..	1	1,213
Total	**1748**	**57,65,869**

The Working Group, which was constituted by the Corporation in 1972 to examine the question of extending the guarantee schemes to co-operative credit institutions submitted its report to the Corporation. The Group has recommended that it may not be practicable or necessary at present to cover the risk in respect of loans, advances and other credit facilities granted through co-operative banks or co-operative credit societies for financing agricultural operations or development, but has suggested that credit facilities in certain non-agricultural sectors can be covered. The recommendations of the Group are being considered by the Corporation in consultation with the Reserve Bank.

G. Deposit Insurance Corporation

During the year under review, one new commercial bank, viz., Sonali Bank, Calcutta, which has its registered office in Bangladesh was registered. As a result, the number of insured commercial banks increased from 80 to 81.

The Deposit Insurance Scheme has been extended to the co-operative banks in two more regions, viz., the Union Territory of Pondicherry and Kerala State. Following this, 513 eligible co-operative banks in the States of Andhra Pradesh, Jammu & Kashmir, Kerala, Madhya Pradesh, Maharashtra and the Union Territories of Delhi, Goa Daman & Diu and Pondicherry are now covered by the Scheme.

The capital of the Corporation which is entirely held by the Reserve Bank has been raised, with the approval of the Government of India from Rs. 1.50 crores to Rs. 2 crores with effect from January 1, 1975 in order to enable the Corporation to meet the increased establishment expenses following extension of the Scheme to more co-operative banks.

VIII. BANKING LEGISLATION

The R.B.I. (Amendment) Act, 1974

The Reserve Bank of India (Amendment) Act, 1974 received the assent of the President on December 13, 1974, and came into force on the same day. The amendments have (*i*) widened the powers of the Reserve Bank to provide refinance facilities to scheduled banks and State co-operative banks ; (*ii*) enlarged the scope of the term "agricultural operations" so as to permit extension of concessional refinance facilities by the Reserve Bank to apex co-operative banks in respect of loans to co-operatives exclusively formed for subsidiary activities undertaken not jointly but independently of farming ; these now include apart from agricultural activity dairy and poultry farming, pisciculture and other allied activities in addition to animal husbandry; (*iii*) widened the scope of the Reserve Bank to act as agent so as to enable the Bank to issue and manage bonds and debentures on behalf of statutory corporations like the Agricultural Refinance Corporation and the Industrial Development Bank of India ; (*iv*) enlarged the list of foreign securities eligible to be held as assets of the Issue Department of the Reserve Bank; (*v*) modified the definition of the term "liabilities" in the explanation below sub section (1) of Section 42 of the RBI Act, 1934 ; (*vi*) provided statutory protection to banks to exchange freely credit information mutually among themselves ; and (*vii*) vested the Reserve Bank with greater powers to exercise control over non-banking institutions receiving deposits.

Amendments to the Banking Regulation (Companies) Rules, 1949 and the forms prescribed thereunder

Arising out of the Report of the Committee on Banking Statistics and in the light of the Bank's experience in the administration of the Banking Regulation Act, 1949, certain amendments to the Banking Regulation (Companies) Rules, 1949 were thought necessary. The draft amendments were published in the Gazette of India dated January 4, 1975, calling for objections or suggestions with respect to the amendments. These amendments are proposed with a view to rationalise the existing forms prescribed for reporting information by the banking companies, and to obtain more information on certain points, e.g. Form-1 concerned with remuneration paid to the directors and the highest paid employees is to be amended so as to include information on travelling/halting/any other allowances paid by way of fixed amount (and not by way of reimbursement of expenses actually incurred) which amount to remuneration falling within the purview of Section 35B of the Banking Regulation Act.

Banking Laws Committee

The Banking Laws Committee set up by the Government of India submitted its first report on Negotiable Instruments Law. The recommendations made by the Committee mainly relate to the elimination of deficiencies noticed by the Committee in the Laws relating to Negotiable Instruments.

Indian Banks' Offices Abroad

Following the discussions with selected Indian commercial banks in April, 1974 to consider the question of opening branches by Indian banks outside India in the context of the growing international trade and other relevant factors, certain tentative decisions were taken in the matter. It was considered necessary to give priority for opening of offices in the West Asian Region, having regard to the high potential for absorption of capital goods, consumer goods and technical knowhow by the countries in this region in the context of their growing balance of payment surpluses. It was also considered necessary to give priority for opening offices in the international financial centres.

Pursuant to these objectives, certain proposals received by the Reserve Bank from the Indian commercial banks for opening offices in the Gulf Region were approved. Several proposals for opening offices of Indian banks in the international financial centres are also under consideration of the Reserve Bank.

During 1974-75, Indian commercial banks opened seven branches abroad, one each at Frankfurt (West Germany), Southhall (U.K.) Causeway Bay (Hong Kong), Streatham (U.K.) Dacca (Bangladesh), Nassau (Bahamas) and Abu Dhabi (Abu Dhabi). Licences for opening seventeen branches and six mobile offices abroad were issued to Indian commercial banks during the year.

IX. OTHER BANKING DEVELOPMENTS

H. Implementation of the Recommendations of the Banking Commission

In regard to the implementation of the recommendations of the Banking Commission which were accepted by the Government, the Bank issued various circulars to commercial banks, drawing their attention to all the concerned recommendations and suggesting that expeditious steps be taken to implement them. Thus, circulars were issued by the Bank in August 1974 on the recommendations of the Commission on :

(*a*) Banks' operating methods and procedures covering various areas in the functioning of banks, namely, customer service, credit procedures, internal control system and organisation and management which are primarily designed with a view to improving the functioning and operational efficiency of banks (contained in Chapter 11 of the Commission's Report).

(*b*) Measures for the promotion of deposit mobilisation and encouragement of advances to priority sectors, particularly small artisans and small-scale industries (contained in Chapter 6 and 7 of the Commission's Report).

(*c*) Enlargement of the facilities, etc., of the training of bank employees (contained in Chapter 14 of the Commission's Report).

I. Control over Non-banking Companies' Acceptance of Deposits

Reserve Bank's Powers Over Non-Banking Companies

During the year, the provisions of Chapter III B of the Reserve Bank of India Act, 1934 were amended by the Reserve Bank of India (Amendment) Act, 1974, vesting the Reserve Bank with greater powers to exercise control over non-banking institutions receiving deposits and financial institutions. The amended provisions came into force on December 13, 1974.

The amendments : (*i*) empower the Reserve Bank to inspect non-banking financial institutions whenever such inspection is considered necessary or expedient by the Bank; (*ii*) cast a statutory obligation on the auditor of a non-banking institution to report to the Reserve Bank the aggregate amount of deposits held by it where institution had failed to furnish the return, etc., required to be submitted by it ; (*iii*) insert the definition of the term 'deposit' in the statute itself so as to place beyond any doubt that any money received by non-banking institutions otherwise than by way of share capital constitutes deposits ; (*iv*) make the definition of the term 'financial institution' precise and comprehensive so as to plug the loopholes ; (*v*) make it compulsory not only for non-banking institutions but also for brokers to disclose full particulars and information before soliciting deposits ; and (*vi*) provide for enhanced penalties for contravention of the provisions of the Act and the directions issued by the Bank.

Amendments to the Directions Issued to Non-Banking Financial, Non-Financial & Miscellaneous Non-Banking Companies

The three principal notifications dated October 29, 1966 and August 23, 1973 issued to non-banking financial, non-financial and miscellaneous non-banking companies, respectively, were further amended effective from January 27, 1975 to reduce the ceiling in respect of deposits guaranteed by directors, deposits from shareholders, etc., from 25 per cent to 15 per cent of the paid-up capital and free reserves as diminished by the balance of accumulated loss, if any, and the companies were precluded from accepting further deposits under that category in excess of 15 per cent. Non-banking financial and non-financial companies have been given time till December 31, 1975 to wipe out the excess over the reduced ceiling while the miscellaneous non-banking companies, i.e., those conducting prize-chits/lucky draws/saving schemes, etc., which had been allowed time upto the end of September 1976 to wipe out the excess over the ceiling of 25 per cent fixed earlier have been allowed further time upto December 31, 1976 to bring down their outstandings in respect of the unsecured loans, etc., within the reduced ceiling of 15 per cent.

Directions Issued to Non-Financial Companies vis-a-vis the Companies (Acceptance of Deposits) Rules 1975

The Companies (Amendment) Act, 1974 which came into force from February 1, 1975 has inserted a new section 58A in the Companies Act, 1956, regulating acceptance of deposits by non-banking companies. Under the powers vested in terms of the aforesaid section, the Central Government have, after consulting the Reserve Bank, made rules governing acceptance of deposits by non-financial companies which have come into force with effect from February 3, 1975. Consequently, the directions issued by the Reserve Bank to non-financial companies have since been withdrawn.

Survey of Deposits with Non-Banking Companies

According to the survey of deposits with non-banking companies for the year ended March 31, 1972, the number of reporting financial companies further increased by 153 while that of non-financial companies increased by 762. The total number of reporting companies was 921 financial and 2234 non-financial. The number of accounts reported by them increased from 8.16 lakhs to 10.70 lakhs.

Total deposits and exempted loans not counting as deposits held by the reporting companies increased by Rs. 123.1 crores from Rs. 568.7 crores as on March 31, 1971 to Rs. 691.8 crores on March 31, 1972 ; of this, Rs. 211.0 crores were with financial companies and Rs. 480.8 crores were with non-financial companies. The increase of Rs.123.1 crores was the net result of a rise of Rs. 187.7 crores in deposits and a decline of Rs. 64.6 crores in exempted loans. As in the past, a large portion of deposits and exempted loans is accounted for by a few large companies with outstanding deposits and exempted loans of more than Rs. 25 lakhs each. Thus, out of 3155 reporting companies, 490 accounted for 75.3 per cent of the total deposits (Rs. 419.4 crores) and 78.2 per cent of the aggregate deposits and exempted loans (Rs. 691.8 crores). Of these, 71 were financial companies holding 64.2 per cent of the deposits with all financial companies while 419 non-financial companies accounted for 77.3 per cent of the deposits with all non-financial companies.

The reporting companies are mainly concentrated in the States of Maharashtra, West Bengal and Tamil Nadu. The companies in these States accounted for Rs. 488.2 crores of the aggregate deposits and exempted loans, the balance (Rs. 203.6 crores) being shared by companies spread over to rest of the country.

Study Group on Non-Banking Companies

After an examination of the recommendations of the Banking Commission in regard to Non-Banking Financial Intermediaries (NBFIs) and the Bank's views thereon, Government decided, inter alia, that statutory powers should be taken to prohibit acceptance of deposits by all unincorporated bodies and that the existing statute and the directions issued by the Reserve Bank may be tightened to plug the loopholes which are being taken advantage of, particularly by the private limited companies. Accordingly, the Bank constituted, in June 1974, the Study Group for examining in depth all aspects of the matter and make suitable recommendations for Government's decision. The Study Group submitted its report to the Bank on July 14, 1975 and necessary follow-up measures are being taken to implement the recommendations of the Group which have since been accepted by the Bank and the Government.

J. The Regional Rural Banks

As part of the new economic programme announced on July 1, 1975 , the Government of India decided to set-up regional rural banks throughout the country. The main objective of these banks is to develop the rural economy by providing for the purpose of development of agriculture, trade, commerce, industry and other productive activites in the rural areas, credit and other facilities particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs. Accordingly, the Regional Rural Banks Ordinance, 1975 was promulgated on September 26, 1975. Each rural bank will have an authorised capital of Rs. 1 crore and issued/paid-up capital of Rs. 25 lakhs. The share capital of these banks would be contributed as follows : 50 per cent by the Central Government, 15 per cent by the State Government concerned and 35 per cent by the sponsoring commercial bank. Initially, five banks have been established on October 2, 1975 at Moradabad and Gorakhpur in U.P., Bhiwani in Haryana, Jaipur in Rajasthan and Malda in West Bengal. These banks have been sponsored by Syndicate Bank, State Bank of India, Punjab National Bank, United Commercial Bank and United Bank of India, respectively. The new regional banks, though basically scheduled commercial banks, differ from the existing commercial banks in the following respects :

(*i*) Their area of operation would be limited to a specified region comprising one or more districts in any State.

(*ii*) They will grant loans and advances particularly to small and marginal farmers and agricultural labourers and to rural artisans, and to small entrepreneurs and persons of small means engaged in trade and other productive activities in their area of operation.

(*iii*) The lending rates of these banks will not be higher than the prevailing lending rates of co-operative societies in any particular State.

(*iv*) The salary structure of the employees of the regional rural banks will be prescribed by the Central Government having regard to the salary structure of the employees of the State Government and local authorities of comparable level and status in that area of operation of the bank.

It is expected that fifteen such banks would be set up by March 1976 and fifty by March 1977. Each rural bank will have its branches in its area of operation. It is expected that these banks will act as alternative agencies to provide institutional credit in rural areas, when the private moneylender is eliminated.

RURAL CREDIT

(a) General

The year under review witnessed not only an increase in rural credit provided by institutions but there was a considerable diversification in such credit. The improvement in total credit extended is reflected in Table IV. 32 which relates to direct loans given for agriculture by diffrent institutions and by State Governments. In contrast to the substantial reductions in term loans in 1973-74 as compared with 1972-73, term loans provided by co-operatives had shown a rise during 1974-75. The short-term loans of co-operatives also increased during the year under review by 12.6 per cent as against an increase of 11.4 per cent in the preceding year. State Governments also provided relatively larger resources in their budgets for agriculture and minor irrigation : these were mainly for short-term purposes. Loans issued by scheduled commercial banks estimated at Rs. 284 crores during the year ended March 1975 showed a rise of 29.7 per cent over the preceding year.

Table IV. 32: Direct Institutional Finance for Agriculture

(Rupees Crores)

Source	Amounts of Credit Disbursed					
	1970-71	1971-72	1972-73	1973-74	1974-75	
1	2	3	4	5	6	
I. Co-operatives@	743.80	768.97	957.88	901.78(P)	1025.74(E)	
(a) Short-term	514.90	540.94	612.75	683.40(P)	769.00(E)	(807)
(b) Term loans	228.90	228.03	345.13	218.38	256.74	(315)
II. Governments†	74.20	99.30	176.80	90.80	101.10	
III. Total of I & II	818.00	868.27	1134.68	992.58	1126.84	
(a) Short-term	589.10	640.24	789.55	774.20	870.10	
(b) Term loans	228.90	228.03	345.13	218.38	256.74	
IV. Commercial Banks+				219·16	284·17	
(a) Short-term	N.A.	N.A.	N.A.	105.40	143.45(E)	
(b) Term loans	N.A.	N.A.	N.A.	113.76	140.72(E)	

Figures in brackets are targets indicated in the Annual Plan, 1974-75.
E=Estimated. @ Years ending June. P = Provisional. + Years ending March.

The indirect institutional finance provided during the year had also gone up considerably. Such advances by co-operatives for procurement of foodgrains, distribution of fertilisers, etc. aggregated Rs. 523 crores as compared with Rs. 427 crores in 1973-74. The outstanding indirect advances by scheduled commercial banks went up from Rs. 211 crores as at end-June 1974 to Rs. 255 crores at end-March 1975.

Assuming that loans given by scheduled commercial banks during 1974-75 grew at the same rate as the levels of outstandings, the short-term and term loans of scheduled commercial banks for agriculture would have gone up to Rs. 143 crores and Rs. 141 crores, respectively. In the aggregate, direct short-term institutional and governmental finance during 1974-75 may be placed at Rs. 1,013 crores—which fell far short of the targets indicated in the Draft Fifth Plan. The direct term loans disbursed by co-operatives and scheduled commercial banks were of the order of Rs. 397 crores, which was about 83 per cent of the estimated target of Rs. 480 crores for 1974-75.

(b) Reserve Bank Credit to Co-operatives

The Bank's policy of extending support to the co-operative credit structure was fashioned in accordance with the overall policy of channelising credit for productive purposes. Particular emphasis was laid on restructuring and strengthening the co-operative credit institutions, reduction in regional imbalances by filling up credit gaps and realignment of the interest rate structure of co-operative credit consequent on the change in the Bank Rate in July 1974.

Short-term Credit: Policy Directions and Performance

The Bank continued to provide short-term credit to central co-operative banks so long as the ratio of their overdues to demand did not exceed 60 per cent. Larger credit limits were sanctioned for seasonal agricultural operations and the policy regarding financial accommodation to state co-operative banks for purchase, stocking and distribution of fertilisers was relaxed. Additional limits were sanctioned in all cases where commercial banks, which were expected to meet the

Table IV. 33 : Institutional Finance for Agricultural Development

(Rupees Crores)

Source	Loans issued during the year ended June 30				Loans outstanding as on June 30			
	1972	1973	1974	1975	1972	1973	1974	1975
1	2	3	4	5	6	7	8	9
A. Direct Finance								
1. Short-term loans								
1·1 Primary Agricultural Credit Societies ..	540·94	612·75	683·40[1]	769·00[1]	696·00	721·08	802·42[1]	863·00[2]
Of which : Through societies financed by commercial banks	6·54	9·58	12·30[1]	12·99[2]	N.A.	N.A.	N.A.	N.A.
1·2 Government Department Loans[3]	99·30	176·80	90·80	101·10	N.A.	N.A.	N.A.	N.A.
1·3 Scheduled Commercial Banks	N.A.	N.A.	105·40[1]	N.A. (143·45)[5]	107·30	138·52	178·55	240·66[6]
2. Medium/Long-term Loans								
2·1 Primary Agricultural Credit Societies ..	73·59	163·35	72·25[1]	96·00[2]	162·26	257·70	246·91[1]	314·00[2]
Of which : Through societies financed by commercial banks	0·62	0·77	1.03	0.59[6]	N.A.	N.A.	N.A.	N.A.
2·2 Land Development Banks (7)	154·44	181·78	146·13	160·74	786·51	858·23	924·28[1]	1002·00[2]
2·3 Government Department Loans	N.A.	N.A	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2·4 Scheduled Commercial Banks	N.A.	N.A.	113·76[1]	N.A. (140·72)[5]	160·43	203·23	256·85[1]	302·65[6]
Of which loans routed through schemes sponsored by :								
(1) Agricultural Refinance Corporation ..	3·26	4·49	17·36	27·87	7·21	11·11	27·08	51·47
(2) Agricultural Finance Corporation .. .. (from own funds)	11·22 (0·24)	16·42 (0·08)	16·88 (—)	3·63 (0·04)	N.A. (3·39)	N.A. (3·48)	N.A. (3·13)	N.A. (2·11)
Total Direct Finance ..	**882·75**	**1155·59**	**1211·74**	**1158·34 (1389·41)**	**1912·50**	**2178·76**	**2409·01**	**2722·31**
B. Indirect Finance								
3. Short-term loans[8]								
3·1 By State Co-operative Banks[9]	146·35	276·54	233·41[1]	319·00[2]	75·92	74·20	82·43[1]	87·00[2]
3·2 By Central Co-operative Banks[10]	178·46	208·80	193·99[1]	204·00[1]	59·16	66·47	89·30[1]	110·00[2]
3·3 By Scheduled Commercial Banks[11] ..	N.A.	N.A.	N.A.	N.A.	65·11	62·84	56·40	77·64[6]
4. Medium/Long-Term Loans								
4.1 Scheduled Commerical Banks	N.A.	N.A.	N.A.	N.A.	107·16	127·35	155·07	177·08[6]
4·2 Rural Electrification Corporation[12] ..	35·67	47·98	48·58	76·09	61·76	110·67	161·87	N.A.
Total Indirect Finance	**360·48**	**533·32**	**475·98**	**599·09**	**369·11**	**441·53**	**545·07**	**451·72**

1. Provisional.
2. Estimated.
3. Figures upto 1973-74 are provisions in State budgets for advances to cultivators. For 1974-75, the figure represents provision for direct advances for agriculture & minor irrigation. These are presumed to be for short term even though some portion may be for long-term.
4. Financial year 1973-74. Data obtained by D.B.O. & D. on Special Return.
5. Assuming 36 per cent and 23.7 per cent rise over 1973-74 in short-term and term advances of scheduled commercial banks.
6. End-March 1975.
7. Exclude advances to primary banks and societies by CLDBs but include total loans given by primary LDBs as well as to individual members by CLDBs.
8. Loans issued are inclusive of procurement finance while loans outstanding are exclusive of such advances.
9. Mainly consists of advances to apex institutions.
10. Finance given mainly to regional or primary level societies.
11. Advances for distribution of fertilisers and other inputs are taken as short-term.
12. Excluding Harijan Basti loans.

demand for such credit, did not provide enough accommodation for the purpose. The rate of interest to be charged on these limits was raised in July 1974, from 2 per cent to 3 per cent above the Bank Rate, subject, to the condition of keeping a minimum margin of 10 per cent. This margin could, however, be reduced to 5 per cent where default guarantee from the concerned State Government was provided. The same interest (i.e. 3 per cent above the Bank Rate) was charged on all limits for marketing of crops, including cotton and kapas. Besides these measures, two schemes introduced in 1973 *viz.* (*a*) the linking of the availability of finance for short-term agricultural purposes with that of the efforts of central co-operative banks in mobilisation of deposits and (*b*) the observance of proper seasonality in lending operations of central co-operative banks, were continued during the year. Drawals on credit limits from April 1, 1975 by central co-operative banks were permitted only on ensuring that after a specified month in the quarter of March to May, they brought down their borrowings from the apex bank to a stipulated level fixed, for each bank. Besides, the Bank fixed effective from July 1, 1974, ceilings for call deposits that apex banks may maintain with commercial banks—normally at 3 per cent of the aggregate liabilities of the concerned bank, subject to an overall liquidity of 35 per cent of the total liabilities. If the ceiling limits are not observed, the banks are required to pay penal interest as stipulated.

In order to link credit recovery with marketing of crops, drawals were allowed on the marketing limits only to the extent of recovery of dues. The crop loan system operating in all States since 1973-74 was slightly modified in the States of Andhra Pradesh and Tamil Nadu. This was, however, subject to certain safeguards where the loan component in the form of 'kind' was allowed to be disbursed in 'cash' owing to difficulties in getting chemical fertilizers.

Total limits sanctioned for seasonal agricultural operations during 1974-75 increased to Rs. 489.5 crores from Rs. 430.9 crores during 1973-74 (Table IV. 34). Aggregate drawals against the limits sanctioned and repayments made during the year were Rs. 811.8 crores and Rs. 751.2 crores, respectively; figures for the previous year were Rs. 619.4 crores and Rs. 612.8 crores. Total loans outstanding as at the end of June 1975 amounted to Rs. 212.2 crores as against Rs. 151.5 crores as at the end of June 1974. Limits sanctioned during 1974-75 for marketing of crops aggregated Rs. 40.3 crores including a limit of Rs. 20.0 crores sanctioned to the Maharashtra State Co-operative Bank for marketing of cotton and kapas under the Maharashtra Government's Monopoly Procurement Scheme, as against Rs. 40.6 crores (inclusive of a limit of Rs. 5 crores sanctioned to Maharashtra State Co-operative Bank) sanctioned last year. Aggregate drawals and repayments during the same period and outstandings as at end-June 1975 were Rs. 65.1 crores, Rs. 57.1 crores and Rs. 10.7 crores, respectively, as against Rs. 18.6 crores, Rs. 19.4 crores and Rs. 2.8 crores during 1973-74. In respect of credit for the purchase and distribution of fertilizers, while no limits were sanctioned during 1973-74, a limit of Rs. 28.2 crores was sanctioned in 1974-75. Drawals from the sanctioned limits amounted to Rs. 22.5 crores till June 1975. The outstanding as at end-June 1975 was of the order of Rs. 18.8 crores. Under credit to sugar factories, limits sanctioned to Maharashtra State Co-operative Bank and Karnataka State Co-operative Bank stood at Rs. 20.0 crores and Rs. 2.0 crores, respectively. The drawals, however, were more than thrice at Rs. 67.1 crores while repayments and outstandings as at the end of June 1975 were Rs. 45.1 crores and Rs. 22.0 crores, respectively.

Credit Controls

The Bank continued to regulate advances of co-operative banks against the security of cotton and *kapas*, oilseeds, oil and vanaspati, sugar, gur and khandsari, and foodgrains through its selective credit control directives. The Bank also fixed higher rate of interest on credit limits for marketing of all crops for the year 1974-75 at 3 per cent above the Bank Rate as against 2 per cent below the Bank Rate charged last year.

Medium-term Agricultural Credit

No major change was effected during the year in the policy of sanctioning medium-term credit limits to central co-operative banks, although its scope was further widened. Medium-term loans by co-operative banks to agriculturists for setting up gobar gas plants were

Table IV. 34 : Reserve Bank Credit to Co-operatives 1973-74 and 1974-75 (July-June)

(Rupees Crores)

Purpose of finance	1973-74 Limits sanctioned	1973-74 Drawals	1973-74 Repayments	1973-74 Outstandings	1974-75 Limits sanctioned	1974-75 Drawals	1974-75 Repayments	1974-75 Outstandings
1	2	3	4	5	6	7	8	9
I. Short-term	**502·09**	**665·09**	**656·53**	**171·21**	**613·88**	**997·66**	**892·72**	**276·15**
(i) Seasonal agricultural operations (at ½% below Bank Rate)[1] ..	430·83	619·44[2]	612·84	151·51[2]	489·52	811·79	751·15	212·15
(ii) Marketing of crops other than cotton and kapas	40·58 (ii & iii)	12·09	10·73	1·94	40·30 (ii & iii)	18·13	19·58	0·49
(iii) Marketing of cotton and kapas[3]		6·55	8·62	0·85		46·94	37·54	10·25
(iv) Purchase and distribution of fertilisers (at 3% above Bank Rate)[4]	—	—	2·75	—	28·20	22·45	3·65	18·80
(v) Production and marketing of handloom products (at 1½% below Bank Rate)[5]	14·49	13·38	16·08	5·03	15·69	29·43	23·37	11·09
(vi) Financing other cottage and small scale industries[5]	0·79	0·47	0·22	0·28	2·52	1·33	0·28	1·33
(vii) Purchase and sale of yarn (at Bank Rate)[5]	0·40	0·30	0·33	—	0·65	0·47	0·43	0·04
(viii) Loans to ARC (at Bank Rate) ..	15·00	12·86	4·96	11·60	15·00	—	11·60	—
(ix) Against pledge of sugar (at 3% above Bank Rate) ..	—	—	—	—	22·00	67·12	45·12	22·00
II. Medium-term	**34·42**	**48·26**	**40·27**	**73·98**	**117·32**	**59·77**	**34·53**	**99·21**
(i) Agricultural purposes (at 1½% below Bank Rate)[6]	11·77	6·03	10·43	19·91	9·87	4·58	8·83	15·65
(ii) Conversion of short-term loans into medium-term loans in scarcity affected areas (at 1½% below Bank Rate)[7]	22·47	41·26	29·44	52·88	106·92	55·03	25·36	82·55
(iii) Purchase of shares in co-operative sugar factories/processing societies (at Bank Rate)[6] ..	0·18	0·97[8]	0·40	1·19	0·53	0·16	0·34	1·01
III. Long-term	**31·02**	**31·02**	**9·07**	**122·00**	**48·37**	**48·37**	**12·17**	**158·20**
(i) Loans to State Governments for contribution to share capital of co-operative credit institutions[5] ..	8·02	8·02	5·57	68·00	8·37	8·37	6·37	70·00
(ii) Loans to ARC (at 4½%/4¾% per annum)[9]	23·00	23·00	3·50	54·00	40·00	40·00	5·80	88·20
Total	**567·53**	**744·37**	**705·87**	**367·19**	**779·57**	**1105·80**	**939·42**	**533·56**

1. At ½% below Bank Rate from 1973-74 subject to rebate of 1½% as per Rebate Scheme excepting under Section 17(4)(*a*) which continued to be at 2% below Bank Rate.
2. Revised.
3. Including monopoly procurement of cotton.
4. Prior to 1972, purchase and distribution of fertilisers was financed at Bank Rate by the Bank. However, from January 1972, the interest rate was raised to 2% above the Bank Rate with a view to aligning it to the lending rates of the commercial banks. Again it was further raised to 3% above Bank Rate in 1974. Data relate to calendar years 1973 and 1974.
5. Data relate to financial years.
6. Data relate to calendar years 1973 and 1974.
7. Including rephasement and reschedulement.
8. Drawn out of last year's limit extended upto June 30, 1974.
9. The interest rate was raised from 4 3/4% to 6% from September 9, 1974.

made eligible for refinance from the Bank. Similarly, credit for the purchase of bullock carts by farmers in the SFDA areas was also treated as an eligible medium-term advance.

For the year 1974, as against the total medium-term limit of Rs. 9.9 crores sanctioned for agricultural purposes (excluding advances for purchase of shares in sugar factories), the drawals were only Rs. 4.6 crores. In 1973-74, on the other hand, the total limits sanctioned were Rs. 11.8 crores and the drawals were Rs. 6.0 crores (Table IV. 34). Aggregate outstandings were Rs. 15.7 crores as at end-December 1974, as against Rs. 19.9 crores as at end-December 1973. The main reasons for under utilisation of medium-term credit limits sanctioned by the Bank in 1974-75 were (*i*) the rise in loan operations of the Land Development Banks for minor irrigation schemes for which refinance was available from the ARC and (*ii*) the scarcity and drought conditions then existing in certain parts of the country.

National Agricultural Credit (Stabilization) Fund

During 1974, in view of the unfavourable climatic conditions in many parts of the country, the Reserve Bank sanctioned from the Stabilisation Fund, larger medium-term conversion loans aggregating Rs. 106.9 crores as against Rs. 22.5 crores (including rephasement and reschedulement) sanctioned last year. Total drawals and outstandings amounted to Rs. 55.0 crores and Rs. 82.6 crores as against Rs. 41.3 crores and Rs. 52.9 crores, respectively, last year.

Long-term Agricultural Credit

Apart from insisting that 90 per cent of the loans issued by land development banks should be for productive purposes, norms were indicated for advances to primaries or branches of CLDBs on the basis of their recovery performance with relaxations, however, in respect of such advances by primaries or branches of CLDBs for minor irrigation. The other major developments were : (1) the separation of overdues of 5 years and above into a blocked account for purposes of excluding them in calculations about percentage of overdues to demand and the eventual liquidation of the blocked account within 5 years ; (2) the liberalisation in terms and conditions relating to loans for purchase of tractors ; (3) the decision to float debentures in two sets of 10 and 15 years maturity in place of the existing sets of 10, 12, and 15 years maturity ; (4) the increase in the interest rates on fixed deposits payable by LDBs; (5) the decision to allow fall in investments by CLDBs from sinking funds in debentures from the existing 60 per cent to 50 per cent, and allow rise in their investments in fixed deposits with state co-operative banks/commercial banks from 20 per cent to 30 per cent ; and (6) the imposition from April 1, 1975, of a flat interest rate of 6 per cent on advances made to the State Governments for contribution to share capital of co-operatives in place of the graded rate of interest charged earlier.

During the financial year 1974-75, the Reserve Bank advanced Rs. 8.4 crores to 16 State Governments for contribution to the share capital of co-operatives compared to Rs. 8.0 crores in 1973-74. The Bank also sanctioned a higher loan of Rs. 40 crores to ARC as compared with Rs. 23 crores last year (Table IV. 34).

National Agricultural Credit (Long-term Operations) Fund

The total contribution relating to the National Agricultural Credit (Long-term Operations) Fund upto end-June 1975 amounted to Rs. 334.0 crores. A contribution of Rs. 50 crores was made by the Bank during the year under review. Loans amounting to Rs. 53.8 crores were made out of this Fund during 1974-75 and the outstanding balance in this Fund at end-June 1975 amounted to Rs. 171.3 crores.

Ordinary Debenture Programme of Land Development Banks

As against the aggregate lending programme of Rs. 125.2 crores in 1974-75, the approved ordinary debenture programme of LDBs for the financial year ended March 1975 was fixed at Rs. 102.4 crores, as compared with the respective figures of Rs. 156 crores and Rs. 131 crores for 1973-74. Of these, Rs. 10 crores were kept in reserve (subsequently treated as lapsed) and Rs. 9.9 crores were expected to be raised by 'self help.' For the balance of Rs. 82.5 crores, support from different institutions was assumed. As against this, the amount issued and the actual subscriptions collected, however, amounted to Rs. 66.7 crores and Rs. 68.3 crores, respectively. The support expected and actual subscriptions received from various agencies during 1974-75 is shown in Table IV.35.

Table IV. 35 : LDB's Debenture Programme (1974-75)

(Rupees Crores)

Agency	Support Assumed	Actual Subscription
1	2	3
1. Central and State Budgets ..	17.9	14.6
2. LIC	10.0	15.1
3. S.B.I. Group	4.5	3.4
4. Other Commercial Banks (through I.B.A.)	10.6	8.1
5. R. B. I.	—	—
6. Sinking Funds of CLDBs) (Mutual support)..	39.5	9.9
7. Self help	9.9	17.2+
TOTAL	92.4@	68.3

+ Includes Rs. 2·4 crores from commercial banks, Rs. 2·0 crores from State Govts. and Rs. 1·9 crores from L.I.C. which subscribed outside the supported programme.

@ Excluding Reserve of Rs. 10 crores.

Floatation of Rural Debentures during 1974-75

No proposals for floation of rural debentures by the LDBs were approved by the Bank during the year 1974-75. However, support to ordinary debenture programme of LDBs was continued to be linked to their efforts in mobilising savings either by way of rural debentures or through conditional fixed deposits, from which the amount expected to be mobilised was Rs. 4.3 crores.

Industrial Co-operatives

During the financial year 1974-75, limits sanctioned and the gross drawals for financing handloom weavers' co-operative societies and small-scale industries totalled Rs. 18.2 crores and Rs. 30.7 crores, respectively, as against Rs. 15.3 crores and Rs. 13.9 crores during the previous year the amount outstanding at end-March 1975, being Rs. 12.4 crores as against Rs. 5.3 crores at end-March 1974. Drawals by the state co-operative banks, on behalf of the apex weavers' societies under Section 17(2)(a) or 17(4)(*c*) of the R.B.I. Act for purchase and sale of yarn during the year aggregated Rs. 0.5 crore as against Rs. 0.3 crore during the previous year.

The High Powered Study Team appointed by the Government of India in December 1973, to study the problems of the handloom industry and suggest programme of development during the Fifth Plan period, submitted its report in July 1974. In pursuance of the recommendations, beginning with January 1975, the Bank has extended the facility of granting medium-term loans at the Bank Rate to individual powerloom owners through primary urban banks and to members of powerloom weavers societies through central co-operative banks for purchase of shares in consumer type of co-operative spinning mills.

The scheme for restructuring of coir co-operatives in Kerala was put into operation from January 1975. Under the Scheme, the Reserve Bank has agreed to provide finance for working capital purposes to primary coir societies and central coir marketing societies which are identified as viable and potentially viable. Following an agreement with Kerala State Government, the Bank opened a line of credit by sanctioning to Kerala State Co-operative Bank on behalf of 8 central banks, credit limit for the year 1974-75 amounting to Rs. 1.25 crores.

(c) Co-operative Credit and other Institutional Finance: Primary Level

Primary Agricultural Credit Societies

Total short and medium-term credit advanced by the primary agricultural credit societies increased from Rs. 614.5(2) crores in 1971-72 to Rs. 776.1 crores in 1972-73 (or by 26.3 per cent); and after a decline to Rs. 755.7 crores in 1973-74, it is estimated to have gone up to Rs. 865.0 crores (or by 14.5 per cent) 1974-75. The deceleration in the quantum of credit advanced in 1973-74 mainly reflected

(2) Including societies financed by commercial banks.

the continued existence of high level of overdues and the consequential inability of primary co-operative credit societies to draw funds from financing agencies.

In view of the liberalised policy in respect of granting medium-term loans for identifiable productive purposes, the medium-term loans increased to an estimated level of Rs. 96.0 crores in 1974-75, compared with the estimated level of Rs. 72.3 crores in 1973-74.

The efforts for strengthening weak co-operative banks and for correcting regional imbalances in co-operative development were intensified during the year by providing larger funds to such banks for writing off their losses, bad debts and overdues. During the year, many such banks in the various States were brought under this "rehabilitation plan." The new Central Sector Plan Scheme for providing assistance to co-operative credit institutions in under-developed States envisaged in the Draft Fifth Plan is being implemented from the financial year 1974-75.

In view of the insufficient progress achieved so far in almost all States in respect of the programme of reorganisation of primary agricultural societies, the National Commission on Agriculture has recommended the organisation of Farmers' Service Societies. These societies are intended to provide not only credit but also agricultural inputs and technical guidance to members for forming large-sized multi-purpose societies. So far, 69 societies have been registered in 12 States. Of these, 43 are financed by co-operative banks and the rest by commercial banks.

Co-operative Marketing Societies

Under the Central Sector Plan Scheme for intensive development of selected co-operative marketing societies at the primary and state levels, the National Co-operative Development Corporation (NCDC) sanctioned a second instalment of credit of Rs. 69.9 lakhs to State Governments towards contribution to the share capital of 149 societies as against 362 societies in the first instalment. The NCDC further decided to provide for spill-over credit for marketing societies out of its own funds, though the scheme was discontinued from April 1, 1974. The value of agricultural produce marketed by co-operatives which increased from Rs. 921 crores during 1972-73 to Rs. 1100 crores in 1973-74, is estimated to have reached the level of Rs. 1200 crores during 1974-75. The number of primary marketing societies stood at 3262(3) with a membership of 30.0 lakhs as on June 30, 1973.

Co-operative Processing Societies

With the sanctioning of 25 new licences and cancellation of two licences issued earlier the number of co-operative sugar factories at end-December 1974 stood at 178, with installed licensed capacity of 36.9 lakh tonnes constituting 53.5 per cent of the total licensed capacity. There were in all 1856 agricultural processing units in March 1974 : these include apart from sugar factories, rice mills, oil mills, cotton ginning, cotton growers spinning mills and jute baling units.

The NCDC as well as IFCI continued to assist mainly sugar co-operatives and disbursed Rs. 2.0 crores and Rs. 2.1 crores, respectively during the fiscal year 1974-75. The outstanding amount as on March 31, 1975, stood at Rs. 50.6 crores for IFCI.

Industrial Finance Corporation of India Limited

IFCI has played a prominent role in developing industrial co-operatives by extending financial assistance. As on June 30, 1975, the Corporation had approved 127 projects involving assistance of Rs. 115.9 crores, of which Rs. 104.1 crores were disbursed. A majority of these projects consisted of sugar co-operatives.

National Co-operative Development Corporation

With a view to enabling the Corporation to play its role more effectively in planning, promoting and financing programmes under various schemes of the co-operatives in the field of processing, storage, marketing, etc., the NCDC Act was amended during the year following the recommendations of an Expert Committee. Besides effecting organisational changes, the Corporation extended its activities to development of co-operative dairy, poultry, fisheries and minor forest produce which are basically intended to benefit the most vulnerable sections of the community.

(3) Excluding 6 societies in Nagaland.

During the year, the Corporation provided total assistance of Rs. 11.0 crores under various schemes. It also offered technical guidance to co-operatives for the establishment of agricultural processing units and input industries. The Corporation received assistance from the Government for financing centrally sponsored schemes. With the approval of the Government and the Bank, it floated bonds in open market which netted Rs. 2.8 crores.

Consumer Co-operatives

At the end of June 1974, there were 14 state federations, 400 central/wholesale consumer co-operative stores and about 13,150 primary consumer co-operatives with the National Co-operative Consumers' Federation at the apex. Total sales of these were estimated to be around Rs. 325 crores in 1973-74 as against the target of Rs. 400 crores. The scheme of guarantee from the Government of India for securing adequate working capital on reduced margins to these stores, through banking channels was extended further from April 1, 1974 to March 31, 1979.

Urban Co-operative Banks

Most of the urban co-operative banks coming under the purview of the Banking Regulation Act were not able to comply with the essential provisions of the Act mainly due to inadequate resources and deficiencies in management. The Bank, therefore, indicated to all Registrars of co-operatives that they should not register any urban bank with a share capital below Rs. 1 lakh. The Bank also recommended to the Government of India certain amendments in the existing provisions of the Banking Regulation (as applicable to co-operative societies) Act, 1949 with a view to tightening the control over such banks. The Government of India has accepted the proposals and steps are being taken to amend the various Acts.

Central and State Warehousing Corporations

The number of warehouses of the Central Warehousing Corporation declined from 146 in 1974 (as on March 31, 1974) to 142 (as on February 28, 1975). The total capacity also decreased marginally from 15.99 lakh tonnes to 15.77 lakh tonnes. On the other hand, the number and total capacity of the 15 State Warehousing Corporations showed a rise from 967 with 16.26 lakh tonnes in March 1974 to 997 with 19.44 lakh tonnes in March 1975. The capacity of warehouses owned by the Centre and the States as a proportion of total (owned and hired) capacity increased, though fractionally, from 54.2 per cent in 1974 to 54.5 per cent by end-March 1975.

Agricultural Refinance Corporation

During 1974-75, the Agricultural Refinance Corporation sanctioned 623 schemes involving a financial outlay of Rs. 236 crores and the ARC's commitments therein were at Rs. 204 crores. This is in contrast to the trends during 1973-74 when the corporation sanctioned 550 schemes but involved larger outlays and commitments to the extent of Rs. 251.3 crores and Rs. 220.5 crores, respectively. The cumulative number of schemes receiving assistance from ARC till 1974-75 rose to 2053, involving a financial outlay of Rs. 1007.2 crores; of this amount, its own commitment was Rs. 877.4 crores, of which Rs. 423.1 crores were disbursed so far.

The increase in the number of schemes sanctioned during 1974-75 was mainly due to a sharp rise in schemes under farm mechanisation an dfisheries development.

Table IV. 36 shows that scheduled commercial banks continued to participate in an increasing manner in schemes for which refinance facilities are available from ARC. Thus, while the proportion of commercial bank's assistance in the total has gone up that of State/Central LDBs' has declined. The cumulative figure of number of schemes sanctioned and financial assistance committed by scheduled commercial banks till May 1975 worked out to 1140 and Rs. 218.4 crores, respectively. Of the schemes sanctioned, a number of schemes financed through commercial banks was 80 per cent of the total in 1974-75 as against 74 per cent in 1973-74. Among the schemes implemented through commercial banks, while minor irrigation schemes constituted the major activity financed by the commercial banks, other schemes assisted by them were plantation/horticulture, farm-mechanisation, dairy development, poultry

Table IV. 36 : Distribution of ARC Schemes Sanctioned by type of Banks (July-June)

(Amounts in Rupees Crores)

Schemes implemented through	1973-74		1974-75	
	No. of Schemes	Amount	No. of Schemes	Amount
1	2	3	4	5
Scheduled Commercial Banks	407 (74.0)	99.5 (39.6)	501 (80.4)	105.0 (44.5)
State/Central Land Development Banks ..	139 (25.3)	149.1 (59.3)	116 (18.6)	128.0 (54.2)
State Co-operative Banks	4 (0·7)	2.7 (1.1)	6 (1.0)	3.0 (1.3)
Total	**550**	**251.3**	**623**	**236.0**

Figures in brackets are percentages to total.

Table IV. 37 : Purpose-wise Distribution of Schemes Sanctioned by ARC during 1973-74 and 1974-75 (July-June)

(Rupees Crores)

	1973-74				1974-75			
	No. of schemes sanctioned[1]	Total financial assistance on schemes sanctioned	ARC's commitments	Disbursements made during the year	No. of schemes sanctioned[1]	Total financial assistance on schemes sanctioned	ARC'S commitments	Disbursements made during the year
1	2	3	4	5	6	7	8	9
1. Development of minor irrigation works	317	211·30	188·47	85·30	312	169·93	150·86	83·78
2. Development of land and soil conservation	10	2·73	2·07	1·78	1	0·04	0·04	2·06
3. Plantation and horticulture ..	40	8·66	6·79	2·19	35	4·64	3·64	2·00
4. Farm mechanisation	84	12·10	9·21	3·75	120	41·33	32·57	12·18
5. Development of poultry farming /sheep breedings ..	15	0·62	0·52	0·09	26	1·58	1·35	0·65
6. Development of fisheries ..	3	0·82	0·64	0·86	77	6·80	5·63	1·78
7. Dairy Development	62	8·21	6·92	0·82	39	8·85	7·44	1·58
8. Storage facilities and market yards	18	6·76	5·73	2·93	13	2·87	2·48	2·37
9. Agricultural aviation	1	0·16	0·12	0·12	—	—	—	—
Total	**550**	**251·34**	**220·47**	**97·84**	**623**	**236·04**	**204·01**	**106·40**

[1] Excludes schemes sanctioned and withdrawn during the same year.

and sheep breeding, land development, storage/ market yards and fisheries development.

The actual disbursement from the sanctioned amount, at Rs. 106.4 crores, was slightly higher than Rs. 97.8 crores in the preceding year (Table IV. 37). Of the disbursed Rs. 106 crores, Rs. 77 crores (72.4 per cent) was through contributions to special debentures of CLDBs while Rs. 27.9 crores (26.2 per cent) and Rs. 1.5 crores (1.4 per cent) was reimbursed to scheduled commercial banks and State co-operative banks.

Credit from IDA

During the year, the IDA sanctioned two more dairy development projects, one each in Rajasthan ($27.7 million) and Madhya Pradesh ($16.4 million). In addition, West Bengal Agricultural Development Project ($34 million), and Madhya Pradesh Chambal Command Area Development Project ($24 million) were approved. Besides, the ARC Credit Project ($75 million), a new line of credit to ARC, was sanctioned by the IDA for supporting two-year period programmes of minor irrigation and other diversified purposes.

During the year under review, commercial banks continued to participate in projects sanctioned with assistance from IBRD/ IDA for financing programmes of minor irrigation, land development, farm mechanisation, etc., in eight States *viz.*, Andhra Pradesh, Haryana, Karnataka, Maharashtra, Punjab, Madhya Pradesh, Uttar Pradesh and Bihar. A Drought Prone Area Project is expected to be launched with IDA's assistance covering selected districts in the States of Maharashtra, Karnataka, Rajasthan and Andhra Pradesh.

Under the ARC Credit Project, the Corporation has been given considerable discretion in committing funds for various purposes in States having no specific IDA Project as well as in extension of refinance to the currently ongoing IDA Projects even after it had fully utilised the sanctioned credits. Moreover, it will be the responsibility of ARC to identify specific projects in various states, sanction them and make disbursements related to the progress of project. A distinct feature of the project was a more liberal definition of "Small Farmer" than before and earmarking of fifty per cent of the credit *viz.*, $ 37 million.

Apart from the ARC credit project, the Corporation has so far negotiated 21 credits with the IDA/IBRD, of which 11 are for minor irrigation and farm mechanisation, three for command area development, two for market yards, three for dairy development and one each for seeds production and apple processing and marketing. The commitment of these institutions as at end-June 1975 including the ARC Credit Project, was Rs. 401.5 crores of which the Corporation has so far drawn Rs. 117.0 crores.

SFDA/MFAL Schemes

The Corporation provided 100 per cent refinance in respect of schemes sponsored under the aegis of SFDA/ MFAL agencies which was to remain in force upto June 30, 1975, but has since been extended by the Corporation upto end-December, 1975. It has so far sanctioned 104 such schemes involving a commitment of Rs. 43.6 crores of which the member banks have so far drawn Rs. 13 crores.

Internal Resources

During the year 1974-75, internal resources of the Corporation were augmented by (*i*) borrowings from the Government of India (Rs. 33 crores), (*ii*) availing of a further limit from the RBI (Rs. 40.0 crores) under the National Agricultural Credit (Long-term Operations) Fund, (*iii*) a short-term credit limit of Rs. 15 crores from RBI and (*iv*) floating of its VII and VIII series of Bonds of 10 year maturity (Rs. 33.0 crores) raising its total open market borrowings as at end-June 1975 to Rs. 99.2 crores.

Reduction of Regional Imbalances

The Corporation continued its promotional efforts for agricultural development in the less developed/under-banked states by taking a number of steps, such as negotiating a rural development project with the IDA assistance in selected districts of West Bengal, and conducting either on its own or through consultants, pre-investment studies in North-Western and North-Eastern regions for helping the various agencies to formulate bankable proposals for development of horticulture, plantation, forestry, piggery, etc.

The Team for North-Eastern region which submitted its report in April 1975 recommended programming of development of forests and plantation crops in this region after establishing the required organizational set-up. The Team also suggested the establishment of a revolving fund in the ARC for rehabilitation of 'sick tea gardens'.

Amendments to the Act

A significant development during the year was the introduction of a bill for amending certain provisions of the Agricultural Refinance Corporation Act, 1963. The bill has since been passed and the amended Act "Agricultural Refinance (Amendment) Act, 1975" came into force on November 15, 1975. In order to reflect more clearly the promotional and developmental role being played by the Corporation in agriculture, the name of the Agricultural Refinance Corporation has been changed to "Agricultural Refinance and Development Corporation," with effet from November 15, 1975. The scope of activities of the Corporation is also sought to be enlarged by enabling it to provide integrated credit, including long-term and short-term, to eligible institutions. Some of the more important amendments effected in the Act are : (*i*) the enlargement of the term "eligible institutions" to include such of those institutions as may be approved by the Government of India on the recommendation of the Reserve Bank, (*ii*) the raising of the authorised share capital limit of the Corporation to Rs. 100 crores from the existing limit of Rs. 25 crores, (*iii*) the removal of existing restrictions on the provision of funds for working capital purposes, (*iv*) the Corporation will now be able to purchase or sell the bonds and debentures of an eligible institution, besides subscribing to them, (*v*) the Corporation can guarantee deferred payments in respect of purchase of capital goods from outside as well as within India, and (*vi*) the Corporation can waive the requirements of security in respect of an eligible institution or any class of eligible institutions or for any specifice schemes. Besides these, the bill would also enable the Corporation to undertake research surveys and techno-economic studies on its own or through an agency approved by it in this behalf.

Changes in the Interest Rates

Following the rise in the Bank Rate, ARC raised its refinance interest rate from 7 per cent to 7.5 per cent per annum for minor irrigation schemes and land development schemes, and to 8 per cent for other types of schemes. The lending rates to be charged by the financing institutions for these two types of schemes were also raised to 10.5 per cent and 11 per cent, respectively. However, in the case of small farmers especially in regard to schemes for poultry, dairy and animal husbandry, the banks were allowed to charge 10.5 per cent if they so desired.

Scheduled Commercial Banks and Agricultural Credit

The total outstanding advances to agriculture by scheduled commercial banks increased from Rs. 614.9 crores in March 1974 to Rs. 798.0 crores in March 1975 forming about 9.3 per cent of their total outstanding credit. About 68 per cent (Rs. 543.3 crores) of the total outstandings in March 1975 represented direct finance to agriculture which registered a rise of Rs. 125.7 crores over March 1974. This increase was mainly in short term loans which were higher by Rs. 66.0 crores while the rest, *viz.*, Rs. 59.7 crores was accounted for by other types of loans. The rise in indirect finance for agriculture was of order of Rs. 57.5 crores. The bulk of these advances was for distribution of fertilisers and other inputs and to State Electricity Boards. While the outstandings in respect of the former went up by Rs. 27.8 crores, those in regard to Electricity Boards witnessed a fall of Rs. 1.1 crores over the period. Details of the commercial banks' advances to agriculture are given in Statement No. 33 in the Statistical Part of the Report.

Not only banks' advances to the agricultural sector moved up but banks also continued to be involved in an increasing degree in assisting farmers who derived benefits from other financial institutions. For instance, banks continued to assist the identified participants of the SFDA and MFAL projects in selected districts. Loans disbursed to identified farmers in these areas amounted to Rs. 17.69

crores at the end of December 1974 as compared to Rs. 10.78 crores a year ago. Further progress was also recorded by commercial banks in the spread of area-approach to villages for the purpose of meeting the total credit requirements and effectively supervising the end-use of credit.

It may be recalled that a scheme of financing farmers through Farmers' Service Societies organised by commercial banks, was put into operation on an experimental basis in a few selected SFDA/MFAL areas in1973-74. The number of such societies increased from 15 to 25 over the year. These have been organised by 11 public sector banks in 9 States, *viz.*, Bihar, Haryana, Uttar Pradesh, West Bengal, Jammu & Kashmir, Karnataka, Tripura, Manipur and Rajasthan. The Societies are intended to provide the farmers an integrated package of credit and other services including supply of inputs and facilities for marketing the produce.

Village Adoption Scheme

The banks continued to increasingly concentrate on compact areas through intensive programmes of area development. Under this approach, 4432 villages were adopted between end-June 1973 and end-June 1974 by the nationalised banks. In addition, one bank has adopted 67 compact areas in Integrated Development Centres. Further, 5160 villages were adopted by the State Bank of India Group between the end of September 1973 and end-September 1974 raising the total number of villages adopted by the State Bank of India group since the inception of the Scheme to 14,304.

Scheme of Financing Primary Agricultural Credit Societies by Commercial Banks

The scheme of fincancing primary agricultural credit societies by commercial banks which has been in operation in Andhra Pradesh, Haryana, Madhya Pradesh, Karnataka, Uttar Pradesh, Orissa, Jammu & Kashmir, West Bengal, Bihar and Maharashtra, was extended to Rajasthan.

Progress of State Enactments

During the year, three more States viz,. Karnataka, Maharashtra and Rajasthan passed the necessary enactments to facilitate lending by commercial banks for agriculture as suggested by the Talwar Committee Report. Draft Bills have been prepared by the Governments of Andhra Pradesh, Assam, Bihar, Jammu & Kashmir, Meghalaya and Orissa.

Agricultural Finance Corporation

The main thrust of the AFC's activities for the period under review continued to be in the area of 'project formulation' in backward areas and for the weaker sections, particularly in the Eastern region for which a regional office was established last year. The services of the Corporation were also utilised by Central and State Governments and other agencies for appraisal of Drought Prone Area Programmes.

During the year ended June 1975, the Corporation approved 3 schemes, as in the previous year, involving a commitment of Rs. 3.0 crores as against commitments of Rs. 17.0 crores in 1973-74. While the schemes in 1973-74 were to be entirely financed by member banks, the AFC was committed to finance Rs. 4.5 lakhs out of its own resources in 1974-75. The amount disbursed during 1974-75 aggregated Rs. 3.6 crores compared to Rs. 16.9 crores in 1973-74. With the approval of these 3 new schemes, the total number of schemes approved by the Corporation since inception came to 57, involving net commitments of Rs. 193.1 crores of which the share of AFC was Rs. 4.2 crores. Total disbursements since inception aggregated Rs. 78.1 crores of which the share of AFC out of its own resources amounted to Rs. 3.5 crores.

Rural Electrification Corporation

During 1974-75,(4) the Rural Electrification Corporation sanctioned 306 rural electrification schemes involving a total outlay of Rs. 162.0 crores as compared to Rs. 89.8 crores for 202 schemes sanctioned during 1973-74. The Corporation's commitments and actual disbursements during the year, amounted to Rs. 125.6 crores and Rs. 76.1 crores as against Rs. 68.8 crores and Rs. 48.6 crores, respectively, during the preceding year. Further, loans to 3 new co-operative projects have also been sanctioned for the first time in the last 3 years raising the total co-operative projects to 8 with a total outlay of Rs. 16.8 crores. A loan of Rs. 0.6 crore was also

(4) Year ended March 1975.

sanctioned for 25 schemes for extension of electricity to harijan bastis.

The resources of the Corporation were raised by Rs. 72.1 crores during the year by raising (*a*) paid-up capital to the extent of Rs. 19.0 crores, (*b*) loans of Rs. 42.8 crores from the Government of India, (*c*) market borrowings of Rs. 8.3 crores and (*d*) internal resources of Rs. 2.0 crores. With this, the total resources of the Corporation at the end of March 1975 were stepped up to Rs. 247.6 crores as against Rs. 175.5 crores a year ago. During the first quarter of 1975-76, the resources of the Corporation were further augmented by Rs. 21.4 crores, for which subscriptions of 6 per cent Rural Electrification Corporation Bonds, 1985 yielded Rs. 11.1 crores.

The Corporation also entered into an agreement with the International Development Association (IDA) for a line of credit for rural electrification programme. The first tranche of this new line of credit was $57 million.

Two new types of "Mini Project Loans" were introduced by the Corporation during the year *viz*., Mini Project Loans (1) for industries and (2) for farm production. The former was intended to extend electricity to industrially backward areas with potential for industrial development and the latter for benefiting clusters of villages with immediate potential to augment farm output. A new type of loan for Mini Project was also introduced with the object of facilitating extension of electricity to industrial estates and to villages, small towns and semi-urban areas with a population below 20,000. The individual project loans upto a limit of Rs. 15 lakhs are for a period of 10 years. The Corporation has also recently introduced a scheme for advancing loans to pilot projects for adoption of the Single Wire Earth Return (SWER) system which is more economical than the conventional three phase system. The individual project loan (one for each State) is normally limited to Rs. 5 lakhs and in no case allowed to go beyond Rs. 10 lakhs.

Consequent upon the increase in the rate of interest charged by the Government of India on the funds lent by it to the Corporation, the Corporation revised upwards its interest rates on loans effective May 31, 1975 with the exception of loans under the Minimum Needs Programme and Mini Project Loans.

(d) Other Developments :

Deposit Rates of Co-operative Banks

In order to mobilise a larger quantum of funds, the Bank directed co-operatives and central land development banks in August 1974 to raise their minimum interest rates on savings and term-deposits. Subsequently in November 1974, the Bank fixed a ceiling on rates of interest that may be offered by co-operative banks over the permissible minimum rates.

Study Teams and Working Groups

The Study Team appointed by the Bank on "Overdues of Co-operative Credit Institutions" submitted its report last year. The Bank communicated the recommendations of this Committee to State Governments and State co-operative banks for necessary action. The Study Teams appointed to review the working of the agricultural credit institutions in Rajasthan and Maharashtra submitted their reports in May 1975 and in March 1975 respectively. The Bank accepted the recommendations of these Teams with certain modifications. The Committee appointed to study the working of land development banks has also submitted its report which is under the consideration of the Bank.

Application of Credit Authorisation Scheme

During the year, the Bank applied the provisions of the Credit Authorisation Scheme to co-operative banks as well. Under the Scheme, banks would have to seek prior approval while extending credit to their members beyond Rs. 25 lakhs in view of the increasing demand for term-loans from these banks for block capital purposes such as the setting up of large sugar factories, spinning mills, etc.

Banking Regulation and Deposit Insurance

At end-June 1975, there were 1494 co-operative banks comprising 28 State, 368 central co-operative and 1098 primary co-operative banks coming under the purview of the Banking Regulation Act, 1949 (as applicable to co-operatives) as against 1432 co-operative banks at end-June 1974 comprising 28 State co-operative, 367 central co-operative and 1037 primary co-operative banks. During 1974-75, two more regions viz., Pondicherry and Kerala were covered under the Deposit Insurance Scheme. The paid-up capital of the Deposit Insurance Corporation was raised from Rs. 1.5 crores to Rs. 2 crores from January 1, 1975. As at end-June 1975, the number of insured co-operative banks was 513 as against 423 as at end-June 1974.

CHAPTER V: BUDGETS AND PUBLIC DEBT[1]

This Chapter has been divided into six sections. In the first two sections, the budgetary trends of the Central and State Governments have been discussed. Sections three and four deal with the finances of Railways and of Posts and Telegraphs Departments, respectively. The remaining two sections discuss the "Public Sector Plans : Financial Performance" and "Public Debt".

COMBINED POSITION OF CENTRAL AND STATE GOVERNMENTS

The budgetary policy for 1974-75 was notable for two features, namely mobilisation of a record level of financial resources and effort towards containment of the magnitude of deficit finance. A record level of additional financial resources of the magnitude of Rs. 1048 crores were raised in 1974-75 through new measures which would yield, additional financial resources during the Fifth Plan period exceeding the targets envisaged in the Draft Fifth Plan. On the other hand, the rise in prices necessarily meant an increase in Government expenditure both on account of higher dearness allowance paid to Government employees and higher prices paid for purchases of goods for consumption and capital formation. Despite mobilisation efforts, therefore, the combined deficit of the Centre and States at Rs. 727[2] crores was larger by Rs. 234 crores than that in 1973-74. However, as the details of the receipts and disbursements corresponding to this deficit of Rs. 727 crores are not available, the budgetary positions of the Central and State Governments are analysed here in terms of revised estimates for 1974-75. As per the revised estimates, the combined budgetary deficit[3] stood at Rs. 567 crores as against Rs. 554 crores in 1973-74 and was substantially higher than the combined budgetary deficit of Rs. 110 crores anticipated in the original budget estimates for 1974-75 (Table V.1). Although the Centre's deficit was larger than that of the previous year, it should be pointed out that there was a difference; the 1974-75 deficit contained a sizeable non-inflationary component in the sense that a part of it was attributable to the purchase by the Centre from the Reserve Bank of foreign exchange resources accruing from IMF drawals for the purpose of imports. If this factor is isolated, the expansionary impact of the deficit becomes smaller.

Combined Receipts

Aggregate receipts rose by 20.0 per cent in 1974-75 over those in 1973-74 due to increases in both revenue and capital receipts (Table V.2). Tax receipts recorded a rise of 20.5 per cent on account of additional tax efforts and capital receipts increased by 14.0 per cent. However, the total tax revenue as a proportion of national income (at current prices) continued to show a decline for the second year in succession. This proportion declined to 14.5 per cent in 1974-75 from 14.9 per cent in 1973-74 which itself was lower than 16.2 per cent in 1972-73 (Table V.3). The slackening of buoyancy in tax receipts in relation to national income could be partly ascribed to the fact that a substantial part of the increase in national income in 1973-74 and 1974-75 emanated from the agricultural sector which was lightly taxed and did not attract significant additional tax levies. Another probable reason could be

(1) Figures in this Chapter relate to fiscal years (April-March) and those for 1974-75 to revised estimates unless mentioned otherwise.

(2) According to the latest available information as per the Reserve Bank of India records, the overall combined deficit for 1974-75 amounts to Rs. 727 crores, comprising Rs. 697 crores on Centre's account (*i.e.*, variations in net outstanding treasury bills and cash balances) and Rs. 30 crores on account of States (*i.e.*, variations in cash balances, holdings of treasury bills and ways and means advances from the Reserve Bank.)

(3) Deficit (—) / Surplus (+) is as measured by: (a) For Centre, (i) net increase/decrease in outstanding treasury bills and (ii) withdrawal from/addition to cash balances, (b) For States, State budget figures of : (i) net increase/decrease in RBI credit in the form of ways and means advances and overdrafts (repayable within 7 working days with effect from May 1, 1972), (ii) decline in/addition to cash balances, (iii) net sales/purchases of securities held by States in their cash balance investment account and (iv) encashment of/investment in securities held in revenue reserve funds.

found in the structure of excise duties in which 'specific' rates, rather than '*ad valorem*' rates, dominate : the former do not respond to price rises as the latter do.

The Central and State budgets for 1975-76 anticipate lower rates of growth of 12.0 per cent for tax receipts and 6.8 per cent for capital receipts as against 20.5 per cent and 14.0 per cent, respectively, in 1974-75.

Table V.1: Trends in Budgetary Deficits and Net RBI Credit to Government

(Rupees Crores)

Year	Budgetary Deficits (—)/Surpluses(+)(*a*)			Net RBI Credit to Government (*b*)		
	Centre	States	Total	Centre	States	Total
1	2	3	4	5	6	7
1970-71	— 285	— 141	— 426	223	106	329
1971-72	— 519	— 289	— 808	583	287	870
1972-73	— 869	—7	— 876	1211	— 386	825
1973-74	— 328	— 226(*c*)	— 554(*c*)	630	134	764
1974-75 (Revised Estimates) ..	— 625	+58	— 567	533	134	667
1975-76 (Budget Estimates) ..	— 247	+10(*c*)(*e*)	— 237(*c*)(*d*)			

(*a*) For definition, see footnote No. 3 of this Chapter.

(*b*) Comprising net changes in (*i*) RBI holdings of Treasury bills, other Government securities, rupee coins in Issue Department, loans and advances to State Governments and (*ii*) Governments' balances with the RBI, so that an increase in cash balances will imply a decline in RBI credit to Governments and *vice versa*. Data refer to full fiscal year (*i.e.*, from April 1 to March 31) and take into account certain subsequent adjustments at the time of final closure of Government accounts.

(*c*) These figures would differ from those given in the Annual Report due to revision of data.

(*d*) This deficit would go up by Rs. 28 crores if unbudgeted outlay of Rs. 11 crores by Bihar, Maharashtra and Orissa and Rs. 17 crores additional burden on account of higher D.A. of Kerala is taken into account as no provision has been made for these in their budgets.

(*e*) This surplus would be converted into a deficit of Rs. 18 crores if unbudgeted outlay of Rs. 11 crores by Bihar, Maharashtra and Orissa and Rs. 17 crores additional burden on account of higher D. A. of Kerala is taken into account as no provision has been made for these in their budgets.

Source : Central and State budget documents for budgetary data.

Graph 23

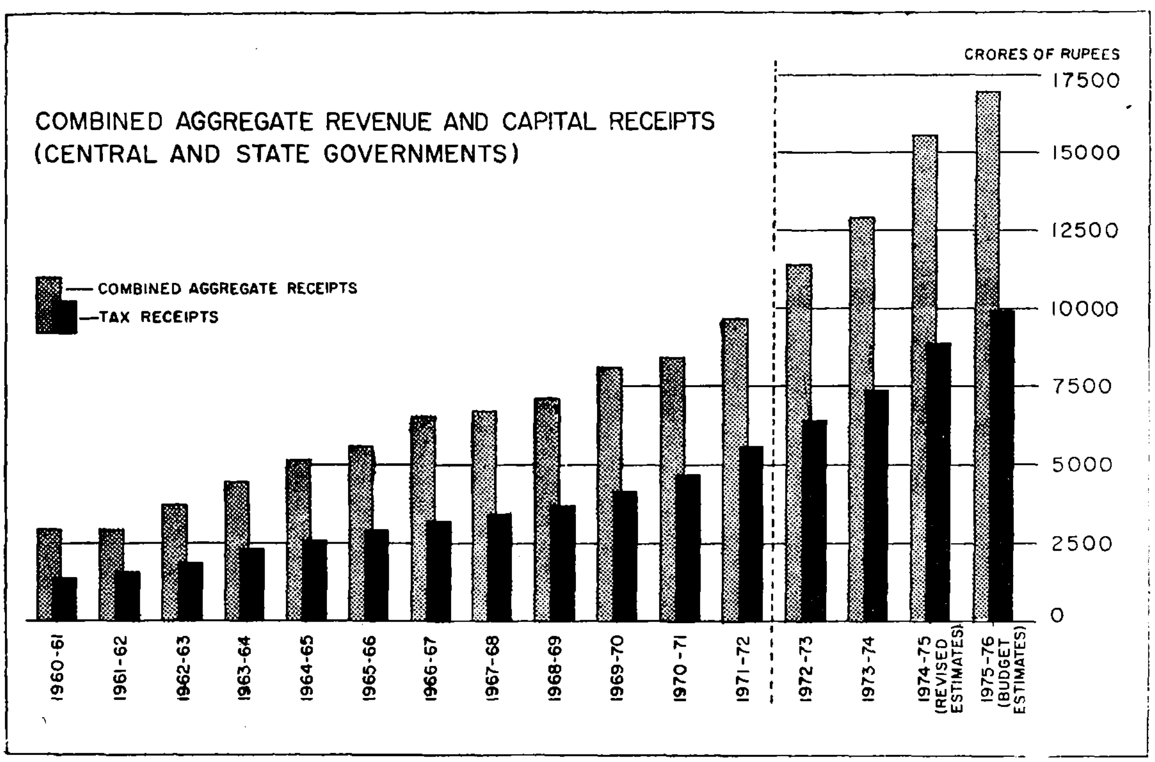


Table V. 2: Combined Receipts and Disbursements of Central and State Governments

(Rupees Crores)

Items	1973-74 (Accounts) Amount	1974-75 (B.E)@ Amount	1974-75 (B.E)@ Per cent variation over the previous year	1974-75 (R.E.) Amount	1974-75 (R.E.) Per cent variation over the previous year	1975-76 (B.E.)@ Amount	1975-76 (B.E.)@ Per cent variation over the previous year (B.E.)
1	2	3	4	5	6	7	8
I. Total Disbursements	**13482*£**	**14439**	+ 7·1	**16085**	+19·3	**17236**	+ 7·2
Of which:							
1. **Developmental Outlay** (*a*+*b*)	**6560**	**6933**	+ 5·7	**7648**	+16·6	**8248**	+ 7·8
(*a*) Revenue	4778	4971	+ 4·0	5266	+10·2	5847	+11·0
(*b*) Capital	1782	1962	+10·1	2382	+33·7	2401	+ 0·8
2. **Non-Developmental Outlay** (*a*+*b*)	**4526**	**5045**	**+11·5**	**5329**	+17·7	**5921**	**+11·1**
(*a*) Revenue	4315	4764	+10·4	5092	+18·0	5650	+11·0
(*b*) Capital	211	281	+33·2	237	+12·3	271	+14·5
II. Total Receipts (A+B)	**12928*£**	**14329**	**+10·8**	**15518**	+20·0	**16999£**	+ 9·5
(A) **Revenue Receipts**	**9286**	**10227**	**+10·1**	**11366**	+22·4	**12565£**	+10·5
Of which:							
Tax Receipts (*a*+*b*)	7363	8020	+ 8·9	8872	+20·5	9934£	+12·0
(*a*) Taxes on Commodities and Services	5633	6228	+10·6	6952	+23·4	7782£	+11·9
(*b*) Taxes on Income and Property	1730	1792	+ 3·6	1920	+11·0	2152	+12·1
(B) **Capital Receipts**	3642*£	4102	+12·6	4152	+14·0	4434	+ 6·8
Of which :							
1. Market Borrowings (Gross)	1191	965	−19·0	1005	−15·6	823	−18·1
Market Borrowings (Net)	635	664	+ 4·6	702	+10·6	615	−12·4
2. Small Savings (Net)	474	360	−24·1	325	−31·4	380	+16·9
3. State Provident Funds (Net)	214	211	− 1·4	311	+45·3	267	−14·1
III. Overall Surplus(+) or Deficit(—) (II—I)	**—554£**	**— 110**		**— 567**		**—237**£**	
Financed by :							
(*i*) Increase (+) or Decrease (—) in cash balances of Centre and States	+47	−29		−157		+34£	
(*ii*) Increase(—) in Treasury bills of Centre	−440	−126		−425		−239	
(*iii*) Withdrawals from (—) or Additions to (+) cash balance investment accounts and revenue reserve funds of States	−51	−10		−25		−2	
(*iv*) Increase(—) or Decrease (+) in ways and means advances and overdrafts from the Reserve Bank of India to States	−110£	+55		+40		−30	

@Include effects of budget proposals. However, for 1974-75 (B.E.) the figures of aggregate receipts, revenue receipts and tax receipts do not include the yield of Rs. 136 crores during 1974-75 from the additional tax proposals incorporated in the Finance Bill No. 2 of the Central Government presented to the Parliament on July 31, 1974.

* Excludes P.L. 480 transactions amounting to Rs. 1764 crores under the Indo-US Agreement, 1974.

**This deficit would go up by Rs. 28 crores if unbudgeted outlay of Rs. 11 crores by Bihar, Maharashtra and Orissa and Rs. 17 crores additional burden on account of higher D.A. of Kerala is taken into account as no provision has been made for these in their budgets.

£ These figures would differ from those given in the Annual Report due to revision of data.

Notes : 1. Figures are based on the Central and State Governments budget documents and are adjusted for inter-Governmental transfers on the basis of data available in State budgets. The combined overall position, however, remains unchanged.

2. Figures given here are not comparable with those given in the Currency Reports published prior to 1973-74 due to changes in budgetary classifications adopted in 1974-75. But in this table figures for the year 1973-74 are also presented according to the revised classification and are comparable.

3. To maintain uniformity, data available for Haryana and Tamil Nadu on the basis of the old classification for 1973-74 have been broadly converted into the revised classification.

4. Data for 1975-76 (B.E.) do not include the effects of raising the exemption limit for Income Tax and the Supplimentary Demands for Grants of Centre announced in July 1975.

Table V. 3 : Combined Tax Receipts and Disbursements as Proportions of National Income at Current Prices

(Central and State Governments)

(Rupees Crores)

Year	Combined Revenue and Capital Receipts				Combined Revenue and Capital Disbursements			
	Combined Receipts	Per cent to National Income	Tax Receipts	Per cent to National Income	Combined Disburse-ments	Per cent to National Income	Develop-mental Expendi-ture (a)	Col. (8) as per cent of Col. (6)
1	2	3	4	5	6	7	8	9
1970-71	8421	24·3	4735	13·7	8847	25·5	4392	49·6
1971-72	9703	26·5	5565	15·2	10511	28·7	5314	50·6
1972-73	11443	28·9	6432	16·2	12319	31·1	7190 (6770)	58·4 (55·0)
1973-74	12928†£	26·2	7363	14·9	13482†£	27·4	7924 (7284)	58·7 (54·0)
1974-75 (R.E.)	15518	25·3	8872	14·5	16085	26·2	9874 (9435)	61·4 (58·7)
1975-76 (B.E.)	16999£		9934£		17236		10448 (10033)	60·6 (58·2)

(a) This consists of developmental outlays under revenue and capital accounts plus loans and advances to the rest of the economy shown in the capital accounts of the Central and State Governments budgets except loans granted to foreign governments during 1970-71 and 1971-72 (for these adjustments regarding loans and advances to foreign governments, since actuals are not available, revised estimates are taken into account). However, due to changes in accounting classification of the budgets, developmental expenditure since 1972-73 excludes (i) loans to government servants (in the case of States loans other than housing loans to Government servants only are excluded, but in the case of Central Government since such break-up is not available, the entire amount is excluded), (ii) loans to foreign governments (other than export credit) by the Central Government and (iii) miscellaneous loans by State Governments.

† Excludes P.L. 480 transactions of Rs. 1764 crores under the Indo-US Agreement, 1974.

£ These figures would differ from those given in the Annual Report due to revision of data.

Notes:

1. Figures from 1972-73 onwards are not comparable with those for the earlier years due to changes in the accounting classification of budget heads. The non-comparability is distinctly indicated by a horizontal line in the above table.
2. National Income figures upto 1973-74 are based on C.S.O. estimates (revised series), while that for 1974-75 are R.B.I. estimates. Hence the percentages in column No. 3, 5 and 7 slightly differ from those published in the earlier Currency Reports.
3. Figures in brackets represent developmental expenditure exclusive of food subsidy and expenditure on natural calamities (which are otherwise included in it under the revised accounting classification).
4. To maintain uniformity, data available for Haryana and Tamil Nadu on the basis of old classification for 1973-74 have been broadly converted into revised classification.
5. Data for 1975-76 (B.E.) do not include the effects of raising the exemption limit for Income Tax and the Supplimentary Demands for Grants of Centre announced in July 1975.

Combined Disbursements

There was a rise of 19.3 per cent in aggregate disbursements in 1974-75 over the level of 1973-74 consisting of an increase of 16.6 per cent in developmental outlay and 17.7 per cent in non-developmental outlay. The percentage increase in developmental outlay was nearly three times of that anticipated in the budget estimates (5.7 per cent), mainly on account of larger cash outgo on fertilisers, food subsidy and drought relief and natural calamities. The developmental outlay, however, is exclusive of loans granted to the rest of the economy (comprising local bodies, public sector undertakings, co-operatives, private sector undertakings, etc.), mainly to finance developmental activities. Inclusive of such transfers to the rest of the economy by the Central and State Governments(4) the aggregate developmental expenditure increased by 24.6 per cent in 1974-75. Non-developmental outlay was higher on account of additional dearness allowance paid to Government employees and defence personnel.

For 1975-76, the budget estimates provide for a rise of 7.8 per cent in developmental outlay undertaken directly by the Governments. If the loans given to local bodies and others for developmental purposes are included, the rise in total developmental expenditure would come to 5.8 per cent(5). However, its proportion to total disburments is not expected to change considerably.

I. BUDGETARY OPERATIONS OF THE CENTRAL GOVERNMENT

The budgetary deficit(6) for 1974-75 was placed at Rs. 126 crores in the budget estimates, but the revised estimates revealed a larger deficit of Rs. 625 crores which is almost twice the deficit of Rs. 328 crores in 1973-74. While arriving at the deficit of Rs. 625 crores the aggregate expenditure included about Rs. 330 crores of payments made abroad for stocks on hand of imported foodgrains and fertilizers which would be recovered by the Central Government out of realisation from sales. Since payments for these imports were made by drawing down foreign exchange resources, this part of the deficit has had no adverse mónetary impact. More recent information available with the Reserve Bank indicated that the budgetary deficit for 1974-75 was Rs. 697 crores. As details of receipts and disbursements corresponding to this deficit are not available, the following analysis is based on the data on receipts and disbursements available in revised estimates.

The larger deficit during 1974-75, as compared to the previous year, was on account of a substantial rise of Rs. 1,555 crores in aggregate disbursements while aggregate receipts increased by only Rs. 1,258 crores. Reflecting the impact of the inflationary pressures the increase in expenditure outpaced the increase in receipts despite a record level of mobilisation of financial resources during 1974-75. The additional tax effort made in the original and supplementary budgets in 1974-75 is estimated to yield Rs. 390 crores during the financial year and a record amount of Rs. 505 crores during a full year. If revision in the rates of posts, telegraph and telephones and railway fares and freights are taken into account, the additional resource mobilisation would amount to Rs. 690 crores for the financial year 1974-75 and Rs. 935 crores in a full year (7) (Table V.4).

The increase in aggregate disbursements during 1974-75 over the level of 1973-74 was in respect of (*i*) defence expenditure (Rs. 476 crores), (*ii*) cash outgo on account of fertilizer transactions (Rs. 258 crores), (*iii*) draft on the budget on account of the additional instalments of dearness allowance to Central Government employees (Rs. 230 crores), (*iv*) release of advance plan assistance to States for drought and flood relief and certain other 'inescapable commitments' including release of loans to States against small savings collections in 1973-74 (Rs. 161 crores), (*v*) food subsidy (Rs. 44 crores) and (*vi*) Railway deficit which was Rs. 44 crores higher than in 1973-74.

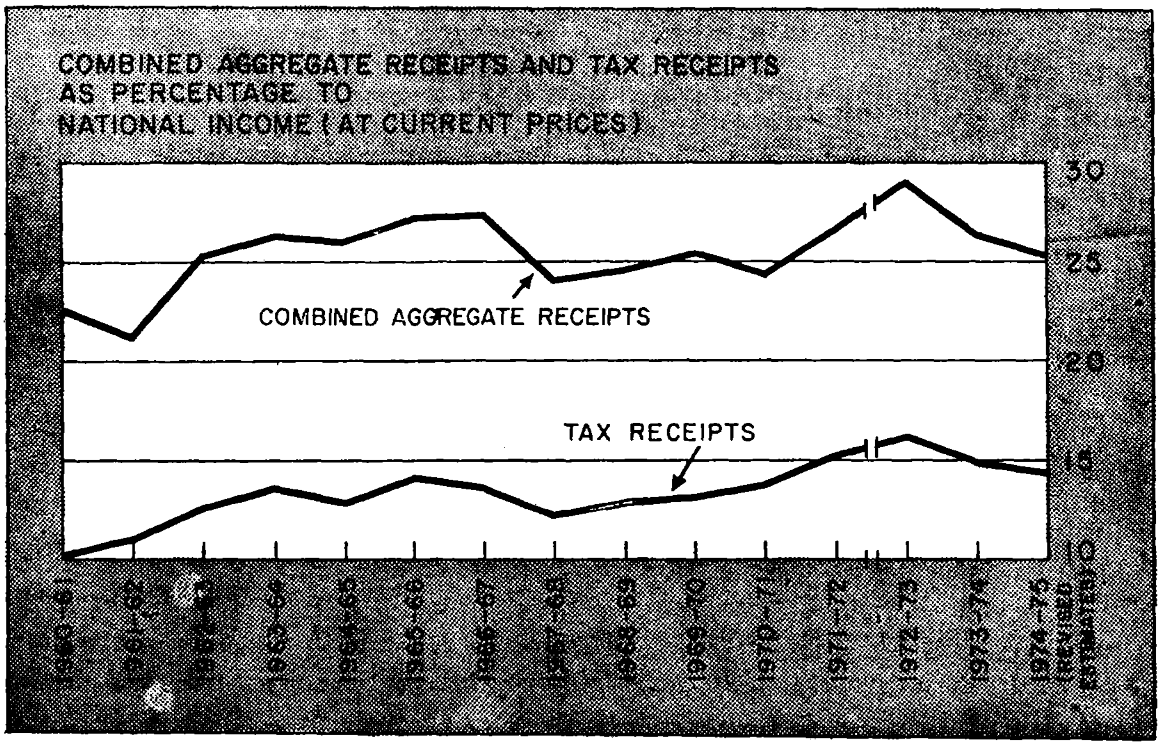
(4) For details see footnote (a) in table V.3.

(5) Exclusive of expenditure for food subsidy and natural calamities, the aggregate developmental expenditure is estimated to rise by 29.5 per cent and 6.3 per cent in 1974-75 and 1975-76, respectively.

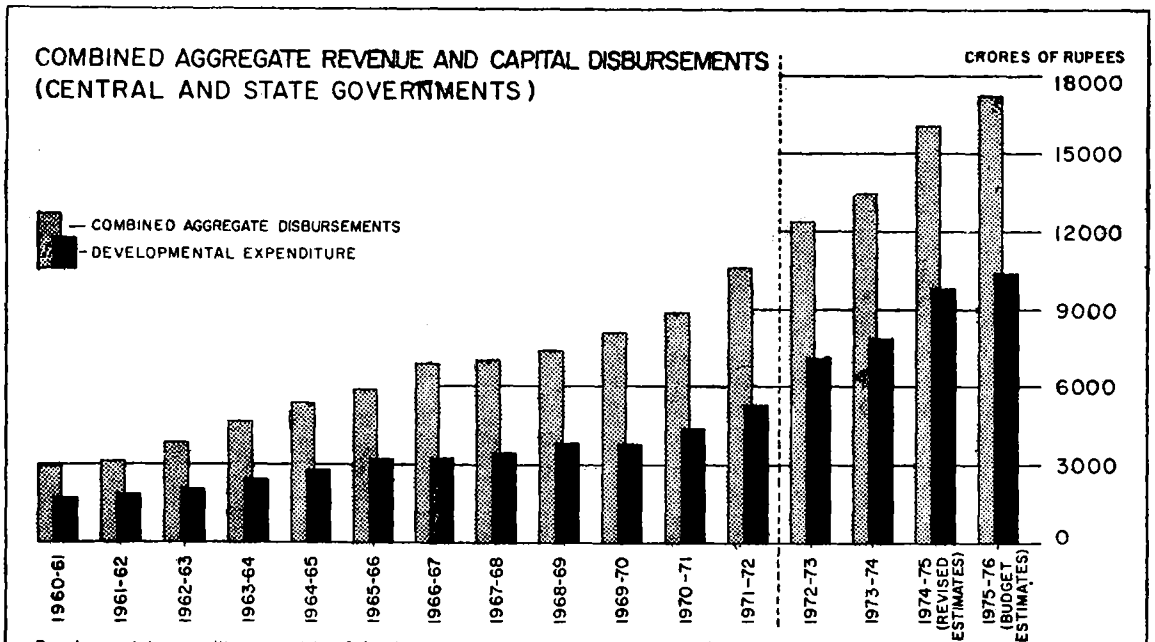
(6) This deficit is measured by variations in net outstanding Treasury Bills and cash balances.

(7) Economic Survey, 1974-75, Government of India.

Graph 24



Graph 25



Developmental expenditure consists of developmental outlays under Revenue and Capital Accounts and loans and advances to third parties

Table. V.4: Mobilisation of Financial Resources by Additional Tax Effort of the Centre †

(Rupees Crores)

Year	Gross Tax Revenue†	Percentage change in column (2)	Mobilisation of Financial Resources: From additional tax effort	From increase in rates of posts and telegraphs and telephones	From increase in Railway fares and freight rates	Total additional resources mobilised (4)+(5)+(6)
1	2	3	4	5	6	7
1970-71 (Accounts) ..	3207		167	8	26	201
1971-72 „ ..	3872	+20·7	251*(500)	7	26	284*(533)
1972-73 „ ..	4510	+16·5	172	—	17	189
1973-74 „ ..	5068	+12·4	340(410)	—	43	383(453)
1974-75 (R.E.) ..	6128	+20·9	390*(505)	43(57)	257(373)	690*(935)
1975-76 (B.E.) ..	6810**	+11·1	258**	—	40	298**

Note : Figures in brackets show full year yield.

† Including States' share.
* Including Supplementary budget's tax proposals.
** Adjusted for tax concessions of Rs. 30 crores announced on April 30, 1975.

The rise in aggregate receipts during 1974-75 over the level of 1973-74 was mainly under revenue account in which receipts spurted by Rs. 1,412 crores whereas the receipts under capital account(8) recorded a decline of Rs. 154 crores (excluding PL 480 transactions under Indo-US Agreement, 1974). Tax revenue at Rs. 4,904 crores which also included the effects of tax measures introduced in the original budget and supplementary budget (presented on July 31, 1974(9)) has shown a substantial rise of Rs. 1,009 crores. This rise was mainly under union excise duties (Rs. 511 crores), customs duties (Rs. 304 crores), and corporation tax (Rs. 130 crores). In the case of non-tax revenue receipts, the increase of Rs. 403 crores included Rs. 190 crores from economic services and Rs. 147 crores from interest receipts. The increase in receipts from economic services is mainly on account of profits from the export of sugar (Rs. 125 crores) transferred to the Government by the State Trading Corporation.

Under capital receipts, repayment of loans by States and Union Territories to the Centre recorded a sharp decline of Rs. 408 crores in 1974-75 as compared with that of 1973-74. This decline was due to rescheduling of repayment of these loans in accordance with the recommendations of the Sixth Finance Commission. Receipts from small savings (net) also registered a fall (Rs. 148 crores). On the other hand, receipts were higher in respect of (*i*) other capital receipts (Rs. 269 crores after excluding PL 480 transactions under the Indo-US Agreement, 1974) which include food credit from USSR and oil credits from Iran and Iraq ; (*ii*) repayment of loans by other parties (Rs. 167 crores) including technical advances provided to USSR and other East European countries under the trade agreements and industrial and commercial undertakings in the public sector, etc.; (*iii*) State provident funds (Rs. 76 crores) and (*iv*) external debt (Rs. 130 crores on net basis). Internal market borrowings, if computed on a gross basis, show a fall of Rs. 329 crores, while on a net basis, they show a small rise. This difference arises due to large discharge of debt in respect of internal market borrowings in 1973-74.

(8) Internal market borrowings and external debt are taken on gross basis.

(9) For details refer to July 1974 issue of the Reserve Bank of India Bulletin.

Economic and Functional Classification of the Central Government Budget

According to the Economic and Functional Classification of the Centıal Government Budget, total expenditure[10] showed a substantially larger rise in 1974-75 as compared both to the budget estimates and the increase in 1973-74 (Table V. 5). Expenditure increased by 19.9 per cent to Rs. 9,753 crores against the anticipated rise in the budget of 6.4 per cent and actual rise of 3.6 per cent in 1973-74. This larger increase in total expenditure during 1974-75 was on account of a 30.7 per cent rise in final outlays (direct Government expenditure on goods and services for consumption and capital formation) and a 13.3 per cent rise in financial resources provided to the rest of the economy in the form of payment of interest, grants, loans and investments in shares. The increase in direct Government expenditure was mainly due to the rapid rise in prices during 1974-75 which resulted in larger expenditure on dearness allowance payable to Central Government employees and also raised the cost of materials required by Central Government for consumption and capital formation.

(10) The figures of total expenditure as given in the Economic and Functional Classification are lower than those indicated in the Budget mainly because the former does not include the following items: (*i*) discharge of debt, (*ii*) interest transferred to departmental undertakings, (*iii*) current expenditure of deparmental undertakings, and (*iv*) transfers to funds.

Table V.5: Functional Classification of Central Government's Total Expenditure

(Rupees Crores)

	1973-74 (Accounts)		Fourth Plan total (1969-70 to 1973-74) (Amount)	Annual average of the Fourth Plan (Amount)	1974-75 (Budget Estimates)		1974-75 (Revised Estimates)		1975-76 (Budget Estimates)	
	Amount	Per cent variation over the previous year			Amount	Per cent variation over the previous year	Amount	Per cent variation over the previous year s	Amount	Per cent variation over the previous year (R.E.)
1	2	3	4	5	6	7	8	9	10	11
Total Expenditure (A+B) ..	**8131** **(100·0)**	+ **3·6**	**32993@**	**6599** **(100·0)**	**8654** **(100·0)**	+ **6·4**	**9753** **(100·0)**	**+19·9**	**10577** **(100·0)**	+ **8·4**
A. Developmental Expenditure (*i*+*ii*)	**3754** **(46·2)**	— **4·9**	**15756**	**3151** **(47·7)**	**4244** **(49·0)**	**+13·1**	**4912** **(50·4)**	**+30·8**	**5353** **(50·6)**	+ **9·0**
(*i*) Social Services ..	601 (7·4)	— 9·5	2385	477 (7·2)	625 (7·2)	+ 4·0	610 (6·3)	+ 1·5	705 (6·7)	+15·6
(*ii*) Economic Services*	3153 (38·8)	— 4·0	13371	2674 (40·5)	3619 (41·8)	+14·8	4302 (44·1)	+36·4	4648 (43·9)	+ 8·0
B. Non-Developmental Expenditure (*i*+*ii*) ..	**4377** **(53·8)**	**+12·2**	**17237**	**3448** **(52·3)**	**4410** **(51·0)**	+ **0·8**	**4841** **(49·6)**	**+10·6**	**5224** **(49·4)**	+ **7·9**
(*i*) General Services	2452 (30·1)	+ 5·3	9954	1991 (30·2)	2509 (29·0)	+ 2·3	2623 (26·9)	+ 7·0	2810 (26·6)	+ 7·1
(*ii*) Unallocable ..	1925 (23·7)	+22·5	7283	1457 (22·1)	1901 (22·0)	— 1·2	2218 (22·7)	+15·2	2414 (22·8)	+ 8·8

@ Excludes compensation paid to nationalised banks estimated at Rs. 84 crores, and additional subscription to IMF and IBRD paid in the form of non-negotiable, non-interest bearing rupee securities estimated at Rs. 114 crores during 1970-71.
* Include block grants and loans.
Note : Figures in brackets are percentages to total expenditure.
Source : Economic and Functional Classification of the Central Government Budget.

Functional Classification

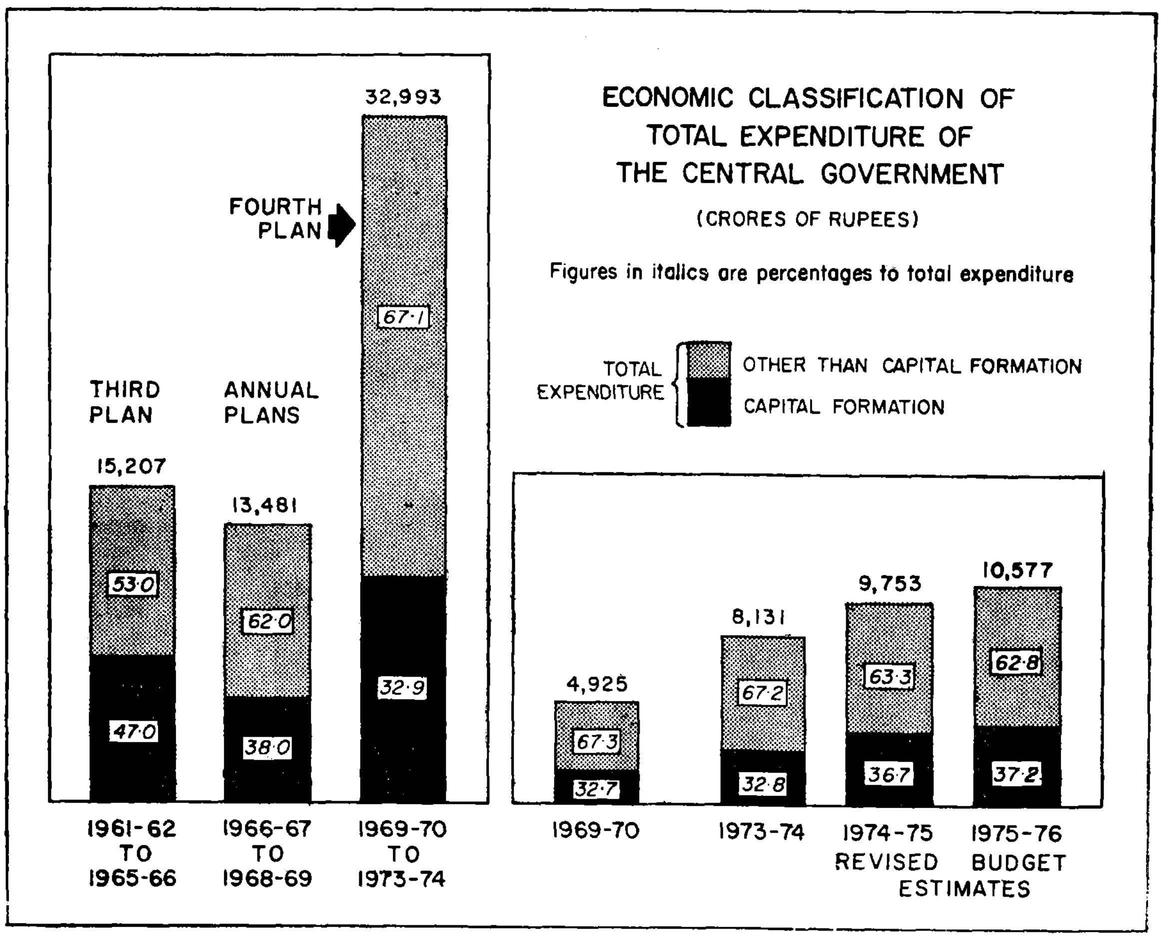
Function-wise, developmental expenditure (comprising social services, economic services and block grants and loans) at Rs. 4,912 crores in 1974-75 (revised estimates) has recorded a steep rise of 30.8 per cent over the level of 1973-74 (Table V. 5). Consequently the proportion of developmental expenditure to total expenditure increased to 50.4 per cent from 46.2 per cent in 1973-74 and 47.7 per cent during the Fourth Plan period. Within developmental expenditure, the increase was mostly under economic services which increased by 36.4 per cent in contrast to a decrease of 4.0 per cent in the previous year. A large part of the increase in expenditure in these services was accounted for by stocks of fertilizers. Expenditure on social services, on the other hand, increased by 1.5 per cent as against a decline of 9.5 per cent in 1973-74.

Non-developmental expenditure (*i.e.*, general services and unallocable), showed a rise of 10.6 per cent mainly on account of higher expenditure on defence services. As a proportion of total expenditure, however, non-developmental expenditure declined to 49.6 per cent from 53.8 per cent in 1973-74 because of the relatively higher rate of growth of developmental expenditure.

Economic Classification

As already indicated, Central Government's final outlays at Rs. 4046 crores during 1974-75 increased by 30.7 per cent as compared to 5.3 per cent in 1973-74 (Table V.6). Hence their proportion to total expenditure rose to 41.5 per cent in 1974-75 from 38.1 per cent in the previous year. Consumption expenditure accounted for 61.4 per cent of the increase in final outlays while direct gross capital formation accounted for

Graph 26



the remaining 38.6 per cent. However, an increase of Rs. 367 crores or 46.9 per cent in direct gross capital formation has raised its proportion to total expenditure to 11.8 per cent from 9.6 per cent in 1973-74 (Table V.6). The proportion of consumption expenditure to total expenditure also increased marginally to 29.7 per cent from 28.5 per cent. The rise of 25.2 per cent in consumption expenditure during 1974-75 was the result of increases of 38.4 per cent in expenditure on wages and salaries and 11.3 per cent on commodities and services. The financial resources provided to the rest of the economy rose by 13.3 per cent but their proportion to total expenditure moved down to 58.5 per cent in 1974-75 from 61.9 per cent in the previous year.

Capital Formation

The substantial rise in expenditure on direct gross capital formation during 1974-75 was due to the increase in the stocks of foodgrains and fertilizers and gross fixed capital formation. The expenditure on stocks of foodgrains and fertilizers which increased from Rs. 0.2 crore provided in the budget estimates for 1974-75 to Rs. 290 crores in the revised estimates was substantially larger than Rs. 62 crores in 1973-74. Excluding this inventory build-up, gross fixed capital formation has increased to Rs. 856 crores from Rs. 711 crores in 1973-74. Financial assistance to the rest of the economy for capital formation by way of grants, loans and investments at Rs. 2429 crores has risen by 29.0 per cent in contrast to a decline of 3.4 per cent in the previous year. It accounted for about 60 per cent and direct capital formation for 40 per cent of the increase of Rs. 913 crores in total capital formation expenditure which amounted to Rs. 3578 crores in 1974-75.

The proportion of provision for capital formation for developmental purposes to total developmental expenditure was 72.3 per cent in 1974-75 as against 70.1 per cent in 1973-74 (Table V. 7). Capital formation for developmental purposes showed a rise of 34.8 per cent and that for non-developmental purposes a decline of 12.1 per cent over the 1973-74 levels. Particularly impressive was the growth in capital formation for development of economic services, especially for agriculture.

Savings and Investments

Savings of the Government administration increased to Rs. 726 crores in 1974-75 from Rs. 456 crores in the previous year because the rate of growth in current receipts was more than that in current expenditure. Consequently, savings of the Government administration as a proportion of current receipts rose to 12.0 per cent from 9.4 per cent. Gross savings of the Central Government at Rs. 807 crores, inclusive of the depreciation provision and retained profits of departmental commercial undertakings, were Rs. 222 crores higher than in 1973-74, mainly due to larger savings of the Government administration. Retained profits of departmental commercial undertakings could not contribute to the savings of the Government as anticipated ; on the contrary, they recorded a larger net outgo of Rs. 75 crores as compared to that of Rs. 21 crores in the previous year. After adjusting for expenditure on renewals and replacements, net savings of the Central Government were higher by Rs. 238 crores at Rs. 669 crores in 1974-75 but they were not adequate to finance fully the net investment ; hence the gap between them or the income deficit of the Central Government widened to Rs. 341 crores from Rs. 198 crores in 1973-74 (Table V. 8). The annual average shortfall of savings to investment during the Fourth Plan period was Rs. 173 crores.

Assets and Liabilities

In addition to the above mentioned income deficit of Rs. 341 crores, the net increase in financial assets and net capital transfers amounted to Rs. 2047 crores during 1974-75. These financial requirements aggregating Rs. 2388 crores were met by net increase in financial liabilities and changes in cash balances amounting to Rs. 2188 crores and Rs. 200 crores, respectively. Domestic liabilities at Rs. 1272 crores have shown a marginal fall of Rs. 46 crores. External liabilities on the other hand at Rs. 916 crores were higher by Rs. 2098 crores as against a net outgo of Rs. 1182 crores in 1973-74, which included the effect of PL 480 transactions of Rs. 1764 crores under the Indo-US agreement 1974. However, if these transac-

Table V. 6: Economic Classification of Total Budgetary Expenditure of Central Government

(Pattern of Expenditure)

(Rupees Crores)

	1973-74 (Accounts)	Per cent variation over the previous year	Fourth Plan total (1969-70 to 1973-74)	Annual average of the Fourth Plan	1974-75 (Budget Estimates)	Per cent-variation over the previous year	1974-75 (Revised Estimates)	Per cent-variation over the previous year	1975-76 (Budget Estimates)	Per cent-variation over the previous year
1	2	3	4	5	6	7	8	9	10	11
I. Total Expenditure (A+B)	**8131 (100·0)**	**+ 3·6**	**32993****	**6599 (100·0)**	**8654 (100·0)**	**+ 6·4**	**9753 (100·0)**	**+19·9**	**10577 (100·0)**	**+ 8·4**
A. **Final Outlays** ($a+b$)	**3095 (38·1)**	+ 5·3	**12744**	**2549 (38·6)**	**3602 (41·6)**	+16·4	**4046 (41·5)**	+30·7	**4142 (39·2)**	+ 2·4
(a) Consumption Expenditure	2313 (28·5)	+ 2·3	9776	1955 (29·6)	2734 (31·6)	+18·2	2897 (29·7)	+25·2	3124 (29·6)	+ 7·8
(b) Gross Capital Formation	782 (9·6)	+15·5	2968	594 (9·0)	868 (10·0)	+11·0	1149 (11·8)	+46·9	1018 (9·6)	—11·4
B. **Financial Resources Provided to the Rest of the Economy** ($a+b$)	**5036 (61·9)**	**+ 2·6**	**20249**	**4050 (61·4)**	**5052 (58·4)**	**+ 0·3**	**5707 (58·5)**	+13·3	**6435 (60·8)**	**+12·8**
(a) For Capital Formation ($i+ii$)	1883 (23·2)	− 3·4	7901	1580 (23·9)	2226 (25·7)	+18·2	2429 (24·9)	+29·0	2913 (27·6)	+19·9
(i) To States and Union Territories	1191 (14·7)	+12·1	4570	914 (13·8)	1091 (12·6)	— 8·4	1204 (12·3)	+ 1·1	1223 (11·6)	+ 1·6
(ii) To other parties*	692 (8·5)	−22·1	3331	666 (10·1)	1135 (13·1)	+64·0	1225 (12·6)	+77·0	1690 (16·0)	+38·0
(b) For purposes other than capital formation ($i+ii$)	3153 (38·7)	+ 6·5	12348	2470 (37·5)	2826 (32·7)	−10·4	3278 (33·6)	+ 4·0	3522 (33·2)	+ 7·4
(i) To States and Union Territories	1350 (16·6)	− 6·2	5895	1179 (17·9)	1010 (11·7)	−25·2	1029 (10·5)	—23·8	1090 (10·3)	+ 5·9
(ii) To other Parties*	1803 (22·1)	+18·6	6453	1291 (19·6)	1816 (21·0)	+ 0·7	2249 (23·1)	+24·7	2432 (22·9)	+ 8·1
II. Total Capital Formation Expenditure	**2665 (32·8)**	**+ 1·4**	**10869**	**2174 (32·9)**	**3094 (35·7)**	**+16·1**	**3578 (36·7)**	**+34·3**	**3931 (37·2)**	**+ 9·9**
III. Total Expenditure for Purposes Other than Capital Formation	**5466 (67·2)**	**+ 4·7**	**22124**	**4425 (67·1)**	**5560 (64·3)**	**+ 1·7**	**6175 (63·3)**	**+ 13·0**	**6646 (62·8)**	**+ 7·6**

* Comprise non-departmental commercial undertakings, local authorities, foreign governments, etc.

** Excludes compensation paid to nationalised banks estimated at Rs. 84 crores and additional subscription to the IMF and IBRD paid in the form of non-negotiable, non-interest bearing rupee securities estimated at Rs. 114 crores during 1970-71 and the transfer of Rs. 421 crores on account of Centre's assistance to the States for clearing their overdrafts with the RBI during 1972-73.

Note : Figures in brackets represent percentages to total expenditure.

Source : Economic and Functional Classification of the Central Government Budget.

Table V. 7: Provision for Capital Formation

(Rupees Crores)

	1973-74 (Accounts)	Fourth Plan total (1969-70 to 1973-74)	Annual average of the Fourth Plan	1974-75 (Budget Estimates)	1974-75 (Revised Estimates)	1975-76 (Budget Estimates)	Per cent variation of Column (6) over (2)	Per cent variation of Column (7) over (6)
1	2	3	4	5	6	7	8	9
I. Developmental (1 to 3)	**2632**	**10785***	**2157**	**3049**	**3549**	**3896**	**+34·8**	**+ 9·8**
1. Social Services	126	488	98	141	120	143	—4·8	+19·2
2. Economic Services (*a* to *d*)	1860	7289*	1458	2226	2692	3005	+44·7	+11·6
(*a*) Agriculture	211	779	156	201	474	345	+124·6	—27·2
(*b*) Industry	540	2559	512	944	1047	1525	+93·9	+45·7
(*c*) Transport and communications	728	2953	590	836	864	843	+18·7	—2·4
(*d*) Other Economic Services	381	998*	200	245	307	292	—19·4	—4·9
3. Block Grants and Loans	646	3008	601	682	737	748	+14·1	+1·5
II. Non-Developmental (*a* + *b*)	**33**	**84**	**17**	**45**	**29**	**35**	**—12·1**	**+20·7**
(*a*) General Services	34	104	21	45	30	35	—11·8	+16·7
(*b*) Unallocable	—1	—20	—4	—	—1	—		
III. Total Provision for Capital Formation (I+II) ..	**2665**	**10869***	**2174**	**3094**	**3578**	**3931**	**+34·3**	**+9·9**
IV. Total Developmental Expenditure	**3754**	**15756**	**3151**	**4244**	**4912**	**5353**	**+30·8**	**+9·0**
V. I as per cent of IV	**70·1**	**68·5**	**68·5**	**71·8**	**72·3**	**72·8**		

* Excludes compensation paid to nationalised banks estimated at Rs. 84 crores during 1970-71.
Source: Economic and Functional Classification of Central Government Budget.

Table V.8: Savings of the Central Government

(Rupees Crores)

	1973-74 (Accounts)	Fourth Plan total (1969-70 to 1973-74)	Annual average of the Fourth Plan	1974-75 (Budget Estimates)	1974-75 (Revised Estimates)	1975-76 (Budget Estimates)	Per cent variation of Column (6) over (2)	Per cent variation of Column (7) over (6)
1	2	3	4	5	6	7	8	9
1. Revenue Receipts of the Government Administration (*i*+*ii*)	4828	18995	3799	5290	6057	6709 (6687)	25·5	10·8 (10·4)
(*i*) Tax Revenue	3876	14820	2964	4278	4882	5436 (5414)	26·0	11·3 (10·9)
(*ii*) Non-tax Revenue	952	4175	835	1012	1175	1273	23·4	8·3
2. Current Expenditure	4372	17812	3563	4938	5331	5887	21·9	10·4
3. Savings of the Government Administration (1—2)	456	1183	236	352	726	822 (800)	59·2	13·2 (10·2)
4. Depreciation Provision and Retained Profits of Departmental Commercial Undertakings (*i*+*ii*) ..	129	923	185	220	81	244	—37·2	201·2
(*i*) Depreciation Provision	150	658	132	157	156	162	4·0	3·8
(*ii*) Retained Profits	—21	265	53	63	—75	82		
5. Gross Savings of the Central Government (3+4) ..	585	2106	421	572	807	1066 (1044)	37·9	32·1 (29·4)
6. Expenditure on Renewals and Replacements ...	154	550	110	148	138	156	—10·4	13·0
7. Net Savings (5—6)	431	1556	311	424	669	910 (888)	55·2	36·0 (32·7)
8. Net Investment	629	2419	484	721	1010	862	60·6	—14·7
9. Excess (+) or shortfall (—) of Net Savings over Net Investment (7—8)	—198	—863	—173	—297	—341	+48 (+26)		
10. Item (3) as per cent of item (1)	9·4	6·2	6·2	6·7	12·0	12·3 (12·0)		

Note : Figures in brackets take into account the effects of tax concessions announced in April 1975.
Source: Economic and Functional Classification of the Central Government Budget.

tions are excluded, the external liabilities were higher by Rs. 334 crores in 1974-75 as compared to that of 1973-74. The increase of Rs. 2188 crores in net financial liabilities included net borrowings (other than borrowings from the Reserve Bank of India through treasury bills) of Rs. 1763 crores, leaving a gap of Rs. 425 crores to be met by resort to sales of treasury bills to the Reserve Bank. This increase in the net holdings of treasury bills by the Reserve Bank of India when added to a decline in cash balances of Rs. 200 crores represents the budgetary deficit of Rs. 625 crores. Thus, the acquisition of assets was financed to the extent of Rs. 625 crores by way of budgetary deficit as against Rs. 328 crores in 1973-7

Pattern of Expenditure for 1975-76: Budget Estimates

The total expenditure of the Central Government for 1975-76(11) is anticipated to rise by 8.4 per cent to Rs. 10577 crores. This deceleration in the growth rate as compared to 19.9 per cent in 1974-75 is mainly due to lower rate of growth of 2.4 per cent in final outlays as against 30.7 per cent in 1974-75. At this anticipated level of expenditure, the budget has attempted to restrain overall deficit to Rs. 247 crores (after taking into account yield to Central Government from additional tax proposals estimated at Rs. 217 crores). Experience of the last two years indicates that the realisation of this objective would depend on the price situation because inflationary pressures tend to raise expenditure faster than receipts. Available indicators suggest that inflationary pressures are under control. If this trend continues and if there is strict fiscal discipline it might be possible to contain the deficit.

In terms of economic categories, final outlays would constitute 39.2 per cent of the total expenditure in 1975-76, as compared with 41.5 per cent in 1974-75. As against 30.7 per cent rise in final outlays in 1974-75 they are estimated to rise by 2.4 per cent in 1975-76 mainly on account of consumption expenditure (7.8 per cent), while expenditure on direct gross capital formation would decline by 11.4 per cent. This is in contrast to a growth rate of 46.9 per cent observed in direct gross capital formation during 1974-75. The divergence observed in the rates of growth of direct gross capital formation between 1974-75 and 1975-76 is due to variations in the inventory holdings of foodgrains and fertilizers. The provision for the stocks of foodgrains and fertilizers increased from Rs. 62 crores in 1973-74 to Rs. 290 crores in 1974-75, while for 1975-76 it is reduced to Rs. 140 crores. Excluding variations in inventories, the gross fixed capital formation directly undertaken by the Government is budgeted to increase by 3.6 per cent against a much larger increase of 20.4 per cent in 1974-75. In respect of consumption expenditure a large portion of the increase is for expenditure on commodities and services which at Rs. 1454 crores is expected to rise by 16.7 per cent ; provision for wages and salaries, on the other hand, shows a much smaller growth of 1.2 per cent as compared to 38.4 per cent in 1974-75. This can be attributed to the absence of the provision for the payment of additional dearness allowance to the Central Government employees in the budget estimates for 1975-76 as against an allocation of Rs. 230 crores for this purpose during 1974-75. Financial transfers to the rest of the economy are anticipated to rise by 12.8 per cent as against 13.3 per cent in 1974-75. They would constitute 60.8 per cent of the total expenditure as against 58.5 per cent in 1974-75 and 61.9 per cent in 1973-74. Inclusive of direct gross capital formation and transfers for capital formation, total provision for capital formation at Rs. 3931 crores would constitute 37.2 per cent of the total expenditure as against 36.7 per cent in the previous year. Provision for capital formation at this level shows a rise of 9.9 per cent as against 34.3 per cent in 1974-75.

Developmental expenditure at Rs. 5353 crores constitutes 50.6 per cent of the total expenditure and shows a rise of 9.0 per cent in 1975-76 as against 30.8 per cent in 1974-75. The smaller rate of growth in 1975-76 reflects deceleration in expenditure on the economic services which would increase by only 8 per cent as against 36.4 per cent in the previous year. Expenditure on social services, on the other hand, would rise by 15.6 per cent as compared to 1.5 per cent in 1974-75. Consequently, its share in total

(11) This does not take into account the supplementary demands for grants for expenditure of Rs. 285.76 crores presented to the Parliament in July 1975.

Table V·9 : **Pattern of Financing Capital Expenditure (Net)**

(Rupees Crores)

	1973-74 (Accounts)	Fourth Plan total (1969-70 to 1973-74)	Annual average of the Fourth Plan	1974-75 (Budget Estimates)	1974-75 (Revised Estimates)	1975-76 (Budget Estimates)	Per cent variation of column	
							(6) over (2)	(7) over (6)
1	2	3	4	5	6	7	8	9
I. Total Capital Expenditure (net) (1+2)	**455**	**7615**	**1523**	**2515**	**3057**	**3186**		**+4·2**
1. Acquisition of Assets (*a*+*b*)	1785	8018	1604	2225	2817	2822	+57·8	+0·2
(*a*) Direct net investment	629	2420	484	721	1010	862	+60·6	—14·7
(*b*) Net increase in financial assets (*i*—*ii*) ..	1156	5598	1120	1504	1807	1960	+56·3	+8·5
(*i*) Increase in financial assets	2620	10957	2192	2507	2921	3236	+11·5	+10·8
(*ii*) Reduction in financial assets	1464	5359	1072	1003	1114	1276	—23·9	+14·5
2. Capital Transfers (net)	—1330	—403	—81	290	240	364		+51·7
II. Financed by :								
A. Net Savings of the Central Government ..	**431**	**1556**	**311**	**424**	**669**	**910 (888)**	**+55·2**	**+36·0 (+32·7)**
B. Net Increase in Financial Liabilities (1+2) ..	**136**	**6178**	**1236**	**2091**	**2188**	**2268 (2290)**		**+3·7 (+4·7)**
1. Domestic Liabilities (*a to d*)	1318	5878	1176	1241	1272	1467 (1489)	—3·5	+15·3 (+17.1)
(*a*) Market borrowings	472	1539	308	498	495	325	+4·9	—34·3
(*b*) Small Savings	474	1384	277	360	325	380	—31·4	+16·9
(*c*) Other liabilities	—68	805	161	258	27	545		
(*d*) Sale of treasury bills	440	2150	430	125	425	217 (239)	— 3·4	—48·9 (—43.8)
2. External liabilities	—1182	300	60	850	916	801		—12·6
C. Increase (—) or decrease (+) in Cash balances	**—112**	**—119**	**—24**	—	**+200**	**+8**		
III. Net increase in assets (I.1) plus increase in cash balances or minus decrease in cash balances ..	**1897**	**8137**	**1628**	**2225**	**2617**	**2814**	**+38·0**	**+7·5**

Notes : (1) Figures for 1973-74 (accounts) and Fourth Plan total and the annual average are inclusive of transactions under Indo-U.S. Agreement 1974. Under the agreement, the Government of India have pre-paid PL 480 and other non-PL 480 rupee loans totalling Rs. 1764·44 crores and the U.S. Government have given a grant of Rs. 1664 crores to the Government of India. Exclusive of these transactions, total capital expenditure (net) during 1973-74 (accounts) would be Rs. 2219 crores and the net external liabilities would be Rs. 582 crores.

(2) Figures in brackets take into account effects of tax concessions announced in April 1975.

Source: Economic and Functional Classification of the Central Government Budget.

expenditure has increased fractionally to 6.7 per cent from 6.3 per cent in 1974-75.

The decline in the growth rate of developmental expenditure is almost entirely due to a decline in direct developmental expenditure of the Central Government. This expenditure estimated at Rs. 1388 crores in 1975-76 is expected to be lower by 5.6 per cent than that in 1974-75. Financial assistance provided to the rest of the economy for developmental purposes is expected to rise by 15.2 per cent as against a rise of 25 per cent in the previous year. The major part of this transfer is expected to be made to non-departmental undertakings ; which is budgeted to rise by 26 per cent ; whereas assistance to States and Union territories is expected to rise by 2.7 per cent only.

Non-developmental expenditure comprising general services and unallocable items is expected to constitute 49.4 per cent of the total expenditure, almost the same proportion as in 1974-75. The former is estimated to rise by 7.9 per cent to Rs. 5224 crores. A little less than one-third of this increase is on account of additional outlay on defence services. The two categories under non-developmental expenditure *viz*., general services and unallocable items (*e.g*., statutory grants in aid, ways and means advances and special loans to States, food subsidies, interest on public debt, aid to foreign countries, stock piling of foodgrains) are estimated to increase by almost equal amount in 1975-76. The rise in expenditure on unallocable items is mainly due to increased transfer to States and higher interest payments.

Savings & Investments

Savings of the Government administration estimated at Rs. 800 crores during 1975-76 show a rise of 10.2 per cent over the level of 1974-75 as against a rise of 59.2 per cent in the previous year. Gross savings of the Central Government (*i.e*., savings of the Government administration plus depreciation provision and retained profits of the departmental commercial undertakings) at Rs. 1044 crores during 1975-76 show a rise of 29.4 per cent. Net savings (gross savings minus expenditure on renewals and replacements of departmental commercial undertakings) estimated at Rs. 888 crores, indicating a rise of 32.7 per cent would exceed net investments by Rs. 26 crores as against a shortfall of Rs. 341 crores of net savings to net investments in 1974-75. This excess of net savings over net investments in 1975-76 is partly due to decline of Rs. 148 crores in the provision for net investment from the level in 1974-75. This excess will materialise only if current expenditure can be maintained within the anticipated limits and prices of materials and services required for investment do not increase.

Assets & Liabilities

Net capital expenditure is estimated to rise by Rs. 129 crores to Rs. 3186 crores. This is expected to be financed by the net savings of the Central Government (Rs. 888 crores), net increase in financial liabilities (Rs. 2290 crores) and drawal on cash balances (Rs. 8 crores). While net savings of the Central Government and domestic liabilities would increase by Rs. 219 crores and Rs. 217 crores, respectively, during 1975-76, external liabilities and withdrawal from cash balances would be lower by Rs. 115 crores and Rs. 192 crores, respectively. Expenditure financed by budgetary deficit is expected to be of the order of Rs. 247 crores during 1975-76 as against Rs. 625 crores in 1974-75.

Major Tax Proposals 1975-76[12]

The tax measures originally proposed in the budget for 1975-76 would have mobilised additional financial resources amounting to Rs. 288 crores. However, after adjusting for tax concessions announced in April 1975, these tax measures are estimated to yield additional revenue of Rs. 258 crores (including States' share). Union excise duties would contribute Rs. 220 crores (of which Centre's share would be 173 crores) to the total additional yield. Customs duties would account for Rs. 34 crores. The net additional revenue accruing to the Centre would be Rs. 217 crores, and the share of the States is estimated at Rs. 41 crores. (Table V. 10)

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(12) More details are given in the article on "Finances of the Government of India, 1975-76" published in the Reserve Bank of India Bulletin, May 1975.

Table V. 10

Estimated Additional Yield in Revenue from Budget Proposals

(Rupees Crores)

	Estimated additional yield (+) or loss in revenue (—) during 1975-76		
	Centre's Share	States' Share	Total
I. Direct Taxes ..	**8.2**	**—6.7**	**1.5**
(*i*) Income tax	—2.3	—6.7	—9.0
(*ii*) Corporation tax ..	10.5	—	10.5
II. Indirect Taxes ..	**230.6 (209.1)**	**55.6 (46.9)**	**286.2 (256.0)**
(*i*) Union Excise Duties ..	194.8 (173.3)	55.6 (46.9)	250.4 (220.2)
(*ii*) Customs Duties ..	34.1	—	34.1
(*iii*) Others@ ..	1.7	—	1.7
Grand Total (I + II)	**238.8 (217.3)**	**(48.9) (40.2)**	**287.7 (257.5)**

@ Refers to additional collections from revision in the rates of Central Sales tax on inter-state sales of goods for those Union Territories whose revenue forms part of the Consolidated Fund of India.

Note : Figures in brackets indicate the position after taking into account the effects of tax concessions announced in April 1975.

Personal Income Tax

There was no change in the rates of personal income tax in the budget presented in February 1975(13). But incentives have been provided to promote savings. In the case of contribution to provident funds, life insurance premia, 10-year and 15-Year Cumulative Time Deposits and Unit-Linked Insurance Plan, the amount allowed as deduction under the income-tax provisions as applicable in financial year 1974-75 was 100 per cent for the first Rs. 2,000, 50 per cent for the next Rs. 3,000 and 40 per cent for the balance. The Budget for 1975-76 provides for a deduction of 100 per cent on the first Rs. 4,000, 50 per cent on the next Rs. 6,000 and 40 per cent on the balance with effect from assessment year beginning from April 1, 1976. Under the incentive bonus scheme introduced for Government employees who do not withdraw any amount from their provident fund accounts during the year, bonus would be allowed on the subscription made during the year at the rate of 3 per cent for employees drawing pay upto Rs. 500 per month and 1 per cent for those drawing pay above Rs. 500 per month.

With a view to providing tax relief to the middle class families, an individual whose total income does not exceed Rs. 12,000 per annum would be allowed to deduct from the taxable income an amount of Rs. 1,000 per child in respect of expenses incurred on the education of children attending degree or post-graduate courses in medicines, engineering, business management or other technical subjects. The permissible deduction is Rs. 500 if the expenses relate to diploma courses in these subjects or any other degree or post-graduate course. The concession is restricted to two children. This concession is applicable also to the expenditure incurred by individuals on the education of their dependent brothers and sisters. The allowance for payment of rent, for residential accommodation, in excess of 10 per cent of the salary, would be exempted from tax subject to a maximum of Rs. 400 per month. Earlier, the ceiling limit was Rs. 300 per month.

The retrenchment compensation calculated in accordance with the provisions of the Industrial Disputes Act, 1947, or Rs. 20,000, whichever is less, would be exepted from tax instead of making it chargeable to income tax on concessional basis as was done earlier.

The various concessions in the sphere of personal income taxation including those enumerated above would result in a revenue loss of Rs. 13 crores during a full year period and Rs. 9 crores in 1975-76.

(13) In July 1975, the Government of India raised the basic exemption limit of personal income-tax from Rs. 6,000 to Rs. 8,000. With this change in the basic exemption limit, the first two income slabs ranging from Rs. 6,000 to Rs. 10,000 and Rs. 10,001 to Rs. 15,000 have been merged and on the income slab of Rs. 8,000 to Rs. 15,000 the new income tax rate will be 17 per cent. Corresponding changes have also been made in respect of income slabs and tax rates applicable to Hindu Undivided Families. Consequently, the revenue loss to the exchequer is estimated at Rs. 21 crores in a full year and Rs. 12 crores in the remaining period of 1975-76.

In January 1975, the Government amended the Unit Trust of India Act and Indian Trusts Act and granted certain concessions to promote investments in units. Accordingly, income from units upto Rs. 2,000 would be exempt from income-tax over and above the existing limit of Rs. 3,000 already available under the Income-tax Act in respect of income from certain approved investments. It also provides for additional exemption from Wealth Tax to the extent of Rs. 25,000 in the case of investments in units over and above the existing limit already available under the Wealth-tax Act.

Wealth Tax

Investment in equity shares of new companies engaged in priority industries listed in the Ninth Schedule to the Income-tax Act is exempted from Wealth Tax for 5 years from the assessment year following the date of issue of such equity shares. This exemption would be available in the case of initial issue of capital made by the company after February 28, 1975. With a view to encouraging planting and conservation of trees, the value of trees standing on agricultural land is also exempted from Wealth Tax.

Companies Taxation

If the income of a closely held domestic industrial company exceeds Rs. 2 lakhs, the basic rate of income tax for the purpose of computation of advance tax would be 60 per cent for the entire income. Under the earlier provisions, this rate was 55 per cent on the first Rs. 2 lakhs and 60 per cent on the balance. This measure is expected to yield Rs. 4 crores in a full year and Rs. 3 crores in 1975-76.

In computing the taxable income of non-banking non-financial companies, only 85 per cent of the interest paid by them on public deposits would be allowed as expenditure for tax purposes. This is estimated to yield Rs. 10 crores in a full year and Rs. 7.5 crores in 1975-76.

Tax Holiday

The tax holiday concession available to new industrial undertaking, hotel or ship in the form of exemption from income tax of its profits upto 6 per cent of the capital employed is extended for a further period of five years upto March 31, 1981. In the case of approved hotels in respect of which the concession was available earlier irrespective of the date on which they started functioning, the concession would now be allowed only if they start functioning before April 1, 1981. The tax exemption in relation to dividends received by the share holders out of tax holiday profits of new industrial undertakings, hotels and ships has been withdrawn. Instead, the quantum of tax holiday profits in the case of companies is increased from 6 per cent to 7.5 per cent of the capital employed.

Inter-corporate Dividends

In order to encourage investment of corporate savings in high priority industries, inter-corporate dividends received by domestic companies from new companies engaged exclusively in the manufacture of fertilizers, pesticides, paper and pulp and newsprint and cement have been exempted from income tax.

Development Rebate

Under the Finance Act, 1974, development rebate was allowed on ships which were ordered before December 1, 1973 and if they were acquired before June 1, 1975. In view of the time-lag involved in acquiring ships, development rebate would be allowed to ships acquired before January 1, 1977 provided orders for their acquisition were placed before December 1, 1973.

Union Excise Duties

The budget has imposed for the first time 1 per cent ad valorem duty covering almost all the goods (14) produced for sale or other commercial purposes not elsewhere specified in the Central Excise Tariff Schedule. Total revenue expected from the excise duties on new items would be Rs. 25.0 crores per annum. Revisions in the duties on the existing items would net Rs. 195 crores or about 89 per cent of the total additional revenue from various Union excise duties. Of this additional revenue of Rs. 220 crores

(14) The exceptions are food products and food preparations, meat products, dairy products, fish and sea foods, electric light and power. For the sake of administrative convenience, the production of those factories which employ not more than 49 workers in the case of power operated factories, and not more than 99 workers in the case of non-power operated factories, is also exempted.

from changes in excise duties, basic duties would account for Rs. 210 crores (95 per cent) and additional and auxiliary duties for Rs. 10 crores. The auxiliary duty imposed under the Finance Act, 1974 has been extended upto June 30, 1976.

Composition of Items

Consumer and intermediate products account for more than four-fifths of the revenue from additional excise duties. Duties on items of the nature of consumer goods reveal that the incidence of duty falls on more affluent sections of society. These levies, alongwith raising revenue, also aim at reducing home consumption and thereby releasing more exportable surplus.

Customs Duties

There is no revision in the customs tariff. But the countervailing duties on copper and zinc have been raised by Rs. 3,500 and Rs. 2,125 per tonne, respectively, in view of the trends in international prices of non-ferrous metals. The changes in countervailing duties would yield an increase of Rs. 34.05 crores in customs revenue.

Central Sales Tax

With a view to raising the resources for the benefit of States and Union Territories, the Central Sales tax on inter-State sales is raised from 3 per cent to 4 per cent. The revenue available to the States as a result of this measure during 1975-76 would be Rs. 38.25 crores. The additional collections for those Union Territories whose revenues form part of the Consolidated Fund of India would amount to Rs. 1.75 crores in 1975-76.

II. BUDGETARY OPERATIONS OF STATE GOVERNMENTS

According to the Reserve Bank of India figures, the budgetary operations of the State Governments for 1974-75 reveal an actual deficit of Rs. 30 crores(15) as compared to a deficit of Rs. 175 crores(15) in 1973-74. However, in terms of the revised estimates of the State budgets, there would be a surplus(16) of Rs. 58 crores as compared to a surplus of Rs. 16 crores envisaged in the budget estimates and a deficit of Rs. 226 crores(17) in 1973-74 (Table V.11). The sharp improvement in the finances of State Governments in 1974-75 as compared with 1973-74 was the combined result of firstly, substantial revenue transfers from the Centre in pursuance of the implementation of the recommendations of the Sixth Finance Commission ; secondly, a record additional resource mobilisation by the States ; and thirdly, of various economies effected both in Plan and non-Plan expenditures. Compared with 1973-74, the States received Rs. 350 crores of additional non-Plan statutory grants and a relief of Rs. 492 crores in the repayment of loans to the Centre on account of rescheduling of their debt to the Centre. Further, with a view to impart a better balance to their budgetary position, State Governments made greater efforts for raising additional resources ; the new measures proposed in 1974-75 budgets and in the post-budget period were estimated to yield Rs. 358 crores(18) as compared to Rs. 40 crores in 1973-74. In a full year, these measures were expected to give an additional revenue of Rs. 540 crores. Besides, the States have effected improvement in recovery of tax arrears and overdue instalments of loans and in collections as also economies in expenditures.

Although the budget estimates for 1975-76 at 1974-75 rates of taxation show a deficit of Rs. 169 crores, the deficit will be converted into a surplus of Rs. 10 crores, if the yield from the new measures proposed by the States (Rs. 83

(15) Based on variations in cash balances, net ways and means advances from the Reserve Bank of India and holdings of Treasury bills as per RBI records.

(16) For definition refer to footnote (3) on page 134.

(17) The actual deficit for 1973-74 as per the RBI records and on the basis of the budgets of the State Governments vary due to the difference in the concept adopted. The major difference between the two concepts is that in measuring the deficit on the basis of budget documents, apart from variations in cash and treasury bills and net ways and means advances from RBI, sales of dated securities by State Governments, are also taken into account.

(18) The budget measures were estimated to yield Rs. 164 crores and the post-budget measures Rs. 84 crores. The figure of Rs. 358 crores is inclusive of Rs. 110 crores raised by the State Electricity Boards and Road Transport Corporations. This amount of Rs. 110 crores, however, does not get reflected in the States' revenue receipts.

Table V. 11 : Overall Budgetary Position of States

(Rupees Crores)

Items	1973-74 (Accounts)	1974-75 (B.E.)		1974-75 (R.E.)		1975-76 (B.E.)	
	Amount	Amount	Per cent variation over the previous year	Amount	Per cent variation over the previous year	Amount	Per cent variation over the previous year
1	2	3	4	5	6	7	8
I. Aggregate Receipts (A+B) ..	**8035**	**7946**	**—1·1**	**8611**	**+7·2**	**9068**	**+5·3**
		(8136)	**(+1·3)**			**(9247)**	**(+7·4)**
A. Revenue Receipts (*i* + *ii*) ..	**5552**	**5897**	**+6·2**	**6271**	**+13·0**	**6800**	**+8·4**
		(6087)	**(+9·6)**			**(6979)**	**(+11·3)**
(*i*) States' Own Revenue Receipts (*a*+*b*)	3452	3622	+4·9	4029	+16·7	4397	+9·1
		(3786)	(+9·7)			(4535)	(+12·6)
(*a*) Tax Receipts	2305	2364	+2·6	2742	+19·0	3001	+9·4
		(2497)	(+8·3)			(3133)	(+14·3)
(*b*) Non-Tax Receipts ..	1147	1258	+9·7	1287	+12·2	1396	+8·5
		(1289)	(+12·4)			(1402)	(+8·9)
(*ii*) Resources Transferred from the Centre (*a*+*b*)	2100	2275	+8·3	2242	+6·8	2403	+7·2
		(2301)	(+9·6)			(2444)	(+9·0)
(*a*) Shared Taxes	1163	1197	+2·9	1226	+5·4	1324	+8·0
		(1223)	(+5·2)			(1365)	(+11·3)
(*b*) Grants from the Centre ..	937	1078	+15·0	1016	+8·4	1079	+6·2
B. Capital Receipts (*i* +*ii*) ..	**2483**	**2049**	**—17·5**	**2340**	**—5·8**	**2268**	**—3·1**
(*i*) States' Own Capital Receipts	930	1015	+9·1	1166	+25·4	1125	—3·5
Of which :							
Market Borrowings (Gross) ..	166$	265	+59·6	309	+86·1	291	—5·8
(*ii*) Loans from the Centre (Gross)	1553	1034	—33·4	1174	—24·4	1143	—2·6
II. Aggregate Disbursements	**8261**	**8120**	**—1·7**	**8553**	**+3·5**	**9237**	**+8·0**
Of which :							
(*a*) Developmental outlay (*i*+*ii*) ..	4696	4906	+4·5	5081	+8·2	5526	+8·8
(*i*) Social and Community Services	2428	2443	+0·6	2521	+3·8	2689	+6·7
Of which : Expenditure on Natural Calamities	372	71	—80·9	119	—68·0	99	—16·8
(*ii*) Economic Services ..	2268	2463	+8·6	2560	+12·9	2837	+10·8
(*b*) Non-Developmental Outlay ..	1899	1908	+0·5	1936	+1·9	2205	+13·9
(*c*) Repayment of Loans to the Centre	934	511	—45·3	506	—45·8	642	+26·9
(*d*) Loans and Advances to Third Parties	603	574	—4·8	810	+34·3	740	—8·6
(*e*) Repayment of Market Loans	3	100		102		1	
III. Overall Surplus (+) or Deficit(—) (I—II)	**—226**	**—174**		**+58**		**—169**	
		(+16)£				**(+10)***	

Notes: 1. Data presented here are not comparable with those published in Currency Reports prior to 1973-74 due to changes in budgetary classification.

2. In the case of Haryana and Tamil Nadu the data given for 1973-74 (Accounts) on the basis of old classification have been broadly converted into revised classification.

3. Figures in brackets for 1974-75 (B.E.) are after taking into account estimated yield from budget proposals by the States (Rs. 164 crores) and their share in Centre's additional taxation (Rs. 26 crores).

4. Figures in brackets for 1975-76 (B.E.) are after taking into account estimated yield from budget proposals by the States (Rs. 83 crores), their share in Centre's additional taxation (Rs. 41 crores) including the effect of tax concessions announced by the Centre on April 30, 1975 and revision in Central Sales Tax rate (Rs. 55 crores).

5. Figures given here will slightly differ from those given in Annual Report due to revision in data.

$ In the case of Nagaland figures are as per R.B.I. records.

£ This surplus would go up by Rs. 40 crores if market borrowings (Rs. 27 crores) by Maharashtra for which no credit has been taken by the State in its budget for 1974-75 as well as States' Share in Centre's additional taxation proposed in Finance Bill No. 2 (Rs. 13 crores) are taken into account.

* This surplus would be converted into a deficit of Rs. 18 crores if unbudgeted outlay (Rs. 11 crores in respect of Bihar, Maharashtra and Orissa) and additional burden on account of higher D.A. in the case of Kerala (Rs. 17 crores) are taken into account for which no provision has been made in their respective budgets.

crores), additional revenue on account of upward revision in Central sales tax rate (Rs. 55 crores) and States' share in Centre's additional resource mobilisation (Rs. 41 crores) are taken into account. If, however, unbudgeted outlays (Rs. 11 crores) in respect of Bihar, Maharashtra and Orissa and additional burden on account of dearness allowance in the case of Kerala (Rs. 17 crores) are provided for, the deficit would amount to Rs. 18 crores. The Plan outlay for 1975-76 has been stepped up to Rs. 2711 crores(19) which would show an increase of Rs. 594 crores (28.1 per cent) over the 1974-75 level.

Revised Estimates : 1974-75

Trends in Receipts

According to the revised estimates for 1974-75, aggregate receipts at Rs. 8611 crores were higher by Rs. 576 crores (7.2 per cent) over the 1973-74 level. The substantial rise in aggregate receipts was largely due to buoyancy in States' own revenue receipts. States' own tax receipts which were budgeted to rise by 8.3 per cent over 1973-74 recorded an appreciable growth rate of 19.0 per cent, about the same as in 1973-74. The sharp rise in States' own tax receipts in 1974-75 was the result of substantial additional resource mobilisation by the States as mentioned earlier and buoyancy in receipts on account of a sharp rise in general price level. Transfer of resources from the Centre in the form of States' share in Central taxes and grants-in-aid at Rs. 2242 crores was higher by Rs. 142 crores (6.8 per cent) than in 1973-74. While the States received additional non-Plan grants of Rs. 350 crores under the substantive provision of Article 275(1) of the Constitution for meeting the revenue gaps of some States and improvement in administrative and social services, there was a sharp decline in other non-Plan grants particularly for meeting the expenditure on relief works on account of natural calamities. Following the recommendations of the Sixth Finance Commission, *ad hoc* assistance for relief expenditure was discontinued from April 1, 1974 and instead, it has been decided that provision should be made on a much larger scale for the development of drought and flood-prone areas in the Fifth Plan, both in State and Central sectors. In the eventuality of natural calamity, such programmes should be accelerated, if necessary, by the advance release of Central Plan assistance. Accordingly, an advance Plan assistance of Rs. 49.9 crores (a part of which is included in grants) was released to eight States(20) which were affected by droughts and floods. Loans from the Centre (gross) at Rs. 1174 crores were lower by Rs. 379 crores (24.4 per cent) over the 1973-74 level. This decline was largely due to discontinuation of *ad hoc* assistance for relief works on account of natural calamities and special accommodation for covering the non-Plan gaps of some States. On the other hand, States' own capital receipts were higher by Rs. 236 crores (25.4 per cent) over 1973-74, mainly due to larger market borrowings.

Trends in Disbursements

Aggregate disbursements which were budgeted to show a decline of Rs. 141 crores (1.7 per cent) over 1973-74 recorded a rise of Rs. 292 crores (3.5 per cent) over the 1973-74 level. Developmental expenditure at Rs. 5081 crores was higher by Rs. 385 crores (8.2 per cent) over 1973-74. Due to severe droughts in some States, expenditure on relief works was Rs. 119 crores as against the budgetary provision of Rs. 71 crores. However, this expenditure in 1974-75 was much lower as compared to that incurred in 1973-74 (Rs. 372 crores). Even excluding the expenditure on natural calamities, which is classified as a developmental expenditure under the revised budgetary classification, developmental expenditure in 1974-75 was higher by Rs. 638 crores (14.8 per cent) over 1973-74. Non-developmental expenditure at Rs. 1936 crores was marginally higher by Rs. 37 crores (1.9 per cent) over 1973-74. Repayment of loans to the Centre has been lower by Rs. 428 crores (45.8 per cent) than in 1973-74 due to rescheduling of repayment. Loans and advances of State Governments to third parties at Rs. 810 crores were, however, higher by Rs. 207 crores (34.3 per cent) over 1973-74 mainly owing to larger loans sanctioned for power projects to State Electricity Boards.

(19) Inclusive of an outlay of Rs. 6.31 crores for the State of Sikkim.

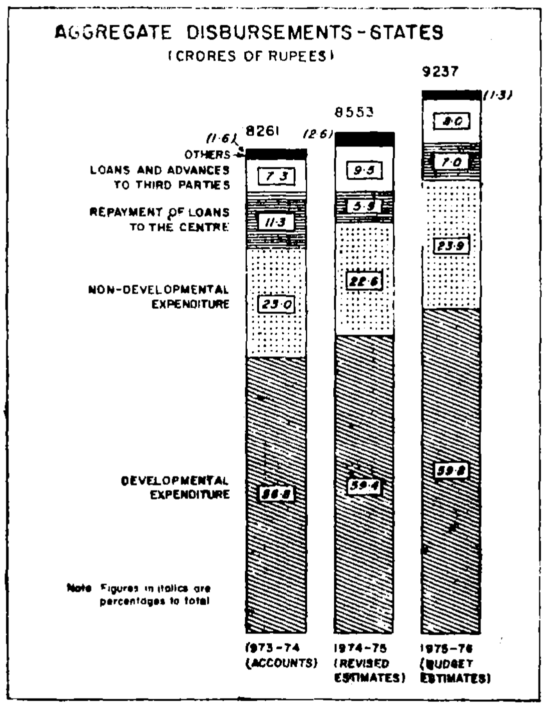
(20) Assam, Bihar, Gujarat, Haryana, Madhya Pradesh, Orissa, Rajasthan and Tamil Nadu.

Budget Estimates : 1975-76

Trends in Receipts

Aggregate receipts, at 1974-75 rates of taxation, are estimated at Rs. 9068 crores which would show a rise of Rs. 457 crores (5.3 per cent) over 1974-75. After taking credit for additional revenue from the budget proposals (Rs. 83 crores), increase in revenue on account of revision in Central sales tax rate from 3 to 4 per cent (Rs. 55 crores) and States' share in Centre's additional taxation (Rs. 41 crores), aggregate receipts would go up to Rs. 9247 crores which would be higher by Rs. 636 crores (7.4 per cent) over 1974-75. Taking these measures into account in the following discussion, the pattern of aggregate receipts reveals that States' own tax revenues which had shown a rise of 19.0 per cent in 1974-75, are expected to rise by 14.3 per cent. States' own non-tax revenues would show an increase of 8.9 per cent as against a rise of 12.2 per cent in 1974-75.

Graph 27



Resources transferred from the Centre in the form of States' share in Central taxes and grants-in-aid, are placed higher by Rs. 202 crores (9.0 per cent) as compared to a rise of 6.8 per cent in 1974-75. States' share in Central taxes is expected to go up by Rs. 139 crores (11.3 per cent) as against a modest increase of 5.4 per cent in 1974-75. Grants-in-aid from the Centre are also budgeted higher by Rs. 63 crores than in 1974-75. As per the recommendations of the Sixth Finance Commission, non-Plan statutory grants would go up from Rs. 484 crores in 1974-75 to Rs. 511 crores. States have taken higher credit for grants for Central Plan schemes and Centrally sponsored schemes also. Including loans from the Centre (gross), total resources transferred to States in 1975-76 would go up by Rs. 171 crores (5.0 per cent) as against a decline of Rs. 237 crores (6.5 per cent) in 1974-75. However, if transfer of resources is taken net of repayment of loans to the Centre, it would show a marginal rise of Rs. 35 crores (1.2 per cent) in 1975-76 as against a rise of Rs. 191 crores (7.0 per cent) in 1974-75. Transfer of resources from the Centre (net) in 1975-76 would constitute 34.2 per cent of total resources as against 35.9 per cent in 1974-75 and 38.3 per cent in 1973-74.

As regards the capital receipts of the States, the budgeted amount of Rs. 2268 crores would be lower by Rs. 72 crores (3.1 per cent) than in 1974-75. States' own capital receipts which had shown a rise of 25.4 per cent in 1974-75, are estimated to show a marginal decline of 3.5 per cent. Loans from the Centre budgeted at Rs. 1143 crores would also be lower than those in 1974-75 (Rs. 1174 crores). States' own resources both on revenue and capital accounts at Rs. 5660 crores are expected to show a rise of Rs. 465 crores (9.0 per cent) as against a sharp rise of Rs. 813 crores (18.6 per cent) in 1974-75.

Trends in Disbursements

Aggregate disbursements budgeted at Rs. 9237 crores are estimated to be higher by Rs. 684 crores (8.0 per cent) over 1974-75. Developmental expenditure is proposed to be stepped up by Rs. 445 crores (8.8 per cent). A provision of Rs. 99 crores has been made for expenditure on natural calamities as against the expenditure of Rs. 119 crores in 1974-75. Non-developmental expenditure, which had shown a marginal rise of 1.9 per cent in 1974-75, is likely to show a rise of 13.9 per cent in 1975-76 owing to increased liability for interest payments and higher cost of administrative services. Repayment of loans to the Centre at Rs. 642 crores would show a rise of Rs. 136 crores (26.9 per cent) over 1974-75. But a major part of this increase is due to repayment of Rs. 100 crores on account of centralised market borrowings in 1963-64. Loans and advances to third parties are likely to be lower by Rs. 70 crores (8.6 per cent) than in 1974-75.

States' Plan Outlay

The Plan outlay for 1975-76 has been placed at Rs. 2711 crores which represents an increase of Rs. 594 crores (28.1 per cent) over the originally approved outlay for 1974-75. The State-wise Plan outlay may be seen from Table V. 12. As regards the sectoral allocation of Plan outlay, highest priority has been accorded to 'Power' followed by 'Irrigation and Flood Control' and 'Agriculture and Allied Programmes'. The proposed outlay of Rs. 966 crores on 'Power' would be higher by Rs. 308 crores (46.8 per cent) over 1974-75 and it would account for 36.2 per cent of

Table V.12: Plan Outlay of States and Union

(Rupees Crores)

States/Union Territories	As proposed in					Total 1969-70 to 1973-74	Target for IV Plan	As proposed in	
	1969-70	1970-71	1971-72	1972-73	1973-74			1974-75	1975-76
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	62	80	87	105	87	421	421	127	158
Assam	34	48	50† (8)	48† (8)	65† (12)	245† (28)	262	54	59
Bihar	64	86	97	100	133	480	531	169	189
Gujarat	75	86	96	106	122	485	455	143	173
Haryana	23	40	61	82	71	277	225	82	92
Himachal Pradesh	@	@	21	27	31	79		31	32
Jammu and Kashmir	24	29	31	36	44	164	158	48	54
Karnataka	51	65	70	72	82	340	350	111	139
Kerala	34	46	60	64	70	274	258	74	90
Madhya Pradesh	49	67	90	109	146	461	383	152	215
Maharashtra	115	157	179	206	249	906	898	276	350
Manipur	@	@	@	8	9	17		12	14
Meghalaya	@	@	$	$	$			14	15
Nagaland	6	8	8	9	11	42	40	14	15
Orissa	32	42	48	57	66	245	223	71	89
Punjab	45	50	79	85	101	360	294	108	163
Rajasthan	43	54	63	65	75	300	302	80	105
Sikkim									6*
Tamil Nadu	72	79	80	116	120	467	519	112	143
Tripura	@	@	@	8	12	20		11	12
Uttar Pradesh	160	179	209	225	250	1023	965	255	388
West Bengal	43	53	59	74	92	321	322	148	170
Union Territories	66	79	69	65	86	365	425	88	96
Hill & Tribal Areas								25	40
North-Eastern Council									10
TOTAL	**998**	**1248**	**1457**	**1667**	**1922**	**7292**	**7031**	**2205**	**2817**

Note : Figures in brackets indicate Plan outlay for the State of Meghalaya.

† Includes Plan outlay for Meghalaya also. @ Included in Union Territories' Plan outlay.

$ Included in Assam's Plan outlay.

* Excludes provision for Lagyap project.

Sources : Annual Plans 1969-70 to 1975-76 and Draft Fourth Five Year Plan 1969-74, Planning Commission, Government of India.

total outlay as compared to 31.5 per cent in 1974-75. Outlays on 'Irrigation and Flood Control' and 'Agriculture and Allied Programmes' would be stepped up, respectively, by Rs. 81 crores and Rs. 40 crores, over 1974-75 and would account for 17.0 per cent and 15.0 per cent of the aggregate outlay. Some States have for the first time made a separate provision for employment promotion programmes. Of the total Rs. 45 crores for the purpose, Rs. 2 crores and Rs. 3 crores would be spent in Punjab and West Bengal, respectively, on Special Employment Programmes and the remaining Rs. 40 crores on Employment Guarantee Scheme in Maharashtra. Of the total Central assistance of Rs. 811 crores for the State Plan Schemes Rs. 40 crores are provided for the development of Hill and Tribal areas, Rs. 10 crores for the development programmes of North-Eastern Council and Rs. 6.3 crores towards the Plan of Sikkim. These fall outside the normal Plan assistance of Rs. 755 crores, which is the same as in 1974-75. In addition, a provision of Rs. 100 crores was made for special advance Plan assistance(21) to some States to ensure adequate investment in important projects in the core sectors of irrigation and power. With the total Central plan assistance amounting to Rs. 911 crores (33.5 per cent) during 1975-76, the States' own resources would have to be Rs. 1810 crores to fulfil the proposed Plan outlay.

Proposals to Raise Additional Resources

The new measures proposed by nine State Governments, namely, Bihar, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Meghalaya, Orissa, Tamil Nadu and West Bengal in their budgets for 1975-76, are expected to yield Rs. 83 crores(22) in 1975-76 which is, however, much lower as compared to the additional resource mobilisation of Rs. 248 crores(22) in 1974-75. The States' revenues will, in addition, be augmented by Rs. 55 crores during the year on account of increase in Central sales tax rate from 3 to 4 per cent effective July 1, 1975. Among the States, Maharashtra will be raising the largest amount of resources amounting to Rs. 24 crores, followed by Bihar (Rs. 19 crores), Karnataka (Rs. 12 crores) and West Bengal (Rs. 12 crores). Table V. 13 presents the State-wise and tax-wise details of the new proposals.

(21) According to the latest information available, the special advance plan assistance has been raised to Rs. 250 crores.

(22) Exclusive of resources raised by State Electricity Boards and Road Transport Corporations.

Table V. 13 : Estimated Yield from Budget Proposals 1975-76

	Additional Yield (Rupees Crores)
1	2
By States	
1. Bihar	18·80
2. Himachal Pradesh	0·40
3. Karnataka	12·05
4. Madhya Pradesh	9·30
5. Maharashtra	24·19
6. Meghalaya	0·08
7. Orissa	0·50
8. Tamil Nadu	6·00
9. West Bengal	11·80
TOTAL : ..	**83·12**
By Major Heads	
1. Sales Tax	29·80
2. Land Revenue	12·52
3. Stamps and Registration ..	12·30
4. Profession Tax	10·42
5. State Excise Duties	5·28
6. Agricultural Income Tax ..	3·61
7. Urban Immovable Property Tax	1·48
8. Motor Vehicles Tax	0·75
9. Electricity Duty	0·35
10. Entertainment Tax	0·04
11. Others	0·27
12. Non-Tax Revenue	6·30
TOTAL ..	**83·12**

Note : The yield from the measures introduced in 1974-75, which was included in the additional resource mobilisation of 1975-76 by some State Governments, is excluded. The yield from drive to collect arrears of taxes and tightening of tax administration machinery is also excluded.

Some States are making attempts to broaden their tax base. Maharashtra introduced a new tax on profession, trades and employment which is expected to yield Rs. 10 crores in 1975-76. This tax, hitherto, was levied by some local bodies, the total collection from which was only Rs. 41 lakhs in 1973-74. A new tax on advertisements excluding those appearing in newspapers introduced by Bihar is expected to bring a revenue of Rs. 15 lakhs in a year. Similarly, West Bengal Government proposed a new tax on multi-storied buildings which is estimated to yield Rs. 18 lakhs in a year. Four State Governments, *viz.*, Karnataka, Maharashtra, West Bengal and Bihar have made efforts to raise a part of their additional resources from the farm sector. In Karnataka, the agricultural income tax which is presently levied on incomes arising from some specified commercial crops, is proposed to be extended to all the crops on a progressive rate basis. It is expected to yield an additional revenue of Rs. 3.5 crores in 1975-76. Maharshtra has replaced the Land Holdings surcharge imposed in 1974-75 by a surcharge on land revenue based on the size of land holdings. This new measure would bring a revenue of Rs. 2.3 crores as against Rs. 82 lakhs anticipated from the Holdings surcharge. In addition to this, Maharashtra, for raising more resources from the farm sector imposed a tax on agriculturists in the form of Employment Guarantee Cess of Rs. 25 per hectare on all irrigated land in excess of 0.4 hectare (*i.e.*, one acre). This measure is expected to yield Rs. 3 crores in a year. Bihar has proposed to rationalise the rent on lands, as a result of which there will be an additional revenue of Rs. 8 crores from the land revenue and cess in 1975-76.

Among the other measures, revisions in sales tax are expected to contribute an additional revenue of Rs. 29.8 crores. While raising the rates of sales tax, most of the States excluded the items of mass consumption from the purview of increase keeping in view the consideration about their likely impact on prices and proposed to impose/raise taxes/tax rates on luxury goods of a wide range like magnetic tapes, carpets, linoleum, mosaic tiles and chips and electric goods such as washing machines, grinders, mixers and blenders. Maharashtra and Karnataka have proposed an additional sales tax of 6 per cent and 10 per cent, respectively, on dealers having an annual turnover of Rs. 10 lakhs and more. This measure is expected to bring an additional revenue of Rs. 7.2 crores and Rs. 5 crores in Maharashtra and Karnataka, respectively. Madhya Pradesh has proposed to amend the State General Sales Tax Act to curb the evasion of sales tax which is expected to get an additional revenue of Rs. 3 crores in 1975-76. Four States have proposed to raise Rs. 12 crores from Stamp Duty. Tamil Nadu, West Bengal and Madhya Pradesh have proposed to raise stamp duties which would yield of Rs. 8.5 crores. Madhya Pradesh and Karnataka have proposed to amend the Indian Stamp Act to prevent undervaluation of assets at the time of effecting sales and they expect to raise an additional revenue of Rs. 3 crores and Rs. 50 lakhs, respectively, in 1975-76 through this measure. Some States announced tax concessions in the field of sales tax. Uttar Pradesh has raised the minimum taxable limit for sales tax from Rs. 12,000 to Rs. 25,000 ; similarly, West Bengal also raised minimum taxable limit from Rs. 10,000 to Rs. 15,000. West Bengal also announced some minor tax concessions to small-scale industries. Non-tax measures of all the States together are expected to contribute additional resources of Rs. 6.3 crores. Under the non-tax measures, States will be raising resources by increasing cess on minerals and forests, and royalty on coal and other minerals.

III. RAILWAY FINANCE

Revised Estimates: 1974-75

The revised estimates for 1974-75 show a deficit of Rs. 128.2 crores as against a deficit of Rs. 52.8 crores anticipated in the budget estimates and a deficit of Rs. 113 crores estimated at the time of supplementary budget in August 1974 (Table V. 14). The Railway Finances have thus shown a sharp deterioration despite a record additional resource mobilisation through revision in fares and freights estimated to yield Rs. 270 crores in 1974-75. The railway strike in May 1974 resulted in a loss of 11.8 million tonnes of freight traffic and decline in passenger traffic by about 150 million passengers in April-June quarter as compared with that in the corresponding period of 1973-74. As a result, earnings during this period fell short of the budget expectations by Rs. 92.5 crores and it was estimated that there might have been a slippage of about Rs. 140 crores in earnings during the year over the budget estimates. This loss in revenue was, however, practically made good by revision in fares and freights which came into effect from September 15, 1974 yielding an additional revenue of Rs. 133.5 crores in 1974-75. Gross traffic receipts estimated at Rs. 1401.1 crores were higher by Rs. 263.2 crores (23.1 per cent) over 1973-74 mainly owing to the enhancement of fare and freight rates. The earnings from goods traffic estimated at Rs. 899.8 crores showed a rise of Rs. 219.4 crores (32.2 per cent) over 1973-74 due to a rise in the revenue earning traffic of about 10 million tonnes. The earnings from the passenger traffic at Rs. 405.8 crores were higher by Rs. 38.6 crores (10.5 per cent) over 1973-74, even though there was evidence of a sharp decline in passenger traffic. During 1974-75, Railways carried 138 million passengers (non-suburban) less than in 1973-74.

Table V. 14: Financial Results of Railways, 1970-71 to 1975-76

(Rupees Crores)

Items	1970-71 (Actuals)	1971-72 (Actuals)	1972-73 (Actuals)	1973-74 (Actuals)	1974-75 (B.E.)	1974-75 (R.E.)	1975-76 (B.E.) (At current rates of fares and freights)	(At revised rates of fares and freights)
1	2	3	4	5	6	7	8	9
I. Gross Traffic Receipts	1006·7	1096·6	1162·4	1137·9	1427·2	1401·1	1631·9	1670·9
II. Total Expenditure (a+b)	861·9	927·6	998·0	1082·5	1298·3	1340·0	1450·0	1450·0
(a) Working Expenses including contribution to Depreciation Reserve Fund, Pension Fund, Payment to Worked Lines..	847·5	912·0	982·8	1066·5	1279·6	1322·7	1430·5	1430·5
(b) Net Miscellaneous Expenditure	14·4	15·6	15·2	16·0	18·7	17·3	19·5	19·5
III. Net Revenue (I—II)	144·8	169·0	164·4	55·4	128·9	61·1	181·9	220·9
IV. Dividend to General Revenues ..	164·6	151·2	161·5	170·9 (155·1)@	181·7	189·3 (205·1)@	197·9	197·9
V. Net Surplus (+)/Deficit (—) (III—IV)	—19·8	+17·8	+ 2·9	—115·5 (—99·7)	—52·8	—128·2@ (—144·0)	—16·0	+23·0
VI. Liabilities on account of works chargeable to Development Fund and Debt Servicing	—23·8	—32·7	—18·7	—22·7	—62·2	—61·1		—133·9
VII. Total Surplus(+)/Deficit (—) (V+VI)	**—43·6**	**—14·9**	**—15·8**	**—138·2 (—122·4)**	**—115·0**	**—189·3 (—205·1)**		**—110·9**
VIII. Capital-at-charge£	3330·8	3521·0	3725·8	3902·0	4095·4	4098·7		4271·2
IX. Operating Ratio (working expenses as percentage of gross traffic receipts)	84·2	83·1	84·5	93·7	89·7	94·4		85·6
X. Net revenue as percentage of Capital-at-charge	4·3	4·8	4·4	1·4	3·1	1·5		5·2

@ As at the end of 1973-74 adequate fund for equalisation were not available in the Revenue Reserve Fund an amount of Rs. 15·8 crores could not be paid to the General Revenues and it was carried forward to 1974-75.

£ Excluding outlay on Metropolitan Transport Projects.

On the expenditure side, the revised estimates for ordinary working expenses at Rs. 1191.6 crores show an increase of Rs. 256.3 crores over 1973-74 as against an increase of Rs. 213.1 crores anticipated in the budget estimates ; this was mainly accounted for by the sanctioning of six instalments of additional dearness allowance involving an addition of Rs. 95.4 crores in the wage bill in 1974-75. Expenditure would have gone up further but for some economy measures that were effected, particularly in the wage bill (Rs. 30.1 crores), repairs and maintenance (Rs. 23.9 crores) and savings of Rs. 16.1 crores in fuel expenditure.

In the aggregate, the deficit increased to Rs. 128.2 crores as against Rs. 115.5 crores in 1973-74 and the budgeted estimates of Rs. 52.8 crores. Inclusive of the throw-forward liability of Rs. 15.8 crores pertaining to 1973-74, the deficit would go up to Rs. 144.0 crores which was covered by a loan from the General Revenues. This is apart from the Railways borrowing to the extent of Rs. 61.1 crores for meeting the expenditure on works relating to Development Fund (Rs. 16.4 crores), liabilities on account of debt obligation (Rs. 11.5 crores) and repayment of instalment of loans (Rs. 33.2 crores) taken in 1973-74 for covering the budgetary deficit.

Budget Estimates: 1975-76

The Railway Budget for 1975-76 envisages a deficit of Rs. 16.0 crores at the 1974-75 rates of fares and freights, as against a deficit of Rs. 128.2 crores in 1974-75. The budget has proposed withdrawal of the existing concessional tariffs on foodgrains (including pulses), iron ore and manganese ore for exports, resulting in an estimated additional revenue of Rs. 39 crores in 1975-76. The additional yield from rationalisation of freight rates would convert the deficit into a surplus of Rs. 23.0 crores.

In the budget estimates for 1975-76, the gross traffic receipts, at the existing rates of fares and freight, are estimated at Rs. 1631.9 crores showing an increase of Rs. 230.8 crores (16.5 per cent) over 1974-75. Of this increase, as much as Rs. 145.7 crores is expected from goods traffic. The expected increase in earnings from goods traffic is partly due to full year yield of revision in freight rates effected in September 1974 (Rs. 80.3 crores) and partly on account of anticipated increase of 18 million tonnes of revenue earning traffic likely to be carried by the Railways during the year over the level of 1974-75. The earnings from passenger traffic are budgeted to show a rise of Rs. 71.3 crores.

On the expenditure side, ordinary working expenses are estimated at Rs. 1298.3 crores involving an additional expenditure of Rs. 106.7 crores over the revised estimates for 1974-75. More than two-thirds of this increase is on account of increase in the cost of repairs and maintenance of Railway assets and higher expenditure on fuel. The wage bill is expected to go up by Rs. 18.1 crores.

Railway Convention Committee, 1973

The Railway Convention Committee, 1973, in its Sixth Report has recommended that apart from continuing the exemptions and reliefs as given by the Convention Committee 1971, during 1975-76, further reliefs may be provided by exempting 50 per cent, instead of 25 per cent, of capital works-in-progress from the payment of dividend for 1974-75 and 1975-76. As a result of this, the Railways would get an additional relief of Rs. 1·4 crores and Rs. 3.9 crores in 1974-75 and 1975-76, respectively.

Railways' Plan Outlay

The revised Plan outlay(23) for 1974-75 is estimated at Rs. 335.2 crores as against the budget estimates of Rs. 350.1 crores (Table V. 15). The Plan outlay for 1975-76 has been proposed at Rs. 318.1 crores which would be lower by Rs. 17.1 crores than in 1974-75. The outlay on the acquisition of rolling stock has been considerably reduced from Rs. 159.0 crores in 1974-75 to Rs. 123.0 crores in 1975-76. As a result of this, a major cut has been made in the acquisition of wagons. The budget provides for the acquisition of 4000 wagons as compared to 12000 wagons proposed in 1974-75. In 1975-76, the Railways are expected to finance 47.8 per cent of their capital

(23) Excluding the outlay on Metropolitan Transport Projects.

expenditure from their own resources. (24) In 1974-75, though the depreciation provision of Rs. 115 crores was more than enough to meet the expenditure on renewals and replacements, net savings(25) ultimately turned out to be negative on account of substantial losses incurred during that year.

(24) Comprising retained profits of Railways, Depreciation provision and withdrawal from Depreciation Reserve Fund.

(25) Comprising retained profits of Railways, Depreciation provisions minus expenditure on renewals and replacements.

Railways' indebtedness to General Revenues

At the beginning of the Fourth Plan, the Railways were indebted to the General Revenues to the extent of Rs. 25.3 crores. Due to deterioration in the Railway finances during the Fourth Plan, their indebtedness increased to Rs. 208.0 crores at the end of 1973-74, and further to Rs. 379.8 crores in 1974-75. In 1975-76, it is likely to go up by Rs. 16.6 crores to Rs. 396.4 crores (Table V. 16).

Table V. 15: Development Expenditure of Railways

(Rupees Crores)

	1969-70 (Actuals)	1970-71 (Actuals)	1971-72 (Actuals)	1972-73 (Actuals)	1973-74 (Actuals)	Total for Fourth Plan	1974-75 (R.E.)	1975-76 (B.E.)
1	2	3	4	5	6	7	8	9
1. Rolling Stock	99·2	101·8	109·8	127·4	149·3	587·5	159·0	123·0
2. Traffic Facilities	33·9	36·2	41·6	59·3	54·0	225·0	50·5	54·1
3. Track Renewals	21·2	26·1	30·7	40·4	39·8	158·2	30·5	33·0
4. Electrification	11·8	11·9	12·8	14·3	19·1	69·9	22·8	20·0
5. New Lines	10·7	14·1	13·3	14·2	14·4	66·7	18·9	19·0
6. Signalling and Interlocking Works, etc.	8·1	7·7	17·0	15·0	12·3	60·1	12·4	13·5
7. Staff Quarters	6·1	6·2	6·1	7·2	5·8	31·4	4·3	5·7
8. Plant and Machinery	3·0	2·9	3·2	6·4	6·0	21·5	7·0	7·5
9. Others*	—1·6	44·3	74·6	64·5	17·5	199·3	29·8	42·3
Metropolitan Transport Projects ..	0·1	0·4	0·7	2·8	4·7	8·7	7·7	10·0
TOTAL (1 to 9)	**192·4**	**251·2**	**309·1**	**348·7**	**318·2**	**1419·6**	**335·2**	**318·2**

* Excluding Metropolitan Transport Projects

Table V. 16: Railways' Indebtedness to General Revenues

(Rupees Crores)

Year	For Revenue Reserve Fund: Loans during the year	For Revenue Reserve Fund: Loans repaid during the year	For Revenue Reserve Fund: Amount outstanding at the end of the year	For Development Fund: Loans during the year	For Development Fund: Loans repaid during the year	For Development Fund: Amount outstanding at the end of the year	Total outstanding indebtedness at the end of the year (4+7)
1	2	3	4	5	6	7	8
1970-71	24·9	3·0	30·8	21·6	—	65·0	95·8
1971-72	—	11·3	19·5	21·6	—	86·6	106·1
1972-73	—	19·5@	—	15·7	16·7£	85·6	85·6
1973-74	99·7	—	99·7	22·7	—	108·3	208·0
1974-75 (R.E.) ..	183·1	33·2	249·6	21·9	—	130·2	379·8
1975-76 (B.E.) ..	104·1	94·3	259·4	6·8	—	137·0	396·4

@ Loans outstanding were repaid from arrear reliefs given by the Railway Convention Committee, 1971 for 1969-70 and 1970-71.

£ Rs. 16·7 crores repaid to General Revenues out of arrear reliefs given by the Railway Convention Committee, 1971 for 1969-70 and 1970-71.

Source: Explanatory Memoranda on Railway Budgets.

Trends in Freight Traffic

A study of the trends in freight traffic since 1968-69 presents a mixed picture (Table V. 17). After rising from 204 million tonnes in 1968-69 to about 208 million tonnes in 1969-70, it fell to about 185 million tonnes in 1973-74. For 1974-75, it is placed at 192 million tonnes as per the revised estimates. Of this, the revenue earning traffic estimated at 172 million tonnes was, however, higher by about 10 million tonnes over 1973-74. The budget estimates for 1975-76 have anticipated an additional revenue earning freight traffic of 18 million tonnes over the level of 1974-75, and the total freight traffic to be 210 million tonnes.

Table V. 17: Trends in Freight Traffic since 1970-71

Year	Tonnes orginating (Millions)			Freight Kilometres (Billions)			Average Lead of Revenue Earning Freight traffic (Kms.)
	Revenue earning	Railways' own traffic	Total (2+3)	Revenue earning freight	Railways' own traffic	Total (5+6)	
1	2	3	4	5	6	7	8
1970-71	167·9	28·6	196·5	110·7	16·7	127·4	659
1971-72	170·1	27·7	197·8	116·9	16·4	133·3	687
1972-73	175·3	26·0	201·3	121·1	15·4	136·5	691
1973-74	162·1	22·8	184·9	109·4	13·0	122·4	675
1974-75 (R.E.) ...	172·0	20·0	192·0	N.A.	N.A.	N.A.	N.A.
1975-76 (B.E.) ...	190·0	20·0	210·0	N.A.	N.A.	N.A.	N.A.

Source: Annual Reports of the Railway Board on Indian Railways.

The Railway freight traffic has, however, not kept pace with the industrial and agricultural production. While the industrial and agricultural production indices in 1973-74 were higher by 23·2 per cent and 14.6 per cent, respectively, over 1968-69, the Railway freight traffic in 1973-74 declined by 9.3 per cent over 1968-69 (Table V. 18). The Railways carried lesser quantities of coal, iron ore, foodgrains, oilseeds, cotton, jute and mesta in 1973-74 as compared with the quantities carried in 1968-69. In respect of the rest of the selected commodities, the increase in their traffic was less than proportionate to the increase in their output. Another disconcerting aspect is that while the share of bulk and low rated commodities has been progressively increasing in total freight traffic, the Railways have lost a sizeable portion of 'high-rated' and 'high profit yielding' traffic to other means of transport (Table V. 19). The share of eight commodities (coal, foodgrains, iron and steel, ores, stones including limestone, cement, fertilizers and mineral oils) in total revenue earning traffic has increased marginally from 80.2 per cent in 1968-69 to 80.6 per cent in 1973-74. Of these eight commodities, coal and foodgrains which accounted for one-half of the total tonnage of the bulk commodities, are low rated. These eight commodities contributed only 68.2 per cent of the freight earnings in 1973-74. It was estimated that the Railways incurred losses of Rs. 115.4 crores and Rs. 45.6 crores in 1973-74 and 1974-75, respectively, on account of movement of lowrated commodities. As a result of a substantial increase in freight rates in 1974-75 and withdrawal of concessional rates for movement of foodgrains (including pulses) and ores for exports, it is expected that low rated commodities would at least cover the cost of haulage.

Table V. 18 : Growth in Railway Freight Traffic and Industrial and Agricultural Production

	Industrial/Agricultural Production			Growth in Railways' freight Traffic		
	1968-69	1973-74	% increase (+) or decrease (—) (3) over (2)	1968-69	1973-74	% increase (+) or decrease (—) (6) over (5)
1	2	3	4	5	6	7
1. Total Industrial Production (Index)@ ..	163·0	200·8	+23·2	130·6	118·4	— 9·3
2. Total Agricultural Production (Index) $ ..	114·8	131·6	+14·6			
3. Production of Some Important Industrial Products						
(i) Coal ... .. (million tonnes)	75·4	81·2	+7·7	68·6 (50·8)@@	62·0 (47·2)@@	— 9·6 (—7·1)
(ii) Cement .. .. „	12·2	14·7	+20·5	9·4	10·0	+ 6·4
(iii) Iron ore .. .. „	21·2	22·8	+ 7·5	20·7	20·1	— 2·9
(iv) Refined Petroleum Products .. „	15·4	19·7	+27·9	7·9	10·0	+26·6
(v) Sugar† .. „	3·6	4·0	+11·1	1·0	1·4	+40·0
4. Production of Some Agricultural Commodities						
(i) Foodgrains ** (million tonnes) ..	98·0	107·6	+ 9·8	15·8	14·7	— 7·0
(ii) Oilseeds (000 tonnes)	6850·0	8680·0	+26·7	1360·0	1021·0	—24·9
(iii) Tea „	402·0	468·0	+16·4	260·0	280·0*	+ 7·7
(iv) Cotton** „	1002·0	1073·0	+ 7·1	473·0	447·0	— 5·5
(v) Jute and Mesta** „	801·0	1390·0	+73·5	677·0	591·0	—12·7
(vi) Sugarcane „	1283·0	1405·0	+ 9·5	1792·0	1818·0	+ 1·5

@ Base : 1960 = 100; for 1968-69 and 1973-74 data relate to monthly averages of calendar years 1968 and 1973, respectively.
$ Base : 1961-62 = 100 and relates to agricultural year *i.e.*, July-June.
@@Figures in brackets indicate coal carried for public.
† Production figures relate to sugar season which is October-September whereas traffic figures relate to April-March.
* Relates to 1971-72.
**Including imports.

Table V. 19: Share of Selected Bulk Commodities in Revenue Earning Originating Traffic

Freight Traffic (Revenue Earnings)	1965-66		1968-69		1973-74	
	Tonnes (Million)	Earnings (Rs. Crores)	Tonnes (Million)	Earnings (Rs. Crores)	Tonnes (Million)	Earnings (Rs. Crores)
1	2	3	4	5	6	7
Total revenue earning traffic	162·0	452·4	170·8	549·0	162·1	644·2
Eight bulk commodities@	124·7	290·6	137·0	362·6	130·7	439·4
Other commodities	37·3	161·8	33·8	186·4	31·4	204·8
Percentage of bulk commodities to total	77·0	64·2	80·2	66·0	80·6	68·2

@ Coal, iron and steel, ores including iron ore, stones, cement, fertilizers, foodgrains and mineral oils including crude oil.

Source : Figures for 1973-74 have been taken from, 'Indian Railways Year Book 1973-74' and figures for previous years from "Indian Railways—Central facts and Major problem"—February 1974.

Trends in Passenger Traffic

Unlike freight traffic, passenger traffic showed a steady rise during the Fourth Plan. The Plan had envisaged, in passenger traffic kms., a rise of 20 per cent for non-suburban and 31 per cent for suburban services. These targets were exceeded in 1972-73, when non-suburban and suburban passenger kms. recorded a rise of 22.3 per cent and 36.3 per cent, respectively, over the 1968-69 levels (Table V. 20). This trend was, however, reversed in 1973-74 when the passenger traffic (non-suburban) showed a decline of 4.0 per cent over 1972-73 due to labour unrest and shortage of coal which resulted in cancellation of various trains. In 1974-75 (April-March), the passenger traffic again showed a sharp decline of 12.3 per cent mainly due to the railway strike in May 1974. It is expected that in 1975-76, passenger traffic would again rise to the level of 1973-74.

IV. FINANCES OF THE INDIAN POSTS AND TELEGRAPHS DEPARTMENT

Revised Estimates: 1974-75

The revised estimates for 1974-75 show a sharp deterioration in the financial working of Posts and Telegraphs Department (P&T). The anticipated surplus for the year is expected to be reduced by Rs. 40.2 crores over the budget estimates to Rs. 24.6 crores. While the receipts at Rs. 426 crores were higher by Rs. 65.2 crores (18.1 per cent), working expenses at Rs. 381.5 crores showed a sharp rise of Rs. 71.1 crores (22.9 per cent) over 1973-74 (Table V. 21). The increase in receipts was partly due to revision in postal and telegraphic tariffs proposed in the 1974-75 budget and which were expected to yield Rs. 42.8 crores in 1974-75 and Rs. 57.1 crores in a full year. The sharp rise in working expenses was mainly due to sanctioning of six instalments of dearness allowance and increase in pensionary charges. Dividend to General Revenues at Rs. 19.9 crores was lower by Rs. 2.4 crores than in 1973-74. The working results of postal services show sharper deterioration as compared to those of telecommunication services.

Table V. 20 : Growth of Passenger Traffic

Year	Passengers Originating (in Millions)			Passengers Kilometres (in Millions)			Earnings from Passenger Traffic (Rs. Crores)	Average Lead of Non-Suburban Passenger Traffic (Kilometres)
	Non-Suburban	Suburban	Total	Non-Suburban	Suburban	Total		
1	2	3	4	5	6	7	8	9
1969-70	1180	1159	2339	91214	22168	113382	2789	76.4
1970-71	1204	1227	2431	95068	23052	118120	295·5	78·9
1971-72	1261	1275	2536	101079	24250	125329	320·1	80·2
1972-73	1268	1385	2653	106931	26596	133527	343·8	84·3
1973-74	1217	1437	2654	107627	28037	135664	367·2	88·5
Percentage increase in 1973-74 over 1968-69	7·8	32·6	19·9	23·1	43·7	26·9	38·5	15·5

Source : Annual Reports of the Railway Board on Indian Railways.

Table V. 21 : Financial Working of Posts and Telegraphs Department

(Rupees Crores)

Items	1970-71 (Actuals)	1971-72 (Actuals)	1972-73 (Actuals)	1973-74 (Actuals)	1974-75 (Budget Estimates@)	1974-75 (Revised Estimates)	1975-76 (Budget Estimates)
1	2	3	4	5	6	7	8
1. Revenue Receipts	271·1	299·8	321·0	360·8	429·8	426·0	467·8
2. Working Expenses (net) ..	235·0	249·7	269·5	310·4	346·5	381·5	432·3
3. Net Receipts (1—2)	36·1	50·1	51·5	50·4	83·3	44·5	35·5
4. Dividend to General Revenues@@	13·2	13·0	14·4	22·3	18·5	19·9	21·0
5. Surplus (+)/Deficit (—) (3—4) ..	+22·9	+37·1	+37·1	+28·1	+64·8	+24·6	+14·5
Of which : On account of							
(*i*) Postal Services	—	—	—	—15·5	—14·3	—33·2	—50·2
(*ii*) Telecommunication Services	—	—	—	+43·6	+79·1	+57·8	+64·7
Appropriation to (+) or Withdrawal from (—)							
(*a*) Revenue Reserve Fund ..	+12·9	+2·1	+0·1	+0·8	+1·8	+0·6	+0·7
(*b*) Capital Reserve Fund ..	+10·0	+35·0	+37·0	+27·3	+63·0	+24·0	+13·8

@ Including the yield from the proposed revision in postal and telegraphic tariffs.

@@ Under the revised convention, effective from 1st April 1970, dividend to General Revenues is paid according to the following formulae: (a) at 4·75 per cent on the net capital advanced upto the end of 1963-64, reduced by the Department's share of accumulated surplus as on 31st March 1960 (Rs. 29·8 crores) and balance in the Department's Renewal Reserve Fund at the end of 1963-64 (Rs. 52·7 crores), (b) at 6·75 per cent on capital-advanced during 1st April 1964 to 31st March 1970, reduced by net accretion to the Renewal Reserve Fund during the same period and (c) at 6·75 per cent on capital advanced from 1st April 1970, reduced by the balance of P & T Capital Reserve Fund. With effect from 1st April 1970, the difference in interest at dividend rate and average rate on the Fund balance is also adjusted as reduction in the dividend payable. With effect from 1st April 1974, the P & T Department will pay dividend at 4·5 per cent on the capital advanced upto the end of 31st March 1964, mentioned at (a) above. On the capital advanced from 1st April 1964 to 31st March 1970, mentioned at (b) above and on the capital advanced thereafter the dividend payable will be at 6%.

Sources : (1) Explanatory Memorandum on the Budget of the Central Government.
(2) Annual Reports of Posts and Telegraphs Department.

Budget Estimates : 1975-76

The budget estimates of P & T for 1975-76 show a surplus of Rs. 14.5 crores as compared to a surplus of Rs. 24.6 crores in 1974-75. The budget has not proposed revision in postal and telegraphic tariffs. Gross receipts for 1975-76 are estimated at Rs. 467.8 crores showing a rise of Rs. 41.8 crores (9.8 per cent) over the revised estimates of 1974-75. Working expenses budgeted at Rs. 432.3 crores would show a rise of Rs. 50.8 crores (13.3 per cent) over the previous year, reflecting in part the impact of additional dearness allowance sanctioned in 1974-75 and partly on account of higher contribution towards capital expenditure from Revenue and increased depreciation provision for historical costs. The estimated surplus of Rs. 14.5 crores is derived after providing Rs. 21.0 crores on dividend to General Revenues.

Capital Outlay of Posts & Telegraphs Department

As per the revised estimates, capital outlay for 1974-75 was placed at Rs. 155.0 crores as against the budget estimates of Rs. 148.4 crores (Table V. 22). While the outlay on postal services was lower than the budgeted provision, those on telecommunication services and Stores and Manufacture Suspense were higher than the budget estimates. The outlay for 1975-76 has been estimated at Rs. 172.6 crores (11.4 per cent) higher than in 1974-75. The outlays on telecommunication and postal services would be stepped up by Rs. 21.6 crores and Rs. 1.1 crores, respectively, while the outlay on Stores and Manufacture Suspense would be lower by Rs. 5.1 crores than in 1974-75. A major part of the outlay *i.e.*, 89.6 per cent (Rs. 154.6 crores) would be financed from the Department's internal resources while the remaining 10.4 per cent (Rs. 18.0 crores) by loans from the General Revenues. The capital outlay during the first two years of the Fifth Plan at Rs. 327.6 crores would account for about 30 per cent of the aggregate Fifth Plan outlay of Rs. 1087.5 crores for P. & T.

Table V. 22 : Capital Outlay of Posts and Telegraphs Department

(Rupees Crores)

Items	1969-70 (Actuals)	1970-71 (Actuals)	1971-72 (Actuals)	1972-73 (Actuals)	1973-74 (Actuals)	Total for 1969-70 to 1973-74	1974-75 (B.E.)	1974-75 (R.E.)	1975-76 (B.E.)
1	2	3	4	5	6	7	8	9	10
I. Expenditure									
(*a*) Postal	4·8	4·7	6·5	7·2	6·7	29.9	7·4	3·8	4·9
(*b*) Telecommunication	53·3	46·4	74·7	91·3	91·9	357·6	125·6	129·3	150·9
(*c*) Stores and Manufacture Suspense	—5·2	0·9	—1·1	25·8	14·6	35·0	15·4	21·9	16·8
Total Expenditure (*a to c*)	**52·9**	**52·0**	**80·1**	**124·3**	**113·2**	**422·5**	**148·4**	**155·0**	**172·6**
II. Financed from :									
(*i*) Receipts and Recoveries on Capital Account	—	—	0·1	—	—	0·1	20·0	18·9	22·2
(*ii*) Advance Rentals Received under O.Y.T. and Other Schemes	8·7	10·0	8·9	—	—	27·6	10·0	27·0	35·0
(*iii*) Capital Reserve Fund ..	1·2	4·2	14·4	36·1	17·4	73·3	48·9	41·3	35·0
(*iv*) Depreciation on Historical Costs Transferred from Revenue	1·1@	16·2	17·5	19·7	23·1	77·6	27·4	26·2	31·6
(*v*) Contribution towards Capital Expenditure from Revenue	8·5	14·6	16·4	19·3	22·7	81·5	26·7	26·2	30·8
(*vi*) Capital Advanced from the General Revenues	33·4	7·0	22·8	49·2	50·0	162·4	15·4	15·4	18·0
Total (*i to vi*)	**52·9**	**52·0**	**80·1**	**124·3**	**113·2**	**422·5**	**148·4**	**155·0**	**172·6**

@ Met from Renewal Reserve Fund.

Sources : Figures for 1969-70 are from Combined Finance and Revenue Accounts of the Central and State Governments in India, for 1971-72, 1972-73 and 1973-74 from Annual Reports of Indian P & T Deparment and for 1974-75 (B.E. & R.E.) and 1975-76 (B.E.) from Explanatory Memorandum on the Budget of the Central Government.

V. PUBLIC SECTOR PLANS : FINANCIAL PERFORMANCE

Public Sector Plan Outlays—Fourth Plan

The total Fourth Plan outlay (comprising actual outlays for the first three years and the anticipated expenditure for the subsequent two years) at Rs. 15724 crores was lower than the original Plan estimates by Rs. 178 crores. In each year of the Plan, the outlays were lower than the respective Annual Plan provisions. The emergence of an overall shortfall in the Plan outlay was due to reduced outlays on 'industry and mining', 'agriculture and community development' and 'transport and communications' as compared with the respective provisions under these heads. Besides, these reductions were larger than the excess achieved in outlays over provisions in respect of 'irrigation and flood control', 'power' and 'social services and miscellaneous' (Table V. 23). In real terms, the overall shortfall was sizeable : it was Rs. 3475.3 crores calculated at 1968-69 prices (vide Table V. 24).

Table V. 23: Public Sector Plan Outlays by Major Heads of Development

(Rupees Crores)

Heads of Development	Fourth Plan Original Estimates	1969-70 Actual Outlays	1970-71 Actual Outlays	1971-72 Actual Outlays	1972-73 Anticipated Expenditure	1973-74 Anticipated Expenditure	Total Fourth Plan (Cols. 3 to 7)	Difference between Fourth Plan Original Estimates (Col. 2 and Estimated Results (Col. 8)	Draft Fifth Plan Provision	1974-75 Plan Provision	1975-76 Plan Provision
1	2	3	4	5	6	7	8	9	10	11	12
1. Agriculture and Community Development	2728 (17·2)	333 (15·1)	374 (14·8)	478 (15·3)	580 (15·5)	589 (14·3)	2354 (15·0)	—374 [—13·7]	4730 (12·7)	638 (13·2)	691 (11·6)
2. Irrigation and Flood Control ..	1087 (6·8)	193 (8·7)	210 (8·3)	248 (7·9)	311 (8·3)	310 (7·5)	1272 (8·1)	+185 [+17·0]	2681 (7·2)	385 (7.9)	468 (7·8)
3. Power	2447 (15·4)	470 (21·3)	514 (20·4)	606 (19·4)	646 (17·3)	676 (16·4)	2912 (18·5)	+465 [+19·0]	6190 (16·5)	767 (15·8)	1102 (18·4)
4. Industry and Mining	3631 (22·8)	485 (21·9)	508 (20·1)	639 (20·4)	690 (18·5)	796 (19·3)	3118 (19·8)	—513 [—14·1]	8964* (24·0)	1162 (24·0)	1718 (28·7)
5. Transport and Communications ..	3237 (20·4)	411 (18·6)	508 (20·1)	636 (20·3)	744 (19·9)	763 (18·5)	3062 (19·5)	—175 [—5·4]	7115 (19·0)	1027 (21·2)	1040 (17·4)
6. Social Services and Miscellaneous ..	2772 (17·4)	318 (14·4)	410 (16·3)	523 (16·7)	764 (20·5)	991 (24·0)	3006 (19·1)	+234 [+8·4]	7702 (20·6)	865 (17·9)	959 (16·1)
7. **Total**	**15902** **(100·0)**	**2210** **(100·0)**	**2524** **(100·0)**	**3130** **(100·0)**	**3735** **(100·0)**	**4125** **(100·0)**	**15724** **(100·0)**	**—178** [—1·1]	**37382£** **37250**	**4844** **(100·0)**	**5978** **(100·0)**

* Represents mining, manufacturing (Rs. 8939 crores) and construction (Rs. 25 crores).
£ The sectoral outlays add up to Rs. 37382 crores. However, the provision for the total Plan expenditure in the public sector is Rs. 37250 crores.

Notes : 1. The Draft Fifth Plan has been formulated on the basis of concept of gross capital formation (*i.e.*, it includes the provisions for replacement of equipment and machinery as well as the cost of construction of buildings which were outside the Plan during the Fourth Plan period). While comparing the two Plans therefore, this factor may be taken into account.
2. Figures in brackets are percentages to total outlay. However, in Col. No. 10 the percentages are based on the total of Rs. 37382 crores.
3. Figures in square brackets (Col. No. 9) indicate percentage variation over the Fourth Plan original estimates.

Sources : (1) Economic Survey : 1974-75 (2) Draft Fifth Five Year Plan and (3) Annual Plan 1975-76.

Annual Plans—1974-75 and 1975-76

The Draft Fifth Plan provides for a total outlay of Rs. 37382 crores[26] in the public sector. The outlays in the public sector for 1974-75 and 1975-76 were envisaged at Rs. 4844 crores and Rs. 5978 crores, [27] respectively, and accounted for 13.0 per cent and 16.0 per cent, respectively, of the total public sector outlay provided in the Fifth Plan. At 1972-73 prices, the outlay in 1974-75, however, works out to Rs. 3167 crores (vide Table V. 24.)

The Annual Plan for 1975-76 which has been based on the experience of the first year of the Fifth Plan, particularly in respect of prices, reflects the basic need to promote growth of the economy with stability. The Annual Plan provides for an outlay of Rs. 5978 crores which indicates an increase of Rs. 1134 crores or 23.4 per cent over that of 1974-75. This provision does not include increments accrued to inventories of public enterprises and other additional stocks in the public sector which are financed by net credit from the commercial banks.

'Industry and mining' and 'power' claim priorities in the allocations. The outlay on the former, as a proportion to the total annual Plan outlay, amounts to 28.7 per cent in 1975-76 as compared with 24.0 per cent in 1974-75 and 19.8 per cent in the Fourth

(26) This is the total of sectoral outlays; the Draft Plan had provided for a total outlay of Rs. 37250 crores.
(27) Annual Plan: 1975-76, Planning Commision, Government of India.

Table V. 24: Public Sector Plan Outlays at 1968-69 and 1972-73 Prices

(Rupees Crores)

Items	Fourth Plan Original Estimates (at 1968-69 prices)	Fourth Plan Estimated Results	Short-fall (—) or Excess (+) over Original Estimates	Draft Fifth Five-year Plan Provision@	1974-75 (Plan Provision)	Short-fall (—) or Excess (+) over Original Estimates for 1974-75	1975-76 (Plan Provision)
1	2	3	4	5	6	7	8
1. Public Sector Outlays							
(*a*) At current prices	15902·0	15724·0*	—178·0 (— 1·1)£	37382·0	4843·7		5978·1 (+23·4)**
(*b*) At 1968-69 prices		12426·7	—3475·3 (—21·9)£				
(*c*) At 1972-73 prices				37382·0	3167·3	1676·4 (34·6)££	
2. Public Sector Outlays as percentage to National Income at current prices					7·9†		

@ The sectoral outlays add up to Rs. 37382 crores. However, the provision for the total Plan expenditure in the public sector is Rs. 37250 crores.
* Represents actual outlays for 1969-70 to 1971-72 and anticipated expenditure for 1972-73 and 1973-74.
£ Represents short fall as a percentage of Fourth Plan Original Estimates.
** Represents percentage variation over the previous year.
££ Represents short fall as a percentage of original estimates for 1974-75.
† Based on R.B.I. estimates of national income.
Note : Public Sector Outlays during the Fourth Plan at 1968-69 prices and those for 1974-75 at 1972-73 prices have been worked out by using the composite index numbers of wholesale prices of goods relevant for investment (monthly average). For details of composite index see Report on Currency & Finance for 1972-73 (foot note No. 26 and Table V. 29 of Chapter V).

Sources : As in Table V. 23.

Plan period. The proportion of outlay on 'power' which formed 18.5 per cent in the Fourth Plan period and 15.8 per cent in 1974-75 is placed at 18.4 per cent. 'Transport and communications' claims the third place in the allocations. Its proportion has increased from 19.5 per cent in the Fourth Plan period to 21.2 per cent in 1974-75 but works out to 17.4 per cent in the Plan for 1975-76.

Pattern of Financing the Annual Plan—1975-76

For financing the Annual Plan for 1975-76 with a stress on fiscal discipline to contain inflationary pressures, additional resource mobilisation is envisaged to the extent of Rs. 2063 crores which would account for 34.5 per cent of the total resources (Table V. 25). In the case of the Annual Plan for 1974-75, this ratio was only 12.8 per cent. The contribution of the 'Balance from Current Revenues' and 'Gross Surplus of Public Enterprises' is expected to be substantially lower in 1975-76; their shares in total resources being 11.0 per cent and 7.5 per cent, respectively, as compared with the 14.8 per cent and 17.1 per cent in 1974-75. The contribution of market borrowings to total resources is also estimated at a lower figure of Rs. 921 crores in 1975-76 as against Rs. 1060 crores in the previous year. As regards external assistance, the amount expected to be received from abroad is placed at Rs. 631 crores, which is slightly higher than that received in 1974-75. However, its share in total resources would be lower at 10.6 per cent in 1975-76 as against 11.3 per cent in 1974-75.

VI. PUBLIC DEBT

Central Government's Public Debt

The outstanding public debt of the Government of India stood at Rs. 18436 crores at the end of March 1975; the increase during the year 1974-75 was Rs. 1463 crores (8.6 per cent) in contrast to a decline of Rs. 346 crores (2.0 per cent) in the previous year (Table V. 26). The rise in public debt during 1974-75 was under both the components. While internal debt went up by Rs. 913 crores (8.2 per cent) or by about the same magnitude as in 1973-74, external debt increased by Rs. 550 crores (9.4 per cent) in contrast to a decline of Rs. 1255 crores (17.6 per cent) during the preceding year. The shares of internal and external debt liabilities remained more or less the same. These were 65.2 per cent and 34.8 per cent during 1974-75 as against 65.4 per cent and 34.6 per cent in 1973-74, respectively. As a proportion of national income, the public debt declined from 34.4 per cent in 1973-74 to 30.1 per cent.

Other Liabilities

The non-marketable debt liabilities of the Government of India comprising Small Savings, balances in State provident funds and public provident fund and balances in various reserve funds and deposit accounts of departmental undertakings, etc. stood at the end of March 1975 at Rs. 7878 crores, registering a rise of Rs. 581 crores (8.0 per cent) during 1974-75 compared to a rise of Rs. 675 crores (10.2 per cent) in 1973-74.

The gross aggregate liabilities of the Government of India (*i.e.*, unadjusted for the amount due from Pakistan on account of pre-partition debt) rose by Rs. 2044 crores (8.4 per cent) and stood at Rs. 26314 crores at the end of March 1975. The rise during 1973-74 was Rs. 329 crores (1.4 per cent). During 1975-76, these are expected to rise further by Rs. 2174 crores to Rs. 28488 crores. The proportion of public debt to the gross aggregate liabilities which had risen marginally from 69.9 per cent during 1973-74 to 70.1 per cent in 1974-75 is expected to decline to 69.6 per cent during 1975-76.

External Debt

The Central Government's external debt liabilities at Rs. 6419 crores at the end of March 1975, registered a rise of Rs. 550 crores over the year (Table V.27). Larger receipts against debt relief from members of the Aid India Consortium and larger non-project loans from the International Development Association mainly accounted for the rise.

For 1975-76, the Central Government has assumed a gross external credit of Rs. 928 crores, including new credits worth Rs. 248 crores. Net external credit is expected to be Rs. 613 crores. As in 1974-75, the

Table V. 25: Pattern of Financing Public Sector Plans (At Current Prices)

(Rupees Crores)

Year	Balance from Current Revenue at 1968-69 rates of taxes	Contribution of Public Enterprises at 1968-69 rates of fares and freights	Additional Resource Mobilisation	Retained Profits of R.B.I	Market Borrowings†	Small Savings	State Provident Funds	Others*	Total Domestic Budgetary Resources (Sum of Columns 2 to 9)	External Assistance	Deficit Financing	Total Resources (Sum of Columns 10 to 12)
1	2	3	4	5	6	7	8	9	10	11	12	13
1. 1969-70 (Actuals)	158	253	191	8	359	129	156	313	1567	574	58	2199
2. 1970-71 (Latest Estimates)	157	194	429	47	548	191	144	171	1881	547	365	2793
3. 1971-72 (-do-)	—61	207	715	60	500	182	154	444	2201	574	383	3158
4. 1972-73 (Original Estimates)	381	296	1235$	89	645	230	167	375	3418	380	175	3973
5. 1973-74 (-do-)	55	195	1668	105	854	325	203	426	3831	448	85	4364
6.A Total of 1969-70 to 1973-74 (1 to 5)	690	1145	4238	309	2906	1057	824	1729	12898	2523	1066	16487
	(4·2)	(6·9)	(25·7)	(1·9)	(17·6)	(6·4)	(5·0)	(10·5)	(78·2)	(15·3)	(6·5)	(100·0)
6.B Total Latest Estimates@	— 236	1135	4280	296	2135	1162	874	2367	12013	2087	2060	16160
	(— 1·4)	(7·0)	(26·5)	(1·8)	(13·2)	(7·2)	(5·4)	(14·6)	(74·3)	(12·9)	(12·8)	(100·0)
7. Fourth Plan Original Estimates (at 1968-69 prices)	1673	2029	3198	202	2326	769	660	1581	12438	2614	850	15902
	(10·5)	(12·8)	(20·1)	(1·3)	(14·6)	(4·8)	(4·2)	(9·9)	(78·2)	(16·4)	(5·4)	(100·0)
8. Mid-term Appraisal Estimates£	802	1171	3728	269	2726	1000	782	1677	12155	2540	1203	15898
	(5·1)	(7·4)	(23·5)	(1·7)	(17·1)	(6·3)	(4·9)	(10·5)	(76·5)	(16·0)	(7·5)	(100·0)
9. Fifth Plan Estimates 1974-75 to 1978-79**	7348+$$	5988+	6850	—	9312	1850	1280	1179	33807	2443@@	1000	37250
	(19·7)	(16·1)	(18·4)	—	(25·0)	(5·0)	(3·4)	(3·2)	(90·8)	(6·5)	(2·7)	(100·0)
10. 1974-75 (Revised Estimates)	718+	829+	618	—	1060	360	225	362	4172	547	125	4844
	(14·8)	(17·1)	(12·8)		(21·9)	(7·4)	(4·6)	(7.5)	(86·1)	(11·3)	(2·6)	(100·0)
11. 1975-76 (Provisions)	659+	448+	2063	—	921	380	289	341	5101	631	246	5978
	(11·0)	(7·5)	(34·5)		(15·4)	(6·4)	(4·8)	(5.7)	(85·3)	(10·6)	(4·1)	(100·0)

† Include loans raised from public by the Central and State Governments (net), borrowings by FCI and financial institutions, loans from L. I. C. and State enterprises' market borrowings.

* Comprise Annuity Deposits, Compulsory Deposits, Prize Bonds, Steel Equalisation Fund (net) and Miscellaneous Capital Receipts (net). Soviet wheat loan and oil credits are also included under this head in 1974-75 and 1975-76.

$ Exclusive of the special levies imposed for meeting the expenditure on relief of evacuees from Bangladesh.

@ As anticipated in the Draft Fifth Five Year Plan (p. 53); however, year-wise break-up is not available

£ Mid-term estimates are at current prices for the first two years, while for the rest of the Plan period they are at prices prevailing in the first four months of 1971-72.

** At 1972-73 prices.

\+ At 1973-74 rates of taxation, fares and freights.

$$ Includes Rs. 1736 crores as transfer from current revenues to sinking funds and other funds (net).

@@ Includes suppliers' credit of Rs. 400 crores

Note : Figures in brackets are percentages to total resources.

Sources : As in Table V. 23.

Table V. 26: Public Debt and Other Liabilities of the Government of India

(Rupees Crores)

Items	As at the end of March						
	1970	1971	1972	1973	1974	1975 (Revised Estimates)	1976 (Budget Estimates)
1	2	3	4	5	6	7	8
A. Public Debt (1+2)	13219 (41·3)	14148 (40·9)	15163 (41·4)	17319 (43·7)	16973 (34·4)	18436 (30·0)	19829
1. Internal Debt (i to iv)	7066	7663	8332	10195	11104	12017	12797
(*i*) Current Market Loans }	4144	4442	4840	5427	5990	6435	6760
(*ii*) Others£ }						139	139
(*iii*) Treasury Bills	2232	2516	2765	4044	4384	4710	5166
(*iv*) Special Floating Loans††	690	705	727	724	730	733	732
2. External Debt	6153	6485	6831	7124	5869	6419	7032
B. Other Liabilities (1+2)	5160 (16·1)	5716 (16·5)	6259 (17·1)	6622 (16·7)	7297 (14·8)	7878 (12·9)	8659
1. Unfunded Debt (a to d)	3624	3959	4235	4673	4595	5084	5714
(*a*) Small Savings	2024	2209	2432	2802	3276	3601	3981
(*b*) State Provident Funds	761	841	940	1024	1115	1291	1436
(*c*) PL 480 Deposits	667	678	645	627	—	—	—
(*d*) Other Unfunded Debt@	172	231	218	220	204	192	297
2. Reserve Funds and Deposits@@	1536	1757	2024	1949	2702	2794	2945
C. Aggregate Liabilities (A+B)	18379 (57·5)	19864 (57·4)	21422 (58·5)	23941 (60·5)	24270 (49·2)	26314 (42·9)	28488
D. Amount due from Pakistan on account of Pre-partition Debt	300	300	300	300	300	300	300
E. Net Liabilities (C—D)	18079	19564	21122	23641	23970	26014	28188

£ Comprise mainly balances of expired loans, Prize Bonds, Premium Prize Bonds, Banks Compensation Bonds, etc. Annuity Certificates are excluded from here and shown under Small Savings.

†† These represent liability in respect of special rupee securities issued in payment of subscriptions or contributions towards the share capital of international institutions such as IMF, IBRD, IDA, etc.

@ Includes mainly Postal Insurance and Life Annuity Fund, Hindu Family Annuity Fund, Compulsory Deposits, Income-tax Annuity Deposits, etc.

@@ Include depreciation and reserve funds of Railways and Posts and Telegraphs, deposits of local funds, departmental and judicial deposits, civil deposits, etc.

Notes: (1) Figures in this Table differ from those published in earlier Currency Reports. For explanation, please refer to note on Statement 70 in the Statistical part of the Report.

(2) Figures in brackets represent percentages to the C.S.O. estimates of national income at current prices. For 1974-75 such percentages have been worked out on the basis of the Reserve Bank of India estimates of national income (at current prices).

Sources : (1) Finance Accounts of the Union Government from end-March 1970 to 1974.

(2) Explanatory Memorandum of the Central Government Budget, 1975-76, for end-March 1975 and 1976.

International Development Association would account for the major portion (Rs. 366 crores[28] or 59.7 per cent) of net external loans of Rs. 613 crores budgeted for 1975-76. Net loans from the U.K. would account for Rs. 42 crores, from Sweden for Rs. 23 crores and from Canada for Rs. 13 crores. There would be a net repayment of Rs. 39 crores to the U.S.A., Rs. 27 crores to the U.S.S.R., Rs. 20 crores to the Federal Republic of Germany and Rs. 14 crores to the International Bank for Reconstruction and Development.

Internal Debt

Internal debt liabilities of the Government of India stood at Rs. 12017 crores at the end of March 1975, indicating a rise of Rs. 913 crores during 1974-75. A major portion of this increase was under market loans (Rs. 584 crores) and Treasury Bills (Rs. 326 crores). During 1974-75, the Central Government raised Rs. 495 crores (net) through market borrowings. *Ad hoc* Treasury Bills worth Rs. 100 crores held by the Reserve Bank of India were funded into dated Government securities. On the other hand, during the year there was a repayment of maturing $2\frac{3}{4}$ per cent Hyderabad Loans, 1974 and 1975, aggregating Rs. 11 crores.

Market Borrowings[29]: 1974-75

The Central Government had budgeted for Rs. 700 crores (gross) or Rs. 498 crores (net) of market borrowings during 1974-75, as against Rs. 472 crores raised during 1973-74. The Government entered the market on three occasions during the year and raised, in net terms, an aggregate amount of Rs. 495 crores (Table V.28). While the first floatation of July 1974 was a cash-cum-conversion offer with discounts, the other two in November and December 1974 were wholly on a cash basis and at par. The subscriptions from the first phase of market borrowing aggregated Rs. 439 crores (Rs. 252 crores in cash and Rs. 187 crores in conversion). Allowing for cash repayment of Rs. 15 crores in respect of unconverted maturing securities, net market borrowing totalled Rs. 237 crores. The subscriptions to the November and December floatations amounted to Rs. 180 crores and Rs. 78 crores, respectively. Of the loans issued in July 1974, one was issued at a discount of 0.25 per cent and the two others at a discount of 0.50 per cent.

Shorter maturities and higher nominal rates of interest as well as higher redemption yields at issue price marked the Central loans issued during 1974-75 as compared to loans issued during 1973-74. Loans raised in 1974-75 had a maturity range of 4 years to 24 years as compared to that of 7 years to 30 years in case of loans issued during 1973-74. The highest nominal rate of interest went up by 0.50 per cent and the lowest by 0.25 per cent. Redemption yields at issue prices too moved up from the range of 4.75 per cent and 5.75 per cent during 1973-74 to 5.11 per cent and 6.25 per cent during 1974-75. The monthly average of gross redemption yields on Government of India securities was higher at 5.67 per cent during 1974-75 as against 5.18 per cent during 1973-74.

1975-76

Against the budget provision of Rs. 532 crores of gross, or Rs. 325 crores of net market borrowings during 1975-76, the Central Government has so far raised Rs. 453 crores (net) *i.e.* Rs. 128 crores more than the budgetary provision, in two phases. On July 26, 1975 the Central Government floated three loans for Rs. 400 crores—$5\frac{1}{2}$ per cent Loan, 1982, 6 per cent Loan, 1993 and $6\frac{1}{2}$ per cent Loan, 2003. Of the total subscription of Rs. 440 crores, Rs. 248 crores was in cash and Rs. 192 crores in conversion. With cash repayment of Rs. 15 crores on account of unconverted maturing securities, net market borrowing from this phase of borrowing aggregated Rs. 233 crores. Later, on December 1, the Government issued at par $6\frac{1}{4}$ per cent Loan 1996, for Rs. 200 crores. This cash issue fetched Rs. 220 crores.

Maturity Pattern of Rupee Debt

The trend towards lengthening of the average maturity of Government of India rupee loans noticed in the past few years was reversed during 1974-75 (vide Statement 74 in the Statistical part of the Report). The proportion of the long-dated securities (with maturity of

(28) Figures given here are exclusive of Rs. 248 crores of gross credits, country-wise break-up of which is not available.

(29) Subscription figures are based on the Reserve Bank of India records.

Table V. 27 : External Debt of the Government of India

(Rupees Crores)

End of March	Debt due to													
	U.K.	U.S.A.				Federal Republic of Germany	Japan	U.S.S.R.	Canada	Sweden	International Development Association	International Bank for Reconstruction and Development	Other Countries	Total
		PL 480 and other Rupee Loans	Other Loans	U.S. Export Import Bank	Total (3 to 5)									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1974	936	178	1813	63	2054	466	366	265	186	24	1098	207	267	5869
1975 (Revised Estimates)	985	177	1852	50	2079	505	398	231	228	58	1417	193	325	6419
1976 (Budget Estimates)	1027	177	1826	37	2040	485	398	204	241	81	1783	179	594@	7032

@ Includes new credits worth Rs. 248 crores, country-wise details of which are not available.

Sources : Finance Accounts of the Union Government for end-March 1974 and Explanatory Memorandum of the Central Government Budget, 1975-76, for end-March 1975 and 1976.

Table V. 28 : Market Borrowings of the Government of India During 1974-75

(Rupees Crores)

Date	Loans Floated	Issue Price (Rupees per cent)	Amount				Repayment in cash for unconverted maturing securities	Net Market Borrowings (5—8)
			Offered	Subscribed				
				Cash	Conversion	Total(5+6)		
1	2	3	4	5	6	7	8	9
July 16, 1974	5% Loan 1979	99·50	400	59	28	87		
	5½% Loan 1985	99·75		103	76	179		
	6% Loan 1998	99·50		90	83	173		
				252	187	439	15	237
November 22, 1974*	5¼% Loan 1978	100·00	175	30	—	30		
	6% Loan 1988	100·00		85	—	85		
	6¼% Loan 1997	100·00		65	—	65		
				180	—	180	—	180
December 28, 1974*	5¼% Loan 1978 (Second Issue)	100·00	75	18	—	18		
	6% Loan 1988 (Second Issue)	100·00		60	—	60		
				78	—	78	—	78
Total during 1974-75			**650**	**510**	**187**	**697**	**15**	**495†**

* Offered for cash subscription only.

† The difference in this figure and the corresponding figure in Statement 72 is due to difference in the procedure of working out the outstanding balance of unconverted maturing securities.

Source : Reserve Bank of India Records.

10 years or more, including the undated) to the total loans, which had increased from 58.3 per cent at end-March 1973 to 61.3 per cent at end-March 1974, declined, though fractionally, to 61.2 per cent at end-March 1975. The share of medium-dated loans (maturing between 5 and 10 years) which had risen from 16.0 per cent to 22.6 per cent too declined to 22.0 per cent. Correspondingly, the share of the short-dated loans (maturing in less than 5 years) which had declined from 25.7 per cent at end-March 1973 to 16.1 per cent at end-March 1974 was higher at 16.8 per cent at end-March 1975.

Treasury Bills

The increase in the outstanding Government of India Treasury Bills during 1974-75 was placed at Rs. 326 crores according to the revised estimates, but the actuals for the year indicated a sharp rise of Rs. 679 crores—Rs. 772 crores in the holdings of State Governments and approved bodies, Rs. 5 crores in the holdings of the Reserve Bank of India and a *decline* of Rs. 98 crores in the holdings of the public. Of Rs. 5063 crores of Treasury Bills outstanding at the end of March 1975, Reserve Bank of India held Rs. 3747 crores (74.0 per cent), approved bodies Rs. 927 crores (18.3 per cent) and the public Rs. 389 crores (7.7 per cent) (vide Statement 80). During 1975-76, Treasury Bills are expected to show an increase of Rs. 456 crores.

Special Floating Loans

Special floating loans comprise special rupee securities issued to international financial institutions in payment of India's subscriptions or contributions towards their share capital. The increased subscription consequent on the increase in the capital stock of the Asian Development Bank was payable in three equal annual instalments. The third and final instalment amounting to Rs. 8.1 crores—Rs. 3.7 crores in convertable currency and Rs. 4.4 crores in special securities—was due in March 1975. The revised estimates for 1974-75 therefore assumed a credit of Rs. 4.4 crores for special securities to be issued to the ADB.

Subscription of Rs. 1.13 crores was payable during 1974-75 towards the fourth IDA replenishment. Special securities worth Rs. 75 lakhs were also to be issued during the year to the International Development Association in order to make up for the difference in the dollar value of securities issued in local currency. A credit of Rs. 1.88 crores had, therefore, been assumed in the revised estimates for 1974-75.

Small Savings

At Rs. 325 crores, the revised estimates of net Small Savings collections of the Central Government during 1974-75 were Rs. 35 crores less than the budgeted figure. The actuals collected were Rs. 254 crores(30); these were substantially lower than the record collection of Rs. 467 crores during the preceding year Table V.29). Net Small Savings collections declined in spite of two upward revisions in the rates of interest, first on April 1, 1974 and subsequently on July 23, 1974(31) on almost all of the Small Savings media current during 1974-75. (Rates of interest on current media are given in Statement 79 in the Statistical part of the Report).

Media-wise, 7-year National Savings Certificates, Post Office Recurring Deposits, and 10-year Cumulative Time Deposits indicated some improvement in net collections over the preceding year; Post Office Savings Bank Deposits and Post Office Time Deposits registered declines. Net collections under Post Office Time Deposits were lower by Rs. 27 crores. Post Office Savings Bank Deposits showed a substantial decline of Rs. 175 crores resulting in net *withdrawal* of Rs. 31 crores. Deposits in Post Office Savings Banks accounts declined on account of the decision of some State Governments to transfer the teachers' provident fund accounts from the Post Office Savings Banks to State treasuries. There also took place some withdrawals of deposits placed as security moneys for purchase of scooters and cars. Net collections under the Post Office Time Deposits were adversely affected by the change in the investment

(30) As per Accountant General, Posts and Telegraphs.
(31) Refer to Table V.35, p. 193, Report on Currency and Finance, 1973-74.

Table V. 29: Small Savings Collections (Net)

(Rupees Lakhs)

Items	1973-74	1974-75	Difference of 1974-75 over 1973-74 (Decrease—)
1	2	3	4
1. Post Office Savings Bank Deposits*	**144,54**	**—30,87**	**—175,41**
2. 10-Year Cumulative Time Deposits	**12,86**	**17,80**	**— 4,94**
3. Post Office Recurring Deposits	**23,89**	**30,50**	**6,61**
4. Post Office Time Deposits	**315,07**	**287,94**	**— 27,13**
1-year	12,38	9,88	— 2,50
2-year	37,01	55,56	18,55
3-year	27,65	2,00	— 25,65
5-year	238,03	220,50	— 17,53
5. 7-Year National Savings Certificates	**56,42**	**57,04**	**62**
II Issue	30,16	24,95	— 5,21
III Issue	2,81	4,98	2,17
IV Issue	21,79	12,88	— 8,91
V Issue	1,66	14,23	12,57
6. Others	**—85,52**	**—108,18**	**— 22,66**
7. Total	**467,26**	**254,23**	**— 213,03**

* Include Dead Savings Bank Account and interest credited to depositors' account from time to time.

Source : Accountant General, Posts and Telegraphs.

pattern of the provident funds. Obligatory investment of accumulations in Employees' Provident Fund into Post Office Time Deposits was changed to a uniform rate of 30 per cent throughout the year 1974-75, instead of 30 per cent in the first half year and 75 per cent in the second half as in 1973-74. This decline was only partially offset by the permitted investment in these Deposits, from November 1974, by recognised and a few other provident funds, superannuation and pension funds, up to 30 per cent of their accumulations. Apart from these specific factors, the decline in net collections during 1974-75 seems to have been caused by switchovers of funds from Small Savings to other high yielding media such as deposits with non-banking companies and commercial banks.

Promotional Measures

Besides the upward revision of interest rates referred to earlier, an important promotional measure of the year was one of encouraging personal collections. From the year 1974-75, State Governments are entitled to additional loan assistance equivalent to 25 per cent of the amount of individual savings collected in excess of the target fixed for the State. At present two-thirds of the net Small Savings collections in each State are passed on to States in the form of 25 year loans. Moreover, as an incentive for mobilising collections, for every 5 per cent in excess of the national average of net to gross collections, States are entitled to receive $2\frac{1}{2}$ per cent over and above their normal share of two-thirds net collection.

During 1974-75, 15 Post Office Savings Banks were enrolled as sub-members of the local clearing houses. This raised the total number of Post Office Savings Banks admitted to clearing houses to 148.

The Small Savings target for the Fifth Plan has been fixed at Rs. 1850 crores keeping in view the Fourth Plan's achievement of Rs. 1363 crores. For 1975-76, the Government of India has budgeted for Rs. 380 crores of net Small Savings collections.

State Governments' Debt Position

Total Outstanding State Debt

The outstanding debt liabilities of State Governments as at the end of March 1975 increased by Rs. 1100 crores to Rs. 12718 crores, compared to an increase of Rs. 1046 crores during 1973-74 (Statement 75 in the Statistical part of the Report). States' debt liabilities are expected to rise further by Rs. 1028 crores to Rs. 13746 crores at the end of March 1976.(32) These increases, however, did not adversely affect the ratio of States' debt liabilities to national income (at current prices) ; the ratio, in fact, declined from 23.6 per cent in 1973-74 to 20.7 per cent during 1974-75, mainly because of the relatively higher rate of growth in national income in money terms.

Loans and Advances from the Central Government

Loans and advances from the Central Government for Plan and non-Plan purposes (including those against Small Savings collections) which form a major item of States, debt rose by Rs. 668 crores during 1974-75 (Rs. 619 crores during 1973-74) to Rs. 9279 crores at the end of March 1975. But their proportionate share in States debt, had declined to 73.0 per cent from 74.1 per cent at the end of March 1974. The Central Government discontinued special accommodation for meeting the overall non-Plan gaps of some States as well as *ad hoc* loans for relief on account of natural calamities. The States made loan repayments to the Centre to the extent of Rs. 506 crores during 1974-75 while they secured relief of Rs. 492 crores as a result of rescheduling of Central loans as recommended by the Sixth Finance Commission. The gross receipts of loans and advances from the Centre aggregated Rs. 1174 crores and were lower by Rs. 378 crores compared to the preceding year. States' indebtedness to the Centre is expected to rise by Rs. 502 crores during 1975-76 to Rs. 9781 crores at the end of March 1976.

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(32) For State-wise break-up, please refer to Statement 76 in the Statistical part of the Report.

Market Loans and Bonds

Market loans and bonds representing loans floated on the market (current as well as expired) and bonds issued by State Governments such as zamindari/jagirdari abolition bonds, housing bonds, etc., rose by Rs. 203 crores during 1974-75 (Rs. 161 crores during 1973-74) and stood at Rs. 1829 crores at the end of March 1975. These are expected to rise further by Rs. 278 crores during 1975-76.

Market Borrowings(33): 1974-75

In contrast to the practice followed upto 1973-74 of floating market loans only once a year, State Governments entered the market twice during 1974-75. On August 27, 1974, 16 State Governments issued 6 per cent, 1984, 10-year loans at a discount of 1 per cent. As against an amount of Rs. 205.25 crores offered, total subscription aggregated Rs. 228 crores, of which Rs. 173 crores represented cash subscription and Rs. 55 crores in conversion of maturing securities. Adjusting for Rs. 43 crores of cash repayment of unconverted maturing securities, net borrowing from the first floatation was Rs. 130 crores. A month later, on September 27, 1974, 8 of these State Governments re-entered the market alongwith 5 other State Governments which had not borrowed earlier during the year. State Governments issued with a discount of 1 per cent, 10-year cash issues with a coupon rate of 6 per cent, for Rs. 75.35 crores which netted in Rs. 83 crores. State Governments thus borrowed Rs. 213 crores during 1974-75, as against Rs. 166 crores raised in 1973-74.

The floatations of 1974-75 have certain distinct features. While the nominal rate of interest on State loans floated during 1974-75 was 0.25 per cent higher, maturity was shorter by 2 years as compared with the 1973-74 loans. Moreover, loans were issued at a discount of 1 per cent in contrast to issue at par during the preceding year. Consequently, redemption yield at issue price on 1974-75 State loans was 6.14 per cent as compared to 5.75 per cent on loans issued during 1973-74. The monthly average of gross redemption yields on State Government securities during 1974-75 was 5.78 per cent compared to 5.63 per cent during the preceding year.

(33) Subscription figures are based on Reserve Bank of India records.

1975-76

State Governments' borrowing programme during 1975-76 was split up into two instalments as in the previous year. While 10 State Governments issued their loans for an amount of Rs. 161 crores on September 1, 1975, the other 11 State Governments entered the market on September 15, 1975, for an amount of Rs. 85.75 crores. The above 10-year cash issues carried an interest of 6 per cent per annum and were issued with a discount of 1 per cent. Total subscriptions amounted to Rs. 274.41 crores—Rs. 179.12 crores in the first instalment and Rs. 95.29 crores in the second instalment.

Ways and Means Advances from the Reserve Bank of India

The item 'Ways and Means Advances from the Reserve Bank of India' includes apart from normal and special ways and means advances, overdrafts from the Bank repayable within seven days. These advances declined by Rs. 39 crores during 1974-75 (as against an increase of Rs. 109 crores during 1973-74) to Rs. 185 crores at the end of March 1975. These are expected to rise by Rs. 30 crores during 1975-76.

Loans from Banks and Other Institutions

Loans from banks and other institutions include loans and cash credits from the State Bank of India and other commercial banks, while loans from other institutions mainly represent those taken from National Agricultural Credit (Long-term Operations) Fund of the Reserve Bank of India, National Co-operative Development Corporation and the Life Insurance Corporation of India. Loans from banks and other institutions to State Governments rose by Rs. 119 crores during 1974-75 to Rs. 418 crores at the end of March 1975 and are expected to rise further by Rs. 84 crores during 1975-76.

Provident Funds, etc.

The item comprises mainly balances in State provident funds, insurance and pension funds, trusts and endowments. Outstandings against this item rose by Rs. 149 crores during 1974-75 (Rs. 131 crores during 1973-74) to Rs. 1007 crores at the end of March 1975 and are expected to rise further to Rs. 134 crores during 1975-76.

CHAPTER VI : CAPITAL MARKET AND INDUSTRIAL FINANCE

Introduction :

During the year 1974-75, the capital market was in a state of near-depression brought about mainly by restrictions imposed, during the middle of 1974, on dividend and bonus shares and by the levering up of short-term rates of interest. The new issue market was at a low ebb ; this was reflected in the fall in the amounts of capital consents (excluding loans and bonus issues) as also in the capital issued by 5.6 per cent and 22.4 per cent, respectively. However, the total capital raised by both the public and private limited companies showed an increase, *albeit* by a marginal 2.3 per cent. The total funds mobilised by the Government and semi-Government institutions from the capital market, on the other hand, rose from Rs. 1082 crores in 1973-74 to Rs. 1423 crores in 1974-75, *i.e.*, by 31.5 per cent (Table VI.1).

Table VI.1 : Funds Mobilised By Government And semi-Government Institutions Through Issue of Securities

(Rupees Crores)

Funds mobilised By / From	1974-75 (July-June)*				1973-74 (July-June)			
	Subscriptions			Net borrowing after taking into account maturities	Subscriptions			Net borrowing after taking into account maturities
	Governments and Institutions[1]	Others[2]	Total		Governments and Institutions[1]	Others[2]	Total	
1	2	3	4	5	6	7	8	9
1. **Government Borrowings**	**385.9**	**621.7**	**1007.6**	**707.8 (63.3)**	**310.7**	**330.6**	**641.3**	**482.2 (49.6)**
Of which :								
A. Central Government	384.4	312.0	696.4	494.8 (44.2)	310.7	164.1	474.8	315.7 (32.5)
B. State Governments	1.5	309.7	311.2	213.0 (19.1)	—	166.5	166.5	166.5 (17.1)
2. Bonds, debentures and capital issued by semi-Government and autonomous institutions[3]	16.1	398.9	415.0	370.5 (33.1)	16.7	424.0	440.7	414.2 (42.6)
3. **Total (1 + 2)**	**402.0**	**1020.6**	**1422.6**	**1078.3 (96.4)**	**327.4**	**754.6**	**1082.0**	**896.4 (92.2)**

* Provisional.

1. Include R. B. I., State Governments, local authorities, state electricity boards and financial institutions like IDBI, IFCI, SFCs and SIDCs.
2. Include commercial and co-operative banks, LIC and general insurance companies, provident funds, joint stock companies, trusts, ICICI, UTI and individuals.
3. Include IDBI, IFCI, SFCs, SIDCs, ARC, central land mortgage/development banks, state electricity boards, municipal corporations / metropolitan authorities, housing boards and port trusts.

On the stock markets, equity prices suffered sharp losses with the All-India index number of security prices for ordinary shares (Base : 1970-71 = 100) touching a low of 90.4 by end-June 1975, as compared with 132.8 at the end-June 1974. The gilt-edged market too ruled weak throughout the year 1974-75.

It seems there was a doubling of retained profits by the corporate sector during 1974-75, presumably resulting from the dividend restrictions and larger allocation to reserves. Yet another aspect of industrial finance was the larger disbursement by term-lending institutions : total direct loans availed of from the major term-lending institutions rose from Rs. 252 crores in 1973-74 to Rs. 337 crores in 1974-75, *i.e.*, by about 34 per cent. It may be recalled that such disbursements had recorded a much larger rise by 43 per cent in 1973-74 (Table VI.2).

Table VI.2 : Trends in Financial Assistance Sanctioned and Disbursed by Term-lending Institutions(*a*)

(Rupees Crores)

Year (April-March)	Sanctions		Disbursements	
	Direct Loans (*c*)	Total Assistance(*b*)	Direct Loans (*c*)	Total Assistance (*b*)
1	2	3	4	5
1970-71	178.7 (+46.2)	215.8 (+40.3)	121.9 (+21.3)	146.7 (+26.1)
1971-72	261.9 (+46.6)	302.7 (+40.3)	154.8 (+27.0)	184.5 (+25.8)
1972-73	255.5 (—2.5)	295.9 (—2.3)	176.0 (+13.7)	199.2 (+8.0)
1973-74	358.2 (+40.2)	413.1 (+39.6)	252.0 (+43.2)	273.9 (+37.5)
1974-75*	433.8 (+21.1)	510.2 (+23.5)	336.8 (+33.7)	364.9 (+33.2)

* Provisional.
(*a*) Covered are IDBI, ICICI, IFCI, IRCI, SFCs and SIDCs.
(*b*) Total assistance comprise : (*i*) in respect of IDBI, all types of assistance including refinance of industrial loans and of export credit and rediscounting of bills, with the only exception of subscription to shares and bonds of financial institutions (Refinance of SFCs' industrial loans are, of course, excluded to avoid double counting) ; (*ii*) for other institutions, all types of assistance.
(*c*) Direct loans comprise total assistance as at (*b*) minus IDBI's direct assistance to export and refinance of export credit and underwriting of and direct subscription to shares and debentures by all these institutions.
Note: Figures in brackets are percentage variations over the previous year.

With the brightening up of prospects for industrial and agricultural growth in 1975-76, and with the Government taking various measures to promote production and investment, the new issue activity showed signs of pick-up in the first half of 1975. While the total amount of capital consents (excluding loans and bonus issues) went up by 95.5 per cent over that recorded quantum during the second half of 1974, the total amount of new capital issued also showed a significant rise of 71.4 per cent in the first half of 1975 over the level of the second half of 1974. On the stock exchanges, equity prices staged a partial recovery, with the index registering a rise of 7 points between the end of June and the end of September 1975.

I. CAPITAL MARKET

(*i*) Industrial Securities Market

Compared to the buoyant condition witnessed in 1973-74, the industrial securities market experienced a severe set-back during 1974-75. The index numbers of All-India security prices for ordinary shares (1970-71= 100) after showing a marginal increase from 132.8 on June 29, 1974 to 133.0 on July 6, continued to decline thereafter almost steadily throughout the year (Table VI.3). In the result, the index recorded an overall decline of 31.9 per cent over the year in contrast to a rise of 24.6 per cent in 1973-74. The set-back in 1974-75 may be attributed to a variety of factors, the more significant of which were : the restrictions imposed on dividend distribution, the rise in the short-term interest rates and also in the rates offered on deposits by non-banking companies. Obviously, the not-so-encouraging prospects for growth of the economy provided the general background to the impact of the factors mentioned above.

Table VI.3 : Movement in All-India Index Numbers of Security Prices for Ordinary Shares

(Base : 1970-71 = 100)

As on	Index Number
1	2
June 29, 1974	132.8
July 6, 1974	133.0 (+0.2)
August 31, 1974	114.0 (—14.3)
September 28, 1974 . . .	102.9 (—9.7)
October 12, 1974	98.8 (—4.0)
November 23, 1974 . . .	99.2 (+0·4)
January 4, 1975	105.4 (+6.3)
February 8, 1975	100.6 (—4.6)
February 22, 1975	104.8 (+4.2)
April 26, 1975	95.2 (—9.2)
May 31, 1975	93.7 (—1.6)
June 28, 1975	90.4 (—3.5)
August 30, 1975	99.1 (+9.6)
Percentage variation of June 28, 1975 over June 29, 1974..	—31.9
Percentage variation during the corresponding period of 1973-74	+24.6

Note : Figures in brackets are percentage variations over the previous period.

Following the promulgation of the Dividend Restrictions Ordinance which restricted the distribution of dividends by companies to an upper limit of 12 per cent of the face value of their equity and dividend payable on preference shares or one-third of net profit (profit after taxes), whichever was lower, the major stock exchanges remained closed for some days. Thereafter, a listless condition continued to prevail with prices drifting down. The pace of decline was further accentuated after the announcement, on July 22 of a hike in the Bank rate from 7 per cent to 9 per cent, and the raising of the deposit rates of commercial banks fixing the maximum of interest rate at 10 per cent on fixed deposits with banks with maturity periods of over 5 years. The market reacted quite adversely to these measures notwithstanding their positive contribution towards fight against inflation.

Reflecting the combined effect of these factors, the index declined by 14.3 per cent from 133.0 on July 6, to 114.0 by end-August and by November 23, it touched the low of 99.2. Subsequently, the market recovered, though moderately, on the expectation of some modifications in the Dividend Restrictions Act; the index moved up to 105.4 during the first week of January 1975. However, with uncertain conditions created by strikes in the jute industry and by the port and dock workers, the index continued to decline again reaching 100.6 on February 8, 1975. Thereafter, on expectations that the central budget would be investment-oriented, the index moved up to 104.8 on February 22, 1975. The concessions offered by the budget to companies did not, however, cheer the market. Besides, there was disappointment over the delay in amending the Dividend Restrictions Act and concern about reports of additional power cuts imposed by some state governments. Consequently, the index touched 99.4 on March 29, 1975. The amendment of the Dividend Restrictions Act, passed on May 6, 1975 which permitted companies to declare dividends in excess of the limit stipulated in the Act, but required the excess amount to be paid in two annual instalments after July 1976, failed, however, to bring about the desired effect. Political uncertainties about this time added further gloom to the market and the index touched the lowest level of 90.4 on June 28. The declaration of emergency towards the end of June and the measures taken in July helped in reviving the market to some extent. The Prime Minister's assurance on June 29 that Government had no plans for nationalisation of industries and the announcement of the 20-point economic programme on July 1, 1975—which included, *inter alia*, raising of the exemption limit of income-tax to Rs. 8,000/-, increase in the exemption limit for licence in respect of industries requiring no imported machinery and raw materials, streamlining of licensing procedure for investment—acted as a booster to the market. The index moved up to 99.1 by the end of August 1975. Despite this rise, the index recorded a fall of about 25 per cent over the end-June 1974 level.

The average index of equities for 1974-75 was also lower at 101.8 as compared with 121.1 in 1973-74, while that of preference shares and debentures stood at 89.2 and 95.2, respectively, as against 94.1 and 97.2 last year (Table VI.4).

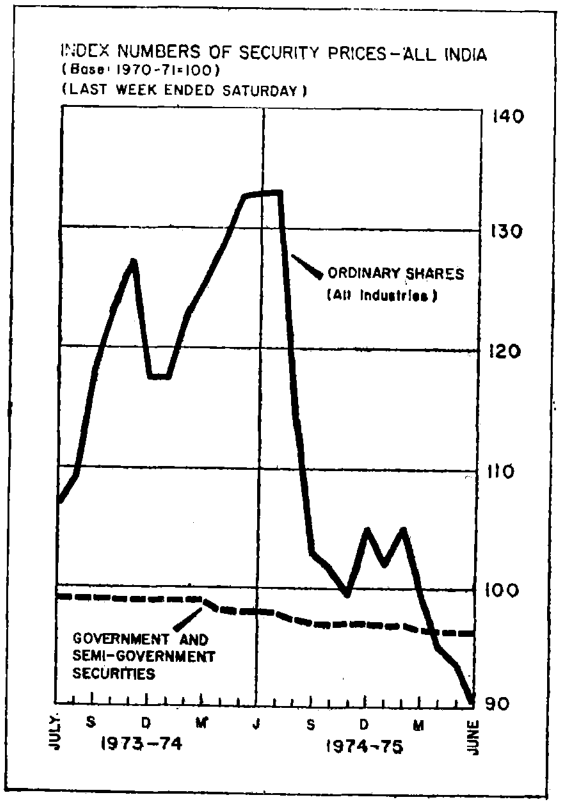
Table VI.4 : Variations in Index Numbers of Industrial Security Prices

(Base : 1970-71 = 100)

Week ended	Debentures	Preference Shares	Variable Dividend Industrial Securities
1	2	3	4
	1972-73 (July-June)		
June 24, 1972	98.7	95.7	97.0
December 23, 1972	98.0 (—0.7)	93.7 (—2.1)	96.1 (—0.9)
June 30, 1973	97.6 (—0.4)	93.6 (—0.1)	106.6 (+10.9)
	1973-74 (July -June)		
December 29, 1973	97.1 (—0.5)	94.9 (+1.4)	117.5 (+10.2)
June 29,1974	96.9 (—0.2)	93.1 (—1.9)	132.8 (+13.0)
% Variation over the year	—0.7	—0.5	+24.6
	1974-75 (July-June)		
December 28, 1974	95.3 (—1.7)	89.0 (—4.4)	105.0 (—20.9)
June 28, 1975	93.1 (—2.3)	85.8 (—3.6)	90.4 (—13.9)
% Variation over the year	—3.9	—7.8	—31.9
	Annual Averages		
(July-June)			
1972-73	98.1	95.0	97.8
1973-74	97.2	94.1	121.1
1974-75	95.2	89.2	101.8

Note : Figures in brackets are percentage variations over the previous period.

Graph 28



while it was 10.0 per cent on debentures (Table VI.5).

(ii) The Gilt-edged Market

The downtrend witnessed in the gilt-edged market during the year 1973-74 continued through 1974-75. The easiness may be explained by the relatively high rates which fixed deposits with banks began to attract since July 1974 and better discount rate obtainable on Treasury bills. The Reserve Bank's All-India Index for Government and Semi-Government Security Prices (New Series with Base : 1970-71=100) which stood at 97.8 on June 29, gradually declined to 96.8 on November 2, 1974 and further to 96.3 at the end of April 1975 and remained at that level till the end of June 1975. Over the year, therefore, the index recorded a decline of 1.5 per cent. While the index for Central Government security prices declined by 1.9 per cent over the year, that for State Government security prices declined by 0.5 per cent.

Among the Central Government Securities, while the improvement in both prices and yields in the short-dated ones was moderate, the dips in the prices of the medium and long-dated securities were so large as to offset the nominal rise in their yields (Table VI.6).

In line with the Central Government Securities, the prices of the state governments' securities also eased. The significant variations were in respect of $5\frac{3}{4}$ per cent 1984 Loan of Andhra Pradesh (—Rs. 1.15 to Rs. 98.75), $5\frac{3}{4}$ per cent 1984 Loan of Assam (—Rs. 1.35 to Rs. 98.75), $5\frac{3}{4}$ per cent 1984 Loan of Bihar (—Rs. 1.25 to Rs. 99.00), $5\frac{3}{4}$ per cent 1984 Loan of Kerala (—Rs. 1.25 to Rs. 98.75), $5\frac{3}{4}$ per cent 1981 Loan of Orissa (—Rs. 1.15 to Rs. 98.95) and $5\frac{3}{4}$ per cent 1984 Loan of West Bengal (—Rs. 1.50 to Rs. 98.50). The yields of State Government securities, showed an upward trend during the year. Noteworthy increases in yields were recorded by short-dated $4\frac{3}{4}$ per cent 1976 loans of Assam, Bihar, Gujarat, Kerala and West Bengal (+1.25, +0.92, +0.92, +0.90 and +0.94 percentage points respectively) ; the rate of yield reached 6.07 per cent in each case except that of West Bengal where the yield stood at 6.09 per cent.

Yields on Industrial Securities

The average gross yield on equities (all industries), with 1970-71 as the base, declined substantially to 3.8 per cent during 1974-75 (July-June) from 5.4 per cent in 1973-74. On the other hand, the average gross yield on preference shares appreciated marginally from 10.4 per cent to 11.1 per cent while that on debentures (redemption) rose from 8.9 per cent to 9.8 per cent.

The ceiling rate of dividend on preference shares and the interest rates on debentures as prescribed by the Controller of Capital Issues (effective from September 12, 1974) remained unchanged during the year. The effective rates are, 11 per cent dividend on preference shares, and the interest rate of 10 per cent and 10.5 per cent on debentures for periods upto 7 years and over 7 years, respectively. The actual rates offered on different issues of preference shares during the year ranged between 9.5 per cent and 11.0 per cent

Table VI.5 : Return on Securities Issued by Non-Government Public Limited Companies

(Year : July-June) (Percentage)

	1971-72			1972-73			1973-74			1974-75		
A. Ceiling Dividend/Interest Rates fixed by the Controller of Capital Issues :												
(*i*) Preference Shares		9.5			9.5			9.8**			11.0@	
(*ii*) Debentures		8.0			8.0			8.5**			10.0@+ 10.5@£	
	Lowest	Highest	Modal Rate	Lowest	Highest	Modal Rate	Lowest	Highest	Modal Rate	Lowest	Highest	Modal Rate
B. Actual Dividend/Interest Rates offered on Public Issues :												
(*i*) Preference Shares (at par) ..	9.0	10.0	9.5	9.5	9.5	9.5	9.5	9.8	9.6	9.5	11.0	11.0
(*ii*) Debentures (at par)	8.0	8.0	8.0	7.75	7.75	7.75	8.0	9.0	8.5	10.0	10.0	10.0
C. Average Gross Yield (RBI data—Base : 1961-62 = 100)												
(*i*) Variable Dividend Iduustrial Securities (Ordinary Shares) ..	6.5	6.9	6.7	6.6	7.4	6.9	5.6 (5.0)	6.7 (5.9)	6.0 (5.4)	— (2.9)	— (5.3)	— (3.8)
(*ii*) Preference Shares	10.1	10.2	10.1	10.2	10.6	10.5	10.5 (10.3)	10.7 (10.5)	10.6 (10.4)	— (10.5)	— (11.6)	— (11.1)
(*iii*) (*a*) Debentures (Redemption Yield)	8.6	9.0	8.8	9.1	10.4	9.7	9.3 (8.7)	10.3 (9.2)	9.8 (8.9)	— (9.2)	— (10.7)	— (9.8)
(*b*) Debentures (Running Yield)	7.4	7.4	7.4	7.4	7.5	7.5	7.6 (8.0)	7.9 (8.0)	7.7 (8.0)	— (8.0)	— (8.3)	— (8.1)

** Effective from November 1973.
@ Effective from September 12, 1974.
\+ For a term upto 7 years.
£ For a term exceeding seven years.

Notes : (*i*) ICICI's debenture issues made in June 1972 and March 1973 were offered at 6.0 per cent and that in June 1974 and March 1975 were offered at 6.25 per cent.

(*ii*) Average gross yield figures given in brackets for the years 1973-74 and 1974-75 represent 'new series' with base : 1970-71 = 100 ; comparable figures are not available for earlier years.

Table VI.6 : Prices and Yields of Selected Central Government Securities

Loans	As on				Variations	
	June 28, 1974		June 28, 1975			
	Price (Rs.)	Yield (Per cent)	Price (Rs.)	Yield (Per cent)	Price (Rs.)	Yield (Per cent)
1	2	3	4	5	6	7
Short-dateds (Less than five years)						
2¾ % 1976	94.00	5.66	95.45	6.71	+1.45	+1.05
7 % 1977 (Gold Bonds)	111.00	..	104.00	..	+3.00	..
4¾ % 1978	99.15	4.99	99.15	5.06	..	+0.07
4¾ % 1979	98.55	5.08	98.60	5.13	+0.05	+0.05
Medium-dateds (5-10 years)						
7 % 1980 (Gold Bonds)	115.55	..	110.00	..	—5.55	..
4 % 1981	94.40	4.95	91.50	5.67	—2.90	+0.72
5 % 1981 (N.D.L.)*	100.05	4.99	97.15	5.53	—2.90	+0.54
5 % 1982	98.25	5.27	96.50	5.61	—1.75	+0.34
5 % 1983	97.30	5.38	95.80	5.65	—1.50	+0.27
5 % 1984	96.65	5.44	94.95	5.73	—1.70	+0.29
Medium-Longs (10-15 years)						
4½ % 1985	91.75	5.50	90.00	5.83	—1.75	+0.33
4½ % 1986	90.85	5.56	88.95	5.89	—1.90	+0.33
5¼ % 1986	97.25	5.57	95.30	5.83	—1.95	+0.26
5¼ % 1986 (N.D.L.)*	97.25	5.56	95.10	5.84	—2.15	+0.28
5¼ % 1987	96.55	5.63	94.45	5.90	—2.10	+0.27
5¼ % 1988	95.85	5.69	93.75	5.95	—2.10	+0.26
4¾ % 1989	90.15	5.74	88.05	6.04	—2.10	+0.30
Long-dateds (15 years and above)						
5½ % 1992	98.75	5.61	93.55	6.11	—5.20	+0.50
5½ % 1999	96.00	5.81	89.85	6.33	—6.15	+0.52
5¾ % 2001 (N.D.L.)*	94.70	6.15	91.70	6.41	—3.00	+0.26
5¾ % 2002	94.30	6.18	91.25	6.44	—3.05	+0.26
5¾ % 2003	93.70	6.22	91.10	6.44	—2.60	+0.22

* National Defence Loan.

Reserve Bank's Open Market Operations

The Bank's open market operations during 1974-75 resulted in net sales of securities to the tune of Rs. 241.7 crores as compared with net sales of Rs. 56.1 crores during last year. Both purchases and sales at Rs. 514.7 crores and Rs. 756.4 crores, respectively, were higher than the comparable figures of Rs. 358.8 crores and Rs. 414.9 crores in 1973-74. The larger size of operations during the year may be explained partly by the rise in the statutory liquidity ratio of commercial banks from 32 per cent to 33 per cent with effect from the end of June 1974 and partly by the increase effected, from December 1974, in the statutory holdings of the Central Government securities from 25 per cent to 45 per cent of the amount held as the Employees' Provident Fund.

(*iii*) **New Issue Activity**

The slump in the industrial securities market was reflected in the reduction in the number as well as amount of new issues (equity shares, preference shares and debentures) by non-Government public limited companies from 194 and Rs. 72.8 crores in 1973 to 173 and Rs. 56.5 crores, respectively, in 1974 (Table VI.7). The decline, however, was wholly confined to the second half (July-December) of the year.

Security-wise, the decline during the year was on account of equity and preference shares, the former declining from Rs. 61.1 crores to Rs. 46.3 crores and the latter from Rs. 8.6 crores to Rs. 5.2 crores. However, the amount of debenture issues almost doubled to Rs. 5 crores. The average amount per equity issue through prospectus in 1974 worked out to Rs. 38 lakhs which was lower than the figure of Rs. 43 lakhs in 1973, broadly indicating the relative predominance of small-size issues. On the other hand, the average amounts for preference shares and debentures were higher at Rs. 18 lakhs and Rs. 125 lakhs, as compared with Rs. 16 lakhs and Rs. 65 lakhs in 1973.

Although the proportion of amount raised through prospectus to the total amount of new issues remained unchanged at the last year's level of about 80 per cent, the proportion of amount offered for public subscription was higher in 1974. Out of Rs. 45.9 crores issued through prospectus, Rs. 35.7 crores (77.8 per cent) were offered for public subscription as against Rs. 38.6 crores out of Rs. 60.3 crores (64.0 per cent) in 1973.

Public response to equity issues through prospectus as judged by the number of issues over-subscribed was less in 1974 as compared to 1973. Data on public response which are available for 92 out of 94 equity issues show that 71 issues were over-subscribed, (about 77 per cent) as against 87 out of 101 issues (about 86 per cent) over-subscribed last year. Again the amount of over-subscription in respect of the 71 issues aggregated Rs. 44.5 crores as against the aggregate offer of Rs. 18.5 crores, whereas in 1973 subscription in respect of 87 equity issues aggregated Rs. 267.0 crores as against the offer of Rs. 21.1 crores.

New issue activity during the first half of 1975 showed a sizeable increase over the second half of 1974. The total amount of new issues during January-June 1975 aggregated Rs. 34.0 crores or about Rs. 14 crores higher than in the latter half of 1974. However, the amount was lower than the amount of Rs. 37.0 crores issued during the first half of 1974. The increase over the July-December 1974 level was mainly due to an increase in the equity issues.

(*iv*) **Capital Consents/Acknowledgements**

The declining trend noticed in capital consented/acknowledged by the Controller of Capital Issues, Government of India, in 1973 was reversed during 1974 and the resumption of uptrend became conspicuous particularly during the first half of 1975 (Table VI.8). The total amount of capital consented/acknowledged during 1974 (including loans and bonus issues in respect of non-Government public and private limited companies) aggregated Rs. 199.3 crores showing an increase of Rs. 16.8 crores over the previous year's level. Of the total amount, public limited companies accounted for Rs. 193.9 crores or Rs. 22.0 crores more than in 1973 ; the amount in respect of private limited companies on the other hand, declined by Rs. 5.2 crores to Rs. 5.4 crores.

Table VI. 7 : New Capital Issues Through Prospectus and Rights by Non-Government Public Limited Companies

(Rupees Crores)

Year	Issues through Prospectuses: No. of Issues	Issues through Prospectuses: Ordinary Shares	Issues through Prospectuses: Preference Shares	Issues through Prospectuses: Debentures	Issues through Prospectuses: Total (3+4+5)	Issues through Rights: No. of Issues	Issues through Rights: Ordinary Shares
1	2	3	4	5	6	7	8
(January-December)							
1972	108	61.1 (68.5)	10.1 (11.3)	18.0 (20.2)	89.2 (100.0)	29	8.9 (100.0)
1973	167	50.3 (83.4)	7.4 (12.3)	2.6 (4.3)	60.3 (100.0)	27	10.8 (86.4)
1974*	126	35.9 (78.2)	5.0 (10.9)	5.0 (10.9)	45.9 (100.0)	47	10.4 (98.1)
(January-June)							
1974*	89	23.3 (72.4)	3.9 (12.1)	5.0 (15.5)	32.2 (100.0)	25	4.6 (95.8)
1975*	59	24.7 (87.9)	2.3 (8.2)	1.1 (3.9)	28.1 (100.0)	15	5.9 (100.0)

Table VI. 7 :—*(contd.)*

(Rupees Crores)

Year	Issues through Rights: Preference Shares	Issues through Rights: Debentures	Issues through Rights: Total (8+9+10)	Grand Total: No. of Issues (2+7)	Grand Total: Amount (6+11)	Distribution between: Issues of New Companies	Distribution between: Amount	Distribution between: Issues of Existing Companies	Distribution between: Amount
	9	10	11	12	13	14	15	16	17
(January-December)									
1972	—	—	8.9 (100.0)	137	98.1 (100.0)	65	59.5 (60.7)	72	38.6 (39.3)
1973	1.2 (9.6)	0.5 (4.0)	12.5 (100.0)	194	72.8 (100.0)	122	47.4 (65.1)	72	25.4 (34.9)
1974*	0.2 (1.9)	—	10.6 (100.0)	173	56.5 (100.0)	84	23.6 (41.8)	89	32.9 (58.2)
(January-June)									
1974*	0.2 (4.2)	—	4.8 (100.0)	114	37.0 (100.0)	60	16.2 (43.8)	54	20.8 (56.2)
1975*	Neg. (—)	—	5.9 (100.0)	74	34.0 (100.0)	37	15.3 (45.0)	37	18.7 (55.0)

* Provisional.

Notes: (1) Data exclude capital issued by ICICI; it being a term-lending institution.
(2) Figures in brackets indicate percentages to totals.

Source : Prospectuses/circulars received from the companies.

Table VI.8 : Consents/Acknowledgement of Proposals Received and Approved by the Controller of Capital Issues

(Rupees Crores)

Year	Applications Received		Applications Approved					
			Public Ltd. Cos.		Private Ltd. Cos.		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7	8	9
1972								
Jan-June	204	157.1	116	126.4	18	2.5	134	128.9
July-Dec.	226	174.6	89	63.0	16	1.6	105	64.6
Total	**430**	**331.7**	**205**	**189.4**	**34**	**4.1**	**239**	**193.5**
1973								
Jan-June	212	104.4	126	86.8	24	6.7	150	93.5
July-Dec.	273	168.9	135	85.1	28	3.9	163	89.0
Total	**485**	**273.3**	**261**	**171.9**	**52**	**10.6**	**313**	**182.5**
1974@								
Jan-June	244	174.1	150	100.5	26	3.3	176	103.8
July-Dec.	290	194.8	133	93.4	29	2.1	162	95.5
Total	**534**	**368.9**	**283**	**193.9**	**55**	**5.4**	**338**	**199.3**
1975@								
Jan-June	203	162.1	152	147.1	38	4.3	190	151.4

@ Provisional.
Source : Controller of Capital Issues, Government of India.

The security-wise break-up of the amount approved in respect of public limited companies during 1974 reveals the predominance of bonus issues : the amount of these issues at Rs. 69.4 crores constituted 35.8 per cent of the total and accounted for 85.5 per cent of the overall increase (Table VI.9). Loans and miscellaneous issues at Rs. 20.9 crores were also higher by Rs. 9.4 crores. Excluding bonus issues and loans, etc., the amount consented/acknowledged for direct borrowing from the market through ordinary/preference shares and debentures added up to Rs. 103.6 crores or Rs. 6.2 crores lower than the previous year's level. The decline was wholly accounted for by ordinary and preference shares, which aggregated Rs. 76.5 crores thus showing a fall of Rs. 11.3 crores.

Table VI.9 : Consents/Acknowledgement of Proposals Granted by the Controller of Capital Issues to Non-Government Public Limited Companies*

(Rupees Crores)

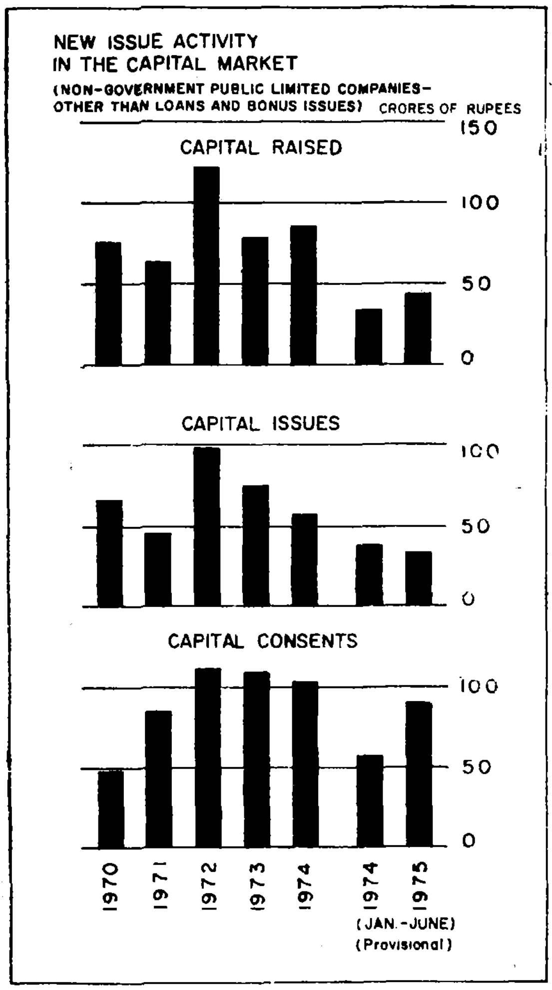
Year	Shares (other than bonus) and Debentures						Bonus Shares	Miscellaneous Issues (loans, etc.)	Grand Total (5+8+9)
	Ordinary Shares	Preference Shares	Debentures	Total (2+3+4) or (6+7)	Consents to new companies†	Consents to existing companies			
1	2	3	4	5	6	7	8	9	10
(January-December)									
1970	29.7	10.3	8.5	48.5	16.3	32.2	36.0	6.6	91.1
	(61.2)	(21.3)	(17.5)	(100.0)	(33.6)	(66.4)			
1971	49.8	9.6	25.5	84.9	21.4	63.5	36.0	56.0£	176.9
	(58.7)	(11.3)	(30.0)	(100.0)	(25.2)	(74.8)			
1972	51.2	10.5	50.2	111.9	25.8	86.1	32.1	45.4	189.4
	(45.7)	(9.4)	(44.9)	(100.0)	(23.1)	(76.9)			
1973	78.2	9.6	22.0	109.8	45.8	64.0	50.6	11.5	171.9
	(71.2)	(8.8)	(20.0)	(100.0)	(41.7)	(58.3)			
1974@	69.4	7.1	27.1	103.6	30.5	73.0	69.4	20.9	193.9
	(67.0)	(6.8)	(26.2)	(100.0)	(29.5)	(70.5)			
(January-June)									
1974@	39.1	4.3	14.1	57.5	21.2	36.3	26.5	16.5	100.5
	(68.0)	(7.5)	(24.5)	(100.0)	(36.9)	(63.1)			
1975@	62.4	3.6	24.1	90.1	31.4	58.7	32.0	24.9	147.1
	(69.2)	(4.0)	(26.7)	(100.0)	(34.9)	(65.1)			

* Excluding banks, insurance companies and provident fund societies incorporated as companies.
£ Includes consent for a loan of Rs. 45 crores from the World Bank to the I.C.I.C.I.
@ Provisional.
† Companies making public issue for the first time are classified as new companies while the rest are classified as existing companies.
Note : Figures within brackets are percentages to totals.
Source : Controller of Capital Issues, Government of India.

This was partly offset by an increase of Rs. 5.1 crores in debentures. In the result, the proportion of ordinary and preference shares in the total (including loans and bonus issues) declined from 51.2 per cent to 39.5 per cent while that of debentures moved up from 12.8 per cent to 14.0 per cent.

The position in regard to ordinary and preference shares changed remarkably during the first half of 1975. The amount consented/acknowledged under ordinary/preference shares in respect of Non-Government public limited companies during January-June 1975 aggregated Rs. 66.0 crores as against Rs. 76.5 crores during the whole of 1974. The amount under debentures at Rs. 24.1 crores also compared favourably with that of Rs. 27.1 crores for the whole of 1974.

Graph 29



(v) Capital Raised

The trend in capital raised during 1974 by non-Government public and private limited companies largely conformed to the trend in capital consented/acknowledged during the year, the total amount of capital (including bonus issues and loans, etc.) aggregating Rs. 204.4 crores as against Rs. 167.3 crores in 1973. This increase was wholly due to the public limited companies, whose share to the total amount increased by Rs. 44.8 crores to Rs. 168.7 crores. On the other hand, the share of private limited companies declined from Rs. 43.4 crores to Rs. 35.7 crores (Table VI.10).

The sharp increase in the amount raised by public limited companies was largely accounted for by bonus issues which increased from Rs. 41.3 crores to Rs. 72.0 crores, constituting 42.7 per cent of the total amount as against 33.3 per cent last year. Like-wise, loans etc., also increased from Rs. 4.5 crores to Rs. 10.9 crores. Thus, bonus issues and loans together amounted to Rs. 82.9 crores or about half of the total amount raised. Through debentures, Rs. 24.7 crores as against Rs. 14.9 crores were raised. On the other hand, the amount raised through equity and preference shares at Rs. 61.1 crores was lower by Rs. 2.1 crores. The relative changes in the composition of securities in the total amount would indicate the impact of the unfavourable investment climate for risk capital and the consequential larger dependence of the public limited companies on debentures, and borrowings. Nevertheless, the sharp increase in the total amount raised by this category of companies broadly reflects the potential strength of this sector.

The uptrend noticed in 1974 in the capital raised was well maintained during the first half of 1975, according to the available data, largely owing to a sharp increase in the amount raised through shares.

(vi) Developments in Policy

It may be recalled that on September 30, 1974 the Government issued some guidelines regarding capitalisation of free reserves through issue of bonus shares by companies.

Table VI.10 : Capital Raised by Non-Government Companies Under Consents Acknowledgements and Exemption Order

(Rupees Crores)

Type of Issue	1972			1973			1974		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
1	2	3	4	5	6	7	8	9	10
1. Equity and Preference	69.3 (42.8)	28.4 (95.9)	97.7 (51.0)	63.2 (57.0)	35.4 (81.6)	98.6 (58.9)	61.1 (36.2)	30.4 (85.2)	91.7 (44.8)
2. Debentures	51.7 (31.9)	—	51.7 (27.0)	14.9 (12.0)	—	14.9 (8.9)	24.7 (14.7)	—	24.7 (12.1)
3. Total (1 + 2) ..	121.0 (74.7)	28.4 (95.9)	149.4 (78.0)	78.1 (63.0)	35.4 (81.6)	113.5 (67.8)	85.8 (50.9)	30.4 (85.2)	116.2 (56.9)
4. Bonus	34.9 (21.6)	1.2 (4.1)	36.1 (18.8)	41.3 (33.3)	8.0 (18.4)	49.3 (29.5)	72.0 (42.7)	3.8 (10.6)	75.8 (37.1)
5. Loans, etc.	6.1 (3.7)	—	6.1 (3.2)	4.5 (3.7)	—	4.5 (2.7)	10.9 (6.4)	1.5 (4.2)	12.4 (6.0)
6. Total (4+5)	41.0 (25.4)	1.2 (4.1)	42.2 (22.0)	45.8 (37.0)	8.0 (18.4)	53.8 (32.2)	82.9 (49.1)	5.3 (14.8)	88.2 (43.1)
Grand Total (3+6) ..	**162.0 (100.0)**	**29.6 (100.0)**	**191.6 (100.0)**	**123.9 (100.0)**	**43.4 (100.0)**	**167.3 (100.0)**	**168.7 (100.0)**	**35.7 (100.0)**	**204.4 (100.0)**

Note : (*i*) Figures in brackets are percentages to grand total.
(*ii*) Data for 1974 and 1975 are provisional.
(*iii*) Data relate to capital raised during the calendar year against consents granted during that year as well as in earlier years.

Source: Controller of Capital Issues, Government of India.

Table VI.10—(*Contd.*)

(Rupees Crores)

Type of Issue	1974 (Jan-June)@			1975 (Jan-June)@		
	Public	Private	Total	Public	Private	Total
1	11	12	13	14	15	16
1. Equity and Preference	16.2 (25.5)	—	16.2 (24.7)	35.7 (49.6)	—	35.7 (47.4)
2. Debentures	17.7 (28.0)	—	17.7 (26.7)	7.7 (10.7)	—	7.7 (10.2)
3. Total (1+2)	34.0 (53.5)	—	34.0 (51.4)	43.4 (60.3)	—	43.4 (57.6)
4. Bonus	28.7 (45.2)	2.7 (100.0)	31.4 (47.4)	26.6 (36.9)	3.3 (100.0)	29.9 (39.7)
5. Loans, etc.	0.8 (1.3)	— —	0.8 (1.2)	2.0 (2.8)	—	2.0 (2.7)
6. Total (4+5)	29.5 (46.5)	2.7 (100.0)	32.2 (48.6)	28.6 (39.7)	3.3 (100.0)	31.9 (42.4)
Grand Total (3+6)	**63.5 (100.0)**	2.7 **(100.0)**	**66.2 (100.0)**	**72.0 (100.0)**	**3.3 (100.0)**	**75.3 (100.0)**

@ Data exclude capital raised under exemption order.

In terms of these guidelines companies were permitted to capitalise free reserves by issue of bonus shares upto the total amount of their paid-up capital. This restriction was liberalised to some extent on July 25, 1975 by permitting companies to capitalise free reserves by issue of bonus shares, at any one time, in excess of their paid-up capital : this relaxation is permissible in respect of (*a*) financing approved schemes of expansion or diversification and (*b*) bringing down the foreign share-holdings under Foreign Exchange Regulations Act, 1973 for continuance of existing business activities by foreign companies in India. In such cases, companies will be required to submit to the Controller of Capital Issues applications for issue of bonus, shares along with the application for issue of shares to Indian residents for cash.

On September 3, 1975 the Government promulgated certain rules under "Companies (Transfer of Profits to Reserves) Rules 1975" stipulating the minimum percentage of profits to be transferred to reserves *before* declaring dividends. The minima fixed for different groups of companies are as follows : 2.5 per cent in the case of companies declaring 10 to less than 12.5 per cent dividend, 5 per cent for those declaring 12.5 to less than 15 per cent dividend, 7.5 per cent for those declaring 15 to less than 20 per cent dividend and 10 per cent for those declaring dividend over 20 per cent. However, provision has been made for voluntary transfer of a higher percentage of profits to reserves, for any financial year subject to certain conditions.

Simultaneously, Government also promulgated "Companies (Declaration of Dividend out of Reserves) Rules 1975", stipulating the conditions governing payment of minimum dividend to share-holders out of reserves. The rules provide that, in the event of inadequacy or absence of profits in any year, dividend may be declared by a company for that year out of the accumulated profits earned by it in previous years and transferred to the reserves, subject to the conditions that (*i*) the rate of the dividend declared shall not exceed the average of the rates at which dividend was declared by it in the five years immediately preceding that year or 10 per cent of its paid-up capital, whichever is less ; (*ii*) the total amount to be drawn from the accumulated profits earned in previous years and transferred to the reserves should not exceed an amount equal to one-tenth of the sum of its paid-up capital and free reserves and the amount so drawn should first be utilised to set off the losses incurred in the financial year before any dividend in respect of preference and equity shares is declared and (*iii*) the balance of reserves after such drawal should not fall below 15 per cent of its paid-up capital (*vide* Appendix IX—).

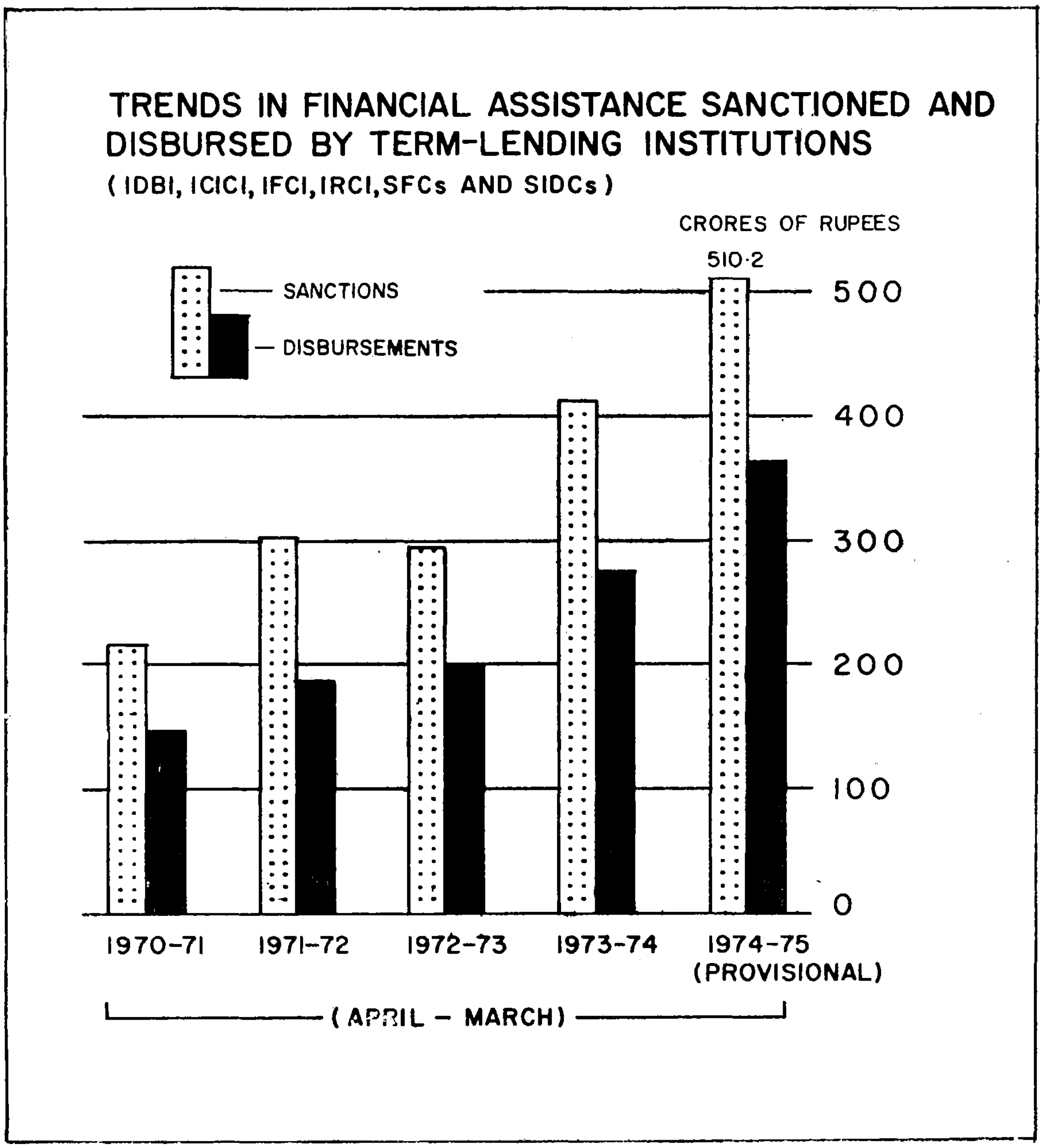
II. INDUSTRIAL FINANCE

(*i*) Performance of Term-lending Institutions

Overall Position

The total quantum of financial assistance extended by the term-lending institutions had shown sizeable expansion (Statement 43 of the Statistical part of the Report). The sanctioned as well as the disbursed amounts of the four term-lending institutions at the all-India level, *viz*., the Industrial Development Bank of India (IDBI), the Industrial Finance Corporation of India (IFCI), the Industrial Credit and Investment Corporation of India (ICICI) and the Industrial Reconstruction Corporation of India (IRCI), rose by Rs. 51 crores or 18.0 per cent and by Rs. 59 crores or 29.7 per cent, respectively, over the year. The term-lending institutions at the State level, the State Financial Corporations (SFCs) and the State Industrial Development Corporations (SIDCs) also raised their financial sanctions and disbursements by Rs. 46.3 crores or about 35.3 per cent and by Rs. 31.9 crores or about 42.0 per cent respectively, over the year. Thus, taking all the term-lending institutions together, disbursals during 1974-75 recorded a rise of Rs. 91 crores : the rise was accounted for mainly by rupee loans which increased by Rs. 87.3 crores. Institution-wise, the IDBI and SFCs were mainly responsible for the increase in the aggregate disbursement accounting for rises of Rs. 49.2 crores and Rs. 25.8 crores, respectively.

Graph 30



New Companies and Existing Companies

The total direct loans by the three major all-India term-lending institutions, viz., IDBI, IFCI and ICICI showed diverse trends as between existing companies and newly established companies in respect of sanctions and disbursements during 1974-75 (April-March) (Table VI, 11). Thus, while disbursements to newly established companies declined from Rs. 69.7 crores in 1973-74 (61 per cent of the total) to Rs. 51.1 crores (42 per cent), those to the existing companies increased from Rs. 45.2 crores in 1973-74 (39 per cent of the total) to Rs. 71.9 crores (58 per cent) in 1974-75. As regards sanctions, while the amounts sanctioned to new companies increased from Rs. 63.6 crores (41.3 per cent) in 1973-74 to

Table VI.11 : Financial Assistance Sanctioned and Disbursed by IDBI, IFCI and ICICI to New and Existing Companies

(Rupees Crores)

Year (April-March)	Direct Loans Sanctioned£				Direct Loans Disbursed£			
	Newly Established Companies	Existing Companies		Total (2+3+4)	Newly Established Companies	Existing Companies		Total (6+7+8)
		New Projects	Expansion of existing capacity, modernisation, etc.			New Projects	Expansion of existing capacity, modernisation, etc.	
1	2	3	4	5	6	7	8	9
1972-73	43.8 (42.5)	10.2 (9.9)	49.2 (47.6)	103.1 (100.0)	22.5 (30.7)	5.0 (6.8)	45.8 (62.5)	73.2 (100.0)
1973-74	63.6 (41.3)	23.0 (15.0)	67.3 (43.7)	153.9 (100.0)	69.7 (60.7)	6.6 (5.7)	38.6 (33.6)	114.9 (100.0)
1974-75*	72.7 (54.2)	8.0 (6.0)	53.4 (39.8)	134.0 (100.0)	51.1 (41.6)	12.9 (10.4)	59.0 (48.0)	122.9 (100.0)

£ Include foreign currency loans.
* Data are provisional.
Note: Figures in brackets are percentages to totals.

Rs. 72.7 crores (54.2 per cent) in 1974-75, those to the existing companies declined from Rs. 90.3 crores (58.7 per cent) to Rs. 61.4 crores (45.8 per cent) in 1974-75. The data thus indicate that the newly established companies could not fare as well as did the existing companies in respect of disbursements.

Assistance to Small-scale Industries

Financial assistance provided by all the term-lending institutions other than the IFCI, to the small-scale industries sector showed a rise during the year under review both, in terms of sanctions and disbursements (Table VI.12).

Table VI.12 : Financial Assistance Sanctioned and Disbursed by Term-lending Institutions to Projects in Small-scale Industries Sector

(Year : April-March) (Rupees Crores)

Institution	1973-74		1974-75$	
	Sanctioned	Disbursed	Sanctioned	Disbursed
1	2	3	4	5
1. IDBI@	29.1*	19.0*	63.7	30.7
2. IFCI	—	—	—	—
3. ICICI	0.1	0.2	0.1	0.1
4. IRCI	0.8	0.4	0.8	0.8
5. SFCs£	55.8	31.0	72.7	46.2
6. SIDCs£	0.3	0.04	0.1	0.2
Total	86.1	50.6	137.4	78.0

@ IDBI's assistance also includes assistance to small road transport operators under refinance of industrial loans.
£ Includes 17 SFCs and 7 SIDCs.
— means not relevant.
$ Provisional.
* Includes refinance assistance sanctioned under IDA Line of Credit.

While sanctions went up by 59.6 per cent from Rs. 86.1 crores in 1973-74 to Rs. 137.4 crores in 1974-75, disbursements rose by 54.2 per cent from Rs. 50.6 crores, in 1973-74 to Rs. 78.0 crores in 1974-75. The enlarged assistance, however, was mainly on account of IDBI and SFCs. The ICICI, IRCI and SIDCs, together had disbursed a little over Rs. 1 crore in 1974-75 as against Rs. 64 lakhs in the preceding year.

Other Diversifications in Lending Operations

There was a perceptible improvement in the financial assistance rendered by the term-lending institutions to backward districts/areas and new/small entrepreneurs as a part of the scheme of diversification of lending operations (Table VI.13). The sanctioned and disbursed amounts to backward districts/areas stood at Rs. 163.1 crores and Rs. 86.7 crores in 1974-75 as against Rs. 104.4 crores and Rs. 51.3 crores in 1973-74, respectively. In terms of disbursements, each of the institutions had recorded improvements during the year under review. In respect of sanctions, however, the IFCI and IRCI had provided smaller amounts in 1974-75 than in 1973-74 unlike the rest of the term-lending institutions which had sanctioned a larger quantum during 1974-75. As regards assistance to new/small entrepreneurs, while sanctions went up from Rs. 19.7 crores in 1973-74 to Rs. 26.5 crores in 1974-75, disbursements declined to Rs. 9.2 crores in 1974-75 from Rs. 10.9 crores in the preceding year. The SFCs' disbursements to new/small entrepreneurs showed an impressive increase while the ICICI's loans registered a significant fall.

The term-lending institutions' disbursement to industrial units in the co-operative sector received a slight set-back during the year under review, mainly, on account of fall shown under IDBI (Table VI. 14). While the total sanctions declined by Rs. 1 crore, the total disbursements showed a fall of Rs. 1·3 crores over the recorded levels of 1973-74. On the other hand, industrial companies in the public sector received a larger measure of support, particularly due to the expanding operations of the IDBI : total sanctions and disbursements rose during 1974-75 by Rs. 23.8 crores and Rs. 15.4 crores, respectively.

(ii) Major Term-Lending Institutions

(a) Industrial Development Bank of India (IDBI)

During the year 1974-75 (July-June) there was a sizeable expansion both in sanctions and disbursements of IDBI. The other aspects of performance which deserve to be highlighted were: (*i*) grant of three additional foreign lines of credit to Bangladesh for an aggregate amount of Rs. 8 crores ; (*ii*) sanctions of Rs. 4.5 crores under the overseas credit scheme introduced last year and (*iii*) a substantial step-up in assistance to units in the small-scale sector.

The total financial assistance sanctioned during the year rose by 64 per cent to Rs. 351.4 crores (7593 applications) as against Rs. 213.7 crores (3550 applications) in 1973-74 (Table VI. 15). The amount disbursed rose by a lower rate of 31 per cent from Rs. 162.2 crores to Rs. 213.0 crores. Category-wise, the largest increase was under the Refinance Scheme both in respect of sanctions and disbursements, showing a rise of Rs. 63.8 crores and Rs. 24.7 crores, respectively. Sanctions of direct loans also showed an increase of Rs. 16.7 crores, but disbursements were down by Rs. 6.5 crores. Disbursement in relation to underwriting of and direct subscriptions to shares and debentures of industrial concerns was also smaller at Rs. 2.4 crores as compared to Rs. 4.7 crores last year. More than 81 per cent of the direct assistance was for setting up of new projects as compared to 67 per cent in 1973-74. Export credits sanctioned (excluding foreign line of credit and buyers' credit) rose from Rs. 10.3 crores to Rs. 33.7 crores. During the year, IDBI sanctioned an aggregate credit of Rs. 12.5 crores to Bangladesh—Rs. 4.5 crores under 'buyers' credit scheme' which was introduced in 1973-74 and Rs. 8 crores by way of three additional lines of credit.

Assistance to Backward Areas and to Small-scale Sector

During the financial year (April-March) assistance sanctioned on concessional terms to units in backward areas aggregated Rs. 60.7 crores as against Rs. 27.7 crores in 1973-74. One-half of this was in the form of direct loans and the balance by way of refinance of the industrial loans (Table VI. 16).

Table VI. 13 : Financial Assistance Sanctioned and Disbursed by Term-lending Institutions for Backward Areas and New/Small Entrepreneurs

(Year : April-March) (Rupees Crores)

Institution	Backward Districts/Areas								New/Small Entrepreneurs							
	1971-72		1972-73		1973-74		1974-75$		1971-72		1972-73		1973-74		1974-75$	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. I.D.B.I. (a) ..	16.9	1.1	8.5	6.9	27.7	14.6	60.7	22.3	1.2	0.5	0.4	0.2	0.4	0.4	1.2	0.01
2. I.F.C.I. ..	10.9	0.5	17.1	8.0	19.7	10.4	12.6	18.8	1.5	2.1	5.4	1.7	7.7	4.1	4.9	4.7
3. I.C.I.C.I. ..	5.8	1.8	8.0	4.0	18.0	5.4	24.5	11.6	—	—	—	—	0.7	3.4	0.7	0.4
4. I.R.C.I.	2.4	0.5	1.3	1.9	1.1	0.8(b)	0.8	1.0	—	—	—	—	—	—	—	—
5. S.F.Cs£ ..	—	—	32.4	16.0	37.3	18.4	61.6	30.1	—	—	12.9	5.3	10.8	2.9	19.3	4.0
6. S.I.D.Cs£ ..	—	—	2.2	1.3	0.6	1.7	2.9	2.9	—	—	0.8	0.6	0.1	0.1	0.4	0.1
Total	**36.0**	**3.9**	**69.5**	**38.1**	**104.4**	**51.3**	**163.1**	**86.7**	**2.7**	**2.6**	**19.5**	**7.8**	**19.7**	**10.9**	**26.5**	**9.2**
L.I.C.	—	—	1.2	0.9	0.1	0.2	0.4	0.5	—	—	—	—	—	—	—	—

(a) Data on assistance to backward districts/areas relate to concessional finance and those to new/small entrepreneurs cover assistance to technician entrepreneurs only.
(b) Figure adjusted for unutilised portion of guarantee subsequently converted.
$ Provisional. £ Includes 17 SFCs and 7 SIDCs for the years 1973-74 and 1974-75.

Table VI. 14 : Financial Assistance Sanctioned and Disbursed by Term-lending Institutions to Industrial Companies in the Co-operative and Public Sectors

(Year : April-March) (Rupees Crores)

Institution	Co-operative Sector								Public Sector							
	1971-72		1972-73		1973-74		1974-75$		1971-72		1972-73		1973-74		1974-75$	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. I.D.B.I. (a) ..	12.6	1.5	1.0	0.8	2.2	10.3	4.6	3.6	15.1	16.6	14.2	11.4	22.1	17.8	41.0	28.9
2. I.F.C.I. ..	12.1	6.4	15.7	8.9	9.3	7.3	4.0	12.1	0.8	0.9	3.9	0.3	0.2	1.2	1.2	2.7
3. I.C.I.C.I. ..	1.3	0.9	1.2	1.4	0.7	0.9	1.6	0.7	—	—	—	—	—	—	0.2	—
4. I.R.C.I* ..	—	—	—	—	—	—	—	—	N.A.	N.A.	2.6	1.2	4.7	2.2	3.1	4.3
5. S.F.Cs. £ ..	1.6	2.2	2.3	0.8	1.6	0.5	2.1	1.3	—	—	11.8	8.6	4.7	0.8	9.2	0.5
6. S.I.D.Cs.£ ..	N.A.	N.A.	0.1	0.1	—	0.03	0.5	0.01	N.A.	N.A.	8.7	3.9	0.9	0.5	1.7	1.5
Total	**27.6**	**11.0**	**20.3**	**12.0**	**13.8**	**19.0**	**12.8**	**17.7**	**15.9**	**17.5**	**41.2**	**25.4**	**32.6**	**22.5**	**56.4**	**37.9**
L.I.C.	2.4	1.7	0.9	1.0	0.03	0.01	—	0.1	1.6	0.2	0.1	0.2	—	0.01	0.1	0.1

$ Provisional. (a) Total assistance under all schemes of IDBI (excluding guarantees and assistance to Financial Institutions).
* Projects in public sector include units, the management of which was taken over by Central Govt. under I (D& R) Act special enactment and one coal unit since nationalised. £ Includes 17 SFCs and 7 SIDCs for the years 1973-74 and 1974-75.

Table VI.15 : Summary of Operations of IDBI

(Year : July-June) (Rupees Crores)

Type of assistance	Sanctions 1973-74 No. of applications	Sanctions 1973-74 Amount	Sanctions 1974-75 No. of applications	Sanctions 1974-75 Amount	Sanctions July 1964 to June 1975 No. of applications	Sanctions July 1964 to June 1975 Amount	Disbursements 1973-74	Disbursements 1974-75	Disbursements July 1964 to June 1975	Assistance outstanding as on June 30, 1975
1	2	3	4	5	6	7	8	9	10	11
1. Direct loans to industrial concerns (other than for exports) ..	45	50.5	51	67.2	287	342.0	46.8	40.3	211.6	158.4
2. Underwriting of and direct subscriptions to shares and debentures of industrial concerns	22	7.0	39	11.2	216	66.0	4.7	2.4	33.4	28.6
3. Refinance of industrial loans	2665	41.9	6390	105.7	15806	320.7	27.7	52.4	247.3	118.4
4. Rediscounting of bills	804	76.3	1062	114.4	2461	375.7	63.7	91.7	313.2	206.0
5. Subscriptions to shares and bonds of financial institutions	5	10.2	10	6.7	23	55.4	11.5	7.3	54.7	50.8
Total (1 to 5) ..	**3541**	**185.9**	**7552**	**305.2**	**18793**	**1159.9**	**154.4**	**194.2**	**860.2**	**562.2**
6. Direct loans for exports	3	7.6	8	15.9	58	73.6	6.7	4.5	40.2	24.7
7. Refinance of export credits	3	2.7	28	17.8	83	44.8	1.0	9.9	34.6	13.4
8. Overseas buyers' credit	—	—	2	4.5	2	4.5	—	—	—	—
9. Foreign line of credit	3	17.5	3	8.0	6	25.5	—	4.3	4.3	4.3
Total (1 to 9) ..	**3550**	**213.7**	**7593**	**351.4**	**18942**	**1308.3**	**162.2**	**213.0**	**939.4**	**604.6**
10. Guarantee for loans and deferred payments	1	0.04	—	—	15	26.7	—	—	19.6*	—
11. Export guarantees ..	—	—	1	0.4	4	2.2	..	—	1.8*	—

*Guarantee executed.
..Negligible.
Note : Number of applications in respect of item 4 relates to the number of purchaser—users and in respect of item 5 to the number of financial institutions.

Table VI.16 : IDBI's Assistance to Backward Areas on Concessional Terms

(Year : April-March) (Rupees Crores)

Type of Assistance		1972-73 No. of applications	1972-73 Amount	1973-74 No. of applications	1973-74 Amount	1974-75* No. of applications	1974-75* Amount	Total No. of applications	Total Amount
1		2	3	4	5	6	7	8	9
1. Direct Assistance@	..Sanctions	5	2.12	17	14.93	22	30.92	44	47.97
	..Disbursements		3.14		7.78		9.86		20.78
2. Refinance of Industrial Loans	..Sanctions	416	6.36	796	12.79	1768*	29.77*	2980	48.92
	..Disbursements		3.77		6.81		12.44*		23.02
Total	..Sanctions	**421**	**8.48**	**813**	**27.72**	**1790**	**60.69**	**3024**	**96.89**
.. ..	..Disbursements		**6.91**		**14.59**		**22.30**		**43.80**

*Provisional.
@Comprising loans and underwriting/direct subscription.
Note : Amount disbursed during a particular year may also be out of some sanctions made during the previous years.

Assistance to small-scale industries and small road transport operators through its scheme of refinance was also the highest in 1974-75 at Rs. 76.3 crores covering 6075 applications, as compared to Rs. 33.3 crores for 2816 applications in 1973-74 (Table VI. 17).

Table VI. 17 : IDBI'S Assistance for Small Scale-Industries and Small Road Transport Operators Under Refinance of Industrial Loans

(Rupees Crores)

Year (July-June)	Sanctions (Gross) No.	Sanctions (Gross) Amount	Disbursements Amount
1	2	3	4
1972-73	2413	26.84	16.58
1973-74	2816	33.29*	18.60*
1974-75	6075	76.34*	36.76*

* Includes refinance assistance sanctioned under IDA Line of Credit.

Loans amounting to Rs. 14.6 crores were also sanctioned to SFCs under the IDA line of credit.

Promotional Functions and Policies

Out of the several project ideas identified by the study teams of industrial potential surveys, as of date, 52 projects involving capital investment of Rs. 200 crores were either implemented or were under implementation. Further, in collaboration with IFCI and ICICI the IDBI conducted feasibility studies in respect of 17 projects for the benefit of entrepreneurs—8 in Assam, 5 in Meghalaya and one each in Aurnachal Pradesh, Bihar, Orissa and Tripura.

Subscription to Shares and Debentures of Other Financial Institutions

During the year, IDBI contributed Rs. 1.4 crores to the public issue of debentures and Rs. 1.9 crores to the special issue of debentures of ICICI. With this, IDBI's total assistance to ICICI increased from Rs. 24.7 crores to Rs. 28.0 crores and its total holding of ICICI debentures stood at Rs. 24.0 crores at the end of June 1975. Besides, IDBI contributed Rs. 1.3 crores to the paid-up capital of IRCI and Rs. 2.8 crores to the share capital of five SFCs bringing its subscription to shares and bonds issues of all SFCs to Rs. 11.9 crores.

The interest rate structure of the IDBI is set out in Table VI. 18.

Table VI. 18 : IDBI's Structure of Interest Rates

(Per cent per annum)

Type of Assistance	IDBI Rate	Ceiling on Primary Lenders' Rate
1	2	3
1. Direct assistance to Industrial Concerns (other than for exports)		
(a) Normal rate	10.25	
(b) Concessional rate to units in specified backward districts	8.50	
2. Refinance of Industrial Loans		
(a) Normal Rate	8.50	12.00
(b) Special rate for small-scale industrial units covered under the Credit Guarantee Scheme and Technician-entrepreneur schemes	7.00	10.50
(c) Special rate for units in the specified backward districts	5.50	9.00
(d) Under IDA line of credit (Foreign currency component)		
(i) To small-scale industries covered under Credit Guarantee Scheme, Technician-Entrepreneur schemes and units in specified backward districts	8.00	10.50
(ii) Other cases	8.25	11.00
3. Export Credit		
(a) Refinance against medium-term export credits	6.50	8.00
(b) Participation export finance scheme	The rate on IDBI's portion of the credit is such that after taking into account the participating bank's rate, the average rate to the exporter on the entire credit will generally be 7.50 per cent.	
(c) Buyer's credit scheme		
4. Bills Rediscounting Scheme		
Unexpired usance of bills/promissory notes		
(a) 6 to 36 months	9.00	10.75
(b) Over 36 months and upto 84 months	8.50	10.25

Note : Interest rates since revised with effect from December 1, 1975.

(b) Industrial Finance Corporation of India (IFCI)

During the financial year 1974-75, the number of projects assisted by the IFCI as well as the amount of assistance sanctioned showed a decline, while disbursements were higher over the levels in 1973-74. The number of projects assisted declined from 93 to 77 and the amount sanctioned (including guarantees) dropped from Rs. 41.9 crores to Rs. 31.6 crores. Disbursements on the other hand rose by Rs. 5.4 crores to Rs. 37.3 crores. Of the total sanction of Rs. 31.6 crores, Rs. 3.6 crores were in foreign currency loans comprising 12 sub-loans in Deutsche Marks equivalent to Rs. 1.4 crores, 6 sub-loans in Pound Sterling equivalent to Rs. 2.2 crores and two sub-loans in French Francs equivalent to Rs. 0.03 crore. The total amount disbursed during the year included guarantees issued to the extent of Rs. 0.3 crore.

The IFCI assisted 41 new projects during the year for an aggregate amount of Rs. 20.1 crores. Again, of the projects assisted during the year, 29 were in notified backward districts, involving an aggregate amount of Rs. 12.6 crores or 40 per cent of the total assistance sanctioned during the year ; the corresponding share of such assistance last year worked out to 47 per cent. The total financial assistance to 20 projects promoted by new entrepreneurs and 8 projects in the co-operative sector aggregated Rs. 4.9 crores and Rs. 4.0 crores, respectively.

Since its inception in July 1948, till March 31, 1975, the IFCI had sanctioned net financial assistance of Rs. 496.4 crores and disbursed Rs. 431.0 crores.

On September 3, 1974, IFCI revised its interest rates structure. The rate on rupee loans was raised from 9.5 to 11.25 per cent applicable to loans sanctioned on July 30, 1974 or after ; the rate on foreign currency loans was raised from 10 to 11.5 per cent and is applicable to loans sanctioned on or after August 29, 1974. The rates on rupee and foreign currency loans to projects in notified backward districts/areas were raised to 9.5 per cent and 10.5 per cent, respectively, subject to a rebate of 1 per cent for punctual repayment. The rate of interest chargeable on soft loans to jute industry and export oriented cotton textile mills and hotel projects would be 11.25 per cent instead of 9.5 per cent charged earlier, subject to a rebate of 2 per cent for punctual repayment.

During the year, the IFCI floated bonds of the value of Rs. 19.0 crores on two occasions in June and September 1974 raising the total outstanding of bonds to Rs. 98.2 crores. It also obtained the thirteenth line of credit of DM 11 million from the Kreditanstalt Fur Wiederaufbau, bringing the total value of such credit to DM 147.5 million. Of these, the IFCI had sanctioned sub-loans to the extent of DM 139.178 million upto March 31, 1975. Besides, sub-loans of French Francs 14.576 million were sanctioned to industrial concerns against the equipment credit of French Francs 15 million from the Banque Francaise du Commerce Exterieur, Paris. The IFCI was granted a further allocation of £ 1 million under U.K./India Capital Investment Loan 1974, thus bringing the total sterling credit to £ 4.5 million. Out of these, sub-loans of £ 3.614 million were sanctioned as on March 31, 1975. As at the end of March 1975, the total amount of loans of U.S. AID stood at U.S. $ 26.745 million and these credits stood fully committed.

The IFCI sponsored the Risk Capital Foundation which was inaugurated on March 10, 1975 and registered as a society under the Societies Registration Act, 1860. The objective of the foundation is to provide assistance to new entrepreneurs including technologists/professionals for promoting industrial projects by giving loans free of interest or at nominal rates of interest. The IFCI had approved the initial allocation of Rs. 30 lakhs to the Risk Capital Foundation out of the Benevolent Reserve Fund.

(c) Industrial Credit and Investment Corporation of India (ICICI)

Financial assistance of ICICI recorded a modest increase during 1974-75 (April-March), sanctions and disbursements amounting to Rs. 62.9 crores and Rs. 45.4 crores as compared with Rs. 60.6 crores and Rs. 43.5

crores, in 1973-74, respectively. The increase during the year was solely accounted for by the foreign currency loans whose sanctions and disbursements rose over the year from Rs. 34.7 crores to Rs. 41.3 crores and from Rs. 26.3 crores to Rs. 29.1 crores, respectively. On the other hand, there were marginal declines in the disbursements of rupee loans in the form of direct loans and underwriting and direct subscriptions. Since its inception, the ICICI's sanctions aggregated Rs. 518.5 crores while its disbursements amounted to Rs. 365.5 crores as at the end of March 1975.

There was considerable increase in the ICICI's assistance for projects in backward areas. Both sanctions and disbursements rose by Rs. 6.5 crores to Rs. 24.5 crores and by Rs. 6.2 crores to Rs. 11.6 crores, respectively. As on March 31, 1975 sanctions and disbursements for 242 such projects stood at Rs. 98.5 crores and Rs. 53.1 crores, respectively.

The normal interest rates charged by ICICI on rupee loans and foreign currency loans were raised in July 1974, the former from 9 to 10.25 per cent and the latter from 9.5 to 10.5 per cent, respectively. The concessional rate of interest on loans for projects in backward areas was also raised from 7.5 to 8.5 per cent on rupee loans and from 9 to 9.5 per cent on foreign currency loans.

(d) Unit Trust of India

The Unit Trust of India suffered a severe setback in its operations during 1974-75. For the first time since its inception, repurchases exceeded sales of Units. Although the year started with encouraging sales, this proved to be short-lived. The climate for investment in Units deteriorated following the restrictions on distribution of dividend by companies, and the upward revision of deposit rates in the banking sector as well as in other competitive channels of investment. As a result, Units as media of investment became less attractive than others. Such an unfavourable investment climate led to heavy repurchases. During the year 1974-75 there were net repurchases to the extent of Rs. 3.6 crores. In order to check this trend, the Government announced in January 1975, certain concessions in respect of income and wealth taxes exclusively applicable to investment in Units : exemptions from income tax upto Rs. 2000 and from wealth tax upto Rs. 25,000 were allowed on income received from Units and investments in Units, respecitively, in addition to the existing exemptions of upto Rs. 3000 from income-tax and upto Rs. 1·5 lakhs from wealth-tax, in respect of total investments in Units as well as in specified categories of financial assets. These tax concessions had a favourable impact ; sales of Units, which touched a low of Rs. 14 lakhs by December 1974, picked up in subsequent months reaching an average of Rs. 1.1 crores between January and May 1975. Repurchases which averaged a little over Rs. 3 crores per month during August to December 1974, came down to Rs. 0.75 crore per month between January and June 1975. Aggregate sales during the year stood much lower at Rs. 16.7 crores (64,789 applications) as against Rs. 30.3 crores(1,00,168 applications) in 1973-74, while repurchases amounted to Rs. 20.4 crores as against Rs. 3.7 crores last year (Table VI. 19). As at the end of June 1975, the total value of Units sold and outstanding with the Trust stood at Rs. 147.8 crores in respect of about 5.9 lakh applications as against Rs. 151.4 crores in respect of 5.9 lakh applications at the end of June 1974.

Table VI. 19: Trends in Sales of Units by U. T. I.

(Rupees Crores)

Year (July-June)	Sale of Units (Face Value)	Units repurchased (Face Value)	Amount invested under the Reinvestment Plan	Investible Funds of the Trust at the end of the year	Dividend Rate to Unit holders (per cent)
1	2	3	4	5	6
1970-71 ..	18.0	3.2	0.5	105.1	8.00
1971-72 ..	15.1	2.6	0.7	119.3	8.25
1972-73 ..	23.0	3.0	0.9	142.0	8.50
1973-74 ..	30.3	3.7	1.2	172.1	8.50
1974-75 ..	16.7	20.4	1.4	170.0	8.60

During 1974-75, 2043 persons joined the Unit-linked Insurance Plan for a target amount (*i.e.* contributions to be made over a ten-year period under the Plan) of Rs. 1.6 crores as compared to 2742 persons for a target amount of Rs. 2.2 crores during 1973-74. Sales of units under the Plan during 1974-75 amounted to Rs. 49.5 lakhs as against Rs. 33.0 lakhs in 1973-74.

At the end of 1974-75, the overall investible funds of the Trust were lower at Rs. 170.0 crores, as compared to Rs. 172.1 crores as on June 30, 1974. Nevertheless, its investments in corporate securities rose during the year from Rs. 147.5 crores to Rs. 151.9 crores forming 89.3 per cent of the total investible funds as against 85.7 per cent last year. While investments in preference shares remained unchanged at the previous year's level, those in equities rose from Rs. 77.9 crores to Rs. 81.8 crores and debentures from Rs. 53.2 crores to Rs. 53.7 crores.

By an amendment of the Indian Trusts Act 1882, in January 1975, the Units have been declared as Trustee Securities. The Unit Trust of India Act, 1963, has also been amended accordingly so as to enable the Trust to recognise and accept applications for investment in Units by 'eligible trusts.' The minimum investment that a trust can make has been fixed at Rs. 10,000.

(e) Industrial Reconstruction Corporation of India (IRCI)

IRCI recorded further progress during 1974-75 (April-March), its loans (including guarantees) sanctioned and disbursed rising over the preceding year from Rs. 7.5 crores to Rs. 8.2 crores and from Rs. 5.4 crores to Rs. 8.6 crores, respectively. The sector-wise break up of total disbursements mainly comprised : public sector units, Rs. 4.3 crores (53.1 per cent), units in backward areas, Rs. 1.0 crore (12.0 per cent) and units in the small-scale industries sector, Rs. 0.8 crore (9.1 per cent).

The total financial assistance sanctioned by the IRCI since its inception in 1971 upto March 1975 amounted to Rs. 28.4 crores spread over 92 industrial units, with a labour force of 76,368 (Table VI. 20). The total amount disbursed during the period was Rs. 19.7 crores and the amount arranged through banks/other institutions by the IRCI was Rs. 25.0 crores.

Table VI.20 : Summary of Assistance Sanctioned and Disbursed by Industrial Reconstruction Corporation of India

(Rupees Crores)

Year	Number of Units	Amount Sanctioned			Total amount disbursed	Amount arranged through banks/ other institutions	Labourers involved
		Loans	Guarantees	Total			
1	2	3	4	5	6	7	8
April-March							
1973-74	10	7.7	(—)0.2*	7.5	5.4	8.2	16,492
1974-75	18	7.9	0.3	8.2	8.6	9.2	12,897
As at end of							
March 1974 ..	74	20.0	0.2	20.2@	11.1	15.8	63,471
March 1975 ..	92	27.9	0.5	28.4**	19.7	25.0	76,368

*Effective sanctions.

**Reconstruction assistance of Rs. 93.50 lakhs sanctioned earlier has since been cancelled. Further, an amount of Rs. 13.16 lakhs has been repaid.

@ Reconstruction assistance of Rs. 31.94 lakhs sanctioned earlier has since been cancelled. Further, an amount of Rs. 0.75 lakh has been repaid.

Note : Disbursements include guarantees issued and outstanding.

(f) State Financial Corporations

Operations

The State Financial Corporations (SFCs) enlarged their operations considerably during 1974-75. Loans sanctioned and disbursed by the 18 SFCs (including Tamil Nadu Industrial Investment Corporation Limited (TIIC)). amounted to Rs. 134.8 crores and Rs. 79.3 crores as compared with Rs. 96.8 crores and Rs. 54.1 crores, respectively, in the previous year. The share of the small-scale industrial units in the total loans sanctioned and disbursed was Rs. 71.5 crores (53 per cent) and Rs. 50.6 crores (63 per cent), respectively.

Three SFCs (including TIIC) had underwritten shares of industrial concerns to the extent of Rs. 0.4 crore during 1974-75 (April-March) as compared to Rs. 0.8 crore underwritten by six SFCs (including TIIC) in 1973-74. Investments of twelve SFCs in the shares taken up by them in fulfilment of their underwriting obligations (including direct subscriptions by TIIC) and subscription to debentures stood at Rs. 12.5 crores (as at the end of March 1975) ; of this, TIIC alone held Rs. 8.0 crores.

Guarantees provided by 12 SFCs and TIIC for deferred payments by industrial units for purchase of indigenous capital goods amounted to Rs. 20.1 crores as at the end of March 1975.

Lending Rates

The normal effective lending rate of SFCs ranged between 8 per cent and 13 per cent. In cases where refinance from IDBI was available, the normal rate ranged between 8 per cent and 10.5 per cent for small-scale industries and between 10.5 per cent and 12 per cent for others. For units located in specified backward areas, the rate ranged between 8 per cent and 13 per cent depending on availability or otherwise of refinance from IDBI.

Capital and Resources

During 1974-75, seven SFCs (Bihar, Gujarat, Haryana, Karnataka, Maharashtra, Punjab and Uttar Pradesh) raised their paid-up capital by an aggregate amount of Rs. 4.4 crores. The total paid-up capital of all the SFCs (including TIIC) stood at Rs. 30.7 crores as at the end of March 1975 as against Rs. 26.3 crores during the preceding year. Besides the increase in the ordinary paid-up capital, two SFCs, Kerala and West Bengal raised special capital under the new Section 4 A of the SFCs Act, 1951 to the extent of Rs. 25 lakhs and Rs. 20 lakhs respectively (contributed equally by the Reserve Bank of India and the respective State Governments). All SFCs except that of Madhya Pradesh issued bonds for an aggregate amount of Rs. 19.8 crores. The total amount of bonds outstanding rose from Rs. 115.8 crores as on March 31, 1974 to Rs. 134.8 crores as on March 31, 1975. Borrowing limits aggregating Rs. 21.0 crores against *ad hoc* bonds were sanctioned by the Reserve Bank to 16 SFCs, i.e., all except Madhya Pradesh and Tamil Nadu. The outstanding borrowings of SFCs against *ad hoc* bonds and against Government securities amounted to Rs. 9.2 crores as on March 31, 1975. Borrowings of 6 SFCs (including TIIC) from the respective State Governments stood at Rs. 2.9 crores as on March 31, 1975.

All the SFCs availed themselves of refinance from the IDBI to a much greater extent than in the past. The total amount of refinance availed of during 1974-75 was Rs. 35.4 crores as against Rs. 22.8 crores during 1973-74. The amount of refinance outstanding at the end of March 1975 aggregated Rs. 87.4 crores as against Rs. 64.4 crores a year ago.

The total amount of deposits accepted by 11 SFCs amounted to Rs. 25.7 crores as on March 31, 1975 ; of this, Rs. 15.5 crores (60.0 per cent) were accounted for by TIIC. Consequent upon the revision in the interest rates on deposits in July 1974, SFCs have been allowed to offer higher rates of interest ranging between ½ per cent and 2 per cent, depending upon the period of deposits.

Agency Work

Four SFCs (Andhra Pradesh, Assam, Orissa and Uttar Pradesh) continued to act as agents for their respective State Governments for sanctioning and disbursing loans to small-scale industries. Loans outstanding under this arrangement aggregated Rs. 14.7 crores as on March 31, 1975 as compared to Rs. 10.1 crores as on March 29, 1974.

IDA Credit

Upto the end of June 1975, under IDA line of credit, referred to in the last year's Report, 701 applications for an aggregate amount of Rs. 56.1 crores (both rupee and foreign exchange components) were received by SFCs for assistance to small and medium industrial units ; of these, 398 applications for Rs. 28.3 crores were sanctioned by SFCs.

(g) The National Industrial Development Corporation Ltd.

The National Industrial Development Corporation Ltd. (NIDC), set up in 1954 as a Government company, has been rendering consultancy services for industrial development including the provision of services for design and detailed engineering of industrial projects, development planning and management consultancy services. The services of the Corporation are being made use of by individual entrepreneurs and Indian as well as foreign Governments, including the United Nations.

Some of the important assignments taken up by the Corporation during 1974-75 were: (1) Design and engineering of (*a*) the new transformer production unit of Bharat Heavy Electricals Ltd. (*b*) Ferrites Project of Central Electronics Ltd. and (*c*) Equipment design for coal handling plants ; (2) Design Report for the Sukhinda Nickel Project Mines and (3) Project Report for the manufacture of sugar machinery for the National Heavy Engineering Co-operative Ltd. The NIDC completed the work relating to the establishment of industrial estate in Zanzibar, while the work on steel melting and billet casting plant in Libya is underway.

During 1974-75 the NIDC entered into an exclusive agreement with the National Research Development Corporation of Government of India for engineering and implementation of projects for manufacture of paper from agricultural waste materials based on a new process developed at the Forest Research Institute, Dehra Dun. It has also received similar assignment for the establishment of a plant in Andhra Pradesh.

(h) National Small Industries Corporation

During 1974-75 (April-March), the National Small Industries Corporation (NSIC) received 500 applications under its hire-purchase scheme for supply of machinery worth Rs. 5.9 crores as against 2492 applications for Rs. 24.0 crores during the previous year. Of these, the NSIC accepted 432 applications for machinery valued at Rs. 5.5 crores and placed orders for machines worth Rs. 4.9 crores. During the year the NSIC assisted 449 units by way of supply of machinery valued at Rs. 9.9 crores ; of this, machines worth Rs. 0.6 crore were supplied in the backward districts. Industries assisted by the NSIC covered a wide range including electronic equipments Since its inception till the end of March 1975, the Corporation supplied machinery worth Rs. 81 crores, helped the creation of installed capacity of over Rs. 600 crores and of provision of employment to some 4 lakh persons.

Further, the NSIC secured 1962 Government contracts worth Rs. 51.0 crores for small units in 1974-75. There were 600 units enlisted for participation in the Government purchase programme thus bringing the total number of such enlisted units to 21,072. The amount of marketing assistance aggregated Rs. 7.6 crores.

The rate of interest charged by the NSIC for assistance provided to technocrats and to backward areas was 11.5 per cent and for others 13.5 per cent with a provision of some rebate for early repayments.

(iii) Financing of Small-scale Industries by Scheduled Commercial Banks

Scheduled Commercial Banks' Advances to Small-scale Industries

The total credit (including term loans and advances to qualified entrepreneurs) extended by the scheduled commercial banks to small-scale industries stood at Rs. 1017.3 crores at the end of December 1974, showing an increase of Rs. 113.4 crores during the period April-December 1974; the corresponding increase during 1973 was, however, larger at Rs. 172.2 crores (Table VI. 21). The limits sanctioned

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Table VI. 21 : Advances of Scheduled Commercial Banks to Small-scale Sector

(Rupees Crores)

As on the last Friday of	Number of Units				Limits in Force				Balance Outstanding			
	March 1974	December 1974	Increase (3—2)	Increase between March 1973 and December 1973	March 1974	December 1974	Increase (7—6)	Increase between March 1973 and December 1973	March 1974	December 1974	Increase (11—10)	Increase between March 1973 and December 1973
1	2	3	4	5	6	7	8	9	10	11	12	13
1. State Bank of India and its Subsidiaries ..	91,540	1,02,548	11,008	19,118	474.8	516.3	41.5	47.7	338.2	369.5	31.3	44.1
2. 14 Nationalised Banks ..	1,04,931	1,10,881	5,950	25,479	765.9	834.0	68.1	151.8	469.0	540.3	71.3	115.6
3. Other Scheduled Banks ..	10,173	10,836	663	544	152.7	171.4	18.7	23.8	96.7	107.5	10.8	12.5
Total	**2,06,644**	**2,24,265**	**17,621**	**45,141**	**1393.4**	**1521.7**	**128.3**	**223.3**	**903.9**	**1017.3**	**113.4**	**172.2**
					Term Loans for Small-scale Industries							
4. All Scheduled Commercial Banks	43,520	49,432	5,912	8,268	189.4	216.1	26.7	19.9	145.8	174.7	28.9	25.1

Note : Data are provisional.

by banks to this sector also recorded a much smaller increase of Rs. 128.3 crores during April-December 1974 as against Rs. 223.3 crores during April-December 1973. Similarly, the increase in the number of units assisted in April-December 1974 was 17,621 as against 45,141 units in the corresponding period of 1973. The utilisation of limit was, however, higher at 66.9 per cent in December 1974 as compared to 63.8 per cent a year ago. The outstanding credit to small-scale industries at Rs. 1017.3 crores as at end-December 1974 formed 12.9 per cent of the total bank credit as compared with 12.2 per cent in December 1973. The number of units in the small-scale sector which availed of financial assistance from the scheduled commercial banks stood higher at 2.2 lakhs as at end December 1974 as against 2.0 lakhs a year ago.

Analysing the data group-wise, public sector banks accounted for, as in the preceding year, 89 per cent of the total bank credit extended to small-scale industries. The share of State Bank of India group accounted for 36 per cent and that of the 14 nationalised banks for 53 per cent.

The average amount of credit sanctioned per unit remained almost unchanged at Rs. 0.7 lakh between December 1973 and December 1974. The growing involvement of banks in financing small-scale industries in industrially backward States continued to be evident ; the percentage shares of industrially backward States such as Bihar, Madhya Pradesh and Orissa in total bank credit sanctioned to small-scale industries recorded a rise.

Term-Loans

The term-loan limits (including instalment credits) sanctioned by the banks to small scale industries showed a rise of Rs. 26.7 crores during April-December 1974 as against a rise of Rs. 19.9 crores in the corresponding period of 1973. The number of units which availed of term-credit also rose from 43,520 to 49,432 during April-December 1974. The outstanding term-credit which amounted to Rs. 174.7 crores as at end December 1974 formed 17.2 per cent of the total outstanding credit to the small-scale sector ; a year ago, this proportion stood at 16.0 per cent.

(*iv*) Credit Guarantee Scheme for Small-scale Industries

The number of credit institutions who have executed the agreement under the Scheme as at the end of March 1975 rose to 211 including all major commercial banks, SFCs and several co-operative banks. One scheduled bank and 20 unlicensed primary urban co-operative banks were included in 1974-75 in the list of approved credit institutions under Clause 2(c) of the Credit Guarantee Scheme.

The amount of guarantees outstanding increased to Rs. 1,675 crores at end-March 1975 from Rs. 1,396 crores a year ago. Since the inception of the Scheme till end-March 1975, 1043 claims for an aggregate sum of Rs. 1.2 crores were paid to the credit institutions. Of this, Rs. 14.7 lakhs were recovered in full in 112 cases by the end of December 1974. Accounts reported under default which might eventually lead to invocation of guarantees numbered 12,211 for Rs. 37.8 crores as at the end of March 1975, as against 9,582 accounts for Rs. 28.7 crores a year ago.

The amount of claims pending settlement rose from Rs. 284.1 lakhs (9.82 per cent of the total advances in default) at the end of March 1974 to Rs. 456.2 lakhs (12.1 per cent) at the end of March 1975.

With a view to helping the credit institutions to provide adequate finance to sick units assisted by them in co-ordination with the IRCI, it has been decided with the approval of the Government of India, to raise the ceiling on guarantee cover in respect of working capital advances from Rs. 7.5 lakhs to Rs. 12.5 lakhs including advances, if any, covered under the Scheme prior to extension of credit under the Reconstruction Scheme of IRCI. The enhanced ceiling would be operative on an experimental basis, initially for a period of 2 years from January 15, 1975. All the existing eligible credit facilities outstanding in the names of sick units proposed to be reconstructed and also such credit as will be granted in co-ordination with the IRCI during the period in which the liberalised provisions remain in force would be covered under the new provisions. In the case of units which have already been assisted under the reconstruction programme of IRCI, advances sanctioned to them will also be eligible for enhanced ceiling under certain conditions.

(*v*) Investment in Industrial Sector

In this sub-section an attempt is made to indicate, from available data, the trend in investment in the industrial sector, by both the public and private sectors.

(*a*) Public Sector

Available indicators suggest that public sector investment in the sphere of industry received a fillip during 1974-75. Basically, the Plan outlay for industry and minerals (including village and small industries) for 1974-75 at Rs. 1162.1 crores recorded a rise of Rs. 366.2 crores, as compared with a smaller rise of Rs. 105.8 crores in 1973-74.

Further, according to the revised estimates for 1974-75, the gross capital formation expenditure of the Central Government rose by 34.3 per cent, as compared to a rise of merely 1.4 per cent witnessed in 1973-74 (Table VI.22). The capital formation expenditure met from budgetary resources of the Central Government under the head "Industry" also rose by 94 per cent, in contrast to a decline of 16.2 per cent in 1973-74.

Table VI.22 : Capital Formation Expenditure on Industrial Programmes in The Public Sector

(Rupees crores)

Financial Year	Gross Capital formation out of the budgetary resources of the Central Government	Total and capital formation expenditures (Central Government): Industry: Total Expenditure	Industry: Of which capital formation expenditure	Transport and communication: Total Expenditure	Transport and communication: Of which capital formation expenditure	Railways' Development Programme: Total capital expenditure	Railways' Development Programme: Investment in rolling stock	State Governments' Development Expenditure for Industrial Development	Plan Outlays@: Industry and Minerals	Plan Outlays@: Village & Small Industries	Plan Outlays@: Total (10+11)
1	2	3	4	5	6	7	8	9	10	11	12
1970-71 ..	1888.0 (+17.1)	573.7 (—7.0)	418.9 (—3.2)	622.4 (+47.1)	544.4 (+42.6)	251.6	101.8	118.9	465.1	43.0	508.1
1971-72 ..	2161.0 (+14.5)	783.8 (+36.6)	524.2 (+25.1)	640.6 (+2.9)	586.8 (+7.8)	309.8	109.8	147.0	590.7	48.4	639.1
1972-73 ..	2627.0 (+21.6)	927.2 (+18.3)	643.7 (+22.8)	760.3 (+18.7)	711.1 (+21.2)	351.5	127.4	78.6*	631.3	58.8	690.1
1973-74 ..	2664.6 (+1.4)	810.1 (—12.6)	539.7 (—16.2)	795.7 (+4.7)	728.4 (+2.4)	322.9	149.3	96.4*	741.7	54.2	795.9
1974-75 .. (R.E.) ..	3578.1 (+34.3)	1479.0 (+82.6)	1047.0 (+94.0)	927.3 (+16.5)	863.7 (+18.6)	342.9	159.0	163.2	1093.3	68.8	1162.1
1975-76 .. (B.E.) ..	3931.3 (+9.9)	1950.5 (+31.9)	1524.7 (+45.6)	904.8 (—2.4)	842.8 (—2.4)	328.1	123.0	182.6			

@— Actuals upto 1971-72, anticipated expenditure for 1972-73 and 1973-74 and outlay for 1974-75.

* — Cover 17 states only and hence the figures are not comparable with those of the earlier or subsequent years. Also these are as per the revised budgetary classification.

Note: Figures in brackets are percentage variations over the previous years.

Sources: (1) For columns 2 to 6—Economic and Functional classification of the Central Government Budget. Total Expenditure refers to total expenditure under the head 'Social and Economic Services' for Industry/Transport and communications. Out of this total expenditure, capital formation expenditure has been derived from the Economic-cum-functional classification published in the same publication.

(2) For columns 7 and 8—Railway Budgets.

(3) For column 9—State Government Budgets — The figures include both revenue and capital accounts.

(4) For columns 10 to 12—Economic Surveys (Government of India).

Under the head "Transport and Communications" also, there was an increase in expenditure of 18.6 per cent, as against an increase of only 2.4 per cent in 1973-74. Moreover, the State Governments' development expenditure for industries was placed high during 1974-75 ; total expenditure amounted to Rs. 163.2 crores. Again, the total capital expenditure under the Railways' development programme at Rs. 342.9 crores showed a rise of Rs. 20 crores in 1974-75 over the level in 1973-74. Investment in rolling stock rose by Rs. 9.7 crores.

(*b*) Private Sector

It is difficult to estimate precisely the size of investment by the private sector in industries during the year 1974-75. Nevertheless some idea of the recent trend in investment could be formulated on the basis of the growth rates in gross and net assets formation by public limited companies. These data for 1650 medium and large public limited companies show that the rate of capital formation was rising continuously during the period 1970-71 to 1973-74 (Table VI.23). Similar data however are not available for 1974-75. Nonetheless, the fact that a relatively larger amount of capital was raised by non-Government public limited companies during 1974-75 and that a higher quantum of term loans was disbursed by term-lending institutions is indicative of a relatively larger, at any rate in absolute terms, private sector investment in 1974-75.

Table VI. 23 : Rates of Gross and Net Fixed Assets Formation of Different Groups of Public/Private Limited Companies and Government Companies

(Per cent)

Year (April-March)	Medium & Large Public Limited Companies*	Large Public Limited Companies**	Small Public Limited Companies@	Medium & Large Private Limited Companies@@	Small Private Limited Companies£	Government Companies££
1	2	3	4	5	6	7
Gross Fixed Assets Formation (At current prices)						
1970-71	6.8	7.0	5.8	6.9	12.7	6.3
1971-72	7.4	7.7	6.6	10.8	10.4	6.1
1972-73	8.5	8.8	5.1	13.5	—	9.6
1973-74	8.7	8.9				
Net Fixed Assets Formation (At current prices)						
1970-71	2.7	2.6	3.2	3.4	11.1	2.3
1971-72	3.6	3.7	5.2	10.1	7.6	1.7
1972-73	5.7	5.7	2.1	12.9	—	7.0
1973-74	6.9	6.7				

— Not available.
* Number 1501 for 1970-71 and 1650 for 1971-72 to 1973-74.
** Number 290 for 1970-71 and 355 for 1971-72 to 1973-74.
@ Number 750 for 1970-71 to 1972-73.
@@ Number 701 for 1970-71 and 1001 for 1971-72 and 1972-73.
£ Number 1121 for 1970-71, and 1125 for 1971-72.
££ Number 105 for 1970-71, 121 for 1971-72 and 116 for 1972-73.
Source : RBI studies on Company Finances.

CHAPTER VII : DEVELOPMENTS IN TRADE AND TARIFFS

Recent Trends in India's Foreign Trade

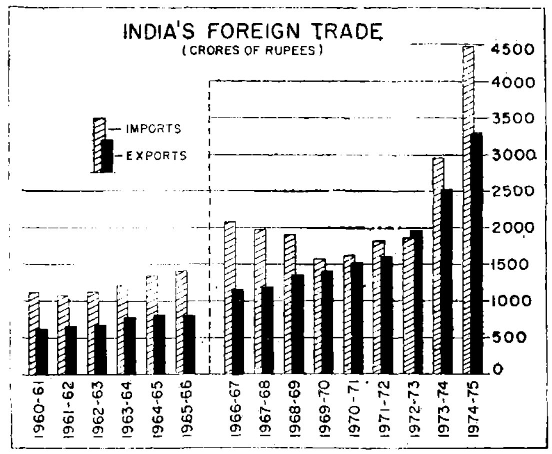
A conspicuous feature of India's foreign trade in 1974-75 was a sharp rise in exports as well as imports : this again was primarily a reflection of the impact of the world commodity boom. The extent of the rise in imports exceeded that in exports with the result that India's trade deficit deteriorated; the trade deficit during 1974-75 (April-March) was of the order of Rs. 1,164 crores as compared with a gap of Rs. 432 crores during 1973-74. (1) The enlargement of the size of the deficit was attributable to a deterioration in the terms of trade. No doubt, India's exports benefited from the persistence of the world commodity boom but because of a sharp rise in the world prices of two major imports *viz.*, foodgrains and petroleum, the aggregate import bill recorded a phenomenal rise.

The outlook for trade during 1975-76 is far from encouraging. Because, on the one hand, it is not possible to bring about a significant reduction in the import bill in view of the dominance of the two items, mentioned above, in India's imports. On the other hand, in the wake of the persistent recessionary trends in the major industrial countries, exports are unlikely to witness the same degree of buoyancy as in 1974-75. Viewed against this perspective, the need to make special efforts to raise export earnings substantially assumes a sense of urgency.

Exports

Total exports at Rs. 3,304 crores during 1974-75 showed a higher rate of increase of 31 per cent as against a rise of 28 per cent during 1973-74 and 23 per cent during 1972-73. (2) As in the previous year, the increase in export earnings during 1974-75 was mainly due to a rise in unit value realisation in the context of the continuation of the world commodity boom for a major part of the year. The tempo of growth in exports, however, tended to slacken from the last quarter of the year; while export earnings registered a growth of 39 per cent in the first nine months of 1974-75 over the corresponding period of the previous year, the growth in the last quarter of 1974-75 was only of the order of 15 per cent.

Graph 31



The rate of growth in India's export earnings during 1974-75, though significant, did not compare favourably with the trend in the growth of world trade, or the overall exports growth of developing countries (excluding oil exporting developing countries). During 1974, the value of world exports grew by 48 per cent and exports of developing countries (excluding oil exporting developing countries) rose by about 46 per cent. As against this, India's exports in 1974 went up by 40 per cent. In point of fact India's share in world exports declined from 0.52 per cent in 1973 to 0.47 per cent in 1974.

Commodity-wise, the rise in exports during 1974-75 was spread over a wide front (Table VII.1). The largest increase was registered by sugar (Rs. 297 crores or by seven times) as sizeable exports of the commodity were effected to capitalise on the steep escalation in world

(1) The analysis in this Section is based on the annual data published by the D. G. C. I. & S. in the *Monthly Statistics of Foreign Trade of India* (March 1975). These figures may, therefore, differ from those in Statement 83 of the Statistical part of the Report which is based on provisional press releases.

(2) Excluding exports to Bangladesh (the bulk of which was aid-financed), the growth rate in exports during 1972-73 works out to 15.2 per cent.

prices. Significant expansion was noticed also in respect of engineering goods, jute manufactures, tea, cashew kernels, clothing, chemicals and chemical products and crude, animal and vegetable materials comprising mainly shellac and guar flour. Exports of silver during the year were substantial following the lifting of the ban in February 1974. Other products which recorded increases included coffee, spices, rice, unmanufactured tobacco, iron ore, iron and steel and manganese ore. As mentioned earlier, the rise in the value of exports of sugar stemmed from substantial increases in both the quantum and unit value. The rise in quantum was the main factor in respect of the increase in exports of engineering goods ; in respect of other products, the rise in value of exports was due wholly or predominantly to the increase in unit value. As against the general rising trend during 1974-75, there was a fall in the export of some important products, *viz*., oilcakes and fish and fish preparations, which was in contrast to the substantial rise that took place in the value of exports of these commodities in the preceding year. Export earnings from oilcakes declined sharply by Rs. 75 crores (or 44 per cent). The decline in the value of exports of fish and fish preparations amounted to Rs. 23 crores (or 26 per cent). Exports of leather and leather manufactures were lower by Rs. 21 crores (or 11 per cent) owing mainly to the decline in the quantum of exports of semi-processed leather.

Table VII. 1: India's Principal Exports

(Rupees crores)

Commodities	1970-71	1971-72	1972-73	1973-74	1974-75	Increase (+)/ Decrease (—) of (5) over (4)	
						Actual	Percentage
	1	2	3	4	5	6	7
A. Major Non-traditional items							
Engineering goods	126	112	130	176	299	+123	+ 70
Iron and steel	91	41	42	61	86	+ 25	+ 41
Iron ore	117	105	110	133	160	+ 27	+ 20
Chemicals	36	35	40	58	104	+ 46	+ 79
Silver (bullion bar)	—	—	—	8	78	+ 70	+875
Rice	5	12	3	8	21	+ 13	+163
B. Other Items							
Jute yarn and manufactures	190	265	250	227	296	+ 69	+ 30
Cotton yarn and manufactures	118	116	150	251	233	— 18	— 7
Tea	148	156	147	145	224	+ 79	+ 54
Hides, skins, leather and leather goods including footwear	87	103	188	187	166	—21	— 11
Cashew kernels	52	61	69	74	118	+ 44	+ 59
Oilcakes	55	40	75	171	96	— 75	— 44
Pearls, precious and semi-precious stones, unworked/worked	42	53	79	107	96	— 11	— 10
Spices	39	36	29	55	61	+ 6	+ 11
Fish and fish preparations	31	42	54	89	66	— 23	— 26
Sugar	28	30	13	42	339	+297	+707
Coffee	25	22	33	46	51	+ 5	+ 11
Manganese ore	14	11	9	9	17	+ 8	+ 89
Tobacco (unmanufactured)	31	42	61	68	80	+ 12	+ 18
Cotton raw and waste	16	19	25	37	17	— 20	— 54
Clothing	30	38	56	100	136	+ 36	+ 36
Crude, animal and vegetable materials (n.e.s.)*	43	47	50	75	117	+ 42	+ 56
C. Total (including others)	**1,535**	**1,608**	**1,971**	**2,523**	**3,304**	**+781**	**+ 31**

* Includes guar, gum, lac, etc.

Note : Data for 1970-71 and 1971-72 are not comparable with those of the previous and subsequent years owing to the change in procedure for recording exports (from the finally passed shipping bill to the original copy of the shipping bill) adopted by the DGCI & S between November 1, 1970 and February 29, 1972.

Source : DGCI & S.

Imports

Imports during 1974-75 amounted to Rs. 4,468 crores showing a steep increase of 51 per cent over the level during 1973-74. The large expansion in imports was mainly due to higher import prices of a number of commodities, particularly of foodgrains, mineral oils and fertilisers (Table VII. 2). Commodity-wise, imports of foodgrains amounted to Rs. 764 crores showing an increase of Rs. 291 crores over the previous year, while imports of mineral oils at Rs. 1,157 crores were higher by Rs. 596 crores. These two items together accounted for Rs. 887 crores of the total increase of Rs. 1,513 crores. Imports of fertilisers, iron and steel, non-ferrous metals, paper and paper boards and transport equipment also showed large increases. The commodities which registered declines were raw cotton (Rs. 25 crores), raw jute (Rs. 8 crores), animal and vegetable oils and fats (Rs. 30 crores), pearls, precious and semi-precious stones (Rs. 21 crores), and machinery other than electric (Rs. 30 crores).

Direction of Foreign Trade

The regional pattern of trade during 1974-75 revealed a sizeable widening of the trade deficit with the U.S.A. (from Rs. 153 crores to Rs. 353 crores), the ECM countries excluding the U.K. (from Rs. 106 crores to Rs. 243 crores) and 'Other Countries' which include oil producing countries (from Rs. 167 crores to Rs. 431 crores) (Table VII.3). The trade deficit with ESCAP (Economic and Social Commission for Asia and the Pacific) countries excluding Japan widened further from Rs. 34 crores to Rs. 63 crores. On the other hand, the trade deficit of Rs. 55 crores with Africa excluding the Arab Republic of Egypt (ARE) turned into a surplus of Rs. 55 crores. The trade surplus with the U.K. increased from Rs. 11 crores to Rs. 94 crores while the trade surplus with East European countries declined from Rs. 87 crores to Rs. 28 crores. The surplus of Rs. 99 crores with Japan was converted into a substantial deficit of Rs. 158 crores.

The widening of the trade deficit with the U.S.A. and the ECM countries (excluding the U.K.) resulted from a substantial increase in imports and a relatively modest rise in exports. As regards trade with Japan, imports showed a steep rise while exports registered a decline. The deterioration in the trade deficit with the group of 'Other Countries' reflected the phenomenal increase in imports (mainly petroleum) despite the significant rise in exports. Although exports to East European countries showed a notable increase, the trade surplus was reduced owing to a relatively larger increase in imports.

There was a perceptible decline over the year in the combined share of the U.S.A., ECM countries (including the U.K.) and Japan in India's foreign trade. The share of these countries in India's exports came down from 52 per cent in 1973-74 to 41 per cent in 1974-75 and the corresponding share in imports declined from 49 per cent to 45 per cent. This was due largely to the decline in the share of Japan in exports and of the U.K. in imports (Table VII.4). As against this, there was an increase in the share of other regions, particularly in exports. Thus, the share of ESCAP countries (excluding Japan) rose from 15 per cent to 19 per cent, of East European Countries from 19 per cent to 21 per cent and of others from 14 per cent to 20 per cent.

Developments in Trade Policy

The trade policy during 1974-75 continued to be increasingly export-oriented with special emphasis on the maximisation of production for exports and encouragement to import substitution. In the light of new developments, suitable adjustments were made in the various incentive schemes in operation.

Export Policy: Assistance and Incentives

For assisting export production, manufacturer-exporters engaged in selected industries were allowed to utilise upto 10 per cent of their entitlements for obtaining supplies of furnace oil during the licensing period 1974-75. Also, the Government decided to permit import of diesel generating sets witl a view to alleviating the problem createa by unforseen cuts in power supply to export-oriented units.

The 'all industry' rates of drawback duty were revised and suitable adjustments were made in the cash subsidy allowed. The amount of drawback of customs and excise

Table VII. 2 : India's Principal Imports

(Rupees crores)

Commodities	1970-71	1971-72	1972-73	1973-74	1974-75	Increase (+)/ Decrease (—) of (6) over (5) Actual	Per-centage
1	2	3	4	5	6	7	8
1. Food (excluding cashewnuts)	243	169	128	518	848	+330	+ 64
Of which : Cereals and cereal preparations	213	131	81	473	764	+291	+ 62
2. Raw cotton	99	113	91	52	27	— 25	— 48
3. Raw jute and mesta	Neg.	Neg.	1	12	4	— 8	— 67
4. Cashewnuts	29	28	32	29	37	+ 8	+ 28
5. Mineral oils	136	195	204	561	1157	+596	+106
Of which :							
(*a*) Petroleum crude and partly refined	106	148	145	417	955	+538	+129
(*b*) Others	30	47	59	144	202	+ 58	+ 40
6. Chemicals	192	218	259	357	712	+355	+ 99
Of which :							
(*a*) Fertilisers manufactured	61	81	96	163	425	+262	+161
(*b*) Other chemicals	131	137	163	194	287	+ 93	+ 48
7. Iron and steel	147	238	226	249	417	+168	+ 67
8. Non-ferrous metals	119	102	109	140	178	+38	+ 27
9. Crude rubber including synthetic and reclaimed	4	4	4	4	7	+ 3	+ 75
10. Wool and other animal hair	16	14	12	21	27	+6	+ 29
11. Animal and vegetable oils and fats	39	47	25	65	35	— 30	— 46
12. Paper, paperboards and manufactures thereof	25	35	31	29	59	+ 30	+103
13. Pearls, precious and semi-precious stones	25	26	42	74	53	— 21	— 28
14. Machinery and transport equipment	395	471	532	652	670	+ 18	+ 3
other than electric	258	271	298	427	397	— 30	— 7
achinery	70	105	134	130	150	+20	+ 15
ipment	67	95	100	95	123	+ 28	+ 29
	165	165	171	192	237	+ 45	+ 23
Total	**1,634**	**1,825**	**1,867**	**2,955**	**4.468**	**+1,513**	**+ 51**

Source: DGCI & S.

Table VII. 3 : Regional Pattern of India's Trade

(Rupees crores)

Region/Country	1970-71	1971-72	1972-73	1973-74	1974-75
1	2	3	4	5	6
1. All Countries					
(a) Imports	1634.2	1824.5	1867.4	2955.4	4468.1
(b) Exports	1535.2	1608.2*	1970.8	2523.4	3304.1
(c) Balance	—99.0	—216.3	+103.4	—432.0	—1164.0
2. ESCAP Countries excluding Japan					
(a) Imports	180.9	199.8	222.1	413.6	673.7
(b) Exports	206.0	242.3	350.9	379.2	610.6
(c) Balance	+ 25.1	+ 42.5	+128.8	— 34.4	— 63.1
Japan					
(a) Imports	83.4	161.6	178.5	259.5	453.5
(b) Exports	203.5	182.3	217.2	358.8	295.2
(c) Balance	+120.1	+ 20.7	+ 38.7	+ 99.3	—158.3
3. Africa excluding Arab Republic of Egypt					
(a) Imports	130.0	110.5	136.2	141.4	127.5
(b) Exports	82.9	109.0	69.4	86.8	182.6
(c) Balance	— 47.1	— 1.5	— 66.8	— 54.6	+ 55.1
Arab Republic of Egypt					
(a) Imports	39.8	33.2	28.9	25.9	22.8
(b) Exports	56.4	23.1	31.7	14.9	52.4
(c) Balance	+ 16.6	—10.1	+ 2.8	— 11.0	+ 29.6
4. East European Countries excluding USSR					
(a) Imports	121.5	122.1	116.7	145.8	250.8
(b) Exports	152.6	134.9	164.9	201.9	263.0
(c) Balance	+ 31.1	+ 12.8	+ 48.2	+ 56.1	+ 12.2
U.S.S.R.					
(a) Imports	106.1	87.3	114.4	254.7	402.5
(b) Exports	209.8	208.7	304.8	286.0	418.2
(c) Balance	+103.7	+121.4	+190.4	+ 31.3	+ 15.7
5. ECM. Countries @ excluding U.K.					
(a) Imports	188.4	253.8	339.2	451.8	625.6
(b) Exports	98.6	124.6	235.2	345.8	382.5
(c) Balance	— 89.8	—129.2	—104.0	—106.0	—243.1
U.K.					
(a) Imports	126.8	220.8	237.2	252.2	213.4
(b) Exports	170.4	168.7	172.5	263.1	307.0
(c) Balance	+ 43.6	— 52.1	— 64.7	+ 10.9	+ 93.6
6. EFTA Countries@@					
(a) Imports	29.3	30.0	38.7	52.4	72.3
(b) Exports	18.9	20.1	27.8	33.0	37.7
(c) Balance	— 10.4	— 9.9	— 10.9	— 19.4	— 34.6
7. North America (U.S.A. and Canada)					
(a) Imports	570.2	532.0	342.5	614.3	859.5
(b) Exports	235.3	302.5	303.9	377.0	419.8
(c) Balance	—334.9	—229.5	— 38.6	—237.3	—439.7
U.S.A.					
(a) Imports	453.0	418.7	234.9	498.4	729.1
(b) Exports	207.3	263.1	275.7	345.9	375.8
(c) Balance	—245.7	—155.6	+ 40.8	—152.5	—353.3
8. Other Countries					
(a) Imports	57.8	73.4	113.0	343.8	766
(b) Exports	100.8	92.0	92.5	176.9	335.1
(c) Balance	+43.0	+ 18.6	— 20.5	—166.9	—431.4

* Includes adjustments for the incomplete recording of exports to Bangladesh by Government Agencies in the initial stages of the trade.

@ Includes Belgium, France, W. Germany, Italy, Luxembourg and Netherlands for the years 1970-71 to 1972-73 and in addition Denmark and Ireland from 1973-74.

@@ Includes Austria, Denmark, Norway, Portugal, Sweden and Switzerland for the years 1970-71 to 1972-73 but excludes Denmark from 1973-74.

Source: DGCI & S.

Table VII. 4 : Regional Pattern of India's Trade
(Percentage Shares)

Country	1970-71		1971-72		1972-73		1973-74		1974-75	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	1	2	3	4	5	6	7	8	9	10
U.S.A.	27.7	13.5	22.9	16.4	12.6	14.0	16.7	13.7	16.3	11.4
U.K.	7.8	11.1	12.1	10.5	12.7	8.8	8.5	10.4	4.8	9.3
East European Countries ..	13.9	23.6	11.5	21.4	12.4	23.8	13.6	19.4	14.6	20.6
Of which :										
U.S.S.R.	6.5	13.7	4.8	13.0	6.1	15.5	8.6	11.3	9.0	12.7
Japan	5.1	13.3	8.9	11.3	9.6	11.0	8.8	14.2	10.1	8.9
ECM Countries (excluding U.K.)	11.5	6.4	13.9	7.7	18.2	11.9	15.3	13.7	14.0	11.6
ESCAP Countries (excluding Japan)	11.1	13.4	11.0	15.1	11.9	17.8	14.0	15.0	15.1	18.5
Other Countries	22.9	18.7	19.7	17.6	22.6	12.7	23.1	13.6	25.1	19.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

duties sanctioned to the exporters during 1973-74 was of the order of Rs. 42 crores, as against Rs. 47 crores during 1972-73. Besides, financial assistance provided to the exporters from the Marketing Development Fund amounted to Rs. 62 crores, the same as during 1972-73. During the period April 1974 to December 1974, sanctions for the release of grants/compensatory support from the Fund amounted to Rs. 63 crores.

With a view to seizing the opportunities offered by higher commodity prices abroad, quantitative restrictions on exports of basmati rice were abolished and exports of guar and sillimanite were allowed upto a ceiling. It was decided to allow freely exports of nux vomica seeds and bark, 'plant waste' not required for further processing at the spun silk mills, cotton yarn (with effect from February 17, 1975), food using soyabean as base and certain mica products. The details of important export control/ promotion announcements during July 1974-June 1975 are given in Appendix X.

Towards making jute goods more competitive in the international markets, the export duty on primary and secondary jute carpet backing was reduced from Rs. 650 and Rs. 750 per tonne, respectively, to a flat rate of Rs. 200 per tonne with effect from December 24, 1974, and was altogether abolished with effect from May 3, 1975. The duty on hessian was withdrawn with effect from June 5, 1975. For a similar reason the export duty on long-staple raw cotton was abolished with effect from May 15, 1975(3).

Export Finance

In view of the importance given to the expansion of exports, a Cabinet Committee for exports was set up by the Government in May 1975 with the Finance Minister as Chairman. Bank finance continued to be available for exporters at concessional rates and the Reserve Bank of India set up a high level Standing Committee on Export Finance to serve as a policy formulating body in all matters relating to export finance.

(3) For details of commodities subject to export duty see Statement 99 of the Statistical part of the Report.

Supply of Steel

To maximise foreign exchange realisation from the country's export trade in engineering goods, certain decisions were announced by the Government of India in the context of the supply of steel to the exporters of engineering products. Since June 1973, a minimum value addition of 25 per cent over the cost of steel and other imported raw materials was stipulated to ensure that the engineering goods exported earned the best possible export prices. As international prices of steel were on the decline and the f.o.b. prices realisable on the exports also witnessed a declining trend, the Government decided that in future the base price to be adopted for calculating value addition would be the average of the prices, quoted in the International Metal Bulletin, prevailing in the month preceding the date of the order. It was also decided that in suitable cases like welded steel pipes and tubes, bright bars and shaftings, transmission line towers and tension bars, the minimum stipulation of 25 per cent would be relaxed subject to a minimum of 10 per cent.

Export of Engineering Goods

In June 1975, the Cabinet Committee on exports announced a series of measures for stepping up exports of engineering goods. Under the package plan, the exporter would be provided with all the inputs needed including raw materials, power and export finance on a priority basis. The Iron and Steel Controller would have the sole responsibility to make allocations of steel to exporting units sponsored by the Engineering Export Promotion Council. Besides, in the event of the Joint Plant Committee prices of steel being revised upwards by 10 per cent or more, contracts already entered into by the exporters upto the date of revision of prices would be protected, provided the contracts do not contain an escalation clause to cover the price increase adequately. Similarly, the rate of cash assistance obtaining at the time of concluding the contract would be protected till the completion of the contract in respect of export of capital goods and turnkey projects ; such protection was available earlier only for a period of two years in the case of turnkey projects and for eighteen months in the case of capital goods. The penal provision for non-fulfilment of export obligation was also liberalised. The defaulting units would only be required to hand over to the State Trading Corporation or any other agency a quantum equivalent to the difference between the stipulated export obligation and actual exports as against a quantum equivalent to twice the difference earlier.

The Reserve Bank also took steps towards simplifying the procedure relating to exports of capital and engineering goods on deferred payment terms. In cases where (*i*) the value does not exceed Rs. 50 lakhs, (*ii*) the credit period does not exceed five years and (*iii*) IDBI finance is not required, prior approval of the Reserve Bank is not necessary for exporters to enter into contracts provided the contract terms conform to certain minimum conditions laid down in this regard. In respect of cases not covered by this general permission, the procedure has been streamlined by making the IDBI the focal point for grant of approvals, instead of applications being processed separately by the concerned agencies as hitherto. Under the revised procedure, exporters are required to submit applications in a composite form to IDBI through their bankers. The applications would be processed by a Working Group consisting of IDBI, RBI and ECGC and package clearance would be granted by the IDBI.

Restrictions on Exports

While the accent was thus generally on the maximisation of exports, restrictions were also imposed on exports of a few items in view of the acute shortage of domestic supply of such commodities. Thus, export of groundnut oil, forty specified chemicals and two iron and steel items, wool waste, coconut, dessicated coconut and copra was banned ; the ban on exports of cotton yarn (except for certain types of singles and folded cotton yarn) was continued upto February 17, 1975. Certain restrictions were also imposed on export of cotton textiles (to the U.S.A.), manganese ore and lead semis.

Export Agencies

During the year, exports of the following items were canalised through the trading agencies mentioned below : iron and steel (barring specified items) through Hindustan Steel Limited (HSL) and Steel Authority of India (International) Ltd. (SAIL); ferro-alloys (barring specified items) and manganese ore, through Minerals and Metals Trading Corporation of India (MMTC); ferro-scrap (barring specified items), tool and alloy steel scrap (other than stainless steel scrap) through the Metal Scrap Trading Corporation Ltd., (MSTC); H.P.S. groundnuts (both in shell and kernels) through the Indian Oil and Produce Exporters Association, Bombay; onions to Singapore and Malaysia through the National Agricultural Co-operative Marketing Federation Ltd., New Delhi and shellac through the State Trading Corporation (STC).

Trade Development Authority (TDA)

The Trade Development Authority identified 92 new export-worthy units during the year raising the total number of clients to 562. Three new products were added to TDA's product list, viz., dry and storage batteries, domestic electric appliances and diesel engines upto 30 H.P. and spares. Yugoslavia was included in the list of TDA's target markets which earlier comprised Western Europe, the U.S.A., Canada, Japan, Australia and New Zealand. TDA also sponsored 16 cases covering import of capital goods, issue of industrial licences and approval of foreign collaboration. Exports of items on TDA's product range to TDA's target markets by its clients went up from Rs. 45 crores in 1973-74 to Rs. 65 crores during 1974-75. The bulk of these exports was from the small and medium scale sectors.

Electronics Export Processing Zone (EEPZ)

The project for the establishment of the Export Processing Zone for electronic equipment and components near Santacruz airport at Bombay made further progress during the year. As on December 31, 1974, the number of applications approved for setting up units in the Zone was 41, these units having an export potential of Rs. 76 crores per *annum*. Six units were allotted plots for construction of their own self-built factories. Four units had already completed construction of their factories and five units had commenced production. Their exports during the period September 1, 1974 to December 31, 1974 amounted to about Rs. 2 lakhs.(4)

(4) Exports from the zone amounted to about Rs. 17 lakhs by the end of September 1975.

Import Licences: 1974-75

The value of import licences issued during 1974-75 showed an increase of 13 per cent to Rs. 2,636 crores. Sector-wise, the value of licences issued to the Government sector recorded an increase of 17 per cent while the value of licences issued to the private sector showed an increase of 3 per cent. Category-wise, licences issued to actual users showed the largest increase of about 49 per cent followed by scheduled industries (DGTD units) in respect of raw materials (28 per cent), established importers and registered exporters/export promotion schemes (10 per cent each). As against these, licences issued to small-scale industries declined by as much as 29 per cent (5).

In keeping with the objective of assigning a *dominant role to the public industrial sector*, the share, in value terms, of licences issued to the government sector showed a steady increase from 54 per cent in 1970-71 to 73 per cent in 1974-75 (Table VII.5). The share of State Trading Agencies increased from 27 per cent to 36 per cent and that of the 'actual users' category in the Government sector also increased from 13 per cent to 25 per cent. In the private sector, the proportion of licences issued to scheduled industries (DGTD units) in respect of raw materials, actual users and small scale industries came down from 20 per cent to 8 per cent, 6 per cent to 3 per cent and 5 per cent to 2 per cent, respectively. The share of registered exporters remained more or less steady around 6 per cent over the period.

Import Policy: 1975-76

The import policy for the fiscal year 1975-76 was framed keeping in view the following three principal objectives : (*i*) to make the policy more responsive to the needs of raising industrial production and diversion of such production to export markets as far as possible, (*ii*) to encourage import substitution and to eliminate non-essential imports, and (*iii*) to eliminate delays in providing import licences for raw materials and components. Although the basic framework of the import policy remained the same as

(5) For details see Statement 91 of the Statistical part of the Report.

Table VII. 5 : Import Licences issued by C.C.I.E.: Percentage share of Government and Private Sectors, 1970-71 to 1974-75 (April-March).

	1970-71	1971-72	1972-73	1973-74	1974-75
1	2	3	4	5	6
I. GOVERNMENT	**54.0**	**63.7**	**66.1**	**70.9**	**73.4**
Of which:					
(*a*) Actual Users	13.1	16.5	17.8	18.5	24.5
(*b*) Capital Goods/Heavy Electrical Plants	3.2	7.8	8.3	5.6	5.1
(*c*) State Trading Agencies	27.2	31.7	33.5	40.6	35.5
II. PRIVATE	**46.0**	**36.3**	**33.9**	**29.1**	**26.6**
Of which:					
(*a*) Registered Exporters	5.7	5.0	7.3	6.4	6.1
(*b*) Capital Goods/Heavy Electrical Plants	4.6	5.8	6.1	5.6	5.2
(*c*) Raw Materials	20.1	12.7	9.0	8.2	7.9
(*d*) Small-scale Industries	5.1	6.4	4.7	3.6	2.2
(*e*) Actual Users	6.0	3.3	2.4	2.2	2.8
(*f*) Established Importers	2.6	1.9	2.9	1.6	1.6
TOTAL (I + II)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source : C C I & E

last year, a number of changes in procedures and contents were made with a view to realising the objectives.

A major procedural innovation was introduced for the licensing of imported raw materials and components under which the immediate requirements of imported inputs of the industries would be made by "automatic licensing" whereby industrial units could apply directly to import control authorities for licences and would not have to route their applications through the Director General of Technical Development (DGTD) or any other sponsoring authority. The licences/release orders would be issued on the basis of (*i*) c.i.f. value of actual consumption of imported raw materials and components during the period 1974-75 or (*ii*) the value of actual user licences/release orders obtained for 1974-75 plus the value of replenishment licences obtained by the unit during 1974-75 against its own exports including the replenishment entitlement adjusted against 'repeat operation', whichever is less.

The classification of industries as "priority" and "non-priority" which was introduced after the devaluation of the rupee in June 1966 was done away with. Instead, a new classification, namely, "select industries" was introduced, keeping in view the importance of the industries to the national economy and export production. The list of select industries introduced under the policy change contained 29 categories comprising 79 items. Units other than the small scale industrial units belonging to the 'select industries' could ask for supplementary licences through the sponsoring authorities concerned furnishing full justification for additional requirements of raw materials and components. In the case of small scale units, as a matter of procedural simplification, combined automatic and supplementary licences would be issued to units in the "select industries".

In keeping with the objectives of utilising excess capacity for export production, apart from the provision of automatic licencing etc., import licences, linked to export performance, would be provided on an industry-wise basis. These would be for the purpose of utilising the capacities which otherwise could not be utilised for an increase in domestic production. All units which export at least 20 per cent of their production would be eligible for getting licences on the basis of the value of consumption of imported raw materials, irrespective of the value of licences obtained during the previous year. These exporting units would also be eligible for preferred sources of financing.

The compulsory export obligation was increased from 5 per cent to 10 per cent in respect of certain industries where there is sufficient potential for export. In respect of other industries, the existing level of 5 per cent was retained. The list of industries in which large scale units had a compulsory export obligation was also revised, keeping in view the capabilities of the industries to contribute to overseas sales.

A major simplification for the import of spares was introduced whereby all industries would be eligible for grant of separate licences for the import of spare parts, unlike in the previous years when only "priority industries" were eligible for separate licences for spare parts. Import of spare parts would be allowed on the basis of 5 per cent of the value of imported machinery if it was imported prior to 1970 and at 3 per cent in respect of machinery imported during 1970 and subsequently. In the case of indigenous machinery having imported components, all units would be eligible for spare parts licences on the basis of 0.5 per cent of the purchase value of machinery, but small scale units would be eligible at 1 per cent of the value of machinery. There would be no restrictions as regards the face value of licences for any type of permissible spares, including the restricted ones, provided they were for the *bonafide* use of the units concerned. Even non-permissible spare parts would be allowed for import upto 10 per cent of the face value of the licences for spare parts with the condition that the value of a single spare part did not exceed Rs. 50,000. The value limit of emergency spares was raised from Rs. 20,000 to Rs. 25,000 in the case of large scale units and from Rs. 8,000 to Rs. 10,000 in the case of small scale units.

"Select industries" would be allowed to import non-permissible items against their licences for raw materials and components upto 5 per cent of their face value, without any endorsement of such items on the licences, provided those items are required for actual production.

A significant procedural change was also introduced for import of iron and steel items. As in the case of non-steel items, import of iron and steel items would also be allowed under the facility of "automatic licensing" except that the value of individual iron and steel items would be limited in accordance with the policy for import of iron and steel items.

With a view to strengthening the base for export production, under the import policy for registered exporters, manufacturer-exporters would be entitled to an additional amount equal to 10 per cent of the normal import replenishment for import of raw materials and components in respect of certain non-traditional export products. A new scheme of automatic imprest licensing was introduced. Under this scheme, a manufacturer-exporter or an eligible export house who obtained import replenishment licences on his exports during 1974-75 would be allowed imprest licences during 1975-76 for a value equal to what he obtained during 1974-75 and for the same items as appeared in the licences issued during 1974-75. In order to enable the industry to achieve full utilisation of the installed capacity for export production, a special provision for granting imprest licences for import of raw materials and components was made and the facility was made available even for those export products not covered under the import policy for registered exporters but for which the manufacturer had an export arrangement acceptable to Government.

The system of bank guarantees which exporters had to execute for discharging their export obligation against advance and imprest licences was considerably relaxed. Manufacturer-exporters who were in the export field during the last three years were required to give only a legal undertaking and not a bank guarantee except where the item to be imported was of a sensitive nature. For small-scale manufacturers, the amount of bank guarantee was reduced to half of what it was hitherto. Also, the overall limit of import licences, beyond which no bank guarantee was normally taken, was reduced from Rs. 5 lakhs to Rs. 2.5 lakhs for the small-scale sector.

Exporters would continue to have the facility of direct imports of canalised items against letters of authority, except in the case of a few specified items. In order that export production was not handicapped for want of certain essential inputs of small value, the manufacturer-exporters were given the facility of utilising their replenishment (REP) licences for import of even the non-permissible items to the extent of 10 per cent subject to certain conditions as against 5 per cent in the previous year. The scheme for supply of indigenous raw materials for export production was rationalised. The policy for import of machinery against import replenishment entitlements was liberalised.

Among other changes, mention may be made of (*i*) further liberalisation of facilities applicable to small scale industries set up in backward areas and by engineering graduates and ex-service personnel, (*ii*) decanalisation of 12 items of import which cannot be purchased in bulk and where the users are also large in number, and (*iii*) provision of additional facilities for the import of capital goods, scientific instruments and raw materials for research and development.

Institutional Arrangements for Development of Trade

The public sector agencies continued to play a significant role in the country's foreign trade. The share of the two major trading agencies, viz., STC and MMTC in total trade improved from 16 per cent in 1973-74 to 21 per cent in 1974-75 for exports and from 15 per cent to 16 per cent for imports.

With a view to securing economies of large scale buying and reduction in import costs, the role of the public sector agencies was further widened by canalising 10 more items through these agencies, raising the total number of canalised items to 210 (6). The Industrial Raw Materials Assistance Centre (IRMAC), set up by the State Trading Corporation, expanded its activities for 'off the shelf' deliveries to actual users and registered exporters and also functioned as an indenting house. The MMTC also made arrangements for meeting the requirements of actual users on 'off the shelf' basis and for providing indenting facilities to export units in respect of minerals and metal products.

The State Trading Corporation of India Ltd. (STC)

During 1974-75 (April-March) the total trade turnover (export, import and domestic trade) of the STC amounted to Rs. 794 crores as compared with Rs. 490 crores in 1973-74. Exports handled by it rose from Rs. 273 crores in 1973-74 to Rs. 559 crores in 1974-75. The share of exports in total turnover came to nearly 70 per cent during 1974-75, as against 56 per cent in the preceding year. The STC's impressive export performance was aided by massive sugar exports in the wake of the boom in international prices ; exports of sugar during 1974-75 aggregated Rs. 314 crores, forming 56 per cent of the total exports. STC proposed to set up an Export Development Fund to assist increased production for exports and to expand trading operations in the expanding market of West Asia. STC's imports during 1974-75 amounted to Rs. 232 crores, as compared with Rs. 206 crores in the previous year. The target for exports in 1975-76 is fixed at Rs. 731 crores and that for imports at Rs. 265 crores.

The Minerals and Metals Trading Corporation of India Ltd. (MMTC)

The total trade turnover (including domestic trade) of MMTC for 1974-75 at Rs. 747 crores showed a rise of 56 per cent over that in 1973-74. Exports by the Corporation during 1974-75 amounted to Rs. 138 crores which was higher by 10 per cent over the previous year while imports at Rs. 496 crores showed an increase of 117 per cent.

Iron ore continued to account for the bulk (about three-fourths) of MMTC's export

(6) Under the import policy for 1975-76, 12 items were decanalised as bulk purchases were not feasible for these items and the users were large in number.

realisations. The MMTC pursued vigorously its efforts in locating new markets for iron ore and also succeeded in securing a further substantial mark up in the prices of iron ore exported to East and West Europe and Japan.

Trade Agreements and Trade and Payments Arrangements

The Balanced Trade and Payments Arrangement under the Trade Agreement concluded with Bangladesh on July 5, 1973, was terminated on December 31, 1974. A Protocol was signed on December 17, 1974 according to which the trade between the countries is being conducted in freely convertible currencies with effect from January 1, 1975. A Special Payment Arrangement was concluded with Burma on August 17, 1974, in terms of which Burma would purchase from India goods worth Rs. 7.5 crores. Burma would in turn export to India mutually agreed goods. Keeping in view the provisions of the Simla Agreement of 1973, a Protocol on the resumption of trade with Pakistan was signed on November 30, 1974. It was agreed to lift the embargo on trade between the two countries with effect from December 7, 1974 and conduct trade on the basis of freely convertible currencies. With effect from January 1, 1975 the ban on import and export trade with Portugal was lifted.

An Agreement on trade promotion and economic co-operation with the Republic of Korea, was formally concluded on August 12, 1974. The Indo-French Trade Agreement/Arrangement was extended upto December 31, 1974. New Trade and Payments Arrangements were concluded with the Republic of Korea (valid for 5 years) and Czechoslovakia and Poland (valid for 3 years). The agreement with the Democratic Republic of North Vietnam was extended pending consideration of the question of entering into a long term trade and payment agreement with that country. A new long term trade agreement was concluded with Iran covering not only specific commodities of mutual interest but also shipping and other infrastructural requirements. This agreement, which came into effect from December 12, 1974 and is valid for five years, provides for 'Most Favoured Nation' treatment in mutual trade as well as for the provision of facilities for holding of trade fairs and exhibitions in either country. Payments are to be made in freely convertible currencies. The agreement provides for a six monthlies review to be held alternatively in Teheran and New Delhi. A new trade agreement was concluded with Kuwait. Annual Trade Protocols for 1975 were concluded with the USSR, Bulgaria, German Democratic Republic, Czechoslovakia, Rumania, Poland, Hungary and Republic of Korea.

During this period, a trade agreement with Tunisia was initialled and an indicative trade arrangement involving exchange of goods worth Rs. 40 million from either side was also concluded. A trade and economic agreement was also initialled with Jordan during this period.

Details of the trade agreements/arrangements entered into during 1974-75 are given in Appendix XII.

Developments in India's Commercial Relations

Mention was made in the last year's Report about the setting up of the Indo-EEC Joint Commission. The second session of the Commission held in Delhi in December 1974 discussed various measures for promoting commercial co-operation between the two parties. The measures considered in the field of sectoral agreements included special treatment for jute specialities, quota increases for certain jute products, contacts in research and promotion between the jute industries on the two sides, assistance for promoting exports of handicrafts, etc. The Commission considered a number of proposals for co-operation aiming at development and diversification of trade between India and the Community covering areas like leather goods, light and heavy engineering products and computer services. The Commission of the European Community would, in this context, consider offering technical assistance to common facility centres in the leather industry, besides drawing up a trade promotion programme for Indian light and heavy engineerine goods. The various decisions taken at thg second session of the Joint Commission are significant and are expected to contribute to an improvement in access to the Community market. The EEC's Generalised System of Preferences (GSP) for 1975 incorporates many improvements for which India has been making requests, e.g., reduction in the list of sensitive items, improvements in the quota ceilings for many sensitive and semi-sensitive products, etc.

During the year, Joint Commissions were set up with the USA and the German Democratic Republic. The Indo-USA Joint Commission has set up three sub-commissions including one for economic and commercial matters. It is expected that the deliberations of the Joint Commission and the sub-commissions will lead to a steady increase in the trade flow between the two countries.

New bilateral agreements were concluded under the General Agreement on Tariffs and Trade (GATT) with the EEC countries, the USA and Austria in terms of the Agreement regarding International Trade in Textiles (AITT). These agreements provide for a substantial increase in the quota for the import of Indian cotton textiles into these countries.

In an endeavour to concentrate national efforts on production with a large export potential and to secure higher unit value realisations, India has been trying to come to an understanding with its competitors in some of the products so that they can jointly maximise their export earnings and introduce order and discipline in the world market. Such an agreement has been reached with Bangladesh for jute and jute manufactures, and for tea with Sri Lanka and Kenya. Internationally, the favour of the Food and Agricultural Organisation (FAO) and the Commonwealth Secretariat are being utilised to achieve higher price realisations, access to new markets and removal of trade barriers. Significant progress was also made during the year to set up an inter-governmental organisation of Iron Ore Exporting Countries so as to have a permanent consultative machinery for ensuring stable and realistic iron ore prices.

CHAPTER VIII : BALANCE OF PAYMENTS AND INTERNATIONAL MONETARY DEVELOPMENTS

This Chapter is divided into seven sections. In the first section some broad idea of India's balance of payments position is sought to be indicated : this is followed by a discussion on external assistance to India and India's external assistance to other countries. Developments in foreign investment policy and in exchange control are spelt out in the fourth and fifth sections. The last two sections discuss developments on the international monetary scene, with particular reference to the reform of the international monetary system.

I. BALANCE OF PAYMENTS AND TRENDS IN RESERVES

The basic data for compilation of balance of payments for 1974-75 are not yet available. However, some idea of the magnitude of the balance of payments deficit in 1974-75 (April-March) could be formulated on the basis of the trade deficit as well as trends in foreign exchange reserves. India's trade deficit deteriorated considerably in 1974-75 : it was of the order of Rs. 1,096 crores, as compared with a deficit of only Rs. 402 crores during 1973-74. Although exports shipments recorded a rise of nearly 29 per cent, imports shipments witnessed an even greater rise of 49 per cent. The larger rise in imports was mainly due to higher import prices of a number of commodities and larger imports of foodgrains, crude oil and fertilisers. The year 1974-75 was the first full year which reflected the escalation of oil prices which became effective at the beginning of 1974. Despite the significant improvement in exports and invisibles and a larger flow of external assistance, the external payments in 1974-75 were under a greater strain than in the preceding year.

The trend of reserves does not really reflect the size of the deficit. Total foreign exchange reserves at end-March 1975 at Rs. 969.2 crores showed an rise of Rs. 22.2 crores over the level a year ago. But this increase conceals the sizeable drawals made on the IMF during the year. Total drawals during 1974-75 amounted to Rs. 485 crores consisting of the gold tranche, first credit tranche and 1974—Oil Facility drawings. In the absence of drawals from the IMF, reserves would have shown over the year a decline by Rs. 462 crores.

Transactions put through authorised dealers, in respect of export earnings, private invisible receipts, and payments for imports, invisibles and other external payments showed a surplus in the financial year 1974-75 : the size of the surplus was larger by 16 per cent than that during the previous year. Further, aid reimbursement receipts were also higher by more than 80 per cent. But these gains were more than offset by a large rise in Government payments on imports, on account of doubling of the payments for foodgrains and trebling of the payments for fertilisers.

II. EXTERNAL ASSISTANCE : 1974-75(1)

The net inflow of aid at Rs. 318 crores during the financial year 1974-75 recorded a rise for the second year in succession from the trough in 1972-73 ; the net aid inflow was 53 per cent higher than that in 1973-74, but was lower than in 1971-72, and worked out to only 37 per cent of the peak of Rs. 861 crores reached in 1967-68. The increase in 1974-75 was the result of the rise in gross utilization from Rs. 692 crores to Rs. 830 crores. The higher utilization largely reflected the stepping up of aid authorizations by nearly a quarter.

(1) In this Section, the U.S.S.R. wheat assistance and credits secured for financing a part of the oil imports from Iran and Iraq are not covered. Also, the rupee values of authorizations, utilization and undisbursed aid are given at pre-December 1971 par values. In Table VIII.1, however, figures are also given at the rupee's relevant annual average rates of exchange for the years 1972-73 to 1974-75.

Authorizations

Aid authorised during the year, comprising loans and grants, amounted to Rs. 1,258 crores which was higher by 24 per cent than in 1973-74 (Table VIII.1). An increase in the loan authorizations by the IBRD/IDA by nearly 41 per cent, a stepping up of authorizations by the U.S.A. by 495 per cent and grants under the UN Emergency Operations Scheme largely contributed to the rise in total aid authorizations during 1974-75. The IBRD more than doubled its authorizations (all loan authorisations) from Rs. 53 crores to Rs. 121 crores, mainly for financing agriculture and fertilizer projects. The IDA authorizations (all credit authorizations) rose over the year by more than a third to Rs. 546 crores, Rs. 263 crores in non-project credits for financing industrial

Table: VIII.1 : External Assistance

(Fiscal years)

(Rupees Crores)

Item	Loans	Grants	P.L. 480 Aid	Total (2+3+4)
1	2	3	4	5
1. Amount undisbursed as at the end of March 1966	**1,614**	**86**	**108**	**1,808**
2. Amount undisbursed as at the end of March 1969	**1,644**	**25**	**123**	**1,792**
3. Authorisations during				
(a) 1969-70	522	29	23	574
(b) 1970-71	658	63	—	721
(c) 1971-72	831	36	9	876
(d) 1972-73	591	35	—	626
	(649)	(39)		(688)
(e) 1973-74	977	34	—	1,011
	(1,080)	(42)		(1,122)
(f) 1974-75	1,126	132	—	1,258
	(1,263)	(150)		(1,413)
Total	**4,705**	**329**	**32**	**5,066**
4. Utilisation during				
(a) 1969-70	700	29	108	837
(b) 1970-71	690	52	38	780
(c) 1971-72	762	50	9	821
(d) 1972-73	594	11	—	605
	(640)	(12)		(652)
(e) 1973-74	676	16	—	692
	(760)	(20)		(780)
(f) 1974-75	758	72	—	830
	(873)	(80)		(953)
Total	**4,180**	**230**	**155**	**4,565**
5. Amount undisbursed as at the end of March 1975	**2,169**	**124**	—	**2,293**

Notes: (1) The data do not include the U.S.S.R. wheat assistance and credits secured from Iran and Iraq to finance a part of the oil imports. Loans include P.L. 480 Title I convertible currency credits. 'Loans' and 'grants' include refinancing credits and grants under debt relief. But they exclude rupee loans and grants out of P.L. 480/P. L. 665 rupee counterpart funds. 'Grants' also exclude grants under P. L. 480 Title II and III programmes. P.L. 480 aid comprises value of imports on rupee payment terms under P.L. 480 Title I programme.

(2) The rupee values of amounts undisbursed at the end of March 1966 (except those for P. L. 480 aid which are given at the pre-devaluation rate) are shown at the post-devaluation rate of exchange. The rupee values of amounts undisbursed at the end of March 1969, the amounts authorised and utilised during each of the subsequent years and the amounts undisbursed at the end of March 1975 have been arrived at on the basis of the post-devaluation exchange rate for the rupee or pre-December 1971 I.M.F. par values. Figures in brackets indicate the rupee values calculated at the rupee's annual average rates of exchange for the respective years.

Table VIII.2 : Loans Authorised and Utilised During 1973-74 and 1974-75 (Fiscal Years)

(Rupees Crores)

Country/Institution	Authorisations								Utilisation							
	1973-74				1974-75				1973-74				1974-75			
	Project	Non-Project	Debt Re-financing	Total	Project	Non-Project	Debt Re-financing	Total	Project	Non-Project	Debt Re-financing	Total	Project	Non-Project	Debt Re-financing	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. I.B.R.D./I.D.A.	397	75	—	472	404	263	—	667	184	85	—	269	209	124	—	333
2. Canada ..	7	42	—	49	—	7	—	7	12	28	—	40	11	29	—	40
3. France ..	25	12	6	43	27	16	10	53	26	8	6	40	12	9	10	31
4. West Germany	18	21	20	59	20	26	26	72	13	22	20	55	10	27	26	63
5. Italy ..	—	—	13	13	—	—	—	—	1	—	—	1	—	2	—	2
6. Japan	23	15	—	38	23	15	—	38	17	21	—	38	10	27	—	37
7. Netherlands ..	—	14	—	14	—	17	—	17	—	14	—	14	—	18	—	18
8. United Kingdom	79	64	14	157	—	90	17	107	47	63	14	124	39	51	17	107
9. Sweden ..	—	10	—	10	—	18	—	18	4	2	—	6	9	16	—	25
10. U.S.A. ..	—	—	22	22	6	91	34	131	2	35	22	59	10	21	34	65
11. Switzerland ..	16	—	—	16	—	—	—	—	2	—	—	2	—	—	—	—
12. Czechoslovakia	50	30	—	80	—	—	—	—	7	—	—	7	7	—	—	7
13. Others	1	—	3	4	5	8	3	16	16	2	3	21	18	10	2	30
Total	**616**	**283**	**78**	**977**	**485**	**551**	**90**	**1,126**	**331**	**280**	**65**	**676**	**335**	**334**	**89**	**758**

imports and Rs. 283 crores in project credits for fertilizer, irrigation and dairy development schemes as also for development of drought-prone areas. The U.S.A. which had authorised only a debt refinancing credit of Rs. 22 crores in 1973-74 increased its aid authorizations by raising debt refinancing by a half and authorizing P.L. 480 convertible currency credits of Rs. 91 crores for the import of wheat. Sweden raised its aid authorizations by more than a third to Rs. 36 crores, the Netherlands by about a third to Rs. 19 crores, and France by 23 per cent to Rs. 53 crores. Authorizations from West Germany increased by a little under a sixth. On the other hand, aid authorizations from the U.K. declined by about 30 per cent to Rs. 111 crores and those by Canada by 34 per cent to Rs. 40 crores while Czechoslovakia, Switzerland and Italy whose authorizations last year amounted to Rs. 80 crores, Rs. 16 crores and Rs. 13 crores, respectively, made no authorizations during the year (Tables VIII.2 and VIII.3).

Table VIII.3 : Grants Authorised and Utilised During 1973-74 and 1974-75 (Fiscal Years)

(Rupees Crores)

Country/Institution	Authorisations 1973-74	Authorisations 1974-75	Utilisation 1973-74	Utilisation 1974-75
1	2	3	4	5
1. Australia	—	3	—	3
2. Canada	12	33	10	29
3. West Germany ..	5	2	5	—
4. Netherlands	1	2	—	—
5. Norway	—	4	—	—
6. Sweden	16	18	1	4
7. U.K.	—	4	—	—
8. E.E.C. (under UN Emergency Operation Scheme)	—	42	—	31
9. U.N. Special Fund ..	—	24	—	5
Total	**34**	**132**	**16**	**72**

The bulk of the total assistance authorised was in the form of loans. Loan authorizations rose from Rs. 977 crores to Rs. 1,126 crores, mainly because of the authorizations by the IBRD, the IDA, the U.S.A. and France, referred to above, all of which were for loans. West German loan authorizations also increased by a fourth to Rs. 72 crores. However, the U.K. loan authorizations declined over the year by a third to Rs. 107 crores, Canada's dropped to a mere Rs. 7 crores from Rs. 49 crores and no loan authorizations were made by Czechoslovakia, Switzerland and Italy whose entire aid authorizations last year, as mentioned in the preceding paragraph, were in the form of loans. Japan's loan authorizations remained unchanged at the 1973-74 level of Rs. 38 crores.

Though, as observed above, the bulk of the assistance authorized was in the form of loans, the share of loans in total aid authorizations declined from 97 per cent in 1973-74 to 90 per cent in 1974-75 since grant authorizations quadrupled from Rs. 34 crores to Rs. 132 crores, raising the overall grant element in the total assistance authorized ; there was, however, no noticeable change in the maturity period or interest charges in respect of the loans authorized.

Of the total loan authorizations of Rs. 1,126 crores in 1974-75, 43 per cent represented project loans. This reflected a significant improvement in comparison with the previous year when project loans accounted for as much as 63 per cent of loan authorizations. Non-project loan authorizations rose over the year by 78 per cent to Rs. 641 crores, largely as a result of the IDA raising its non-project credit authorizations three-and-a-half times to Rs. 263 crores, mainly for financing industrial imports, and the entire U.K. loan authorizations being non-project loans. Non-project loan authorizations by the U.S.A. also increased more than four-and-a-half times to Rs. 125 crores. France, West Germany, the Netherlands and Sweden raised their non-project authorizations only marginally, while Japan's authorizations remained at the previous year's level of Rs. 15 crores. Loan authorizations for projects declined by 21 per cent from the previous year's level to Rs. 485 crores in 1974-75, despite the increase in the quantum of loans authorized by the IBRD, France and West Germany.

Authorizations of grants rose by Rs. 98 crores to Rs. 132 crores, mainly as a result of the UN Special Fund grant of Rs. 24 crores and the first tranche of Rs. 42 crores of assistance from EEC as part of the UN Emergency Operations Scheme for alleviating the payments difficulties of countries most affected by the steep rise in oil prices at the beginning of 1974. Canada increased its grant authorizations more than two-and-a-half times to Rs. 33 crores, and Norway and the U.K. authorized Rs. 4 crores each and Australia Rs. 3 crores, while they made no authorizations last year. Also, Sweden raised its grant authorizations by Rs. 2 crores to Rs. 18 crores, and the Netherlands from Rs. 1 crore to Rs. 2 crores.

Debt Relief

Debt relief authorized during the year amounted to Rs. 116 crores, about Rs. 2 crores lower than in 1973-74 (Table VIII.4). As in the earlier years, the bulk (Rs. 90 crores) of the relief was made available in the form of refinancing credits; postponement of payments, and cancellation/reduction of interest charges accounted for the balance. The U.S.A. raised the quantum of its debt refinancing credit by a half to Rs. 34 crores, West Germany by almost a third to Rs. 27 crores, the U.K. by more than a sixth to Rs. 17 crores and France by a little less than a half to Rs. 9 crores. On the other hand, Italy which extended a refinancing loan of Rs. 13 crores last year did not provide any relief in 1974-75. Japan which usually provided relief in the form of rescheduling of payments reduced the quantum from Rs. 31 crores in 1973-74 to Rs. 25 crores in 1974-75. Relief by way of grants which was provided by only Sweden and Denmark declined to less than a crore of rupees from the previous year's level of Rs. 7 crores.

Trends in Aid Utilization

At the beginning of the financial year 1974-75, total aid in the pipe-line was Rs. 1,911 crores. After adjustments on account of cancellations during the year, availability in the pipe-line worked out to Rs. 1,865 crores. Of this, Rs. 1,510 crores or 81 per cent comprised project assistance and the balance of Rs. 355 crores or 19 per cent non-project assistance. However, with a major proportion of aid authorised during the year being under non-project assistance, the share of non-project assistance available during the year enlarged to 27 per cent. With relatively quicker utilization possible under non-project assistance, the total utilization during the year rose by Rs. 138 crores or a fifth over the previous year's level to Rs. 830 crores. Utilization of loans increased by Rs. 82 crores to Rs. 758 crores and of grants by Rs. 56 crores to Rs. 72 crores (Table VIII.1).

Debt Servicing

Debt service payments amounted to Rs. 512 crores or about 6 per cent higher than in 1973-74 (Table VIII.5). Following higher gross utilization, debt service payments as a proportion of gross aid inflow dropped from 70 per cent in 1973-74 to 62 per cent in 1974-75. As a proportion of exports, debt service payments also declined to 16 per cent in 1974-75 from 19 per cent in 1973-74, thanks to a spurt in exports.

Cumulative Assistance

External assistance authorized from August 15, 1947 upto March 31, 1975 totalled Rs. 16,213 crores, of which 80 per cent was in the form of loans, 13 per cent in the form of PL 480/665 assistance, and the remaining 7 per cent in grants (Table VIII.6). Assistance utilized upto end-March 1975 amounted to Rs. 14,032 crores or 87 per cent of the total authorizations. The combined share of the IBRD and the IDA in total authorizations and total utilization continued to rise with the growth in the assistance made available by them. At the end of March 1975, their share in authorizations was 22 per cent, and in utilization 17 per cent, both of which were 2 percentage points higher than at the end of March 1974. On the other hand, the share of the U.S.A. declined by 2 percentage points, to 37 per cent in respect of authorizations and 43 per cent in respect of utilization, because of the relatively modest increase in its

Table. VIII.4: Debt Relief Assistance
(Fiscal Years)

(Rupees Lakhs)

Country/Institution	Authorisations							Utilisation						
	1966-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1966-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
A. By way of Refinancing Credits														
1. Austria	1,72	82	1,13	67	1,70	1,70	1,54	1,66	82	1,13	67	1,70	1,70	75
2. Belgium	83	83	82	1,13	1,13	1,13	1,50	83	83	82	1,13	1,13	1,13	1,50
3. France	3,75	—	7,50	3,75	4,49	6,36	9,35	2,77	98	7,50	3,75	4,49	6,36	9,35
4. West Germany	16,35	11,63	15,60	14,55	20,08	20,08	26,64	16,35	12,22	15,60	14,55	20,08	20.08	26,64
5. Italy	4,13	5,55	—	—	9,71	12,60	—	—	—	4,13	—	11,02	—	—
6. United Kingdom	55,50	27,00	—	13,50	14,40	14,40	16,92	55,12	27,00	—	13,50	14,40	14,40	16,92
7. U.S.A.	—	—	—	—	21,86	22,01	33,75	—	—	—	—	21,86	22,01	33,75
Total—A	**82,28**	**45,83**	**25,05**	**33,60**	**73,37**	**78,28**	**89,70**	**76,73**	**41,85**	**29,18**	**33,60**	**74,68**	**65,68**	**88,91**
B. By way of Postponement of Payments														
1. I.B.R.D.	22,50	11,25	11,25	—	—	—	—	22,50	11,25	11,25	—	—	—	—
2. U.S.A.	6,53	6,53	6,53	6,53	—	—	—	6,53	6,53	6,53	6,53	—	—	—
3. Canada	1,13	68	—	60	1,38	1,38	—	1,13	67	—	60	1,38	1,38	—
Total—B	**30,16**	**18,46**	**17,78**	**7,13**	**1,38**	**1,38**	—	**30,16**	**18,45**	**17,78**	**7,13**	**1,38**	**1,38**	—
C. By way of Rescheduling of Payments														
1. Japan	19,13	14,70	19,05	15,45	24,53	31,20	25,30	19,13	14,70	19,05	15,45	24,53	31,20	25,30
Total—C	**19,13**	**14,70**	**19,05**	**15,45**	**24,53**	**31,20**	**25,30**	**19,13**	**14,70**	**19,05**	**15,45**	**24,53**	**31,20**	**25,30**
D. By way of Grants														
1. Austria	37	38	37	—	—	—	—	37	38	37	—	—	—	—
2. Canada	7,80	—	—	—	—	60	—	7,80	—	—	—	—	60	—
3. West Germany	3,60	3,60	3.53	3,90	4,51	4,97	—	3,60	3,75	3,53	3,90	4,51	4,97	—
4. Netherlands	45	45	53	53	48	49	—	45	45	53	53	48	49	—
5. Sweden	—	—	—	—	36	41	51	—	—	—	—	36	41	47
6. Denmark	—	—	—	—	10	—	20	—	—	—	—	10	—	20
7. Norway	—	—	—	—	—	17	—	—	—	—	—	—	17	—
Total—D	**12,22**	**4,43**	**4,43**	**4,43**	**5,45**	**6,64**	**71**	**12,22**	**4,58**	**4,43**	**4,43**	**5,45**	**6,64**	**67**
GRAND TOTAL	**143,79**	**83,42**	**66,31**	**60,61**	**104,73**	**117,50**	**115,71**	**138,24**	**79,58**	**70,44**	**60,61**	**106,04**	**104,90**	**114,88**

authorizations. Because of absence of any authorizations during the year, the share of the U.S.S.R. in total authorizations at 6 per cent was one percentage point lower than last year, but its share in total utilization remained almost unchanged at 5 per cent. The U.K., West Germany and Japan maintained their shares at last year's level at 9 per cent, 8 per cent and 3 per cent respectively, in respect of both authorizations and utilizations (Table VIII.7).

At the end of March 1975, aid available in the pipe-line amounted to Rs. 2,293 crores, or 23 per cent higher than at the beginning of the year. Of this, Rs. 1,660 crores or 72 per cent represented project assistance and the balance non-project assistance.

Aid Prospects for 1975-76

The Aid-India Consortium which met in June 1975 was highly appreciative of the effectiveness of India's efforts to handle its difficult economic situation, particularly in respect of bringing inflation under control. It noted that the situation at the beginning of the current year was "more favourable than it was at the beginning of last year, with the expectation of a better harvest, with an improved power situation, with increased availability of critical material supplies and with much less inflation." It recognised that aid inflows in 1975-76 needed to be significantly higher than in 1974-75 and that new commitments should be to the extent possible in a form in which assistance could be readily

Table VIII. 5 : Inflow of External Assistance—Gross and Net

(Fiscal Years)

(Rupees Crores)

Year	Gross aid utilisation	Amortisation payments	Interest payments	Total debt service (3+4)	Net inflow of aid (2—5)
1	2	3	4	5	6
1966-67	1,132	157	115	272	860
1967-68	1,177	194	122	316	861
1968-69	913	207	137	344	569
1969-70	837	238	142	380	457
1970-71	780	254	158	412	368
1971-72	821	271	175	446	375
1972-73	605	302	177	479	126
1973-74	692	300	184	484	208
1974-75	830	331	181	512	318

Notes : 1. Gross aid utilisation includes debt relief provided in the form of refinancing credits and grants. Debt service payments in these cases are covered in columns (3) and (4).
2. Both amortisation and interest payments exclude payments which are either postponed or rescheduled as under :—

	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
Japan	2	5	13	14	19	15	25	31	25
I.B.R.D.	—	11	11	11	11	—	—	—	—
U.S.A.	—	—	7	7	7	7	—	—	—
Canada	—	1	1	1	1	1	1	1	—
Total	**2**	**17**	**32**	**33**	**38**	**23**	**26**	**32**	**25**

used. However, fort he first time in many years, no specific target of aid commitment were indicated at the meeting. It was informally agreed that aid of the order of U.S. $1,075 million would be provided by the Consortium member-countries, which along with the expected assistance of U.S.$700 million by the World Bank group would give a total assistance of U.S.$1,775 million for 1975-76—about U.S.$375 million more than in 1974-75. Of the total amount, U.S.$1,085 million would be non-project aid and the balance U.S.$690 million project aid. Debt relief expected to be granted by the members this year would, however, be somewhat lower at U.S.$170 million as compared with U.S.$184 million indicated last year.

Table VIII.6 : Aggregate External Assistance
(Fiscal Years)

(Rupees Crores)

Item/Year	Loans	Grants	P.L. 480/665 Aid and Third Country Currency Assistance	Total
1	2	3	4	5
Authorisations :				
1. Upto March 1966	5,960	617	1,511	8,088
2. Upto March 1969	8,230	784	2,133	11,147
3. (*a*) During 1969-70	522	29	23	574
(*b*) During 1970-71	658	63	—	721
(*c*) During 1971-72	831	36	9	876
(*d*) During 1972-73	591	35	—	626
(*e*) During 1973-74	977	34	—	1,011
(*f*) During 1974-75	1,126	132	—	1,258
Total (upto March 1975)	**12,935**	**1,113**	**2,165@**	**16,213**
Utilisation :				
1. Upto March 1966	4,346	531	1,403	6,280
2. Upto March 1969	6,586	759	2,122	9,467
3. (*a*) During 1969-70	700	29	108	837
(*b*) During 1970-71	690	52	38	780
(*c*) During 1971-72	762	50	9	821
(*d*) During 1972-73	594	11	—	605
(*e*) During 1973-74	676	16	—	692
(*f*) During 1974-75	758	72	—	830
Total (upto March 1975)	**10,766**	**989**	**2,277@**	**14,032**

@P.L. 480 aid authorisations were fully utilized by the end of 1971-72. The difference between the rupee values of total authorisations and total utilization is attributable to the devaluation of the rupee on June 6. 1966.

Note: Please refer to notes to Table VIII. 1.

Table VIII.7 : Aggregate External Assistance— Source-wise

(Fiscal Years)

(Rupees Crores)

Country/Institution	Authorised upto March 1975				Utilised upto March 1975			
	Loans	Grants	P.L. 480/ 665 Aid and Third Country Currency Assistance	Total	Loans	Grants	P.L. 480/ 665 Aid and Third Country Currency Assistance	Total
1	2	3	4	5	6	7	8	9
IBRD/IDA	3,493	—	—	3,493 (21.5)	2,416	—	—	2,416 (17.2)
U.S.A.	3,559	286	2,165	6,010 (37.1)	3,456	277	2,277	6,010 (42.8)
U.S.S.R.	1,021	12	—	1,033 (6.4)	721	11	—	732 (5·2)
West Germany	1,180	38	—	1,218 (7.5)	1,097	36	—	1,133 (8.1)
U. K. ..	1,422	17	—	1,439 (8.9)	1,290	13	—	1,303 (9.3)
Japan	553	1	—	554 (3.4)	470	1	—	471 (3.4)
Others	1,707	759	—	2,466 (15.2)	1,316	651	—	1,967 (14.0)
Total	**12,935**	**1,113**	**2,165**	**16,213 (100.0)**	**10,766**	**989**	**2,277**	**14,032 (100.0)**

Notes : 1. Please refer to notes to Table VIII. 1.
2. Figures in brackets represent percentage to total.

III. INDIA'S EXTERNAL ASSISTANCE TO OTHER COUNTRIES

Authorizations

India continued to extend assistance to other developing countries. With the progressive reduction in the quantum of aid to Bangladesh, which has been the largest beneficiary of Indian assistance so far, aid authorizations declined by 31 per cent from Rs. 66 crores in 1973-74 to Rs. 45 crores in 1974-75 (Table VIII.8). Of the authorization during the year under review, Bangladesh was authorised loans of Rs. 15 crores, about half of the amount in 1973-74. Authorizations to Nepal amounted to Rs. 14 crores, Rs. 9 crores in grants and Rs. 5 crores in loans, the same as last year. For Bhutan, the entire authorization of Rs. 11 crores, which was marginally higher than last year, was in the form of grants. Mauritius, to which no assistance was authorised last year, was extended a loan of Rs. 5 crores during the year.

Table VIII.8 : External Assistance Extended by India to Other Countries
(Fiscal Years)

(Rupees Crores)

Country	Authorised upto March 1974			Authorised during 1974-75			Utilised upto March 1974			Utilised during 1974-75			Undisbursed balance as at the end of March 1975		
	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Burma	20.0	—	20.0	—	—	—	20.0	—	20.0	—	—	—	—	—	—
Sri Lanka	22.4	—	22.4	—	—	—	14.7	—	14.7	3.4	—	3.4	4.3	—	4.3
Indonesia	10.0	—	10.0	—	—	—	10.0	—	10.0	—	—	—	—	—	—
Nepal	6.0	109.2	115.2	5.0	9.0	14.0	0.5	—	0.5	5.0	9.0	14.0	5.5	6.2	11.7
Bhutan	2.0	53.0	55.0	—	10.6	10.6	2.1	102.9	105.0	—	10.6	10.6	—	—	—
Mauritius	3.2	—	3.2	5.0	—	5.0	—	53.0	53.0	—	—	—	8.2	—	8.2
Tanzania	5.0	—	5.0	—	—	—	—	—	—	—	—	—	5.0	—	5.0
Bangladesh	67.1	142.9	210.0	15.0	—	15.0	28.7	125.7	154.4	9.5	1.2	10.7	43.9	16.1	60.0
Total	**135.7**	**305.1**	**440.8**	**25.0**	**19.6**	**44.6**	**76.0**	**281.6**	**357.6**	**17.9**	**20.8**	**38.7**	**66.9**	**22.3**	**89.2**

Notes : 1. Aid to Nepal excludes the grant expenditures on Kosi and Gandak schemes executed by the Bihar Government and the grant expenditure on training of Nepalese scholars in India.

2. Aid to Bangladesh does not cover the relief goods of the value of Rs. 17 crores supplied to that country in 1971-72.

Utilization

Though total assistance authorized was lower than last year, utilization increased by 22 per cent from Rs. 32 crores in 1973-74 to Rs. 39 crores in 1974-75. Nearly the whole of the rise in utilization was accounted for under loans, utilization of grants at Rs. 21 crores being only fractionally higher than last year.

Upto the end of March 1975, total assistance authorized by India amounted to Rs. 485 crores, of which 46 per cent went to Bangladesh. Nepal and Bhutan were, as before, the next major beneficiaries, accounting for 27 per cent and 14 per cent respectively, of the total authorizations. Around 67 per cent of the total assistance was authorised in the form of grants. By the end of March 1975, aid utilized by the beneficiaries amounted to 82 per cent of the authorizations.

IV. FOREIGN INVESTMENT POLICY

As mentioned in the last year's Report, the Foreign Exchange Regulation Act, 1973 which came into force on January 1, 1974, requires Indian joint stock companies in which non-resident interest is more than 40 per cent and all branches in India of foreign companies to obtain fresh permission to carry on business and comply with directions that might be given by the Reserve Bank. In November 1974, the Reserve Bank of India granted general exemption from this requirement to companies incorporated in India in which the non-resident interest did not exceed 74 per cent of the total equity share capital if they were in the basic and core industries or engaged in a predominantly export-oriented industry (minimum exports being 60 per cent of total production) or in manufacturing activities needing sophisticated technology, and did not exceed the licensed capacity and undertook no expansion or diversification of activities without the prio permission of the Reserve Bank. The companies so exempted were required to file a declaration with the Reserve Bank in the prescribed form before February 24, 1975.

In October 1974, shipping companies which were not incorporated in India or which did not have a branch office or other place of business in India were granted general permission to carry on business in India.

The total value of consents granted by the Controller of Capital Issues to joint stock companies for non-resident participation amounted to Rs. 46.5 crores during 1974-75, as compared to Rs. 25.2 crores in 1973-74. While consents for loans during the year were slightly higher at Rs. 12.6 crores as compared to Rs. 10.1 crores in 1973-74, those for bonus issues totalled Rs. 21.9 crores during 1974-75, as against Rs. 10.6 crores in the corresponding period of 1973-74. Consents were granted for initial issues amounting to Rs. 10.4 crores and for further issues of Rs. 1.6 crores as against Rs. 1.0 crore and Rs. 3.6 crores, respectively, in the previous year. The collaboration agreements approved during 1974-75 (April-March) numbered 299 as against 335 in the preceding year.

V. DEVELOPMENTS IN EXCHANGE CONTROL

The main developments in exchange control during the year related to incentives offered to encourage inward remittances from abroad, simplification of procedures for exports on deferred payment arrangements, and trade and allied matters concerning Bangladesh, Pakistan and Portugal. General exemptions were also given to certain categories of companies from the operation of the provisions under Section 29 of the Foreign Exchange Regulation Act, 1973. Further, on July 2, 1975, the Bank revised its spot rates for sterling.

Exchange Rates for Sterling

Effective from July 2, 1975, the Bank fixed its rates for spot sterling at £ 5.3907 buying and £ 5.3619 selling both per Rs. 100, in place of the rates of £ 5.3333 and £ 5.3050 respectively, in force since July 4, 1972. The new spot rates were within the permissible limits of deviation of 2.25 per cent on either side of the central rate of the rupee adopted following the Smithsonian Agreement.

On a review of the existing arrangements, it was decided to delink the Indian rupee from pound sterling and to determine its value in terms of a selected number of currencies of countries which are India's major trading partners, with effect from September 25, 1975. The pound sterling, however, continues as the currency of intervention. In pursuance of this decision the Bank's rates for spot pound sterling were revised, effective September 25, 1975 to £ 5.4769 buying and £ 5.4471 selling per Rs. 100, giving a middle rate of Rs. 18.3084 per pound sterling. The rates were further revised with effect from December 5, 1975, to £ 5.5315 buying and £ 5.5010 selling per Rs. 100, giving a middle rate of Rs. 18.1284 per pound sterling.

Both on July 2, and on December 5, 1975, no change was made in the margin of £ 0.0125 per Rs. 100 per quarter or part thereof to be added to the spot buying rates while buying sterling forward, nor in the charge of £ 0.0125 per Rs. 100 per quarter or a part thereof for one or more extensions of forward purchase contracts. Likewise, the margin to be added to the spot rate for sterling for periods upto 10 years under the scheme for providing long-term forward exchange cover to exporters in respect of exports made under deferred payments terms remained unchanged as under :

Period of forward contract	Percentage margin over the Bank's spot buying rate
1. For 18 months and above but not exceeding 5 years	1.25
2. Above 5 years but not exceeding 7 years	1.75
3. Above 7 years but not exceeding 10 years	2.50

Exports under deferred payments terms

On July 1, 1975, the Reserve Bank simplified the procedures relating to exports on deferred payments. General permission was granted to exporters to make offers abroad, to enter into negotiations for exports of goods or to submit tenders (subject to the satisfaction of certain conditions) or to enter into contracts provided the contract terms conformed to the specified minimum conditions. The simplified procedure is applicable to exports on deferred payments terms where (*i*) the value of exports does not exceed Rs. 50 lakhs, (*ii*) the credit period does not exceed five years for specified types of goods, and (*iii*) the IDBI finance is not required. Within 15 days of signing the contract, applications are, however, required to be made in these cases to the Reserve Bank for post-facto exchange control clearance and to the ECGC for necessary insurance cover. The Reserve Bank also granted general permission for issuing bid bonds and performance guarantees. In cases not covered by the general permission, the IDBI would act as the focal point for grant of approvals and applications in a composite form would be submitted to the IDBI by exporters through their bankers.

Section 29 of the Foreign Exchange Regulations Act, 1975

The general exemptions granted by the Reserve Bank of India to certain companies with non-resident interest upto 74 per cent and to certain shipping companies have been referred to in the earlier paragraphs relating to foreign investment policy.

Purchase and sale of immovable property or remittance of sale proceeds of tea/coffee/rubber estates by foreign companies

The Reserve Bank notified in October 1974 that all applications for permission relating to purchase or sale of immovable property in India by foreign companies, foreign citizens and Indian companies having non-resident interest of more than 40 per cent, as well as applications for the remittance of sale proceeds of tea/coffee/rubber estates in India owned by sterling companies, should be accompanied by a comprehensive valuation report of the property in question from an approved valuer appointed by the Government of India under the Wealth Tax Act.

Priority allotment of motor cars/ scooters/ agricultural tractors and cement against foreign exchange receipts

To encourage private remittances from abroad, a scheme was introduced in September 1974 for priority allotments of Indian motor cars and scooters against certain inward remittances of foreign exchange. Foreign nationals coming to stay in India continuously for at least two years, Indian nationals who have returned from aboard and relatives of Indians staying abroad who have remitted the requisite funds for the purpose would be allotted motor cars or scooters on priority basis, on the production of a certificate from the concerned authorized dealer evidencing the receipt of the foreign exchange remittance to cover the cost of the Indian car/ scooter and held with the authorised dealer in a separate non-convertible account. Normal remittances received for family maintenance, payment of insurance premia, Indian taxes or in fulfilment of bank guarantees executed for repatriation of foreign exchange do not qualify for the benefit under the scheme.

A similar scheme for priority allotment of agricultural tractors was introduced in January 1975 and for cement in March 1975. Agricultural tractors and cement would be allotted on priority basis to Indian nationals who have returned from abroad and to Indians who have received remittances from their relatives abroad on the production of the necessary evidence that the requisite foreign exchange has been received. In the case of tractors, the foreign exchange received should be in the minimum amounts laid down by the Ministry of Heavy Industry for different types of tractors, and in respect of cement it should be equivalent to the value calculated at Rs. 560 per tonne irrespective of the actual price paid to the supplier.

As a further measure to encourage inward flow of foreign exchange through banking channels, a new facility was introduced on November 1, 1975. Under this facility, non-resident Indians and persons of Indian origin residing abroad are permitted to open foreign currency (non-resident) accounts with banks in India in designated foreign currencies, eliminating the exchange risk to the non-resident account holders. For the time being, the designated foreign currencies will be the pound sterling and the U.S. dollar, and accounts will be maintained in the form of term deposits for periods of 91 days or more but not exceeding 61 months. The rates of interest payable on the balances in the accounts will be notified by the Reserve Bank and vary for the present from 5½ per cent per annum on a deposit of 91 days but less than six months to 10 per cent per annum on deposits of 61 months. The interest accuring on the balances is free of Indian income-tax, and is payable in the foreign currencies in which the accounts are held. The balances including the interest accrued are freely repatriable in the designated foreign currencies without reference to the Reserve Bank of India. Premature withdrawals of balances held in these accounts are allowed. But if the withdrawals are effected prior to the date of maturity in the case of deposits for any period upto one year, and within a year of the date of deposit in the case of deposits for periods longer than a year, the balances will not carry any interest. In the case of withdrawals after a year, the balances will carry interest at two per cent less than the rate applicable to the period of the deposit.

Trade and allied transactions with Bangladesh

On a review of the working of the Balanced Trade and Payments Arrangements between the Governments of India and Bangladesh, it was agreed in October 1974 that all payments for trade and related transactions between the two countries would be effected as from January 1, 1975 in freely convertible currency in accordance with the foreign exchange regulations and procedures, including customs formalities, in force in each country from time to time. Effective from that date, exchange for travel to Bangladesh also would be released in pounds sterling, instead of non-convertible rupees as under the earlier arrangement.

Trade/shipping services with Pakistan

Under the arrangements agreed on January 23, 1975, the trade between India and Pakistan would be conducted on a Government - to - Government basis or through Government controlled trade corporations of the two countries in freely convertible currency in accordance with the foreign exchange regulations in force in both the countries. Exports from both countries would be covered by irrevocable documentary letters of credit expressed in convertible currency. For the present, the transactions would be conducted in pounds sterling and U.S. dollars through the State Bank of India and the National Bank of Pakistan.

India and Pakistan also signed a protocol on January 15, 1975 restoring shipping services between the two countries with effect from February 15, 1975. The carriage of cargo is restricted to vessels sailing under the flag of either country and all payments and expenses connected with the shipping are to be effected in convertible currencies.

Trade with Portugal

Effective January 1, 1975, the earlier prohibition on the trade between India and Portugal was removed.

Blanket exchange permits

As from January 18, 1975, the minimum requirements of exports for qualifying for blanket foreign exchange permits for travel abroad for export promotion and other approved purposes were raised to Rs. 75 lakhs for traditional exports and Rs. 15 lakhs for non-traditional exports. Exporters who are registered export houses are eligible for grant of blanket permit irrespective of their past export performance. From June 25, 1975, Indian consultancy organizations/firms of consultancy and design engineers are eligible for the grant of blanket permits if their earnings in foreign exchange in the preceding year are in the minimum of Rs. 5 lakhs.

Licence to deal in foreign exchange

Sonali Bank of Bangladesh was granted a licence to deal in foreign exchange in India for a period of two years with effect from September 2, 1974.

Haj Pilgrimage 1975-76

The scale of release of exchange for Haj Pilgrims was enhanced on July 8, 1975. Foreign exchange upto S.A. Rials 1,950 would be released per pilgrim, irrespective of whether the pilgrim proceeded by pre-Ramzan or post-Ramzan sailings and by sea or by air. Two children between the ages of 14 and 16 years would be counted as one adult and exchange to each such child would be released upto S.A Rials 1,000.

VI. INTERNATIONAL MONETARY DEVELOPMENTS

The massive speculative capital flows that created chaotic conditions on the exchanges on earlier occasions were absent during the year July 1974-June 1975, thanks largely to the recycling of the huge current account surpluses of oil exporting countries. The international monetary situation nevertheless continued to remain unsettled for the fourth year in succession mainly because of three reasons. First, serious disequilibria persisted in international current payments though the deficits of many industrial countries turned out to be somewhat smaller than earlier expected. Secondly, recession in economic activity deepened significantly in most non-oil-exporting countries as the year progressed, contrary to the widely entertained expectations at the beginning of the year. Lastly, some of the major issues in international monetary reform continued to remain intractable.

World Economic Activity

The cyclical slowdown in economic activity in industrial countries that started late in 1973 developed in 1974 into a recession of a strength unequalled since the depression of 1930s. Moreover, contrary to the anticipation in mid-1974, it persisted in the first half of 1975. The rate of growth of GNP in industrial countries, which had already started decelerating during the second half of 1973, turned negative in 1974. The deterioration continued through 1975, the real GNP falling at an annual rate of $3\frac{1}{2}$ per cent in the first half of 1975, as compared with the second half of 1974. For the developing countries, on the other hand, the real GNP rose in 1974 by as much as 6 per cent ; but this reflected almost entirely the growth of about 9 per cent registered by oil-exporting countries.

The downturn in economic activity no doubt assisted most major industrial countries in their efforts to combat domestic inflationary conditions. Price rises in industrial countries, as measured by the GNP deflator, which had reached about 13½ per cent in the second half of 1974, are estimated to have decelerated to about 10½ per cent in the first half of 1975—a level still very high as compared with the 3½ per cent rise registered during the early 1970s. Further, weakening of the prices of major imported primary products, which was a major factor in bringing about the modest deceleration in the first half of 1975 in the price rises in industrial countries, inevitably led to a sharp deterioration in the terms of trade of developing countries other than oil exporters, and adversely affected their domestic price levels and growth prospects.

World Trade

The growth and pattern of world trade during 1974 and the first half of 1975 were dominated by the general recessionary conditions and rampant inflation in industrial countries. The sharp rises in prices of most internationally traded goods brought about a spectacular upsurge in the value of world trade in 1974 ; but in real terms, world trade increased only by 5 per cent during 1974, as against 13 per cent in 1973, and an annual average of 8½ per cent in the 1960s. The volume of world trade stopped growing in the second half of 1974 and appears to have, in fact, declined in the first half of 1975 reflecting the weakening of import demand.

With unit values expressed in U.S. dollars estimated to have gone up by almost 40 per cent in 1974, the value of world exports (f.o.b.) increased by 48 per cent in 1974, and the value of imports (c.i.f.) was up by 44 per cent. By far the biggest jump in unit values was registered in respect of exports of oil-exporting countries; though the volume declined slightly, their value more than trebled, from $43.4 billion in 1973 to an estimated $133 billion in 1974. At the same time, oil-exporting countries also expanded their imports more rapidly than any other group of countries in both value and volume. The most severe impact of world inflationary and recessionary trends was felt by the non-oil-exporting developing countries, though most industrial and other developed countries also suffered, to some extent. Exports of non-oil-exporting developing countries remained almost stagnant in volume, while their imports increased substantially to meet minimum essential requirements.

Terms of Trade

Price movements of various internationally traded commodities varied widely in regard to both timing and quantum. As a result, there followed a marked shift in the terms of trade of various groups of countries. Industrial countries as a group appear to have made up in the first half of 1975 a small part of the deterioration in their terms of trade since early 1970s and particularly after the oil price hike in late 1973. For the developing countries, however, considerable erosion took place in 1974 itself ; their terms of trade which had improved by 6½ per cent during 1973 deteriorated by 4 per cent in 1974; and a further deterioration is estimated to have occurred during the first half of 1975.

Balance of Payments

As expected, the high rates of inflation and the changing world economic situation brought about a radical transformation in the global pattern of balance of payments relationships. The collective trade surplus of major oil-exporters which had amounted to $22 billion in 1973 jumped four-fold to reach $83 billion in 1974 ; their collective overall current payments surplus improved almost twelve-fold from $6 billion to $70 billion during the same period. The non-oil-exporting countries, on the other hand, ran up a trade deficit of $51 billion in 1974 as against only $1 billion in 1973 ; and their overall current payments position suffered a massive deterioration from a surplus of $2 billion in 1973 to a deficit of $52 billion in 1974.

With the steep rise in their export earnings despite world wide efforts to economise in the use of oil and oil products, oil-exporting countries pushed up their imports, the overwhelmingly large part of the benefit of which development went to industrial countries. Moreover, the earnings which the oil-exporters did not use to finance their imports were, by and large, held as assets also in the major industrial countries. The non-oil-exporting countries had to face worsening terms of trade and loss of buoyancy of exports at a time when essential imports had to be maintained. The interplay of these economic forces thus resulted in shifting, to a significant extent, the burden of current account deficit from the industrial to the non-oil-exporting developing countries. Though these non-oil-exporting developing countries accounted for only 15 per cent of the total trade of all non-oil-exporting countries taken together, their trade deficit mounted to almost $20 billion or as much as two-fifths of the combined trade deficit of all non-oil-exporting countries in 1974. These countries fared still worse in their current payments position in 1974 ; their deficits on current account totalled $20 billion as compared with the deficit of $24 billion recorded by the developed countries. Further, to finance such massive deficits, after drawing down their reserves sizeably, they were forced to resort to heavy borrowings on international markets on unequal terms, industrial countries attracting to themselves a large part of the surplus funds of the oil countries.

World Reserves

Aggregate global reserves comprising gold, foreign exchange, SDRs and reserve positions in the Fund increased in 1974 by SDR 26.7 billion to SDR 178.1 billion compared with a rise of only about SDR 5 billion to SDR 151.5 billion in 1973 ; the reserves increased further to SDR 182.9 billion at the end of April 1975. Almost 90 per cent of the growth in reserves in 1974 was accounted for by the increase in foreign exchange holdings and the balance by the increase in reserve positions in the Fund. An overwhelmingly large part of the entire increase in global reserves in 1974—as much as 93 per cent—accrued to oil exporting countries. These countries also continued to add to their reserves during the first four months of 1975, though at a slower rate. Despite the heavy current payments deficits of industrial countries, their reserves recorded a marginal rise in 1974, due mainly to large external borrowings—both private and official —and sizeable inflows of funds from oil-exporting countries. In the case of developing countries, though overall, there was no change during 1974, many individual countries registered declines in their reserves, while some others could just maintain the reserves at the 1973 level, by having recourse to heavy external borrowings.

Development Assistance

According to preliminary estimates the total net flow of capital to developing countries was $33.15 billion in 1974. At this level, the net flow would be a third larger than in 1973. However, as prices of imports of developing countries rose significantly, there was, in fact, a decline of 6 per cent in the flow in real terms. Further, developing countries with per capita incomes of $200 and above accounted for over four-fifths of the total net flow, as in the past. The remainder of the developing countries thus received no more than 18 per cent of the total net capital flows to developing countries in 1974.

In money terms, direct foreign investment component of the total net capital flows remained virtually unchanged at the 1973 level. Private lending rose by two-fifths from $9.07 billion to $12.49 billion, countries with per capita incomes of $200 and above accounting for the entire rise in such lending. The increase under official capital flow was of about the same order as under private lending.

The total net flow of financial resources to developing countries from members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) increased in 1974, according to the preliminary data released by the OECD, by only 10 per cent in dollar terms. There was, in fact, a decline in the private sector and other official flows, which was more than made up by official development aid which rose by 21 per cent to $11.3 billion. Because of the price rises, however, even the increases in official development aid represented very little growth over the year in real terms. The total financial resource flow from the DAC thus declined in real terms in 1974 from the preceding year's level, and remained at the 1973 level of 0.78 per cent as a proportion of the GNP of the members of the DAC, well below the target of one per cent of GNP set for the Development Decade by the United Nations and accepted by most members of the DAC. Though it rose a little in real terms, as mentioned earlier, and increased as a share of the GNP of the members of the DAC from 0.30 per cent in 1973 to 0.33 per cent in 1974, the official development assistance from the DAC was still less than half the ODA target of 0.70 per cent of GNP set for the Development Decade. Further, the overall terms on which resource transfer was provided hardened in 1973, since the share of official development assistance in the total flow of financial resources declined significantly to 30 per cent from 44 per cent in 1972. During 1974, the share of the official development assistance improved ; but there was simultaneously some hardening of the loan terms so that there was no improvement in the terms on which the official development assistance was made available. The terms of private sector flows on the other hand decidedly hardened in 1974, with a sharp step-up in market interest rates.

As was to be expected, in view of the salutary increases in their incomes and their huge payments surpluses, major oil-exporters who are members of the Organization of Petroleum-Exporting Countries (OPEC) provided to developing countries larger financial resources of the order of $4.75 billion in 1974. Official development assistance amounted to $2.54 billion, or over half of the total. The total financial resource flow from OPEC to developing countries in 1974 worked out to about 45 per cent of the minimum estimated increase in the cost of oil imports of developing countries following the quadrupling of the oil prices at the beginning of 1974.

Oil Facility

A specific measure aimed at alleviating the immediate balance of payments problems created by the sudden and steep rise in prices was the institution by the International Monetary Fund of an Oil Facility. The quadrupling of oil price had caused a marked shift in the pattern of world payments causing disequilibrium of an unprecedented magnitude in the overall trade and payments accounts. Since it was not likely that the flows of huge surpluses of major oil exporting countries and the counterpart large payments deficits of oil importing countries would be evenly matched in direction and quantum, there was obviously a serious danger of deficit countries resorting to restrictive trade and payments policies inimical to other countries, unless they were provided some extraordinary assistance to help bridge their immediate payment deficits. The Fund, therefore created in June 1974 a special facility to make resources available, in addition to the usual assistance provided. Initially the Oil Facility was set up for the year 1974 alone. The maximum assistance to which a country was entitled to under the Facility was determined with reference to the increase in its oil import costs as a result of the 1974 rise in oil prices. The assistance from the Facility was conditional upon the country having a clear balance of payments need as evidenced by its reserve movements, and on its not adopting trade and payments policies harmful to other countries, instituting a programme for economising the use of oil and, generally working towards reduction in its payments imbalance. The assistance was available for a period of seven years and carried an interest charge of 7 per cent per annum. Total resources available under the 1974 facility amounted to the equivalent of SDR 3.03 billion, made up of funds lent to the Fund for the specific purpose by seven oil-exporting countries and by Canada and the Netherlands at a rate of interest of 7 per cent per annum. At the time of its setting up, it was widely expected that the Facility would be utilised mainly by the needy developing countries, with other oil importers arranging the finance needed by them on international markets and bilaterally. However, the developing countries drew SDR 1.11 billion or only about 43 per cent of the total drawings by 40 countries amounting to SDR 2.58 billion, and the major portion of the 1974 Facility was drawn upon by industrial and other developed countries.

The payments disturbance created by the oil price increases was of such a magnitude that the required adjustment could not be put through during a period as short as a year. It was, therefore, decided to continue the Facility for 1975. As in the case of the 1974 Facility, oil exporters and other countries in strong payments positions were expected to contribute resources for the

1975 Facility, and the quantum of such resources was set at SDR 5 billion. In addition, the unused balance from the 1974 Facility would be utilised . Assistance from the 1975 Facility would also be available for seven years, but the charges have been slightly raised to 7.75 per cent to meet the administrative costs, besides the interest payments to the lenders. It was also agreed that some relief in the matter of charges should be provided to the most seriously affected among the oil-importing developing countries which drew on the 1975 Facility. For this purpose a subsidy account would be set up with voluntary contributions from major oil-exporters and economically strong industrial and other countries. Access to the 1975 Oil Facility has, however, been made subject to a much stricter degree of policy conditionality than in 1974. Under the 1975 Facility, a prospective borrower will have to describe to the Fund its policies and programme with quantitative targets to achieve a medium-term solution to its problems, and the Fund will have to be satisfied about their adequacy. To finance the 1975 Facility, the Fund has already completed borrowing arrangements with some of the countries in relatively strong external positions ; negotiations with some others are in progress. Total resources available to date for financing purchases under the 1975 Facility amount to SDR 3.30 billion. So far four developing countries have already drawn to the extent of SDR 1.53 billion out of the 1975 Facility.

Exchange Rates

International exchange markets were relatively calmer during the year under review despite the massive payments imbalances. The major currencies of the world continued to float and exchange rates moved rather widely belying the claim made by some that floating would secure fairly stable exchange rates. The guidelines for the management of floating exchange rates adopted by the Fund in June 1974 did not prove very effective.

The *U.S. dollar* was on the path of recovery since early June 1974 following the hardening of domestic interest rates, the emergence of a record basic balance surplus of $ 2.1 billion for the first quarter of 1974 and in the context of the swap arrangements the U.S. finalised with Germany and Switzerland, together with the agreement for concerted intervention on the exchanges to counter excessive speculation on the dollar. But by September it was clear that U.S. balance of payments and the level of economic activity in the U.S. would be adversely affected by the oil price hike. The downturn in the economy was widespread and deepening. Interest rates sagged and large capital flows to continental centres in response to the interest differentials further undermined the dollar on the exchange markets. By end-February 1975, the dollar sank to its lowest level against major currencies except the pound sterling and Italian Lira. The fall in the value of the dollar obviously placed the U.S. in a favourable trading position and the U.S. trade account recorded a strong improvement in the first quarter of 1975. Simultaneously the recession assisted in the slowdown of the rate of inflation and all this helped the dollar to effect a modest recovery. By end-June 1975 it was up by about 4 per cent against the Netherlands guilder and the Swiss Franc and some 3 per cent against Japanese yen and Deutsche mark over end-February levels.

Over the year ending in June 1975 the Swiss franc, the French franc and the Deutsche mark all appreciated on the exchanges in that order. Against the dollar, the Swiss franc improved over the year by 18.5 per cent, the French franc by 15.2 per cent and the Deutsche mark by 9.2 per cent. The *Swiss franc* firmed up more sharply as domestic franc deposits became a major investment outlet for oil exporting countries following the abolition of the prohibition on payment of interest on non-resident deposits in October and the subsequent sharp narrowing of short-term interest rates between Euro-Swiss franc and Euro-dollar deposits. By end-June 1975, it stood appreciated by over 50% against the U.S. dollar as compared to that of 28 per cent at end-June 1974 from its Smithsonian level. On the other hand, a continuing improvement in the trade deficit and large scale borrowings by French enterprises in the international capital market helped strengthen the *French franc* during the later part of 1974. By end-April 1975, on a trade-weighted basis it showed an appreciation of 4 per cent over its Smithsonian parities. With the improvement maintained in the following months the French franc rejoined the EEC joint float in July 1975. The *Deutsche mark* had a relatively lean summer induced by the reduction in its usual sizeable payments surplus following the rise in oil prices. Germany, however, quickly succeeded in diversifying its trade and in strengthening its current account position. The relatively low rate of domestic inflation and relaxation of capital controls gave further strength to the Deutsche mark. The effective appreciation of the Deutsche mark over its level of May 1971, which was 20 per cent at end-1973, increased to 24 per cent at end-1974 and to 26 per cent by mid-June 1975.

Among the major world currencies, the *pound sterling* emerged as the weakest. Occasionally, it showed strength on the exchanges, but only as a reflection of a temporary weakness of another major currency, often the U.S. dollar. With the rate of inflation continuing at more than 20 per cent, ending of the sterling guarantee arrangements and a switch out of sterling into U.S. dollar by some oil companies, the sterling progressively weakened during the year. In July 1974, the trade weighted depreciation of the pound worked out to 17 per cent from its Smithsonian parity, by mid-June it widened to 26.3 per cent and the downward movement has since continued.

Gold Prices

Lack of investment demand brought the price of gold to a low of $129 per fine ounce (p.f.o.) on July 4, 1974 from a peak of $174.4 p.f.o. reached on April 23, 1974. The trend was reversed during the month as a result of the easing of Euro-dollar interest rates and the rush to cover short-term overbought positions built up following the earlier sharp fall in prices. The reversal was reinforced further by political uncertainties in both the U.S. and Cyprus. Thus, by end July, the gold price firmed to $160 p.f.o. The firmness generally continued thereafter and the price rose further to $183 p.f.o. on November 8 in the context of the U.S.dollar's weakness against stronger Continental currencies, rumours about Arabs' demanding in future gold in payment for their oil exports and optimistic forecasts about the demand for gold in 1975 following the removal of the U.S. restrictions on private gold holdings. More support to the price rise came during the month from the South African decision not to sell either the whole of its current output or any of the gold held in its official reserves if the improvement in the South African balance of payments were to be sustained. Continued uncertainties in the exchanges, the worsening of economic outlook in some of the major industrial countries, and the announcement of the Franco-American accord on December 20, permitting central banks and monetary authorities to revalue their holdings at market-related prices, boosted gold to a new peak of $197.50 p.f.o. on December 30.

After it was held, the U.S. Treasury's gold auction proved that earlier estimates of demand for private gold holdings in the U.S. were highly exaggerated. Selling pressures quickly emerged and on January 3, 1975 the price of gold fell by $20.50 to $177.00 p.f.o. Thereafter, except for a mild upswing during the first half of February, gold prices continued to decline on relatively thin markets. This reflected primarily a lack of demand from short-term investors owing to increased attractiveness of alternative outlets for funds. The firm trend in the U.S. dollar and the U.S. Treasury programme to continue with gold sales also contributed to the price decline. By end-June 1975, the price of gold in the London market slipped to $166.00 p.f.o.

VII. REFORM OF THE INTERNATIONAL MONETARY SYSTEM

As mentioned in the last Report, the Committee of the Board of Governors of the International Monetary Fund on Reform of the International Monetary System and Related Issues (The Committee of Twenty) recommended amendments in specific areas to the Fund's Articles of Agreements. During the year under review, its successor, the Interim Committee, and the Executive Board of the Fund continued discussions on the issues connected with the proposed amendments. While substantial agreement emerged particularly in respect of amendments regarding improvement in the Fund's general account and in the characteristics of the SDR, no agreement has so far been reached on the exercise of amending the Articles because differing views continued to be held on such vital issues as arrangements relating to gold and exchange rates.

On the question of gold, there was general agreement that the SDR should ultimately replace gold as the centre piece of the international monetary system. There was also general agreement to abolish the official price of gold and abrogate the obligatory payments in gold between member countries and the Fund. There was also general support, in principle, for the use of profits from the sale of a part of Fund's gold holdings for the benefit of developing countries. There was, however, no general agreement on specific arrangement that would have to be evolved in this respect. Much progress was also made regarding arrangements between central banks on the use of their gold reserves, but matters remain to be finally settled.

As regards exchange rate practices and arrangements, though no consensus could be reached, there was general agreement that members should co-operate with the Fund and with each other to promote exchange stability. Members were generally against legalisation of independent floating except in exceptional circumstances. Most members favoured a return, at an appropriate time, to a system of par values with provisions for establishment of central rates.

The Committee of Twenty also recommended modifications in the Fund's facilities for compensatory financing of export fluctuations and for assistance in connection with members' contributions in respect of international buffer stock operations. The Executive Board has these subjects under study and consideration and there is general agreement that assistance drawn under buffer stock facility should not impair the member's credit position with Fund, as is already provided under the Fund's compensatory financing facility. In regard to the Committee's recommendation for an additional Fund facility for medium-term balance of payments assistance, definitive progress was made during the year.

In September 1974, the Fund established an extended facility to provide special medium-term assistance to assist members in meeting payments deficits for longer periods and in amounts larger in relation to quotas than had been the practice under the existing tranche policies. The facility will help members to correct structural imbalances in production, trade and prices. The Fund will make resources available for upto three years. Repayments by the member will start as soon as its balance of payments problems have been overcome and, in any event, will have to be completed within four to eight years after each purchase.

The Joint Ministerial Committee of the Board of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee), at its meeting in June 1975, expressed particular concern over the pressing problems of the developing countries arising from the deterioration of their terms of trade and inadequate flow of external capital. As a first concrete step to solve their problems, the Committee lent its unanimous support to the establishment, for one year, of an intermediate financing facility in the IBRD to be known as the Third Window to provide long-term loans to the developing countries on terms intermediate between those of IDA and the World Bank. It urged the Bank to establish the Facility, effective July 1, 1975, so that $1 billion can be lent to the developing countries during the year July 1975-June 1976. Third Window assistance, which will be for 25 years and carry interest at 4.5 per cent, will be provided to developing countries with per capita annual incomes of under $375. New 'intermediate' loans will be raised by the IBRD on international markets to provide resources for the facility. In order to lend funds at a subsidised rate of interest, the Bank has created an Interest Subsidy Fund to which 11 nations, comprising some major oil-exporting countries and a few industrial countries, have already agreed to contribute about $120 million.

Review of IMF Quotas

Revision of quotas in the IMF under the Sixth General Review, which should have been completed by February 1974, continued to elude agreement. It has been agreed to increase the total size of the quota by 32.5 per cent, rounded upto SDR 39 billion ; there is also general agreement that the present share of the major oil-exporting countries as a group in the total quotas should be doubled but that the collective share of all other developing countries should not be allowed to fall below its present level, but no agreement has so far been reached on individual countries' quotas. Thus the exercise has been delayed while many member countries find their conditional access to the Fund assistance inadequate, as the quantum of assistance is related to the quotas.

CHAPTER IX : CURRENCY AND COINAGE

'Currency in circulation' at Rs. 6676.3 crores as at the end of March 1975 showed a much smaller expansion of Rs. 91.1 crores or (1.4 per cent) in 1974-75 as against a phenomenal expansion of Rs. 918.1 crores or 16.2 per cent in 1973-74. The main contributor to this increase was the category "notes in circulation" (Rs. 63.4 crores or 1.0 per cent) ; this was followed by the categories 'small coins' (Rs. 19.9 crores or 10.6 per cent) and 'rupee coins' (Rs. 7.8 crores or 2.5 per cent) (Table IX.1).

Table IX. 1: Details of Currency in Circulation

(Rupees Crores)

Financial Year	Notes in Circulation		Circulation of Rupee Coins		Circulation of Small Coins		Currency in Circulation		Of which with Banks	
	Out-standing	Variation over the previous year	Out-standing	Variation over the previous year	Out-standing	Variation over the previous year	Out-standing (2+4+6)	Variation over the previous year	Out-standing	Variation over the previous year
1	2	3	4	5	6	7	8	9	10	11
1972-73	5210.3 (91.9)	+616.3	290.2 (5.2)	+27.7	+166.6 (2.9)	+17.8	5667.1 (100.0)	+661.8	223.5	+ 40.4
1973-74	6083.4 (92.4)	+873.1	313.8 (4.7)	+ 23.6	188.0 (2.9)	+ 21.4	6585.2 (100.0)	+918.1	249.1	+ 25.6
1974-75	6146.8 (92.1)	+ 63.4	321.6 (4.8)	+ 7.8	207.9 (3.1)	+ 19.9	6676.3 (100.0)	+ 91.1	297.4	+ 48.3

Note : Figures in brackets represent proportion to total currency in circulation.

'Notes in circulation' continued to occupy a larger share in the total currency in circulation as compared to rupee coins and small coins, even though they recorded a slight decline from 92.4 per cent during 1973-74 to 92.1 per cent during 1974-75. The share of small coins on the other hand improved from 2.9 per cent in 1973-74 to 3.1 per cent in 1974-75, while the proportion of rupee coins, showed a nominal increase of 0.1 per cent.

Circulation of Notes and Coins : Although 'notes in circulation'(1) during the year under review rose at a lower rate of only 1.0 per cent (*i.e.* Rs. 63.4 crores) as compared with that of 16.8 per cent (Rs. 873.1 crores) in the previous year, there was no distinct pattern in the magnitude of expansion during the course of the year. 'Notes in circulation' which stood at Rs. 6083.4 crores at end-March 1974 rose sharply to Rs. 6330.6 crores as at the end of April and reached a peak of Rs. 6429.5 crores by end-June 1974. Thus in the first quarter of the financial year 1974-75 notes in circulation recorded a rise of Rs. 346.1 crores, a figure which was lower than the rise of Rs. 445.5 crores witnessed in the same period of 1973-74. There was a brief spell of contraction during the subsequent quarter July-September 1974 but thereafter, the uptrend was resumed, although, for the slack season as a whole there was a marked contraction of Rs. 416.4 crores in contrast to an expansion of Rs. 94.8 crores in the 1973 slack season. After a temporary decline in December 'notes in circulation' resumed the uptrend which continued during the rest of the period under review and reached a level of Rs. 6146.8 crores at the end of March 1975.

Denomination-wise, notes of Rs. 10/- and Rs. 100/- continued to dominate the

(1) Notes of new design in the denominations of Rs. 5/-, Rs..10, Rs. 50/- and Rs. 100/- were issued during the period of April 1974 to July 1975.

total currency in circulation (Table IX. 2). Of the two, the dominance of Rs. 100/- notes was more pronounced ; though its circulation increased by only Rs. 68.9 crores as compared with the increase of Rs. 367.7 crores in 1973-74,(2) its share in total currency in circulation increased to 48.5 per cent from 48.2 per cent in 1973-74. (3) The circulation of the denomination of 10 rupee notes declined sharply by Rs. 18.1 crores as compared with the sizeable increase of Rs. 223.2 crores in 1973-74 : its share in total currency dropped to 29.0 per cent from 29.7 per cent in 1973-74. Among the other denominations, those which showed increases were : Re. 1/-, Rs. 5/-, Rs. 20/- and Rs. 1000/-. On the other hand, denominations of Rs. 2/-, and Rs. 10000/- recorded declines both absolutely as well as relatively and in the case of the denomination of Rs. 5000/-, the proportion had remained unchanged.

Table IX. 2: Percentage Share of Rs. 10/-and Rs.100/- Notes in Total Currency in Circulation@

End of March	Percentage Share		Total of (2) + (3)
	Rs. 10/-	Rs. 100/-	
1	2	3	4
1972	33.7	48.8	82.5
1973	30.6	49.6	80.2
1974	29.7	48.2	77.9
1975	29.0	48.5	77.5

@ Inclusive of circulation of small coins

Circulation of Rupee and Small Coins

During the year 1974-75, rupee coins in circulation (4), about 86.0 per cent of which comprise one rupee notes issued by the Government of India, rose by a smaller amount of Rs. 7.8 crores or 2.5 per cent to Rs. 321.6 crores as against a rise of Rs. 23.6 crores or 8.1 per cent during 1973-74. The estimates of small coins in circulation indicated a rise of Rs. 19.9 crores to Rs. 207.9 crores as compared with a rise of Rs. 21.4 crores. Thus the lower expansion in currency in circulation was shared by all the components of currency, *viz.*, notes in circulation, rupee coins and small coins.

Mintage(5)

Decimal coins of different denominations valued at Rs. 32.1 crores (excluding development-oriented design 50 Rupee and 10 Rupee Coins issued by Government of India Mint, Bombay) were minted in 1974-75. Since the introduction of decimal coinage in 1956-57, total mintage of coins amounted to Rs. 214.6 crores till end-March 1975.

Lost Destroyed and Mutilated Notes (6)

The number of claims in respect of mutilated, lost and destroyed notes received during the year was 1,73,661 as compared with 1,79,030 in 1973-74 and the value of such claims at Rs. 397.2 lakhs was higher than Rs. 325.3 lakhs in the preceding year. Payments made against these claims, as well as those admitted during the previous years amounted to Rs. 350.9 lakhs in 1974-75 as against Rs. 303.4 lakhs in 1973-74.

Note Forgeries (7)

The total number of forged notes including one rupee notes received by the Bank was much smaller at 1,553 and worth only Rs. 55,903 as against the comparable figures during the previous year.

(2) See Statement No. 100 in the Statistical Part of this Report.
(3) These ratios are to the total currency in circulation inclusive of small coins.
(4) New Coins with development oriented designs having the theme "Planned Families and Food for All" in denominations of Rupees Fifty and Ten and Ten paise were issued during the period from April 1974 to July 1975.

(5) See Statement Nos. 107 and 108 in the Statistical Part of this Report.
(6) See Statement No. 105 in the Statistical Part of this Report.
(7) See Statement No. 106 in the Statistical Part of this Report.

APPENDIX I—INDUSTRIAL LICENSING POLICY

The basic framework for the Government's industrial licensing policy, designed to regulate indiscriminate entry and growth in the industrial sector was provided in the Industrial Policy Resolution of April 30, 1956. Within the overall framework of this Resolution, the Government has effected changes, from time to time, in its industrial licensing policy, in order to fulfill the priority needs of the economy and to promote orderly growth of industries.

Industrial Licensing Policy, 1970 : In the light of the recommendations made by the Industrial Licensing Policy Inquiry Committee, the Government announced in February 1970, a new industrial licensing policy. Under the new policy, emphasis was placed on expansion of the public sector in new directions as also on rapid growth of the small scale and medium sectors of industry. Besides, any further growth of the larger industrial groups, and foreign companies as also dominant undertakings was sought to be regulated into avenues of heavy investments, core sector industries and backward areas. The role of the public sector was reoriented to cover major production gaps that are likely to develop in the economy particularly in respect of short gestation projects, including consumer industries and intermediates. Another important aspect of the policy was the stress laid on the development of the small scale sector in order to reduce regional imbalances and ensure greater employment oriented industrial growth. Whereas in the past reservation of manufactured items for this sector was sought to be effected by placing the items in the 'banned' list, in so far as other sectors were concerned, this reservation was put now on a statutory footing by stipulating that no industrial undertaking with assets of over Rs. 7.5 lakhs (raised to Rs. 10 lakhs with effect from May 1, 1975) in plant and machinery can normally take up or expand manufacture of items reserved for the small scale sector nor diversify into those items without a licence. The number of items reserved for the small scale sector was also raised from 47 to 128.

In regard to the *Middle sector*, that is the sector of industries involving the value of investments above that of the small scale sector but upto Rs. 5 crores in total assets, the Government's policy was that issue of licences would be liberalised to encourage entrepreneurs and promote growth of industry in this range of investment subject to the constraints of foreign exchange. The Government also published a list of 123 industries, which, in view of their scope and prospects, were kept open almost wholly to small and medium entrepreneurs. Generally speaking, large industrial houses and foreign groups would not be allowed to enter or expand their activities in these areas except when such expansion was in the interest of greater cost efficiency.

With respect to '*Core Sector*' and '*Heavy Investment Sector*' (investment in fixed assets exceeding Rs. 5 crores), licensing would be used as a positive instrument for development and achievement of the detailed production plans drawn up for each of these items. In view of the large investments involved in this sector, Government would assume larger powers of direction and say in the management of undertaking, most of which involve substantial investment by public financial institutions. These financial institutions would also have the option to convert loans into equity.

The other important features of the 1970 policy were :

(1) The area of exemption from licensing provisions applicable to industries was extended up to Rs. 1 crore, subject, however, to certain conditions.

(2) The exemption was generally not applicable to certain classes of industries, *viz.*, larger industrial houses, foreign companies or branches or subsidiaries of branches of foreign companies.

(3) In respect of agro-industries, particularly undertakings processing sugarcane, jute and other agricultural commodities preference was to be given to applicants from the co-operative sector.

Excess Capacity

In January 1972, the Government took a major step to regularise/relax excess capacity in priority industries. Industrial units in certain specified industries licensed for a certain capacity on a shift basis were permitted to increase their licensed capacity on the basis of maximum utilisation of plant and machinery and in other cases the concerned undertakings were allowed to expand upto 100 per cent of the licensed or registered capacity. This relaxation was, however, not applicable to the production of goods which were exclusively reserved for production in the small scale sector.

Industrial Policy Measures : 1973

In conformity with the approach to the Fifth Plan and with a view to imparting a degree of certainty to the investment climate, the Government of India, in February 1973 introduced some changes in the industrial policy as declared in 1970. The important amendments are given below :

(1) The investment limit of Rs. 20 crores as well as the definition of inter-connected undertakings as provided in the MRTP Act 1969 should be adopted for the purpose of industrial licensing policy in respect of undertakings belonging to large industrial houses.

(2) The list of industries which were open to large industrial houses was consolidated and a revised list was brought out. The revised list included 'core' industries, industries having direct linkage with such 'core' industries and industries with long-term export potential. Larger industrial houses could contribute to the establishment of industries included in the revised list, provided the items of manufacture are not reserved for production either in the small scale sector or in the public sector. The larger industrial houses would ordinarily be excluded from those areas, not included in this list except where production is mainly for exports. Foreign concerns, and subsidiaries and branches of foreign companies would also be placed on the same footing as the large industrial houses, subject, however, to the guidelines on the dilution of foreign equity.

(3) While the limit for exemption from licensing provisions both for substantial expansion and for new undertaking would continue to be Rs. 1 crore, licensed or registered undertakings having fixed assets exceeding Rs. 5 crores should obtain an industrial licence for expansion or diversification.

(4) Each proposal for setting up of a joint sector project will be judged and decided on merits, in the light of the Government's socio-economic objectives. The undertakings covered by the MRTP Act would not be permitted to use the joint sector as a device for entry into industries from which they are otherwise precluded.

(5) Small and medium entrepreneurs will be encouraged, in preference to large industrial houses and foreign companies, to set up new capacity. Besides, the area of reservation for the small scale sector would be extended, if need be, with reference to its present performance and potentialities.

In October 1973, the Government announced a new industrial licensing procedure, mainly to ensure issue of various clearances within definite time targets. It was stipulated that letters of intent, foreign collaboration approvals and capital goods clearances would be issued within 90 days of the receipt of applications in each case. In the case of application for licences falling under the MRTP Act, however, the clearance would be given within a period of 150 days.

Policy Changes in 1974 and After :

With a view to removing rigidity wherever in evidence, in the licensing system and making it more flexible and production oriented, the Government of India allowed diversification in certain industries during 1974 under the Industrial (Development & Regulation) Act, 1951. Besides, the Government has finalised proposals for amendments to the Industrial (Development and Regulation) Act, 1951, which has remained basically unchanged since 1951. Some of the important proposals were :

(1) For selected industries the basis of licensing may be shifted from capacity defined in terms of output to capacity defined according to critical components or critical raw materials, where supply was sought to be regulated through licensing.

(2) Selected industries in the engineering fields, identified by the Sondhi Committee, may be allowed automatic growth of capacity upto 25 per cent of their licensed capacity. Those who obtain sanction for 125 per cent of their capacity could get their licences endorsed for enhanced capacity so as to permit them to increase their output by another 25 per cent in the next period.

(3) Small scale industries are to be brought under the purview of the Act.

(4) Deliberate restrictions of output by particular industries should be curbed by using effectively the provisions of the Act.

Trends in Industrial Licensing

The consolidated position showing the issue of industrial licences from 1972 is given in Table I. These data show a perceptible improvement in the number of issues year by year. Particularly impressive increases were recorded in 1974 over the levels recorded in 1973, in respect of industrial licences issued in favour of the categories, 'new undertakings' 'carry on business' and 'new article.' On the other hand, licences issued for substantial expansion at 185 in 1974 was lower as compared with 203 in 1973. During the first half of 1975, the total number of licences issued was 488 as against 526 in the corresponding period of 1974. The number of 'new undertakings' and cases of 'substantial expansion' which were issued industrial licences in the first half of 1975 stood at 136 and 93 as compared with 230 and 110, respectively, in the corresponding period of the preceding year. Licences issued for 'new article' and 'carry on business' had gone up in number in the first half of 1975 ; they were at 94 and 160 as against 83 and 101 in the first half of 1974.

The number of letters of intent and licences issued industry-wise during 1972, 1973 and 1974 are given in Table II. The data indicate that although investors favoured chemicals (other than fertilizers), as revealed by letters of intent, in terms of number of industrial licences issued during 1974, the first position went to 'metallurgical industries' which was followed by textiles (including those dyed, printed or otherwise processed) and chemicals (other than fertilizers).

TABLE I : INDUSTRIAL LICENCES ISSUED—CONSOLIDATED POSITION

Year	New Undertaking	Substantial Expansion	New Article	New Article/ Substantial Expansion	Carry on Business	Shifting	Total (2+3+4+5 6+7)
1	2	3	4	5	6	7	8
1972	187	135	116	3	118	4	563
1973	145	203	143	10	93	2	596
1974	428	185	161	8	317	—	1099
1974 (January-June) ..	230	110	83	2	101	—	526
1975 (January-June) ..	136	93	94	4	160	1	488

TABLE II: INDUSTRY-WISE LETTERS OF INTENT AND INDUSTRIAL LICENCES ISSUED DURING THE YEARS 1972, 1973 AND 1974

Schedule Industry	1972		1973		1974	
	Letters of Intent	Industrial Licences	Letters of Intent	Industrial Licences	Letters of Intent	Industrial Licences
1	2	3	4	5	6	7
1. Metallurgical Industries	95	62	79	68	120	285
2. Fuels	—	11	2	7	1	5
3. Boilers & Steam Generating Plants ..	—	—	1	1	—	2
4. Prime Movers (other than Electrical Generators)	1	3	3	1	1	6
5. Electrical Equipment	101	65	98	60	179	94
6. Telecommunications	37	15	45	18	7	8
7. Transportation	87	43	63	34	68	31
8. Industrial Machinery	74	41	84	40	68	55
9. Machine Tools	21	12	34	16	13	10
10. Agricultural Machinery	5	12	3	1	2	13
11. Earth Moving Machinery	3	2	5	5	—	5
12. Misc. Mech. & Engg. Industry	43	17	16	21	39	14
13. Commercial, Office & Household Equipment	21	6	14	9	8	1
14. Medical & Surgical Appliances	1	1	1	4	3	3
15. Industrial Instruments	6	1	6	2	3	3
16. Scientific Instruments	3	1	1	1	2	1
17. Mathematical, Surveying & Drawing Instruments	2	—	—	—	1	—
18. Fertilizers	—	6	2	2	6	1
19. Chemicals (other than Fertilizers)	185	64	182	59	191	117
20. Photographic Raw Film & Paper	—	—	—	1	—	—
21. Dye-Stuffs	2	5	3	1	11	5
22. Drugs & Pharmaceuticals	26	29	43	35	71	43
23. Textiles (including those Dyed, Printed or otherwise Processed)	14	21	57	97	86	140
24. Paper & Pulp (including Paper Products) ..	30	31	23	9	93	73
25. Sugar	7	16	13	27	—	67
26. Fermentation Industries	1	3	4	3	3	19
27. Food Processing Industries	37	63	20	24	54	21
28. Vegetable Oils & Vanaspati	—	5	2	7	48	6
29. Soaps, Cosmetics & Toilet Preparations ..	—	1	3	—	1	3
30. Rubber Goods	21	9	24	5	22	15
31. Leather, Leather Goods & Pickers	6	4	18	21	26	27
32. Glue & Gelatin	3	—	—	—	4	—
33. Glass	13	4	13	5	19	4
34. Ceramics	13	1	6	5	20	1
35. Cement & Gypsum Products	11	2	21	6	7	18
36. Timber Products	5	5	9	1	4	2
37. Defence Industries	1	—	—	—	—	—
38. Miscellaneous Industries	2	2	1	—	—	1
TOTAL	**877**	**563**	**899**	**596**	**1181**	**1099**

Data in Table III dealing with industrial licences given for foreign collaboration reveal that the number of cases approved rose successively from 257 in 1972 to 265 in 1973 and 359 in 1974. The number of approved cases involving financial participation stood at 55 in 1974 as against 34 in 1973 and 37 in 1972. Data regarding foreign collaboration cases in the first half of 1975 show a tendency of relative decline in respect of each of the categories—the number of applications received and disposed of, the number of cases approved and the number of approvals involving financial participation as compared with the data of the first half of 1974.

TABLE III : INDUSTRIAL LICENCES—FOREIGN COLLABORATION CASES

(In numbers)

Year	Applications received	Applications disposed of	No. of cases approved	No. of cases approved which involves financial participation
1	2	3	4	5
1972	511	482	257	37
1973	500	503	265	34
1974	481	692	359	55
1974 (January-June)	260	431	226	36
1975 (January-June)	194	213	123	16

APPENDIX II—SELECTIVE CREDIT CONTROLS: POSITION AS ON NOVEMBER 11, 1975

No. and Date of Directive and Letter	Minimum Margin	Minimum Rate of Interest	Level of Credit*	Complete Exemption
(1)	(2)	(3)	(4)	(5)
			A. Foodgrains	
DBOD. No. Dir. BC. 102 /C. 218-75 dated 11th November, 1975	1. 35% on advances against *paddy* to rice mills. 2. 35% on advances against stocks of foodgrains (used as raw material) other than paddy and rice to foodgrains processing units (other than rice mills) for stocks equivalent to four weeks' consumption of such units.	15% per annum for all parties	In respect of each party, 100% of the peak level of credit maintained by the party in any of the three preceding years (Nov.-Oct.) *viz.*, 1974-75, 1973-74 and 1972-73 (Separately in respect of advances against (*i*) Paddy and Rice and (*ii*) 'Other foodgrains' *i.e.* other than paddy and rice, *i.e.*, wheat (coarse grains and pulses). *Note:* Credit limits granted to any party against wheat at any time during the preceding three years *viz.*, 1974-75, 1973-74 and 1972-73 shall not be utilised by banks for granting credit against 'other foodgrains' (other than wheat) and banks shall strictly enforce this stipulation.	The following categories of advances are completely exempted from control : *States :* (*i*) Advances in the States of Assam, Meghalaya, Nagaland, Jammu and Kashmir, Himachal Pradesh, Orissa, Manipur, Tripura, Arunachal Pradesh and Mizoram.
	3. 25% on advances against wheat to roller flour mills. 4. 40% on advances against official warehouse receipts covering stocks of foodgrains. 5. 50% on all other advances.		*Additional Limit for New Branches :* Combined limit for advances against any one or both the groups of foodgrains stated above for each new branch opened on or after 1-1-1970 at a centre with a population of 1 lakh or below for granting advances upto Rs. 1 lakh to *new parties*.	*Public Procurement, Storage and Distribution Agencies :* (*ii*) Advances to the Food Corporation of India and State Governments. (*iii*) Advances to Co-operative Marketing Federations, Central or State Warehousing Corporations and such other agencies duly appointed as agents for the purpose of food procurement/distribution by the Food Corporation of India/Central or State Government to the extent of the stocks held by them as such agents.

* No bank shall advance against the security of any of the foodgrains where a ban on trading has been imposed in respect of that foodgrain except to wholesale or retail traders who are authorised by the State Government to deal in that foodgrain and to processing units to the extent to which and the manner in which such processing is allowed by the respective State Government.

No. and Date of Directive and Letter	Minimum Margin	Minimum Rate of Interest	Level of Credit	Complete Exemption
(1)	(2)	(3)	(4)	(5)
	Exemptions : (*i*) Advances to manufacturing units and other borrowers, wholly or partly against the security of foodgrains which are covered by a guarantee scheme of the Credit Guarantee Corporation of India Ltd.,/Credit Guarantee Organization, subject to a maximum of Rs. 25,000 for each such manufacturing unit/borrower provided it/he undertakes to borrow against foodgrains from only one bank. (*ii*) Advances to traders wholly or partly against the security of foodgrains which are covered by a guarantee scheme of the Credit Guarantee Corporation of India Ltd., subject to a maximum of Rs. 25,000 for each such trader, provided he undertakes to borrow against foodgrains from only one bank.		*Exemptions :* (*i*) Advances against wheat granted to roller flour mills. (*ii*) Advances to traders wholly or partly against the security of foodgrains which are covered by a guarantee scheme of the Credit Guarantee Corporation of India Ltd., subject to maximum of Rs. 25,000 for each such trader, provided he undertakes to borrow against foodgrains from only one bank. (*iii*) Advances to manufacturing units and other borrowers, wholly or partly against security of foodgrains which are covered by a guarantee scheme of the Credit Guarantee Corporation of India Ltd.,/Credit Guarantee Organization, subject to a maximum of Rs. 25,000 for each such manufacturing unit/borrower provided it/he undertakes to borrow against foodgrains from only one bank. (*iv*) Advances against foodgrains to foodgrain processing units. (*v*) Advances granted against the security of warehouse receipts issued by the Central or State Warehousing Corporations provided that the amount does not exceed Rs. 25,000 per borrower.	(*iv*) Advances to rice millers against pledge/hypothecation of paddy and rice held to the extent they act as Government agents, provided the stock is held separately on producers' levy account. (*v*) Advances against rationed foodgrains granted to wholesale and retail dealers appointed/licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories. (*vi*) Advances granted to Wholesale Consumers' Co-operative Stores and State and National Federations of Consumers' Co-operatives. *Others :* (*vii*) Advances against the security of maize and barley to manufacturing units (*i.e.* industrial users) and against the security of soji (rawa), flour (atta) and maida to biscuit manufacturers. (*viii*) Advances granted to processing/manufacturing units covered under the Rural Industries Projects, upto Rs. 25,000 per unit. (*ix*) Advances against the security of or by way of purchase of demand documentary bills drawn in connection with the movement of foodgrains. (*x*) Advances against high yielding/hybrid seeds produced under contract with the National Seeds Corporation Ltd.. Delhi or a State Government or which bear the certification of the said Corporation or as the case may be, the concerned State Government, or of any certification agencies authorised under the Seeds Act, 1966 and seeds notified under Section 5 of the said Act.

No. and Date of Directive and Letter (1)	Minimum Margin (2)	Minimum Rate of Interest (3)	Level of Credit (4)	Complete Exemption (5)
				(*xi*) Advances directly granted to farmers and to primary co-operative societies for extending credit to their cultivator-members against foodgrains which represent an extension of advances granted earlier against the standing crop for a period of three months from the date of harvesting the said crop, provided that the amount of each of such credit limit does not exceed Rs. 2,500 per farmer or the amount of the crop loan outstanding whichever is lower. *Exports*: (*xii*) Pre-shipment credit granted to exporters against the security of rice and other foodgrains on the basis of firm export orders/irrevocable letters of credit and post-shipment credit given in the form of purchase, negotiation or discounting of export bills or advances there against in respect of export of rice and other foodgrains.
B. Groundnut and Other Oilseeds, *viz.* Rapeseed / Mustard seed, Castorseed and Linseed				
DBOD. No. Dir. BC. 103/C 218 (H)-75 dated the 11th November 1975	*Castorseed and Linseed* 1. 50% on advances against castorseed and linseed. 2. 40% on advances against warehouse receipts issued by the Central or State Warehousing Corporations covering stocks of castorseed and linseed.	15% per annum for all parties	In respect of each party, separate ceiling for each of (*i*) Groundnut, (*ii*) Linseed and Castorseed; 100% of the peak level of credit maintained by the party in any of the three preceding years (Nov.-Oct.) *viz*., 1974-75, 1973-74 and 1972-73. *Exemptions :* (*a*) Advances against the security of oilseeds to registered oil mills* and vanaspati manufacturers.	The following categories of advances are *completely* exempted from control : *States :* (*a*) Advances to all parties in the States of Assam, Meghalaya, Nagaland, Jammu and Kashmir, Himachal Pradesh, Orissa and Manipur, Tripura, Arunachal Pradesh and Mizoram.

* All mills registered under the Factories Act, 1948 or licensed under the Industries (Development & Regulation) Act, 1951 or registered with the State Department of Industries and Commerce or any other Governmental authority.

No. and Date of Directive and Letter	Minimum Margin	Minimum Rate of Interest	Level of Credit	Complete Exemption
(1)	(2)	(3)	(4)	(5)
	Groundnut and rapeseed/mustardseed 3. 60% on advances against groundnut and rapeseed/mustardseed. 4. 50% on advances against warehouse receipts issued by the Central or State Warehousing Corporations covering stocks of groundnut and rapeseed/mustard seed. 5. 40% on advances against stocks of rapeseed/mustardseed, equivalent to two months, consumption of each mill in all the States other than Rajasthan, U.P., M.P., Bihar and West Bengal.		(*b*) Advances against the security of rapeseed/mustardseed. (*c*) Advances to traders wholly or partly against the security of oilseeds which are covered by a guarantee scheme of the Credit Guarantee Corporation of India Ltd., subject to a maximum of Rs. 25,000 for each trader provded he undertakes to borrow against oilseeds from only one bank. (*d*) Advances to manufacturing units and other borrowers, wholly or partly against the security of oilseeds, which are covered by a guarantee scheme of Credit Guarantee Corporation of India Ltd.,/Credit Guarantee Organization subject to a maximum of Rs. 25,000 for each unit/borrower, provided it/he undertakes to borrow against oilseeds from only one bank.	*Minor Oilseeds :* (*b*) Advances against the security of oilseeds other than groundnut, mustardseed/rapeseed, castorseed and linseed. *Public Procurement, Storage and Distribution Agencies :* (*c*) Advances to the Food Corporation of India and the State Trading Corporation. (*d*) Advances to the Wholesale Consumers' Co-operative Stores and the State and National Federation of Consumers' Co-operatives. (*e*) Wholesale and retail dealers appointed/licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of the quantum meant for public distribution.
	6. 25% on advances against stocks of controlled edible oilseeds viz., groundnut and rapeseed/mustardseed, equivalent to two months' consumption of each mill in Rajasthan, U.P., M.P., Bihar and West Bengal *Exemptions :* (*a*) Advances to traders wholly or partly against the security of oilseeds which are guaranteed by a guarantee scheme of Credit Guarantee Corporation of India Ltd., subject to a maximum of Rs. 25,000/- for each trader provided he undertakes to borrow against oilseeds from only one bank.		(*e*) Advances directly granted to farmers and primary co-operative secieties for extendin credit to their cultivator-members against oilseeds, which represent an extension of advances granted earlier against the standing crop for a period of three months from the date of harvesting the said crop, provided that the amount does not exceed Rs. 2,500 per farmer or the amount of the crop loan outstanding, whichever is lower. (*f*) Advances against warehouse receipts issued by the Central or State Warehousing Corporations, provided that the amount does not exceed Rs. 25,000 per borrower.	*Exports :* (*f*) Credit limits in favour of exporters of oilseeds, de-oiled and/or de-fatted cakes in respect of oilseeds and/or extractions of oilseeds in respect of specific firm export contracts and/or against export bills. (*g*) Packing credit advances to the exporters of HPS groundnut against the security of groundnut to the extend of the value of raw material required (which should be reasonably assessed) for selecting HPS groundnut covered by the export order even though the value of the raw material exceeds the value of the relative export order, provided that such advances to the extent of the value of the residual groundnut shall be adjusted either by the sale proceeds of the residual groundnut or

No. and Date of Directive and Letter (1)	Minimum Margin (2)	Minimum Rate of Interest (3)	Level of Credit (4)	Complete Exemption (5)
	(*b*) Advances to manufacturing units and other borrowers, wholly or partly against the security of oilseeds, which are covered by a guarantee scheme of the Credit Guarantee Corporation of India Ltd.,/Credit Guantatee Organisation subject to a maximum of Rs. 25,000/- for each unit/borrower, provided it/he undertakes to borrow against oilseeds from only one bank. (*c*) Advances directly granted to farmers and primary co-operative societies for extending credit to their cultivator-members against oilseeds, which represent an extension of advances granted earlier against the standing crop for a period of three months from the date of harvesting the said crop, provided that the amount does not exceed Rs. 2,500 per farmer or the amount of the crop loan outstanding, whichever is lower.			in cash, as soon as the selection of the HPS groundnut is completed, but within 30 days from the date of such advances and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bills. *Others :* (*h*) Advances against the security of or by way of purchase of demand documentary bills drawn in connection with the movement of oilseeds. (*i*) Advances granted to processing/manufacturing units covered under the Rural Industries Projects upto Rs. 25,000 per unit.
D.B.O.D. No. DIR. B.C. 103/C. 218 (H)-75 dated the 11th November, 1975	1. (*a*) *75% on advances against* groundnut oil, rapeseed/ mustardseed oil and vanaspati. (*b*) 60% on advances against castorseed and linseed oil.	15% per annum to all parties	C. Vegetable oils (*viz.* Groundnut oil, rapeseed/ mustardseed oil, castorseed oil and Linseed oil) and vanaspati. In respect of each party, 100% of the peak level of the credit maintained by the party in	The following categories of advances are *completely* exempted from control. *States :* (*a*) Advances in the States of Assam,

No. and Date of Directive and Letter	Minimum Margin	Minimum Rate of Interest	Level of Credit	Complete Exemption
(1)	(2)	(3)	(4)	(5)
	2. (*a*) 65% *on advances against* warehouse receipts issued by the Central or State Warehousing Corporations covering stocks of groundnut oil, rapeseed/mustard seed oil and vanaspati. (*b*) 50% on stocks of castorseed and linseed oil. 3. *On advances against vanaspati to vanaspati manufacturers*— (*a*) in all the States and Union Territories other than Gujarat and Maharashtra—60%. (*b*) in the States of Gujarat and Maharashtra—75%.	*E*	any of the three preceding years (November-October) *viz*., 1974-75, 1973-74 and 1972-73. *Exemptions :* (*a*) Advances against the security of rapeseed/mustardseed oil. (*b*) Advances against vegetable oils and vanaspati to vanaspati manufacturers and registered oil mills. (*c*) Advances to traders wholly or partly against the security of vegetable oils (including vanaspati) which are covered by a guarantee scheme of the Credit Guarantee Corporation of India Ltd., subject to a maximum of Rs. 25,000 for each such trader, provided he undertakes to borrow against controlled vegetable oils (including vanaspati) from only one bank.	Meghalaya, Nagaland, Jammu and Kashmir, Himachal Pradesh, Orissa, Manipur, Tripura, Arunachal Pradesh and Mizoram. *Minor Oils :* (*b*) Advances against the security of vegetable oils other than groundnut oil, mustardseed/rapeseed oil, castorseed oil and linseed oil. *Public Procurement, Storage and Distribution Agencies :* (*c*) Advances to the Food Corporation of India and the State Trading Corporation against the stocks of vegetable oils and vanaspati. (*d*) Wholesale and ratail dealers appointed/licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of the quantum meant for public distribution.
	4. *On advances to* vanaspati manufacturers against warehouse receipts issued by the Central or State Warehousing Corporation covering stocks of vanaspati. (*a*) in all the States and Union Territories other than Gujarat and Maharashtra—50%. (*b*) in the States of Gujarat and Maharashtra—65%		(*d*) Advances to manufacturing units and other borrowers, wholly or partly against the security of vegetable oils (including vanaspati) which are covered by a guarantee scheme of the Credit Guarantee Corporation of India Ltd.,/Credit Guarantee Organization, subject to a maximum of Rs. 25,000 for each such unit/borrower, provided it/he undertakes to borrow against vegetable oils (including vanaspati from only one bank. (*e*) Advances against warehouse receipts issued by the Central or State Warehousing Corporations, provided the amount does not exceed Rs. 25,000 per borrower. (*f*) Advances to consumers' co-operatives in respect of stocks held under the centrally sponsored scheme for the distribution of essential consumer articles.	(*e*) Advances against receivables arising out of sale of vegetable oils (including vanaspati) delivered to Army Purchase Organisation and against stocks of vanaspati held by vanaspati manufacturers for being delivered to the Army Purchase Organization in the Ministry of Food and Agriculture, Government of India, New Delhi and with the prior approval of the RBI, other agencies designated for purpose by the Central and State Governments, in pursuance of contracts entered into or to be entered into with the said Organisation by the said manufacturers. (*f*) Advances to Wholesale Consumers' Co-operative Stores and the State and National Federations of Consumers' Co-operatives.

No. and Date of Directive and Letter (1)	Minimum Margin (2)	Minimum Rate of Interest (3)	Level of Credit (4)	Complete Exemption (5)
				(*g*) Advances against stocks of oil processed from linseed oil and castorseed oil for use as industrial raw material by factories.
				Exports : (*h*) Packing credit advances to the exporters of de-oiled and/or de-fatted cakes against the security of oilseeds and/or other raw material to the extent of the value of raw material required for producing cakes covered by the export order, even though the value of the raw material exceeds the value of the relative export orders; provided :
	5. *On advances to vanaspati manufacturers against controlled vegetable oils mentioned in 1 above :* (*a*) 40% on advances against stocks of such oils used as raw material equivalent to 6 weeks' consumption of each factory located in Eastern Zone. (*b*) 50% on advances against stocks of such oils used as raw material equivalent to 6 weeks' consumption of each factory located in Northern Zone, and (*c*) 50% on advances against stocks of such oils used as raw material equivalent to 4 weeks' consumption of each factory in Southern and Western Zones.**			(*i*) Such advances to the extent of the value of by-product oil shall be adjusted by the sale proceeds of the by-product oil or in cash as soon as the oil is extracted and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bills, and (*ii*) advances against the by-product oil granted in a separate account are exempted for a period of 30 days from the date of such advances. (*i*) Pre-shipment credit granted to exporters against the security of linseed oil or on the basis of firm export orders irrevocable letters of credit and post shipment credit given in the form of purchase, negotiation or discounting of export bills or advances there against in respect of export of linseed oil.
	For New Vanaspati Factories : The basis is the average actual weekly consumption from the date of establishment, and *For Vanaspati Units likely to start production in future :*			*Others :* (*j*) Advances against the security of or by way of purchase of demand documen-

** The stocks of oils mentioned in the foregoing paragraphs have to be worked out on the basis of average of *weekly* consumption during the period from October 1974 to March 1975.

No. and Date of Directive and Letter (1)	Minimum Margin (2)	Minimum Rate of Interest (3)	Level of Credit (4)	Complete Exemption (5)
	The margin is to be related to 4 to 6 weeks' requirement (as stipulated) depending on the location of the factory, based on one-third of the average weekly production capacity of the units for the fiist six months and thereafter based on the average actual weekly consumption during the preceding six months. *Exemptions :* (*a*) Advances to traders wholly or partly against the security of vegetable oils (including vanaspati) which are covered by a guarantee scheme of the Credit Guarantee Corporation of India Ltd., subject to a maximum of Rs. 25,000 for each such trader, provided he undertakes to borrow against vegetable oils (including vanaspati) from only one bank. (*b*) Advances to manufacturing units and other borrowers, wholly or partly against the security of vegetable oils (including vanaspati), which are covered by a guarantee scheme of the Credit Guarantee Corporation of India Ltd., Credit Guarantee Organization subject to a maximum of Rs. 25,000 for each such unit/borrower, provided it/he undertakes to borrow against vegetable oils (including vanaspati) from only one bank. (*c*) Advances to consumers' co-operatives in respect of stocks held under the centrally sponsored scheme for the distribution of essential consumer articles.			tary bills drawn in connection with the movement of vegetable oils and vanaspati. (*k*) Advances granted to processing/ manufacturing units covered under the RuralIndustries Projects upto Rs. 25,000 per unit.

No. and Date of Directive and Letter (1)	Minimum Margin (2)	Minimum Rate of Interest (3)	Level of Credit (4)	Complete Exemption (5)
D.B.O.D.No. Dir. BC. 104/C.218 (F)-75 dated the 11th November 1975.	A. *To mills* (1) *Mills under National Textile Corporation*: (*i*) 20% for stocks of 12 weeks' consumption (*ii*) 35% for stocks in excess of 12 weeks' consumption. (2) *Other Mills* I. For mills other than those in Bombay, Ahmedabad and in the States of Bihar and West Bengal. (*i*) 25% for stocks of 14 weeks' consumption. (*ii*) 50% for stocks in excess of 14 weeks' consumption. II. *For mills in Bombay and Ahmedabad :* (*i*) 25% for stocks of 12 weeks' consumption. (*ii*) 50% for stocks in excess of 12 weeks' consumption. III. *For mills in Bihar and West Bengal* (*i*) 20% for stocks of 14 weeks' consumption. (*ii*) 35% for stocks in excess of 14 weeks' consumption.	(*a*) 14% on advances to mills in respect of raw cotton stocks for which they are entitled for the benefit of lower margin as specified in the directive. (*b*) 15% per annum for other stocks of raw cotton held by the mills as well as to parties other than cotton mills.	D. Cotton and *Kapas*. In respect of each party other than a cotton mill : 100% of the peak level of credit maintained by theat party with the bank in any of the three precedihg years (November-October) viz., 1974-75, 1973-74 and 1972-73 *Exemptions :* (1) Advances to cotton mills (2) Advances against cotton and kapas to industrial users such as manufacturers of surgical cotton (absorbent cotton wool), provided that such stock is held by the borrower for processing and not for re-sale. (3) Advances against the security of stocks of (*a*) imported cotton and (*b*) new and/or long-staple varieties of cotton grown in India. viz., Hybrid 4 and 5 (Shankar-4 and 5), Gujarat 67 (LSC-67), MCU 4 and 5 and 8, Sujatha, Sea Island Andhrews, Hampi, Varalaxmi, Maljhari, Narmada A.51/9, Khandwa 1 and 2, Suvin, Vishnu and Badnavar 1, 320-F, Bengal Deshi, J-34 and 205, H-14, Bikaneri-Narma, R.S-89, Jawahar Kapas, Sujay, SRT-1, Jyoti, Mahalakshmi, NH-12, Bhagya (GS-23), CBS-156 and Giza-7.	The following categories of advances are *completely* exempted from control : *States :* 1. Advances in the States of Assam, Meghalaya, Nagaland, Jammu and Kashmir, Himachal Pradesh, Orissa, Manipur, Tripura, Arunachal Pradesh and Mizoram. *Exports :* 2. Advances in respect of preshipment credit for cotton exports, provided the advances are made in respect of firm export order and is repaid on negotiation of the relevant export bills on shipment. 3. Advances to cotton mills in respect of preshipment credit against such stocks of indigenous cotton and kapas as are required for the manufacture of cotton textiles (including yarn) in respect of which firm export orders have been received either directly by the mills or by the merchant-exporters through whom the mills are exporting cotton textiles (including yarn) provided the contracts with merchant-exporters are registered with Cotton Textiles Export Promotion Council and other requirements of the preshipment finance are complied with. 4. Advances against the security of or by way of purchase or discount of export bills relating to export of cotton from India.
	B. *To others (parties other than the cotton mills) :* (*i*) 25% for stocks of (*a*) imported cotton and (*b*) new and/or long-staple varieties of cotton grown in India viz., Hybrid 4 and 5		(4.) Advances against warehouse receipts issued by Central or State Warehousing Corporations, provided the amount does not exceed Rs. 25,000 per borrower.	*Others ;* 5. Advances against the security of or by way of purchase of demand documentary bills drawn in connection with the movement of cotton and kapas.

No. and Date of Directive and Letter	Minimum Margin	Minimum Rate of Interest	Level of Credit	Complete Exemption
(1)	(2)	(3)	(4)	(5)
	(Shankar 4 and 5), Gujarat 67 (LSC-67), MCU 4 and 5 and 8, Sujatha, Sea Island Andhrews Hampi, Varalaxmi, Maljhari, Narmada A-51/9, Khandwa—1 and 2, Suvin, Vishnu and Badnavar-1, 320 F, Bengal Deshi, J-34 and 205, H-14, Bikaneri-Narma, R.S. 89, Jawahar Kapas, Sujay, SRT-1, Jyoti, Mahalakshmi, NH-12, Bhagya (GS-23), CBS-156 and Giza 7. (ii) *For other Varieties;* (a) 50% of the value of relative stocks of cotton and kapas. (b) 40% on advances against warehouse receipts issued by the Central or State Warehousing Corporation covering stocks of cotton and kapas. *Exemptions :* 1. Advances against cotton and kapas to industrial users such as manufacturers of surgical cotton (absorbent cotton wool), provided that such stock is held by the borrower for processing and not for re-sale. 2. Advances to mills run by the Government of West Bengal under the National Textile Corporation or by its authorised agencies, against stocks equivalent to 14 weeks' consumption of each mill@.			6. Advances granted to processing/manufacturing units covered under the Rural Industries Projects, upto Rs. 25,000 per unit.

@ Minimum rate of interest of 14 per cent applies to advances against these stocks.

No. and Date of Directive and Letter	Minimum Margin	Minimum rate of interest	Complete Exemption.
(1)	(2)	(3)	(4)
		E. Sugar, Gur and Khandsari.	
D.B.O.D. No. Dir. BC. 105/C.218(J)-75 dated the 11th November 1975.	A. *To Sugar Factories :* (*i*) 65% on advances against the stocks of free sale sugar which have been released for sale. (*ii*) 55% on advances against warehouse receipts issued by the Central or State Warehousing Corporations covering stocks of sugar referred to in (*i*) above. (*iii*) The minimum margin on advances against the stocks of sugar other than those referred to in (*i*) above will be as under : 15% for both free sale sugar and levy sugar provided that stocks of levy sugar are valued at levy price fixed by Government and stocks of free sale sugar are valued at tariff value fixed by Government or at market price, whichever is lower. B. *Manufacturers of Gur and Khandsari ;* 50% C. *To Others :* (*i*) 65% on advances against sugar, gur and khandsari. (*ii*) 55% on advances against warehouse receipts issued by Central or State Warehousing Corporations covering stocks of sugar, gur and khandsari. *Exemption :* Advances to consumers' Co-operatives in respect of stocks held under the Centrally sponsored Scheme for the distribution of essential consumer articles.	(*i*) *For Sugar Factories ;* (*a*) 15% in respect of free sale sugar stocks which have been released by Government for sale. (*b*) 14% for free sale sugar stocks which have not been released by Government for sale. (*ii*) *For parties other than sugar factories ;* 15%.	The following categories of advances are completely exempted from control. *Public procurement, storage and Distribution Agencies ;* (*i*) Advances to Food Corporation of India. (*ii*) Advances to Wholesale Consumers' Co-operative Stores or State and National Federations of Consumers Co-operatives. *Exports :* (*iii*) Advances granted in respect of stocks of sugar pledged/hypothecated with banks which are intended for export out of India. *Others ;* (*iv*) Advances granted by way of purchase of demand documentary bills drawn in connection with movement of commodities covered by this directive. (*v*) Advances granted to processing/manufacturing units covered under the Rural Industries Projects, upto Rs. 25,000 per unit. (*vi*) Advances granted to industrial users such as confectionaries, bakeries, biscuit manufacturers, etc., against stocks of sugar, gur and khandsari pledged/hypothecated with the banks. (*vii*) Advances against sugar granted to wholesale and retail dealers appointed/licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of quantum of sugar allotted to them by the Government.

No. and Date of Directive and Letter (1)	Minimum Margin (2)	Minimum Rate of Interest (3)	Level of Credit (4)	Complete Exemption (5)
		F. Cotton Textiles Including Cotton Yarn and Fabrics and Yarn Made out of Man-Made Fibres (Including Stocks-in-Progress)		
D.B.O.D. No. Dir BC.106/C. 218(T)-75 dated the 11th November 1975.	*For traders, dealers and agents :* 30%	15 per cent per annum for traders, dealers and agents.		*Exports :* (*i*) Advances in respect of preshipment credit for exports of cotton textiles including cotton yarn, man made fibres and yarn and fibrics made out of man made fabres provided the advance is made in respect of firm export order and is repaid on negotiation of relevant export bills on shipment. (*ii*) Advances against the security of or by way of purchase or discount of export bills relating to export of cotton textiles including cotton yarn, man made fibres and yarn and fabrics made out of man made fibres, from India. *Others ;* (*iii*) Advances to traders wholly or partly against the security of cotton textiles including cotton yarn, man made fibres and yarn and fabrics made out of man made fibres which are covered by a guarantee scheme of the Credit Guarantee Carporation of India Ltd., subject to a maximum of Rs. 25,000 for each such trader, provided he undertakes to borrow against these commodities from only one bank. (*iv*) Advances against the security of or by way of purchase of demand documentary bills drawn in connection with the movement of cotton textiles including cotton yarn, man made fibres and yarn and fabrics made out of man made fibres. (*v*) Advances against the security of handloom, powerloom and hand woven cotton cloth. (*vi*) Advances against controlled cloth. (*vii*) Advances to co-operatives and nominees of State Governments handling these commodities. (*vii*) Industrial users such as those manufacturing ready made garment, sewing threads, umbrella cloth etc.

APPENDIX III—REFINANCE FROM THE INDUSTRIAL DEVELOPMENT BANK OF INDIA

(i) **For Industrial Loans :**

The Industrial Development Bank of India (IDBI) provides refinance in respect of term-loans granted to industrial concerns by eligible financial institutions and Scheduled commercial banks. Normally, loans eligible for refinance would be those granted for acquisition of assets but a portion of the loan may also be for working capital needs, provided such working capital is required on a term basis. In pursuance of an amendment to IDBI Act in December 1972, IDBI has extended refinance facilities to units engaged in maintenance, repair, testing or servicing of machinery etc., concerns engaged in fishing or providing shore facilities or maintenance thereof and also for setting up of industrial estates. The maximum period of the loan by scheduled commercial banks and State co-operative banks eligible for refinance is 15 years and in the case of the term-lending institutions (i.e., IFCI, SFCs, etc.) 25 years. The minimum amount of loan to units, other than small-scale units, continues to be Rs. 2 lakhs. However, this stipulation does not apply in the case of projects already assisted under the Scheme.

The normal rate of interest charged by the IDBI on refinance for industrial loans is 8.5 per cent per annum, provided the primary lending institution charges not more than 12 per cent per annum.

(ii) **For Loans to Small-Scale Industrial Units/ Road Transport Operators :**

Refinance is provided against term-loans granted by scheduled commercial banks, State co-operative banks and State Financial Corporations (SFCs) to small-scale units covered under the Credit Guarantee Scheme and to technicians covered under the Technician Assistance Schemes of SFCs. The minimum amount of loans to be eligible for refinance to small-scale units covered under the Credit Guarantee Scheme is Rs. 10,000 ; for road transport operators and house boats, it is Rs. 20,000 and Rs. 25,000, respectively, but these are not eligible for guarantee cover. The procedure for sanction of refinance in respect of loans upto Rs. 2 lakhs to small-scale units/small road transport operators granted by SFCs has been simplified by putting the scheme on a near automatic basis. The liberalised scheme introduced in 1971 for SFCs has since been extended to cover loans granted by the eligible banks on or after February 1, 1975. Under the scheme introduced in December 1973 for refinancing of loans to industrial estates, all types of estates excepting those set up by the Central or State Governments which are financed out of budgetary allocation, are eligible for refinance. The minimum amount of loans eligible for refinance, is kept low at Rs. 2 lakhs. Loans granted to industrial estates for construction of sheds, development of land (but not acquisition thereof) and provision of infrastructure are eligible for refinance. Refinancing facilities are also available in respect of State Finance Corporatons' loans to fishing units. The facility has not been extended to banks as the Agricultural Refinance Corporation (ARC) is already providing refinance to them in this regard.

Some SFCs have introduced schemes for financing projects not costing more than Rs. 2 lakhs in the small-scale sector promoted by self-employed technician-entrepreneurs who are unable to contribute 'owner's equity' towards capital cost of the project. With a view to extending refinancing facilities in respect of these loans, 'guarantee cover' has been waived. These loans have to be guadanteed by the respective State Governments. The proposals under this category are consirered under the normal refinance scheme and not under the liberalised (near automatic) scheme. Refinance in respect of loans to small-scale units covered under the Credit Guarantee Scheme and loans upto Rs. 5 lakhs in respect of other units is provided at 100 per cent of such loans. In respect or loans exceeding Rs. 5 lakhs, refinance is provided to the extent of 80 per cent (or more in exceptional cases) of such loans. The rate of interest for refinance in respect of loans to small-scale units covered under the Credit Guarantee Scheme and on loans under Technician Assistance Schemes of SFCs is 7 per cent provided the lending institutions do not charge more than 10.5 per cent per annum. The period of loans normally refinanced is 7 years in the case of Scheduled commercial banks and State co-operative banks and upto 10 years in the case of term-lending institutions. However, in special cases, it can be extended upto 10 years and beyond 10 years in respect of banks and term-lending institutions, respectively, depending on the nature of industry, profitability, repayment capacity, etc.

(iii) **For Loans To Industrial Units in Backward Areas :**

With a view to developing industries in backward areas of various States/Union Territories, IDBI provides refinance at a special concessional rate of interest at 5.5 per cent provided the primary lending institutions do not charge more than 9 per cent per annum. Refinance upto the full extent is provided by IDBI in respect of loans upto Rs. 30 lakhs granted by SFCs and banks to the small and medium size projects in specified backward areas, provided the paid-up capital and free reserves together of the recipient unit do not exceed Rs. 1 crore. While deciding the terms of refinance, IDBI takes into account the incentives such as, dispensing with levy of commitment charge, longer repayment period, with an initial moratorium for about 2 to 3 years in respect of instalments of principal and interest, that may be offered by the financing institutions to such units.

(iv) **For Loans under IDA Credit :**

Before June 1973, the SFCs' clientele had to look to other financial institutions for meeting the foreign currency costs of their projects. To enable the SFCs to overcome this difficulty, IDBI successfully negotiated with International Development Association (IDA), an affiliate of the World Bank, for a credit of $25 million in various currencies for onlending to SFCs for financing the import of capital goods and in special cases, technical know-how, by small and medium-size industrial concerns. The Credit which became effective from June 22, 1973 is available for being channelised only through SFCs and is linked to a programme of improvement in the operational efficiency of SFCs. The SFCs are required to implement certain operational guidelines and institutional development programmes devised for each of them. IDA provides to IDBI 60 per cent of refinance disbursed by it to SFCs under the Credit. The eligibility criteria for loans to be covered under IDA Credit are the same as under the normal refinancing scheme, excepting that the cost of the projects to be assisted under IDA Credit should not exceed Rs. 1 crore and should include foreign exchange element by way of imported machinery, etc. The loans would normally comprise of two parts viz., foreign currency component to cover the *c.i.f.* value of imported capital goods and rupee component to cover the rupee expenditure. Loans covering foreign exchange cost alone may also be considered. The period of the loans should be between 3 and 10 years, extendable on merits upto 15 years .Loans for a period of less than 3 years would also be considered on merits. The minimum amount of loan is fixed at Rs. 10,000 and the maximum limit is Rs. 30 lakhs which is the statutory limit for loans by the SFCs. The rate of interest charged by IDBI, in respect of foreign exchange component of the refinance is fixed at 8 per cent for units in the small-scale sector, backward areas or those promoted by technician-entrepreneurs, and at 8.25 per cent for the other units with corresponding rates to be charged by the SFCs on the loans being fixed at 10.5 per cent and 11 per cent, respectively. The rates of interest on rupee component are the same as applicable under IDBI's normal refinancing scheme. The proposals involving IDBI refinance above Rs. 10 lakhs are required to be referred to IDA for their prior review. The credit was available upto June 30, 1975. However, IDA's approval is being sought for extension of date for commitment of credit as the entire credit has not been committed.

(v) **For Sales of Indigenous Machinery on Deferred Payment Basis:**

The IDBI's Scheme for rediscounting of bills/promissory notes arising out of sales of indigenous machinery on deferred payment basis was introduced in April 1965. The facilities under the Scheme can be utilised by a manufacturer of machinery or his authorised selling agents/distributors provided the agents/distributors have paid in full to the manufacturer before executing the relative bills of exchange/promissory notes. This facility can also be availed of by approved design engineering concerns selling machinery fabricated according to their own designs, under their own names and guarantees. All manufacturers of indigenous machinery, whether in the public or private sector, can avail of the facilities under the Scheme. Sales of machinery for vanaspati manufacturing and brewery/winery industries on deferred payment basis have to be referred to IDBI for prior clearance if these are to be financed under the Scheme.

The sales of indigenous machinery to all purchaser-users in the private and public sectors, except those functioning as Departmental Undertakings of the Government, are covered by the Scheme.

The period of deferred payment generally ranges between six months and five years, but this can be extended upto seven years in special cases, with prior approval of IDBI. The concession of seven years of deferred payment facility is restricted to really deserving cases determined on the basis of the resources position of the purchaser units, as revealed by their balance sheets, cash-flow and profitability statements, etc. The period of deferred payment is counted from the date of despatch of machinery or from the date of execution of bills/promissory notes, whichever is earlier. Deferred payment instalments should be on half-yearly/yearly basis ; the first instalment should not fall due later than one year from the date of despatch of machinery. Erectoin, commissioning, freight, transportation, handling charges, etc. cannot be financed under the Scheme. These should be settled directly between the sellers and the purchasers outside the Scheme.

The current rediscounting rates are as follows : Bills/Promissory notes having unexpired usance of

(1) 6 months to 36 months—9 per cent per annum.

(2) Over 36 months and upto 84 months —8.5 per cent per annum.

The discounting banks are required to charge discount at not more than 1.75 per cent above the corresponding rediscounting rates of IDBI. In order to extend the benefits of this Scheme to small purchasers, the minimum amount of transaction covering a set of bills/promissory notes has been fixed at Rs. 10,000. No minimum amount of the transaction is stipulated for the sales of agricultural machinery. Normally, the Scheme covers deferred payment purchases of machinery required by purchaser-users for industrial use only : when the machinery is not required for industrial use, prior clearance of IDBI will be necessary. However, in the case of agricultural equipment and machinery, the purchases by dealers/distributors from the manufacturers of such machinery can also be financed under the Scheme. The concession has been allowed in the expectation that the dealers/distributors will extend similar facilities to the farmers, who are spread all over the country and have no direct link with manufacturers.

Normally, the facilities under the Scheme are available only in respect of complete supply of machinery/capital equipment. If the delivery of machinery is to be made in several consignments spread over a longer period as in the case of turn-key projects and the manufacturer/seller requires finance in the interim period, he should raise temporary accommodation from his bank which could be adjusted once the supply is completed and bills relating thereto are discounted. However, if the manufacturer/seller intends to obtain finance under the Scheme, in respect of partial despatches of machinery, prior clearance of IDBI should be obtained.

The ceiling for rediscounting of bills/promissory notes relating to a single purchaser is placed at Rs. 50 lakhs (inclusive of deferred payment interest) during a year, which is reckoned from October to September. As the facilities under the Scheme are not meant to be utilised for financing large units, which would normally call for detailed appraisal by the lending institution, a limit of Rs. 50 lakhs in aggregate (inclusive of deferred payment interest) instead of Rs. 50 lakhs per limit year is fixed in the case of a new project till it goes on stream. Where the cost of a project (whether a new project or a scheme for expansion/modernisation) exceeds Rs. 1 crore and where the aggregate rupee assistance sought for from all-India financial institutions (including assistance from IDBI by way of refinance and rediscounting of bills) exceeds Rs. 50 lakhs, the other all-India financial institutions and the institutions eligible for refinance and rediscounting facilities should obtain prior clearance from the IDBI for the financing pattern before sanctioning assistance to such units. The purchaser-user's limit fixed for State Electricity Boards under the Scheme is Rs. 200 lakhs (inclusive of deferred payment interest) per limit year. IDBI is also prepared to raise the annual limit upto Rs. 100 lakhs (inclusive of deferred payment interest) in the case of State Road Transport Corporations, on merits.

An important aspect of the Scheme is that the facilities can be utilised for financing purchases of indigenous machinery for export against equity participation by Indian concerns in companies abroad.

(iv) For Financing of Exports

IDBI provides refinance to the eligible banks against medium-term export credits granted by them to exporters of capital and other engineering goods (who include manufacturers, recognised export houses or other exporters of standing) in the private and public sectors. The facility also covers the overall cost of construction projects executed abroad by Indian concerns, where the bulk of the construction contracts constitutes equipment, material and services, etc., of Indian origin. Effective October 1, 1974, IDBI charges an interest rate of 6.5 per cent per annum on its refinance and financing institutions are required not to charge the exporters more than 8 per cent per annum, the ceiling prescribed by the Reserve Bank. Export credits extended for periods longer than six months upto fifteen years will be eligible to be refinanced by IDBI, subject, of course, to the transactions satisfying other terms and conditions of the scheme. No minimum or maximum limit applies to the size of the export credit that may be refinanced.

APPENDIX IV

PARTICULARS IN RESPECT OF BANKS GRANTED MORATORIUM DURING JULY 1974 TO JUNE 1975 UNDER SECTION 45 OF THE BANKING REGULATION ACT, 1949

Name of the bank	No. of offices	Name of the proposed transferee bank	Period of moratorium
(1)	(2)	(3)	(4)
	—NIL—		

APPENDIX V

STATEMENT SHOWING THE POSITION IN REGARD TO LICENCES ISSUED TO BANKS FOR OPENING OFFICES IN INDIA, IN TERMS OF SECTION 23 OF THE BANKING REGULATION ACT, 1949 DURING JULY 1974 TO JUNE 1975.

No. of licences issued for opening new offices	No. of licences issued for opening temporary/seasonal offices.	No. of licences issued for changing location of existing offices	Total number of licences issued.
(1)	(2)	(3)	(4)
2468	7	9	2484

APPENDIX VI

STATEMENT SHOWING THE NUMBER OF OFFICES OPENED OR CLOSED IN FOREIGN COUNTRIES BY INDIAN BANKS DURING JULY, 1974 TO JUNE, 1975.

No. of Offices opened : 7 (Frankfurt, Southall, Causeway Bay, Streatham, Dacca, Nassau and Abu Dhabi)

No. of offices closed : Nil

APPENDIX VII

PARTICULARS IN RESPECT OF AMALGAMATION AND TRANSFER OF LIABILITIES AND ASSETS OF BANKING COMPANIES DURING THE PERIOD JULY 1974 TO JUNE 1975

Name of the bank	No. of Offices	Name of the transferee bank	Date of amalgamation or transfer
(1)	(2)	(3)	(4)
I. List of banks amalgamated under Section 44 (A) of the B. R. Act 1949	—	—	—
II. List of banks which have transferred their liabilities and assets to other banks	—	—	—
III. List of banks whose business has been acquired by the State Bank of India under Section 35 of the State Bank of India Act, 1955 or by its subsidiaries under Section 38 of the State Bank of India (Subsidiary Banks) Act, 1959.	—	—	—

APPENDIX VIII—TRENDS IN GOLD AND SILVER PRICES, 1974-75 (July-June)

Gold

International Markets

In the London market, which is the major international market for gold, the price of gold had gone up by 13.1 per cent during the year under review (Table 1). There were broadly two phases in the movement of prices. The first indicated upward inclines lasting upto December 1974 when the peak was touched. Later followed the phase of consolidation with gold slipping to touch an average price of $ 164.20 per ounce at the end of June 1975 as against $ 154.01 a year earlier.

The first phase was marked by strong investment demand for gold which was stimulated by a combination of factors, *viz.*, decline in overall supplies of gold, generally weak security markets, and continued currency unrest. The gold quotation which closed at $ 146.75 per ounce at the end of June 1974 dropped to a low of $ 131.50 per ounce on July 5, mainly owing to pressure of sales from the holders of long positions in gold. It, however, recovered to touch by the end of July to $ 160.50 per ounce. It subsequently gained further due to the relative weakness of the dollar in exchange markets, the decline in short-term rates of interest and the impending legislation in the U.S. regarding private ownership of gold. Prices moved upto $ 169.50 per ounce on October 29 and further to $ 190 per ounce on November 18, 1974. The announcement at this time that the U.S. Treasury would auction 2 million ounces of gold in January 1975 gave a setback with the result the quotation declined steeply to $ 170.50 per ounce on December 4. But the market remained considerably bullish : on December 30, it soared up to the peak of $ 197.50 per ounce in anticipation of massive demand for gold by the American public. However, the expected 'gold rush' did not materialise. Of the two million offered on January 6, 1975, just about one-half was bid for and 750,000 ounces actually sold at about $ 153 per ounce. The recovery from then on was slow, notwithstanding the gain recorded at $ 186.25 per ounce on February 25, 1975 owing to some unfounded rumours about a Central bank support for the market. In March, the declining trend had set in with the quotation falling to $ 176.50 on March 25. As investors slowly turned to stock markets, the market had remained quiet in subsequent months and the price, reflecting a relative decline in demand, slipped to $ 166.00 per ounce on June 30, thus recording a net gain of $ 19.25 per ounce over the year.

Domestic Market

In the Bombay bullion market gold prices (measured in terms of ten grams) moving in sympathy with the international markets, made gains by 9.5 per cent over the year. From a low level of Rs. 494 per 10 grams at end June 1974, the gold price recorded a steady rise to Rs. 535 by mid-July 1974 on account of panicky buying prompted by the Government's announcement in the first week of July of anti-inflationary measures, which led to a considerable weakening of the share markets. However, lower overseas advices along with poor demand, reinforced by the Government's anti-smuggling drive brought down the price to Rs. 495 on September 2 : quotations then onward fluctuated between Rs. 525 and Rs. 497 till mid-November. But a sharp rise in international markets stimulated by expectations of heavy buying of gold in the USA pushed up the price to Rs. 536 on November 16. Subsequently, the poor demand caused a drop in the quotation to Rs. 504 on December 5, but it gathered momentum following reports of an accord on revaluation of gold stocks between the U.S.A. and France and moved up to Rs. 527 on December 31. The price again eased to Rs. 517 on January 3, 1975 in the wake of slump in the international prices as the expected 'gold rush' had not materialised. However, the price recovered to Rs. 542 on January 27, on paucity of supplies. During February, the price suffered a temporary setback and came down to Rs. 523 on February 3, but rose again to Rs. 562 on February 25, on higher overseas advices coupled with reduced supplies of contraband gold. Subsequently, the price eased to Rs. 531 on March 14 partly in sympathy with silver and partly due to increased offerings. Brisk demand in the face of poor inflow and rumours that

Table 1 : Prices of Gold

	BOMBAY MARKET (In Rupees per 10 gms.)					
	1973-74			1974-75		
	Highest	Lowest	Average*	Highest	Lowest	Average*
1	2	3	4	5	6	7
July	347.50	323.50	333.10	535.00	475.00	502.65
August	400.00	342.00	359.55	517.00	497.00	507.96
September	362.00	353.00	356.85	525.00	495.00	506.10
October	360.00	350.50	356.83	518.00	497.00	503.70
November	357.00	333.00	347.13	536.00	508.00	522.24
December	369.00	345.00	360.00	527.00	504.00	513.96
January	435.00	368.00	402.94	542.00	517.00	531.70
February	525.00	414.00	454.62	562.00	523.00	543.25
March	520.00	480.00	502.04	555.00	531.00	537.91
April	565.00	510.00	538.14	570.00	532.00	551.25
May	557.00	500.00	527.83	574.00	556.00	565.32
June	512.00	470.00	494.83	551.00	529.00	540.25

* Average of closing quotations for working days.
Source : For Bombay Market—Bombay Bullion Association Ltd.,

	GOLD PRICE : LONDON MARKET (In Dollars per fine ounce)					
	1973-74			1974-75		
	Highest	Lowest	Average	Highest	Lowest	Average£
1	2	3	4	5	6	7
July	127.00	114.00	120.36 (286.38)	160.50	131.50	142.28 (359.28)
August	117.00	92.50	106.45 (259.78)	157.50	152.25	154.36 (397.57)
September	106.98	100.00	103.14 (257.56)	158.50	144.00	151.65 (395.73)
October	103.75	97.00	99.92 (248.59)	169.50	153.50	158.53 (410.80)
November	101.50	89.75	94.65 (239.52)	190.00	168.60	181.49 (471.77)
December	112.75	100.00	106.24 (277.01)	197.50	170.50	183.68 (476.70)
January	141.75	112.25	128.30 (348.55)	185.00	171.25	176.86 (452.62)
February	178.00	132.00	150.00 (398.58)	186.25	173.50	179.55 (453.09)
March	177.00	158.25	168.30 (434.48)	181.60	176.50	178.18 (445.27)
April	179.50	166.75	172.22 (435.29)	177.65	164.25	170.07 (433.54)
May	170.50	154.25	163.57 (409.58)	172.75	163.50	167.29 (435.69)
June	160.75	143.65	154.01 (389.40)	166.00	162.25	164.20 (435.33)

£ Average of daily quotations. *Notes :* (1) The figures in brackets represent prices in rupees per 10 grammes. (2) The par value of dollar is computed at cross rates based on monthly averages of spot buying and selling rates in London effective July 1972.
Source : London Market P.T.I. Quotations.

India had sold gold in the international market had pushed up the price again to Rs. 570 on April 28. But this proved to be short-lived as slack demand coupled with lower overseas advices brought down the price to Rs. 556 on May 31, and further to Rs. 529 on June 20. The market closed at Rs. 541 on June 30 showing a net gain of Rs. 47 for ten grams over the year.

Silver

International Markets

In the New York market, the price of silver recorded a fall of 4.5 per cent over the year as against a substantial rise of 75.3 per cent in the previous year (Table 2). The price of silver which closed at 472.5 cents per ounce at end-June 1974 dropped to 394.5 cents per ounce on July 12, 1974 due to improved supplies through heavy liquidation of stock on New York commodity exchange. Thereafter, the per ounce quotation fluctuated within the range of 517.0 cents and 410.0 cents till end August and dropped to 385.0 cents on September 17—the lowest during the period under review. Soon, speculative buying pushed up the price to 520.0 cents per ounce on October 28. But owing to improvement in the stock position, the price again declined to 425.5 cents per ounce on November 19, and further to 408.5 cents per ounce on December 9, 1974. At this point, recovery took place and prices improved to 459.0 cents on February 24. Barring a short period between March 13 and March 25 when quotations slipped, the market exhibited bullishness during the rest of the period under review with minor fluctuations, the price finally recording 456.0 cents per ounce at the end of June 1975. Over the year, the silver price in the international market recorded a fall of Rs. 48 per kg. whereas the domestic market registered a more pronounced fall of Rs. 76 per kg.

Domestic Market

The price of silver ruled steady in the domestic market during the period under review in sympathy with trends in the international markets and continued official export abroad. The price which closed at Rs. 1125 per kg. at end-June 1974 dropped to Rs. 1035 per kg. on July 11. Thereafter, the price rose to Rs. 1195 per kg. by July 30, following reports of imminent ceiling on urban property and apprehensions about the Government's measures to unearth unaccounted money. As a sequel to the Government's anti-smuggling drive coupled with reported heavy arrivals from upcountry centres, particularly of U.P. and Bihar, and poor local demand, the price dropped to the lowest of Rs. 981 per kg. on September 23. With firm overseas advices and reports of export of silver to the U. K. following spurt in overseas prices, the silver quotation reached a level of Rs. 1250 per kg. on October 29. But as the overseas demand did not materialise to the extent expected, and as supplies improved, the price came down to Rs. 1110 per kg. on November 20 and further to Rs. 1030 per kg. by December 12. This downtrend was further accentuated during January-March with the quotation per kg. fluctuating between Rs. 1023 and Rs. 1111. During April, higher overseas advices coupled with fresh overseas commitment pushed up the price per kg. to Rs. 1079 on April 30 and further to Rs. 1173 on May 20. The price per kg. fluctuated between Rs. 1093 and Rs. 1192 during the rest of the period and finally closed at Rs. 1192 on June 30, 1975 thereby registering a gain of Rs. 67 over the year under review.

Note : 1. During 1974, the estimated domestic gold production at 3145 kgs. recorded a decline of 4.9 per cent as against a nominal fall of 0.4 per cent in the previous year. The output of silver at 4580 kgs., on the other hand, recorded a significant rise of 7.8 per cent as against a fall of 3.8 per cent last year.

2. There were no major developments during 1974 in respect of Gold Control.

3. Official Export of Silver during the period April 1974 to February 1975 amounted to Rs. 67·2 crores.

Table 2 : Prices of Silver

	BOMBAY MARKET (In Rupees per Kg.)					
	1973-74			1974-75		
	Highest	Lowest	Average*	Highest	Lowest	Average*
1	2	3	4	5	6	7
July	669.00	621.00	639.35	1195.00	1035.00	1111.52
August	695.00	668.00	685.50	1185.00	1058.00	1129.67
September	704.00	682.00	691.26	1070.00	981.00	1029.00
October	782.00	705.00	743.24	1250.00	1075.00	1156.96
November	810.00	781.00	795.04	1230.00	1110.00	1166.80
December	838.00	799.00	823.75	1160.00	1030.00	1092.64
January	957.00	825.00	878.08	1109.00	1028.00	1069.44
February	1420.00	937.00	1157.76	1111.00	1005.00	1058.67
March	1320.00	1190.00	1270.76	1070.00	1023.00	1048.26
April	1310.00	1085.00	1189.74	1079.00	1001.00	1034.33
May	1340.00	1130.00	1251.56	1173.00	1068.00	1131.84
June	1208.00	1121.00	1163.46	1192.00	1093.00	1087.28

Source :—Bombay Bullion Association
* Average of closing quotations for working days.

	NEW YORK MARKET (Cents Per Oz)					
	1973-74			1974-75		
	Highest	Lowest	Average£	Highest	Lowest	Average£
1	2	3	4	5	6	7
July*				517.0	394.5	441.5 (1116.9)
August	271.6	257.5	263.9 (644.0)	478.0	410.0	442.1 (1138.7)
September	286.0	255.0	268.8 (671.2)	440.5	385.0	404.9 (1056.6)
October	304.8	275.5	288.7 (718.3)	520.0	448.5	483.0 (1251.6)
November	298.0	276.7	286.4 (724.8)	516.0	425.5	468.7 (1218.4)
December	328.0	300.5	314.1 (819.0)	482.0	408.5	439.1 (1139.6)
January	401.5	326.0	362.1 (983.7)	443.0	394.5	419.3 (1073.1)
February	670.0	412.0	527.9 (1402.7)	459.0	408.0	437.0 (1102.8)
March	569.5	498.5	534.3 (1379.3)	453.0	421.0	433.2 (1082.6)
April	578.0	431.5	503.6 (1272.8)	441.0	405.0	421.7 (1087.4)
May	606.0	463.0	543.2 (1360.2)	476.0	430.0	454.0 (1182.4)
June	532.0	463.0	489.6 (1238.0)	458.0	439.0	448.9 (1190.0)

* Prices were not quoted as all transactions in Silver were suspended till August 13, 1973 owing to ceiling put on price of Silver.
£ Averages of working days.
Source : P.T.I. Quotation

APPENDIX IX—COMPANY LEGISLATION

The Companies (Amendment) Act—1974 (Act 41 of 1974)

The Companies Act of 1956 was amended in certain respects by the Companies (Amendment) Act of 1974 which came into force from February 1, 1975. Under the Amendment Act, a few changes in the MRTP Act, 1969 and the Securities Contracts (Regulation) Act, 1956 have also been made. The important amendments to the Companies Act are as follows :

1. The powers of the High Court relating to confirmation of alteration in the Memorandum of Association of a company, the issue of shares at a discount, the extension of time for filing of particulars relating to registration of charges and the convening of meetings (other than annual general meeting) in cases of impracticability are transferred to the Company Law Board, which, effective from February 1, 1975, is empowered to decide such cases quasi-judicially. The Act provides for the raising of the number of separate benches of the Company Law Board to nine, so that the issues which come up to the Board may be disposed by one or more benches formed by the Board.

2. In accordance with the amended provisions of Sections 43 A of the Act, all private companies, irrespective of their paid-up share capital, become public companies, if such companies have annual turn-over of Rs. one crore or more, calculated over a period of three consecutive financial years. This was done to ensure that private companies which are less capital-intensive but having a large turn-over should be brought under the discipline applicable to public companies, because of the public interest involved by reason of its scale of operations.

3. In accordance with the New Section 58 A, invitations for deposits or acceptance of deposits can be made only according to the rules prescribed under the Companies Act. Where the deposits were accepted in violation of the directives of the RBI Act, 1934, they would have to be repaid in full, on or before 1st April 1975 failing which the company would be liable for punishment with fine, which would be atleast twice the amount that has not been repaid. Besides, such repayment will be without prejudice to any action that may be initiated under the Reserve Bank of India Act for acceptance of deposits, in contravention of directions.

4. By Section 10 of the Amending Act, the distinction between the preference shares issued before and after the commencement of the Companies Act, 1956 has been removed. Consequently, all the preference shares are placed on the same footing, so that no extra voting right is enjoyed by the preference shares which were issued before April 1, 1956.

5. The Act provides for the declaration of holding of shares in benami ; such declarations will have to be filed within 30 days of the commencement of the Amendment Act, 1974, or within 30 days after the person concerned becoming the ostensible owner of the beneficial interest, as the case may be. The Act, however, has placed certain restrictions on the transferability of shares with a view to preventing control of companies by groups or combines, which would be prejudicial to public interest. These sections will apply only in respect of transfer of shares of companies having undertakings falling within the ambit of Chapter III of the MRTP Act, 1969.

6. A new Section 205 A, imposing some restrictions on the declaration of dividends from accumulated profits has also been incorporated in the Act. The companies having unpaid dividends for 42 days from the date of declaration of dividends, will have to deposit the dividend amount within a period of 6 months from the commencement of the Act, in a scheduled bank under a special account called "Unpaid Dividend Account." Any drawals from the reserves for the purpose of declaring dividends in future, will have to be made in accordance with the rules notified by the Government. Before declaring or paying dividend for any financial year out of the profits of the company for that year, after providing for depreciation, a percentage

of profits for that year, not exceeding 10 per cent, will have to be transferred to the reserves of the company.

7. Under Section 23 of the Amendment Act, a ceiling on the number of audits which an auditor can take up is imposed; this is applicable to the audit work relating to Government companies as well.

8. Sections 32 and 33 of the Amendment Act provide that foreign companies having an established place of business in India will have to keep proper books of account and such records should be made available to inspection of Registrar of companies and other officers authorised by the Central Government. The activities of these branches are also subject to investigation, special audit and cost audit. In the case of companies, the affairs of which are improperly managed, the Government will in future, have the power to appoint under Section 408 of the Act, such number of persons as may be considered necessary by the Central Government as directors.

A change made in the Monopolies and Restrictive Trade Practices Act, by Amendment to the Companies Act is with regard to the expression "same management" in Section 2(*g*) wherein the conditions under which two or more undertakings could be deemed to be inter-connected have been set out.

Implementation of the Monopolies and Restrictive Trade Practices Act, 1969

As detailed in the last year's Report. the companies registered under the MRTP Act have to obtain prior permission of the Central Government for substantial expansion, for setting up of new undertakings, and amalgamation or take-over of other undertkings. The details concerning notices/applications received by the Department of Company Affairs during the year under review are furnished in Table 1.

Table 1 : Disposal of Applications under MRTP Act

Items	Number					
	Received	Approved	Rejected	Withdrawn	Section not found applicable	Under consideration
1	2	3	4	5	6	7
1. Notices under Section 21 relating to substantial expansion of activities	441	150	30	47	113	101
2. Applications under Section 22 relating to establishment of new undertakings	164	49	21	28	14	52
3. Applications under Section 23 relating to merger, amalgamation or take-over of undertakings	57	30	8	3	11	5
4. Applications under Section 25 relating to appointment of directors	102	86	3	11	1	1

Particulars concerning the cases referred to the MRTP Commission are as follows :

Items	1973-74	1974-75
	(April—March)	
1	2	3
(*a*) For establishment of new units	3	5
(*b*) For substantial expansion of existing units etc.	6	2
Total	9	7

Agreements relating to trade practices are required to be registered under Section 35 of the MRTP Act. As on March 31, 1975, 17798 agreements were received of which 16193 were registered. Information in regard to Registration of Companies as well as agreements under the MRTP Act is given in Table 2.

Table 2 : Registration of Companies and Agreements under MRTP

Items	Number as on March 31, 1974	Number as on March 31 1975
1	2	3
1. Companies registered under Section 26 of the MRTP Act, 1969	853†	878†
2. (*a*) Agreements received for registration under Section 35 of the MRTP Act 1969	14912	17798
(*b*) Agreements registered	14102	16193

† These figures do not include 80 and 165 companies respectively, which were de-registered.

Dividend Restriction Act 1974

As part of the anti-inflationary measures, the Government of India promulgated the Companies (Temporary Restrictions on Dividends) Ordinance in July 1974 which was subsequently made an act of the Parliament. The Act imposed temporary restriction on the power of companies to declare dividends out of profits for two years. In terms of the Act the maximum distributable profits are limited to either 1/3 of the profits, after tax, of the company or an amount required to pay 12 per cent dividend on the face value of equity shares of the company or dividend payable on preference shares, whichever is lower. Net profits are defined as those computed in accordance with the provisions of section 349 of the Companies Act 1956 but subject to the deductions as under :

(*i*) Any income-tax payable under the Income-tax Act 1961 in respect of the profits so computed or any tax of a similar character payable in respect of such profits under any law in force in any country outside India and surtax payable in respect of such profits under the Companies (Profits) Surtax Act 1964 and (*ii*) depreciation in accordance with the provisions of section 205 of the Companies Act 1956. The Companies have been given the option to adopt either the straight line method or the written down value method for depreciation purposes.

As a follow-up measure the Government imposed with immediate effect restrictions on the frequency of issue of bonus shares by all companies with a view to preventing diversion of funds. Accordingly, the time lag between two successive announcements of bonus issues by a company was increased from 18 months to 40 months and the time lag for applying for issue of bonus shares, after the script in respect of the last bonus issue is listed on the Stock Exchange or on the completion of despatch of share certificates thereon, was increased from 12 months to 36 months(1). The Government further stipulated that the amount of free reserves to be capitalised by issuing bonus shares should not exceed the total amount of paid-up capital of the company concerned(2).

In order to remedy the depressing effect that the restrictions imposed by the Act, had on the capital market, the Government of India effected certain amendments to the Companies (Temporary Restrictions on Dividends) Act, 1974, in May 1975.The amendment which came into force with retrospective effect from March 1, 1975 enables the companies to declare out of their profits for any financial year, dividends exceeding, in aggregate their distributable profits as defined in the original Act for that financial year. It provides for the payment of excess or the deferred dividend in two annual instalments of equal size, the first of which would become due and payable after the expiry of Dividend Restriction Act in July 1976. Payment of 8 per cent interest on these dividends is also

(1) Under a package of measures announced in November 1975 by the Government, the intervals have been fixed at 24 months in the first case and 12 months in the second.

(2) This restriction was since liberalised in respect of financing approved schemes of expansion/diversification and bringing down the foreign share holding.

provided for. Further, while the deferred dividend would be included in the tax assessment, the tax on deferred dividend would not be collected till the dividend has been realised in cash.

Companies at work

Table 3 furnishes detailed information concerning the joint stock companies at work. As at the end of March 1974, there were 38335 companies at work with paid-up capital of Rs. 7075.1 crores. Of these, 450 companies were Government companies with paid-up capital of Rs. 4645.1 crores and 37,885 companies were non-Government companies with a paid-up capital of Rs. 2430.0 crores. By the end of March 1975, the total number of joint stock companies at work rose to 41763 with paid-up capital of Rs. 7397.7 crores comprising 545 Government companies with paid-up capital of Rs. 4860.7 crores and 41218 non-Government companies having paid-up capital of Rs. 2537.0 crores. Among the non-Government companies, public limited companies numbered 7306 with paid-up capital of Rs. 1946.8 crores and private limited companies stood at 33912 having a paid-up capital of Rs. 590.2 crores.

The State-wise distribution of companies at work as on March 31, 1974 and 1975 is presented in Table 4.

Table 3 : Joint Stock Companies At Work*

(Rupees crores)

Year ending	Public Limited Companies				Private Limited Companies				Public Limited & Private Limited Companies			
	Government £		Non-Government		Government £		Non-Government		Government £		Non-Government	
	No.	Paid-up capital	No.	Paid-up capital	No.	Paid-up capital	No.	Paid-up capital	No.	Paid-up capital	No.	Paid-up capital
1	2	3	4	5	6	7	8	9	10	11	12	13
31-3-1969	81	121.9	6,454	1712.0	178	1593.0	21,260	433.4	259	1714.9	27,714	2145.4
31-3-1970	81	130.2	6,436	1740.6	201	1660.4	22,242	447.1	282	1790.6	28,678	2187.7
31-3-1971	91	133.2	6,443	1775.1	223	1931.3	23,655	461.8	314	2064.5	30,098	2236.9
31-3-1972	107	156.0	6,571	1800.1	245	2213.1	25,640	483.6	352	2369.1	32,211	2283.7
31-3-1973	126	219.0	6,715	1840.0	264	2779.4	27,768	506.7	390	2998.4	34,483	2346.7
31-3-1974	147	249.1	7,027	1882.2	303	4396.0	30,858	547.8	450	4645.1	37,885	2430.0
31-3-1975	187	285.0	7,306	1946.8	358	4575.7	33,912	590.2	545	4860.7	41,218	2537.0

£ — As defined in section 617 of the companies act, 1956.
* — Provisional.

Table 4 : Joint Stock Companies at Work@ (State-Wise)

(In Rupees crores)

States/Union Territories	Public Limited Companies								Private			
	Government £				Non-Government				Government £			
	March 31,				March 31,				March 31,			
	1974		1975		1974		1975		1974		1975	
	No.	Paid-up capital	No.	Paid-up capital	No.	Paid-up capital	No.	Paid-up capital	No.	Paid-up capital	No.	Paid-up capital
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Andhra Pradesh ..	9	15.1	13	16.3	172	53.8	189	58.3	16	112.3	19	117.1
2. Assam & Meghalaya	3	5.8	5	5.8	99	35.4	108	36.6	14	13.9	17	14.4
3. Bihar	1	0.3	1	0.3	91	16.2	99	18.1	18	1542.5	25	1553.3
4. Gujarat †	14	8.4	17	9.4	335	140.6	341	149.5	5	48.9	6	93.0
5. Haryana	1	0.8	1	0.8	69	8.6	72	11.4	4	4.8	5	4.9
6. Himachal Pradesh	1	0.8	3	0.8	12	2.8	13	3.1	6	2.4	7	2.8
7. Jammu & Kashmir	1	0.1	1	0.1	12	1.0	12	1.0	7	18.9	8	18.9
8. Karnataka ..	10	11.9	11	12.7	264	60.3	280	76.0	25	212.2	30	215.0
9. Kerala	12	71.9	13	77.8	346	40.6	354	41.2	29	43.0	35	48.8
10. Madhya Pradesh	2	6.3	2	6.3	110	41.8	119	43.3	6	55.6	8	5.7
11. Maharashtra ..	11	11.8	15	14.4	1193	623.2	1238	626.8	31	166.9	34	182.7
12. Nagaland	—	—	—	—	2	—	2	—	2	6.3	2	15.9
13. Orissa	15	24.8	15	25.9	44	24.0	56	24.0	19	5.6	19	10.7
14. Punjab	1	††	1	††	87	9.7	94	10.3	1	0.1	1	0.1
15. Rajasthan ..	4	2.1	4	3.2	137	18.8	137	19.1	9	32.6	10	35.2
16. Tamil Nadu ..	18	46.2	24	53.4	728	184.8	740	187.7	15	125.3	21	133.5
17. Uttar Pradesh ..	20	24.4	28	30.4	288	52.8	305	62.4	21	24.6	23	25.8
18. West Bengal ..	13	12.0	14	17.0	2579	487.0	2655	493.5	23	140.7	29	144.0
19. Chandigarh ..	6	2.0	9	2.0	10	1.0	13	1.0	15	11.5	16	12.3
20. Delhi	2	3.7	5	7.7	427	75.2	454	78.3	32	1827.4	36	1940.8
21. Goa, Daman & Diu	1	0.6	2	0.6	15	3.9	17	4.5	1	—	1	—
22. Manipur ..	1	0.1	1	0.1	3	—	3	—	2	—	2	0.3
23. Pondicherry ..	—	—	—	—	3	0.7	4	0.7	1	0.4	2	0.4
24. Tripura	1	—	2	Nil	1	—	1	—	1	0.1	2	0.1
25. Andaman & Nicobar Islands ..	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL	**147**	**249.1**	**187**	**285.0**	**7027**	**1882.2**	**7306**	**1946.8**	**303**	**4396.0**	**358**	**4575.7**

Table 4 : Joint Stock Companies At Work@ (State-Wise)

(In Rupees crores)

States/Union Territories	Limited Companies				Public and Private Limited Companies							
	Non-Government				Government £				Non-Government			
	March 31,				March 31,				March 31,			
	1974		1975		1974		1975		1974		1975	
	No.	Paid-up capital	No.	Paid up capital	No.	Paid-up capital	No.	Paid-up capital	No.	Paid-up capital	No.	Paid-up capital
	14	15	16	17	18	19	20	21	22	23	24	25
1. Andhra Pradesh ..	797	15.4	922	19.3	25	127.4	32	133.4	969	69.2	1111	77.6
2. Assam & Meghalaya	416	8.3	522	8.6	17	19.7	22	20.2	515	43.7	630	45.2
3. Bihar	494	9.8	560	10.6	19	1542.8	26	1553.6	585	26.0	659	28.7
4. Gujarat†	1591	53.6	1752	61.5	19	57.3	23	102.4	1926	194.2	2093	211.0
5. Haryana	267	3.4	287	4.1	5	5.6	6	5.7	336	12.0	359	15.5
6. Himachal Pradesh	67	0.3	82	0.3	7	3.2	10	3.6	79	3.1	95	3.4
7. Jammu & Kashmir	95	1.2	103	1.4	8	19.0	9	19.0	107	2.2	115	2.4
8. Karnataka ..	1110	15.9	1303	17.4	35	224.1	41	227.7	1374	76.2	1583	93.4
9. Kerala	878	9.2	914	10.0	41	114.9	48	126.6	1224	49.8	1268	51.2
10. Madhya Pradesh	422	11.4	467	12.4	8	61.9	10	12.0	532	53.2	586	55.7
11. Maharashtra ..	7272	156.4	8071	163.6	42	178.7	49	197.1	8465	779.6	9309+	790.4
12. Nagaland ..	7	0.1	7	0.1	2	6.3	2	15.9	9	0.1	9	0.1
13. Orissa	182	1.6	216	1.6	34	30.4	34	36.6	226	25.6	272	25.6
14. Punjab	958	12.4	1027	13.5	2	0.1	2	0.1	1045	22.1	1121	23.8
15. Rajasthan ..	474	9.9	521	11.3	13	34.7	14	38.4	611	28.7	658	30.4
16. Tamil Nadu ..	2699	42.8	2922	47.6	33	171.5	45	186.9	3427	227.6	3662	235.3
17. Uttar Pradesh ..	1378	19.1	1551	20.7	41	49.0	51	56.2	1666	71.9	1856	83.1
18. West Bengal ..	7600	111.4	8061	111.3	36	152.7	43	161.0	10179	598.4	10716	604.8
19. Chandigarh ..	89	0.7	104	0.9	21	13.5	25	14.3	99	1.7	117	1.9
20. Delhi	3839	51.0	4270	58.6	34	1831.1	41	1948.5	4266	126.2	4724	136.9
21. Goa, Daman & Diu	156	12.5	175	14.0	2	0.6	3	0.6	171	16.4	192	18.5
22. Manipur ..	1	—	1	—	3	0.1	3	0.4	4	—	4	—
23. Pondicherry ..	60	1.4	66	1.4	1	0.4	2	0.4	63	2.1	70	2.1
24. Tripura	5	—	7	—	2	0.1	4	0.1	6	—	8	—
25. Andaman & Nicobar Islands ..	1	—	1	—	—	—	—	—	1	—	1	—
TOTAL	**30858**	**547.8**	**33912**	**590.2**	**450**	**4645.1**	**545**	**4860.7**	**37885**	**2430.0**	**41218**	**2537.0**

@ Provisional
† Gujarat includes Dadra and Nagar Haveli
£ As defined in Section 617 of the Companies Act, 1956
†† Below Rs. 5 lakhs
\+ Includes three companies with unlimited liability, registered in December 1974 in Maharashtra State
Note : Individual State-wise figures may not add-up to totals due to rounding

APPENDIX X—IMPORTANT EXPORT CONTROL/PROMOTION ANNOUNCEMENTS JULY 1974—JUNE 1975

A. CHANGES IN EXPORT CONTROL

Item (1)	Month of Announcement (2)	Details (3)
1. Bananas	April 1975	Export of bananas would be allowed freely during April 1975 to March 1976 to all permissible destinations including those in the Persian Gulf and Iran.
2. Basmati Rice	April 1975	Export of basmati rice would be allowed to all permissible destinations exclusively through the State Trading Corporation of India during the licensing period April 1975—March 1976.
3. Beef	April 1975	Export of beef (but excluding meat of Indian buffalo) and beef tallow (including tallow of Indian buffalo) was banned with effect from April 10, 1975.
4. Benzene methanol	April 1975	Export of benzene methanol and toluene was canalised with effect from April 7, 1975 through State Trading Corporation of India, New Delhi and would be allowed on merits.
5. Bisphenol 'A'	September 1974, October 1974	Export of Bisphenol 'A' was brought under control and would be allowed on merits.
6. Carbonised lignite briquettes (Leco)	March 1975	Export of carbonised lignite briquettes (leco) would remain outside the scope of canalisation through the MMTC upto end-December 1975.
7. Cardamoms	April 1975	The export of cardamoms would be allowed against advance payment received from the buyers.
8. Chemicals	September 1974, April 1975	Export of forty specified chemicals was banned except in case of contracts where irrevocable letters of credit were opened prior to the imposition of ban and export of seven other chemicals was placed on 'merits basis' with effect from September 7, 1974. In April 1975, export of 30 specified chemical items was banned with effect from April 7, 1975 and export of 18 chemical items was brought under control to be allowed on 'merits'.
9. Citric acid	May 1975	The export of citric acid was brought under control and would be allowed on 'merits'.
10. Coconuts, dessicated and copra	January 1975	Besides copra, the export of coconuts and dessicated coconut was banned with effect from January 29, 1975.
11. Cotton, raw	August 1974, September 1974.	Export of raw cotton (Bengal Deshi) and miscellaneous fibres would be allowed freely during the cotton year 1974-75 subject to a maximum of 1.5 lakh bales instead of 2.5 lakh bales announced earlier in August 1974. Export of other miscellaneous fibres would be allowed freely without quantitative restrictions.
12. Cotton textiles—mill-made: exports to Australia	December 1974, January 1975.	Export of mill-made woven cotton blouses, shirts and dresses to Australia was brought under the purview of export control with effect from December 31, 1974. This would be operative upto June 30, 1975 in pursuance of the agreements between the Governments of India and Australia. During the licensing period (i.e. upto end-June 1975), licences would be issued within ceiling on the basis of export certificates by TEXPROCIL on first-come-first-served basis.
13. Cotton textiles—mill-made: exports to Austria	December 1974, January 1975	For the purpose of licensing of cotton textiles for export to Austria during the licensing period 1975 (1st January 1975 to 31st December 1975), the year had been divided into two six-month licensing periods; upto end-June 1975 licences would be issued freely on first-come-first-served basis against quotas on production of necessary documentary deeds. The second six-

Item (1)	Month of Announcement (2)	Details (3)
		monthly (upto end-December 1975) distribution would be made in accordance with the decision of EEC/Austria/Sweden Textiles Licensing Advisory Committee.
14. Cotton textiles—mill-made: exports to Benelux countries, Denmark, France, Italy, Irish-Republic, U.K. and West Germany	January 1975, April 1975, May 1975.	The scheme for licensing of mill-made cotton textiles for export announced for the period upto end-March 1975 was extended upto end-April 1975 and further to end-December 1975. For the purpose of shipment, the last licensing period was divided into two periods, from May 1 to June 30, and from July 1 to December 31, 1975. Exports were divided into two categories—those subject to and those not subject to quantitative restrictions.
15. Cotton textiles—mill-made: exports to Sweden	September 1974, January 1975, March 1975, April 1975.	The licensing period was extended upto end-March 1975 as against end-February 1975, announced earlier. Licences would be isued on the basis of quota certificates issued by TEXPROCIL, Bombay and its representatives at Calcutta, Delhi, Ahmedabad, Cochin and Madras on the recommendations of the EEC/Austria/Sweden Textiles Licensing Advisory Committee. The scheme for licensing of exports for the period from 1st March 1975 to 29th February 1976 was announced, the shipment period being broken up into two six-month periods while the policy to be followed would be one of 'free licensing'.
16. Cotton textiles—mill-made: exports to U.S.A.	September 1974, December 1974, February 1975.	In terms of the agreement between the Governments of India and the USA, it was decided that exports of all items of mill-made cotton textiles (64 ICTA categories) would be required to obtain a visa for export to USA on and after October 1, 1974. The export visa issuing authority to the USA would be the TEXPROCIL or its up-country representatives. Exports would be issued on the basis of quota certificates issued by the TEXPROCIL on the recommendation of the USA Textile Advisory Committee, on first-come-first-served basis, within a ceiling, the licensing year being divided into two six-month periods. The export visa issuing authority of 'India Items' and handloom products would be All India Handicraft's Boards and/or Textiles Committee for India Items.
17. Cotton yarn	February 1975, May 1975	Export of all types of cotton yarn would be allowed with effect from February 17, 1975 to all destinations for shipment upto December 31, 1975. For this purpose, only contracts for export of cotton yarn which were registered with TEXPROCIL would be entertained by the Council.
18. De-oiled rice bran	April 1975	Export of de-oiled rice bran would continue to be canalised through the Solvent Extractors' Association of India, Bombay for the licensing year April 1975 to March 1976.
19. Development oriented coins	September 1974	Export of development oriented design coins of the denominations of Rs. 50/-, Rs. 10/- and 10 paise for commercial purposes would not be allowed by any other than India Government Mint, Bombay. Exports for non-commercial purposes were subject to minimum prices. Persons going abroad were allowed to take two pieces each of the said denominations with them.
20. Foodgrain seeds	April 1975	Export of foodgrain seeds including wheat seeds would be allowed freely during April 1975—March 1976 on production of a certificate of quality control from the National Seeds Corporation Ltd., New Delhi.
21. Groundnuts	November 1974, May 1975.	Exports of HPS groundnuts both in shell and kernel would be canalised through the Indian Oil and Produce Exporters' Association, Bombay, with effect from November 8, 1974 and exports would be licensed freely only to the canalising agency by endorsement on shipping bills.
22. Groundnut oil	February 1975	Exports of groundnut oil/refined groundnut oil would not be allowed during the period October 1974 to September 1975.

Item (1)	Month of Announcement (2)	Details (3)
23. Guar meal	April 1975	Export would be allowed only on production of documentary evidence of having actually exported guar gum during the current licensing year and to the extent of the guar gum exported.
24. Hides and skins	December 1974, March 1975.	The State Trading Corporation's request for higher quantum of exports was not acceded to. Quantitative restrictions were placed on exports of all categories of semi-processed hides and skins effective from August 1, 1973, earlier exports having been allowed freely upto one-third of the annual quota. During the period of restrictions, two-thirds of the annual quota of an exporter was allowed. The ceiling for the fiscal year 1975-76 was fixed at the same level as in the previous year. Quotas between E. I. tanned and chrome tanned hides and skins and also between individual items of hides and skins would continue to be non-convertible and non-interchangeable.
25. Human hair	September 1974	Raw human hair and single drawn human hair was banned with effect from September 16, 1974 while other kinds would be allowed provided they were exported through STC. Exports would be allowed only against irrevocable letters of credit on outright sale basis except in the case of "double drawn" human hair and "Tukus" which would be allowed against P.A. and D.A. terms as well.
26. Iron and steel	January 1975, March 1975. April 1975.	Export of slabs, ingots and billets through SAIL International Ltd., would be allowed with effect from January 18, 1975. Exports of tool and alloy steel scrap other than stainless steel scrap would be allowed 'on merits' and would be canalised through Metal Scrap Trading Corporation Ltd. Exports of specified categories of iron and steel, ferro alloys like ferro-manganese and ferro-manganese slag and ferro-chrome would be permitted on merits and canalised through SAIL International Ltd., while exports of ferrous scrap would be allowed on merits through MSTC. A ban has been placed on the export of forging quality steel products.
27. Khandsari sugar and gur	April 1975	Export of khandsari sugar and gur was banned with effect from April 29, 1975. However, the ban would not affect exports allowed against irrevocable letters of credit opened prior to the date of the imposition of the ban.
28. Knitwear, woollen and mixed	July 1974	Export of knitwear (olive green) was canalised through STC instead of through Handicrafts and Handlooms Exports Corporation of India, with immediate effect.
29. Lac	July 1974, March 1975, June 1975.	Minimum export selling prices for shellac, seedlac, etc. were revised with effect from May 30, 1974 and once again with effect from March 19, 1975. With effect from June 10, 1975, the export of shellac, seedlac, button lac, garnetlac and all other forms of lac was canalised through STC while the stipulation in respect of minimum prices, so far in force, was withdrawn.
30. Lead semis	February 1975.	Export of lead semis, *viz.*, sheets, circles, wires, rods, foils, etc., would not be permitted unless the f.o.b. value of the exported sheets is at least 25 per cent higher than the value of lead used therein, calculated at the rate of MMTC's ruling c.i.f. price of imported lead. This decision was to be in force upto end-March 1975.
31. Live sheep and goats	October 1974, April 1975.	Export of live sheep and goats (including lambs/kids) was licensed freely on first-come-first-served basis within a limited ceiling. The entire ceiling which was placed at the disposal of the Joint Chief Controller of Imports and Exports, Bombay was exhausted on September 30, 1974 and no further exports would be allowed. The policy for 1975-76 would be on similar lines.
32. Malt	April 1975	During the licensing year April 1975 to March 1976, export would be freely licensed within a limited ceiling.

Item (1)	Month of Announcement (2)	Details (3)
33. Manganese ore	December 1974	Exports of manganese ore were canalised through MMTC, New Delhi and exports containing more than 46 per cent manganese were to be allowed against a quota of one lakh tonnes only. In 1974-75, exports bearing 35 to 45 per cent manganese were to be reduced to 60 per cent of the exports in 1971-72 and further exports of manganese ore of all grades other than those mentioned above were to be pegged at the 1971-72 level until March 31, 1975.
34. Mango juice	April 1975, May 1975	Export of mango juice was brought under control and would be allowed freely by endorsement on shipping bills by all categories of exporters to all permissible destinations only if the f.o.b. realisation was not less than export prices. The minimum prices announced were applicable only to mango juice produced during the current year and not to old stocks.
35. Mango slices	April 1975	Export of mango slices in brine and in vinegar would be allowed freely on shipping bills to all permissible destinations by all categories of exporters during April 1975 to March 1976.
36. Marine products	August 1974, December 1974	The list of marine products under control was widened and some varieties of marine products were allowed to be licensed freely against firm orders/contracts with pre-fixed prices and not on consignment basis.
37. Mica	August 1974, June 1975	Export of all grades and varieties of mica, except manufactured and fabricated mica (including die-cut condensor films, spacers, bridges, wastes, etc.), micanite, reconstituted mica, mica powder and paper, was canalised through MMTC of India Ltd., with effect from January 24, 1972. Mica Trading Corporation of India Pvt. Ltd. will also be a canalising agency. In 1975 it was clarified that processed mica does not include processed mica powder and flakes, export of which is licensed freely.
38. Molasses and ethyl alcohol	February 1975	A ban has been placed on the export of molasses and ethyl alcohol or rectified spirit of any proof or degree whether denatured or not uptil November 1975.
39. Mustard seed/Rape-seed and Mustard oil	April 1975	Export of mustard seed/rape seed and mustard oil is subjected to a limited ceiling during the period April 1975 to March 1976 on the condition that any exports in excess of the said ceiling will require fresh clearance on individual basis. Only those parties whose demand is genuine, in small quantities and for personal consumption rather than for commercial use will be permitted to export these items.
40. Nux vomica seeds	September 1974	Export of nux vomica seeds and bark would be allowed freely on first-come-first-served basis, subject to the production of a declaration of ready stock of seeds and bark and a firm sale contract/cable offer and acceptance.
41. Onions	November 1974	Exports of onions to Singapore and Malaysia were canalised through the National Agricultural Co-operative Marketing Federation Ltd., New Delhi with effect from November 16, 1974. This decision will not affect contracts entered into where irrevocable letters of credit were opened by foreign buyers and accepted by Indian banks prior to the issue of the canalisation order. This order will remain in force till March 1976.
42. Paddy husk	April 1975	The export of paddy husk (including dried and pulverised rice (paddy) husk both in raw and processed form) but free from rice bran would be licensed freely during the licensing period April 1975-March 1976.
43. Pearl barley	April 1975	Export of pearl barley would be allowed freely within a limited ceiling on first-come-first-served basis to all categories of exporters on production of a firm sale contract or cable offer and acceptance.

Item (1)	Month of Announcement (2)	Details (3)
44. Plant waste	October 1974	Export of plant waste namely pneumaphile waste, roving waste, hard waste, rope waste, sweeping waste, not required for further processing at the spun silk mills, would be allowed freely, subject to the production of a certificate to that effect and to pre-shipment inspection by the Central Silk Board.
45. Potato seeds	April 1975	Export of potato seeds of "Khufri Sinduri variety" 'Khufri Chandramukhi variety' and 'upto-date variety' would be freely allowed on shipping bills to all categories of exporters, to all permissible destinations, on first-come-first-served basis within a ceiling, subject to the production of a certificate of quality control issued by the National Seeds Corporation of India. Export of other varieties of potato seeds would not be allowed.
46. Pulses	April 1975	The export of four categories of pulses *viz.*, gulabigram, dry peas, moth and kesari dal, would be allowed within a limited ceiling through the National Agricultural Co-operative Marketing Federation Ltd., New Delhi.
47. Rayon tyre, yarn, cord and fabrics	May 1975, June 1975	With effect from May 6, 1975 the ban on (1) Rayon Tyre Yarn of 850 deniers and above, (2) Rayon Tyre Cord of all deniers and (3) Rayon Tyre fabrics was lifted and will remain in force upto September 30, 1975, upto which time export of the above items would be allowed upto 2,500 tonnes, on a first-come-first-served basis. The time limit for export was extended to 31st March 1976 instead of September 30, 1975.
48. Raw placenta/placental blood, plasma, etc.	December 1975	Export of raw placenta, placental blood, plasma, whole human blood/plasma and all products derived from human blood except human gamma globulin and human serum-albumin manufactured from human placenta and human placental blood was banned with effect from December 21, 1974.
49. Sal Oil	September 1974	Export of sal oil was brought under control and allowed on merits.
50. Samo seeds and Kodari seeds	April 1975	Export of samo and kodari seeds would be allowed within a limited ceiling on first-come-first-served basis during the licensing period April 1975 to March 1976.
51. Seeds of ornamental plants	January 1975	Export of seeds of ornamental plants was brought under the purview of control and would be allowed on merits.
52. Sillimanite	March 1975	Canalisation of exports of sillimanite through MMTC would continue, within a limited ceiling and on the basis of endorsement on shipping bills. Messrs. Indian Rare Earths Ltd. and Messrs. Kerala Minerals and Metals would also be permitted to export the commodity in granular form alone.
53. Silver	August 1974, January 1975.	Procedure for obtaining export licence for silver was laid down and the date of shipment stipulated under the export contract was changed from within 10 days to within 15 days of the date of the contract. The value of the silver agreed to be exported should not be less than the international value of silver, *i.e.*, the London price or the official price of silver fixed by the London brokers under the rules of the London silver markets, fixed on the working day previous to the date of application, less Rs. 50 per kilogram; for exports to the U.S.A., the price was fixed at not less than the price of silver announced by Messrs. Handy and Harman, New York on the working day previous to the date of application, less Rs. 60 per kilogram.
54. Soyabeans	February 1975.	During the licensing period ending March 31, 1975 export of foods using soyabeans as base was allowed freely by all categories of exporters to all permissible destinations.

Item (1)	Month of Announcement (2)	Details (3)
55. Thatched rice	July 1974, April 1975	Exports of thatched rice (chivda) and puffed rice (murmura) would be allowed on 'licensed freely' basis during the period 1975-1976.
56. Tobacco	January 1975, March, 1975, May 1975.	Minimum floor prices for export of different grades of flue-cured virginia, sun cured virginia, 'natu' (country) and sun cured 'jutty' tobacco for crops of 1973, 1974 and 1975 were announced, while other grades would be free from minimum price restrictions. Such of the consignments of 1974 and earlier years as were covered by firm contracts concluded on or before March 17, 1975 would be allowed clearance at minimum prices announced in February 1974 even though actual shipment is later than March 31, 1975.
57. Vanaspati	February 1975	Export of vanaspati would continue to be allowed freely upto September 1975 or till such time as the replenishment scheme under which reimbursement is allowed for export of vanaspati by an equivalent import of edible oil is operative, whichever is earlier.
58. Wheat Bran	May 1975	Export of wheat bran would be freely allowed within a limited ceiling against firm sale contracts.
59. Wild life and wild life products	August 1974, May 1975.	Requests for export by such of the registered exporters of wild life and its products who have pre-ban committments and hold a valid certificate issued by the Chief Conservator of Forest of those States where the Chief Wild Life Wardens have not been appointed to the effect that elephant (s) tendered for exports were legally procured before the date of ban, will be considered on merits. With effect from May 1, 1975 export of ivory and ivory products was banned. Export of horns of deer/stag and finished articles made therefrom would be licensed to registered exporters on production of a valid certificate of origin/legal procurement. In the export policy for 1975-76 a number of animals and birds have been included in the banned items and to avoid hardships to exporters on account of pre-ban commitments, port authorities have been instructed to take strict but discretionary action.
60. Wood and timber	August, October, November 1974, January, April, May 1975.	A modification was made in balances of allocation of rosewood exports, in respect of the ports of Bombay, Calcutta, Madras and Ernakulum, which could be released for export without insisting on the conditions of certificate of origin, but subject to all other conditions applicable to quota species. Export of red sanders (Pterocarpus Santalinus) including chips, billets and powder of red sanders would be freely permitted on production of transit permits in addition to certificate of origin. The ban on rosewood logs, imposed in April 1975 was lifted with effect from May 7, 1975.
61. Wool, raw	April 1975	The policy during 1975-76 for raw wool (indigenous) except angora goat hair and mohair would be similar to that adopted in 1974-75.
62. Wool, waste	October 1974	A ban was imposed on the export of wool waste with effect from October 22, 1974.
63. Writing and printing paper, all sorts	December 1974, May 1975.	Art paper, chrome paper and imitation art paper including art and chrome paper/boards were excluded from the category of 'writing and printing paper, all sorts'. With effect from May 23 1975, the export of handmade paper was excluded from the ban imposed on writing paper and printing paper, all sorts.

B. EXPORT PROMOTION MEASURES

1. *Drawback facilities on exports* : The drawback scheme now covers almost all the commodities exported out of India and includes about 700 commodities where "all industry" drawback rates are available to all the exporters. The all-industry rates were revised on account of budgetary changes and were effective from June 1, 1974. About 4000 additional brand rates were fixed upto January 1, 1975 in respect of individual articles made by different manufacturers.

2. *IDBI's Buyers' Credit Scheme :* In 1974, under the buyers' credit scheme, IDBI granted credit totalling Rs. 25 crores to three financial institutions in Bangladesh to finance imports into that country of specified capital goods from India.

3. *Free Trade Zones :* With a view to invigorate the functioning of the Kandla free trade zone it was decided to treat indigenous supplies of capital goods, equipment, raw materials, components, spares, tooling and packaging materials from the rest of the country to the zone as exports and eligible for export incentives such as cash assistance, duty drawback, etc. To offset the locational disadvantages resulting in additional transport cost to the zone units, transport subsidy of 1 per cent of the f.o.b. value of exports was granted since March 1, 1974. It was also decided to take up the proposal for the establishment of a free trade zone near Dum Dum in West Bengal as a Fifth Five Year Plan Project and for this purpose a financial provision of Rs. 10 lakhs has been made, to start with, in the Annual Plan for 1975-76.

4. *Cash Assistance Scheme :* Cash assistance to 39 engineering export items was revised effective from April, 1975. The subsidy was reduced by 1 to 15 per cent for a large number of items and for the rest, the subsidy rates were maintained at earlier levels. The subsidy was raised in the case of special model bicycles.

APPENDIX XI—IMPORTANT ANNOUNCEMENTS IN REGARD TO IMPORT CONTROL POLICY, JULY 1974—JUNE 1975

Item (1)	Month of Announcement (2)	Details (3)
		A. IMPORT POLICY FOR 1974-75 (APRIL 1974—MARCH 1975)
		1. Import Policy : General.
Import Policy : April 1974 — March 1975	April 1974	The salient features of the import policy for 1974-75 and changes made in the import policy upto June 1974 were given in the Report on Currency and Finance 1973-74 (pp. 292-295).
Procedure for allotment of imported goods through public sector agencies	February 1975	In order to modify the procedure for allotment of imported goods canalised through public sector agencies, it was decided in February 1975 that all the release order holders, in future, will have to get the release orders registered with the canalising agencies within a period of sixty days from the date of their issue, in accordance with the conditions prescribed by the canalising agencies concerned.
	April 1975	However, in April 1975, on a review of position, it was decided that release orders issued till March 31, 1975 would be allowed to be registered by the canalising agencies concerned within 30 days from April 23, 1975 or within 60 days from the date of issue of the release orders, whichever is later. However, release orders issued from April 1, 1975 would have to be registered within 60 days from the date of issue of the same.
		2. Small-Scale Industries
Import of Capital Goods and Machine Tools	July 1974	It was decided to relax the import policy in regard to import of capital goods and machine tools by small-scale industrial units. The limit of Rs. 20,000 prescribed in respect of applications made directly to the regional licensing authorities has been raised to Rs. 50,000 in the case of imports from Rupee Payment Area. Besides, in dealing with such applications, the regional licensing authorities would not be required to obtain for availability of material, indigenous clearance from the D.G.T.D.
Issue of Licences for raw materials, components and spares	April 1974	In the case of small-scale units engaged in priority or non-priority industries, licences for raw materials, components and spares issued for 1973-74 were provided with the facility of 'repeat operation' to the extent of 50 per cent of the value of their licences/release orders to enable them to meet their requirements for the period April—September 1974.
	October 1974	However, it was decided to withdraw the automatic facility for 'repeat operation' in respect of import licences and release orders issued for 1973-74 enjoyed by small-scale units during April-September 1974. These units have now to apply for licences for the import of raw materials, components and spares for 1974-75 on the basis of their entitlement. For a small-scale unit in the priority sector, the entitlement would be based on the value of actual consumption during the preceding year. In the case of small-scale units in the non-priority industries, import entitlement would be on the basis of the value of licences/release orders obtained by them for the previous period or on the basis of the c.i.f. value of actual consumption during 1973-74 whichever is less. These are, however, subject to adjustment of the value permissible under the 'repeat operation'.

Item (1)	Month of Announcement (2)	Details (3)
		3. Open General Licence
Open General Licences Nos. XC VII XC VIII	October 1974 March 1975	Import of the following goods were brought under open genera licence : (*a*) wattle extract, (*b*) wattle bark, (*c*) bark for tanning excluding wattle bark, (*d*) pickled hides, skins, pelts, splits and parts thereof, (*e*) hides and skins raw or salted where the value of hides and skins is more than that of wool/hair thereof and (*f*) quebracho extract, chestnut extract and modified eucalyptus extract (myrtan). The import of these items into India would be permitted from any country except the Union of South Africa/South West Africa, Rhodesia, Pakistan and Tibet Region of China.
		4. Trade with Pakistan
	December 1974	It was decided to resume trade with Pakistan on Government to Government basis or through Goverment—controlled Trade Corporations of the two countries on the basis of free convertible currencies in accordance with the foreign exchange regulations in force in each country from time to time.
		5. Trade with Bangladesh
	December 1974	It was mutually agreed upon by the Government of India and Bangladesh that with effect from January 1, 1975 imports and exports of commodities and goods produced or manufactured in India or Bangladesh as the case may be, would be effected in freely convertible currencies, in accordance with the Import, Export and Foreign Exchange Laws, regulations and procedure, including customs formalities as may be in force in each country from time to time.
		6. Trade with Portugal
	January 1975	It was decided by the Government of India to rescind the order (in force from August 1967) prohibiting the import and export trade between India and Portugal with effect from January 1, 1975.
		7. Import Policy for Registered Exporters
	September 1974	Under the policy for Registered Exporters for 1974-75, the import of following items has been permitted against the export items indicated in brackets. (*a*) Polyamide resins—(Paints, varnishes/enamels based on polyamide) (*b*) Di-Methyl Terephthallate—(Super synthetic enamels based on polyester) (*c*) Polyester coating resins—(decorative plywood and decorative laminated plywood) (*d*) Polyester resins—general purpose and synthetic resins—other than banned (Glass fibre reinforced polyester products only) (*e*) Polyamide moulding powder—(Plastic brushes based on polyamide moulding powder).
Zinc	October 1974	With a view to making timely supplies of zinc available to exporters, it was decided that registered exporters or their nominees holding REP release orders for zinc issued to them on the Minerals and Metals Trading Corporation, under the import policy for registered Exporters, during the month of September 1974, may obtain supplies of zinc from Messrs. Cominco Binani Zinc Ltd., Kerala, against such release orders.

Item (1)	Month of Announcement (2)	Details (3)
Raw Cotton	March 1975	In accordance with Indo-Pakistan Trade Agreement of January 31, 1975, it was decided to permit import of about two lakhs bales (about 170-180 kgs. each) of raw cotton from Pakistan through the Cotton Corporation of India Ltd. The allocation of this cotton would be made by the Textile Commissioner to the mills exporting cloth, madeups and yarn, mills under the National Textile Corporation and to co-operative spinning mills.
Diesel Generating Sets	December 1974	The Government decided to permit import of stand-by diesel generating sets with a view to alleviating the problems created by unforseen cuts in power supply primarily to export oriented unit in industries where the cost of power is a relatively small percentage of the total cost of production or where power failure may lead to a heavy loss of production in industries producing items of importance to the economy. This facility would also be extended to actual users who would require such facility in order to sustain their production efforts.
Steel Items	December 1974	The import of steel items which used to be canalised through Hindustan Steel Ltd., would be canalised through SAIL International Ltd., with effect from January 1, 1975. The release orders for these items would also be issued in the name of the latter.
Stainless Steel	July 1974	It was decided that entitlement of small scale industries pending assessment of capacity would be determined on the basis of the value of machinery installed as on March 31, 1974 or having regard to actual consumption in the prescribed period, whichever is less. Applications from proposed units would not be considered but applications from units engaged in the manufacture of wiper arms and blades and dairy equipment would be considered subject to availability of foreign exchange and having regard to the fact that existing capacity for these products in the country is sufficient to meet domestic requirements. However, the preference given for import of raw materials, components and spares and machinery to industrial units set up by engineering graduates and ex-service personnel or set up in backward areas would not apply in so far as stainless steel is concerned.
Synthetic Resins	September 1974	It was decided that in future import licences issued for synthetic resins which is required as a raw material in paints, adhesives, plastic goods and surface coating industries would not be valid for the import of polyamide resins, polyester resins and polyester chips of textile grade which are required in the manufacture of nylon fibre/filament and poleyster fibre/filament as hitherto.
Dates from Iraq	August 1974	**8. Specified Commodities**

It was decided to grant licences for import of dates from Iraq to the established importers, having past import of dates from that country within the prescribed basic years *viz.* 1956-57 to 1970-71, as follows :

Scale of Past Imports	*Quota*
(1) Upto Rs. 1.5 lakhs	100 per cent subject to a minimum of Rs. 13,750.
(2) Between Rs. 1,5 lakhs and Rs. 5 lakhs	95 per cent subject to a minimum of Rs. 1.5 lakhs.
(3) Between Rs. 5 lakhs and Rs. 15 lakhs	60 per cent subject to a minimum of Rs. 4.75 lakhs and a maximum of Rs. 7.5 lakhs.
(4) Above Rs. 15 lakhs	50 per cent subject to a maximum of Rs. 9 lakhs.

Item (1)	Month of Announcement (2)	Details (3)
		It was decided to grant licences for import of dates from Iraq to the co-operative societies dealing in fresh fruits subject to the production of (*a*) certificate from the Registrar of Co-operative Societies, (*b*) an affidavit from the co-operative society, (*c*) a certificate from a Chartered Accountant to the effect that the Society has a turn-over of a minimum of Rs. 15,000 in fresh fruits during any one of the financial years 1967-68 to 1971-72.
Cotton Staplings	November 1974	The Government decided to allow import of 40,000 bales (of 180 kgs. each) of cotton staplings 1-3/16" and above from Arab Republic of Egypt. Out of this release, 32,000 bales would be imported through Cotton Corporation of India Ltd. and the balance would be imported through trade. The entire quantity would be allocated to mills by the Textile Commissioner on the basis of recommendations made by the Indian Cotton Mills' Federation.
Dates from Oman (Muscat)	October 1974	It was decided to grant licences for the import of 'dates' from Oman (Muscat) during the licensing period July 1974-June 1975 to established importers on annual basis as follows :

Scale of Past Imports	*Quota*
(1) Upto Rs. 12,500	Minimum of 12,500.
(2) Between Rs. 12,500 and Rs. 1.5 lakhs	50 per cent subject to a minimum of Rs. 12,500.
(3) Between Rs. 1.5 lakhs and Rs. 5 lakhs	45 per cent subject to a minimum of Rs. 75,000.
(4) Above Rs. 5 lakhs	40 per cent subject to a minimum of Rs. 2,25,000.

		The licences would be granted on the basis of past imports of dates from that country within the prescribed basic years.
Fruits dried, preserved or salted, from Iran	November 1974	It was decided to grant import licences for various commodities such as fruits, dried, salted or preserved all sorts, dates, medicinal herbs, asafoetida and other miscellaneous items from Iran to established importers having past imports from that country within the prescribed basic years.

B. IMPORT POLICY FOR APRIL 1975-MARCH 1976

Import Policy : April 1975-March 1976	April 1975	The import policy of 1975-76 has laid stress on making the policy more responsive to the needs of raising industrial production and diversion of such production to export markets as far as possible. The main features relate to encouraging import substitution and elimination of non-essential imports as well as the delays in providing import licences for raw materials and components.
		The salient features of the import policy for 1975-76 are set out below :
		1. The classification of industries as "priority" and "non-priority" introduced since devaluation of the rupee in June 1966 was done away with. Instead, a new classification, namely, "select industries" was introduced which contained 29 categories comprising 79 items.

Item (1)	Month of Announcement (2)	Details (3)
		2. In order to utilize the excess capacity for export production a provision was made to link import licences to export performance on an industry-wise basis. Accordingly, all units which export at least 20 per cent of their production would be eligible for getting licences on the basis of the value of consumption of imported raw materials, irrespective of the value of licences obtained during the previous year. Such export units would be eligible for preferred sources of financing.
		3. In respect of industries where there is sufficient potential for export, compulsory export obligations was increased from 5 per cent to 10 per cent. The list of large scale units having compulsory export obligation was also revised, in anticipation that these units would further contribute to overseas sales.
		4. A simplified method for the import of spares was introduced whereby all the industries would be eligible for grant of separate licence on the basis of their import of a machinery before or after 1970, for import of spare parts and not only priority industries as stipulated earlier.
		5. Select industries would be allowed to import non-permissible items against their licences for raw materials and components upto 5 per cent of their face value.
		6. Import of iron and steel items would also be allowed under the facility of "automatic licences" just like non-steel items. The import policy for registered exporters was also rationalised in accordance with the objectives of new import policy.
		7. The system of bank guarantees which exporters had to execute for discharging their export obligation(s) against advance and imprest licences had been considerably relaxed. This was substituted by legal undertaking except in cases where the item of import would be of a sensitive nature. The bank guarantee was reduced to half in case of small-scale manufacturers.
		8. The system of automatic licensing was introduced whereby industrial units would apply directly to import control authorities for the immediate requirements of imported raw materials and components instead of applying through Director General of Technical Development (DGTD) or any other sponsoring authorities. The licences/release orders would be issued either on the basis of actual consumption of imported raw materials and components during 1974-75 or on the value of actual users' licences/release orders obtained during 1974-75 plus value of replenishment licences obtained against own exports including the replenishment entitlement adjusted against 'repeat operation,' whichever is less.
		9. Facilities for small scale industries set up in backward areas and by engineering graduates and ex-service personnel were liberalised.
		10. Twelve items of imports which could not be purchased in bulk and where the users were also large in number were decanalised.
		11. Additional facilities would be provided for the import of capital goods, scientific instruments and raw materials for research and development.
		12. Medical practitioners returning from abroad would be allowed to bring medical equipment upto Rs. 50,000 from their own foreign exchange earned without ITC formalities, provided they have been staying abroad for a continuous period of two years and require equipment for their own *bona fide* use.

Item (1)	Month of Announcement (2)	Details (3)
		13. The present value limit for import of medical, surgical, optical and dental instruments, apparatus and appliances and dental materials without ITC restrictions was raised from Rs. 2,000 to Rs. 5,000.
		14. Small-scale industries, belonging to the 'select industries' can ask for supplementary licences, through the sponsoring authorities concerned for additional requirements of raw materials and components. Such supplementary licences would be issued after taking into consideration export performance, production, programmes, stock in hand, outstanding licences in hand, the importance of the industry for the national economy and availability of foreign exchange etc.

C. CHANGE IN IMPORT DUTIES

Union Budget for 1975-76	February 1975	The Union Budget for 1975-76 introduced the following change in import duties : The countervailing duty on copper has been raised by Rs. 3,500 per tonne and on zinc by Rs. 2,125 per tonne.

APPENDIX XII—TRADE AGREEMENTS AND TRADE AND PAYMENTS ARRANGEMENTS ENTERED INTO BY INDIA DURING JULY 1974 TO JUNE 1975.

Country	Date of Agreement/ Trade Protocol	Duration of Agreement	Commodity details	Other particulars
1	2	3	4	5
1. Bangladesh	July 5, 1973	September 28, 1973 to September 27, 1976	*Imports :* Raw jute, newsprint and low grammage paper, fresh fish and dried fish, water fish salted or processed, semi-tanned cowhides including wet and blue, books, newspapers and periodicals, movies, spices, simul cotton (Kopok), ayurvedic and unani medicines (including herbs and crude drugs, pharmaceuticals) etc. *Exports :* Raw cotton, coal, tobacco, (unmanufactured) cement, cotton yarn, cotton textiles, asphalt, machine and spare parts, etc.	On December 17, 1974 it was mutually agreed upon to terminate the Balanced Trade and Payments Arrangement. All payments for trade and related transactions between the two countries shall be effected in freely convertible currency in accordance with the foreign exchange regulations and procedures, including customs formalities. However, the BTPA in respect of commercial contracts which have been already concluded for export/import of coal, jute, tobacco, newsprint and fresh fruit were extended upto end-February 1975 to enable uncompleted deliveries to be completed on the existing terms and conditions.
2. Bulgaria	September 25, 1974	January 1, 1975 to December 31, 1975	*Imports :* Capital goods, machinery and equipment, machine tools, medical apparatus, computer peripherals and computer accessories, electrical tension fuses and electric installation materials, machinery for food processing, tractors for irrigation and road construction purposes and spare parts for tractors, urea, sodium nitrate caprolactum, dyes and dye intermediates, various organic and inorganic chemicals and allied products, pharmaceutical products and intermediates, tool, alloy and special steel and other rolled steel products, zinc lead, copper sheets and rolled copper sheets, brass sheets and profiles, synthetic fibres and yarn, tobacco, etc. *Exports :* Railway wagons, bogies and automatic couplers for wagons, steel ropes and strands, wire nets, bolts, nuts and others, iron and steel castings, machine tools and accessories, cables, telecommunication equipment, mild steel electrodes, drilling equipment, chemicals, raw opium, rubber tubes and tyres, drugs and pharmaceuticals, tea, coffee, spices, groundnut H.P.S. cashew kernels, deoiled groundnut cakes, cotton, jute manufactures, raw jute, tanned hides and skins, finished leather,	This is an annual trade plan for the year 1975 concluded in terms of trade and payments agreement signed on March 6, 1974.

Country	Date of Agreement/ Trade Protocol	Duration of Agreement	Commodity details	Other particulars
1	2	3	4	5
			coir, yarn, crushed bones, horns and hooves, tobacco, iron ore, manganese ore, processed mica and mica products, ferro-chrome, leather footwear, cotton textiles, cigarette paper, plastic goods and linoleum, sports goods, etc.	
3. Burma	August 17, 1974	Initially valid upto 16-2-75. Later on extended for another 3 months, i.e., valid upto 16-5-75 for concluding contracts by Burma for the purchase of specified goods from India.	*Imports :* Rice and rice products, pulses and beans, urea fertiliser, animal feed stuff, mineral and ores, hides and skins, etc. *Exports :* Cotton yarn, textiles (fabric cotton), pharmaceuticals (including Ayurvedic materials and sandal wood), chemicals and dyes (with not less 70% Indian content), mild steel, electrical goods, construction stores, etc.,	This is in terms of a special payments arrangement concluded on August 17, 1974.
4. Czechoslovakia	December 4, 1974	January 1, 1975 to December 31, 1979	*Imports :* Data processing equipment, ancilliaries and spare parts, shoe making, tanning, leather making machinery and spare parts thereof, printing and polygraphic machinery and spare parts thereof, textile machinery, ball roller and taper bearings, component spares, tyres and raw materials for tractors, tyres and tubes, high pressure gas cylinders, fuel injection equipment components, raw materials and spares under collaboration scheme, machine tools, capital goods, diesel generating sets and spare parts, rolled steel products, seamless pipes, tubes and casings, pharmaceutical raw materials, intermediates and final products, organic and inorganic chemicals, urea, newsprint, hops, equipment and instruments components and raw materials for heavy equipment plants, glass beeds, chatons, artificial pearls and semi precious stones, etc. *Exports :* Coffee, tea, spices, cashew kernels, groundnut H.P.S., deoiled cakes/groundnut extraction, castor oil, cashew shell oil liquid and linseed oil, tobacco, crushed bones, mica and mica based products, iron ore, manganese ore, toileteries and cosmetics, finished pharmaceutical products and medicines and crude drugs, sanitary fittings, M.S. pipes and pipe fittings, hand tools and small tools, auto ancilliaries, textiles machinery, transistorised radios and others, castings and forgings, engineering goods, cotton textiles, readymade garments and handloom fabrics, woollen hosiery, linoleum, tyres and tubes, tanned and semi-tanned hides and skins, finished leather, jute manufactures, cotton yarn, handicrafts, silver hand-made jewellery, etc.	This is a new long term trade and payments agreement signed on December 4, 1974 and will come into force from January 1, 1975 after the expiry of the earlier agreement which expired on December 31, 1974. An annual trade plan for 1975 was concluded on December 4, 1974.

Country	Date of Agreement/ Trade Protocol	Duration of Agreement	Commodity details	Other particulars
1	2	3	4	5
5. Democratic People's Republic of Korea	February 6, 1975	January 1, 1975 to December 31, 1975	*Imports :* Urea, magnesia clinker, mild steel plates, electrolytic zinc, machinery and tools, insulators, graphite electrodes, crystalline graphite, amorphones graphite fluospar concentrates, various kinds of refractories, calcium carbonate, high speed steel (molybdenum), alloy structure steel, alloy tool steel, stainless steel, seamless steel pipes, peppermint oil, arsenic trioxide, calcium carbide, various chemicals, hops, etc.	This is a trade plan for 1975 concluded in terms of trade and payments agreement dated February 18, 1974.
			Exports : Jute bags, leather, manganese ore, chrome ore, tyres and tubes, machineries, bearings, wire ropes, wire netting for paper making, various chemicals, papers (cigarette and art paper), washing soaps, raw rubber, cotton textiles, woollen textiles, silk textiles, synthetic textiles, towels, woollen blankets, cotton yarn, rayon tyre card, manganese dioxide, ferro-manganese, mica, castor oil, etc.	
6. France	March 7, 1975	January 1, 1975 to December 31, 1975	*Imports :* Not specified.	
			Exports : Dried mushrooms, orange segments, canned guavas, mangoes, lichies and exotic fruit juices, textile articles made of handloom silk or cotton, synthetic and artifical fibre textiles, jute cloth and bags, articles made of coir fibre, woollen hosiery, garments other than cotton, shawls, scarves, sarees, woven carpets, etc.	This is a trade plan for 1975 in terms of the trade agreement signed on October 19, 1959, the scope of which was enlarged on March 15, 1964.
7. German Democratic Republic	November 22, 1974	January 1, 1975 to December 31, 1975	*Imports :* Potash fertiliser, machine tools and other machinery, ships, cinematographic films and X-ray films, photographic and sensitized material, rotary printing presses and other printing machinery, steel and steel products, organic and inorganic chemicals, potassium for industrial use, capital goods and equipments, diesel generators and spare parts, optical and scientific instruments, laboratory equipments, meteorological and numerical instruments for industrial use, paper for industrial use, etc.	This is a trade plan for the year 1975 in terms of the trade and payment protocol dated November 11, 1971.
			Exports : Deoiled cakes (groundnut extraction) and other deoiled cakes, tanned and semi tanned hides and skins, finished leather and leather goods, jute manufactures, cotton textiles, fittings, steel pipes and tubes, bones crushed, processed mica, tinned vegetables, fruits, juices and concentrates, tea, coffee, cashew kernels (broken), machine tools, cotton waste, tyres and tubes, etc.	

Country	Date of Agreement/ Trade Protocol	Duration of Agreement	Commodity details	Other particulars
1	2	3	4	5
8. Hungary	January 17, 1975	January 1, 1975 to December 31, 1975	*Imports :* Steel and steel products, chemicals, drugs and medicines, high pressure gas cylinders, machine tools, conveyor belts, etc. *Exports :* Groundnut oilcakes, pepper, coffee, mild steel, tubes and fittings, tinned fruit juices, confectionery, chemicals, engineering products, etc.	This is a trade plan for the year 1975 in terms of the trade and payments agreement dated March 3, 1971.
9. Iran	August 31, 1974	December 17, 1974 to December 16, 1979	*Imports :* Petroleum and petroleum products, pharmaceuticals (basic drugs), fertilisers, sulphur, caustic soda, concentrated lead, cuminseeds, fresh and dry fruits, dates, dyeing and tanning materials, medicinal herbs, gums, raw cotton, wool, hides and skins, mineral ores including copper, zinc, lead, chromite. *Exports :* Electric equipment, industrial machinery, machine tools, diesel engines, pumps and compressors, fabricated steel structurals, steel pipes and tubes, steel wire products, manufactures of iron and steel, pharmaceuticals drugs and medicines, rubber products including tyres and tubes, inorganic chemicals, fresh fruits including bananas, cotton textiles and fabrics, iron ores, jute goods, tea, sugar, cement, rice, etc.	This is a trade arrangement in terms of the trade agreement signed on March 11, 1964.
10. Iraq	January 15, 1975	April 1, 1975 to December 31, 1975	*Imports :* Dates, sulphur and other items (excluding oil). *Exports :* Tea and other items (excluding complete projects exports).	This is a trade plan for the period April 1,1975 to December 31, 1975 concluded in terms of the Indo-Iraq Trade Agreement signed on September 24, 1971.
11. Pakistan	November 30, 1974	Valid for one year and automatically extendable for an another two years unless written notice is given within three months of initial expiry of the agreement.		This agreement is in terms of a trade protocol between India and Pakistan signed on November 30, 1974. India and Pakistan lifted the embargo on trade between two countries from December 7, 1974. To begin with trade is to be between Government controlled corporations on the two sides.
12. Poland	December 21, 1974	January 1, 1975 to December 31, 1977	*Imports :* Urea (fertiliser grade), sulphur, capital goods and equipment, rolled steel products including mild steel plates, sheets, tin plates and special tool and alloy steel, machinery and equipment, agricultural tractors, spares and components,	This is a new trade and payments agreement signed on December 21, 1974. Under the provisions of this agreement, a trade plan was signed

Country	Date of Agreement/ Trade Protocol	Duration of Agreement	Commodity details	Other particulars
1	2	3	4	5
			for tractors, ship equipments, dye-intermediates, intermediates for pharmaceuticals, sera and vaccines, basic drugs in bulk, chemicals, wheel sets, wheels, tyres and axles for railway and wagon components, metal working machine tools, welding sets, textile machinery, refractory materials, etc.	with Poland on 24-1-75 for the year 1975.
			Exports : Deoiled groundnut cakes, other deoiled cakes, animal feed compounds, iron ore, rayon and synthetic fabrics, tea, cotton yarn (upon 40 counts), cotton textiles, jute goods, iron and steel castings and forgings, electrical appliances for domestic and commercial use, processed mica, black pepper, handtools and pneumatic tools, tinned fruits and juices, handloom goods including cotton fabrics, carpets, cotton waste, coffee, aluminium cables and conductors, readymade garments, woollen knitwear, steel pipes and fittings, auto ancilliaries, etc.	
13. Rumania	November 30, 1974	January 1, 1975 to December 31, 1975	*Imports :* Oil prospecting and drilling equipment, spare parts including drilling equipment for prospecting and geological survey, capital goods, machinery and equipment for various industries including chemicals, fertiliser plants and refineries, general cargo vessels and other vessels, machine tools, tractor components, tractors, electric motors, power transformers, switchgears, earth moving and construction equipment, wheel sets and other components for railway wagons, rolled steel and steel products, electronic and TV components, textile machinery, fertilisers of various kinds, various organic and inorganic chemicals, hydraulic diesel locomotives and spare parts, locomotives for mines (battery operated), electronic calculating machines for special applications, accessories and peripherals thereof, calcium carbide, lubricating oils and axle oils, synthetic fibres, graphite electrodes, etc.	This is a trade plan for 1975 in terms of the long term trade and payments agreement signed on March 24, 1971.
			Exports : Iron ore, coffee, spices, deoiled groundnut extractions, crushed animal bones, deoiled cottonseed extractions and rice bran extractions, cashew kernels, jute manufactures, cotton and cotton textiles, finished leather, hides and skins, mica, manganese, bauxite, shellac and processed shellac, rolled steel products including rails, machine tools such as automatic lathes and other engineering goods, electronic components, commercial vehicles, drugs and pharmaceutical products, etc.	

Country	Date of Agreement/ Trade Protocol	Duration of Agreement	Commodity details	Other particulars
1	2	3	4	5
14. U.S.S.R.	December 30, 1974	January 1, 1975 to December 31, 1975	*Imports :* Components, equipment and raw materials needed for manufacturing programme of Soviet-assisted projects, spare parts for the equipment delivered for projects built with the USSR assistance, sea and river ships, tankers and bulk carriers, dredgers, marine engines and other equipment, construction and earth moving equipment, air transportation means including helicopters, other equipment and spare parts, machine tools and metal working equipment including welding equipment, mining, prospecting, oil drilling, petrological and survey equipment and instruments, equipments for chemical industry, food processing industry, machinery for making thermos flasks, crushing, grinding and dressing equipment, pumps, compressors and equipment for electronic industry and computers, chemicals including reagents and laboratory chemicals and insecticides, laboratory testing equipment, control measuring and optical instruments, scientific apparatus and metal testing machinery, urea, ammonium sulphate, muriate of potash, kerosene, diesel oil, oil and lubricants, asbestos, sulphur, copper, rolled steel products, nickel, zinc, cotton, newsprint, sunflower seed oil, etc. *Exports :* Woollen knitwear, spices, readymade garments, bed linen, towels and handkerchiefs, aluminium handicrafts, aluminium power cables, detergents, automobile storage batteries, traction and other batteries, garage equipment, essential oils, castor oil, medicines and pharmaceuticals, raw materials for production of medicines, dye stuffs and intermediates, coffee, instant coffee, tea, jute manufactures, deoiled cakes including cottonseed, rice bran cakes and compound animal feed, cashew kernels, tobacco, H.P.S. groundnuts, fruit juices, spices, cardamoms, surgical instruments, vacuum flasks including refills, goat skins, semi-tanned and tanned, leather shoes, sports footwear and P.V.C. gumboots, coir goods, cigarettes, cotton textiles, tyres, machinery and equipment manufactured at Soviet assisted industrial enterprises in India, computer software, sanitary fittings, linoleum, etc.	This is a trade plan for 1975 in terms of the five year trade arrangement signed on December 26, 1970.

SUBJECT INDEX