

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

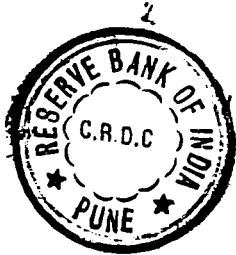


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SUBJECT INDEX

Chapter I

Review and Outlook

During the year 1982-83, the Indian economy suffered a severe setback, following a sizeable decline in agricultural output and deceleration in industrial growth. The real national income rose by only 2.1 per cent as compared with 5.0 per cent in 1981-82 and as much as 8.1 per cent in 1980-81. Reflecting these developments, the price situation came under pressure especially during the latter part of the year. During 1982-83 (July-June), prices, as measured by the wholesale price index, on a point to point basis, registered a rise of 7.5 per cent as against 2.5 per cent in the preceding year. The increase reflected the almost continuing rise recorded in the second half of the year. The price rise, as measured by average of weekly indices, worked out lower at 4.3 per cent in 1982-83 (July-June), as compared with 5.8 per cent in the preceding year. There was some improvement in the overall balance of payments during the year although the basic position continued to be difficult.

The set-back to the agricultural output in 1982-83 resulted mainly from the sharp reduction in the *kharif* output because of the severe drought that affected the greater part of the country and floods and cyclones in other areas. The output of *kharif* foodgrains declined to 69.5 million tonnes during 1982-83 from 79.4 million tonnes in 1981-82. Of the decline of 9.9 million tonnes in the *kharif* foodgrains output, rice, a major *kharif* foodgrain, accounted for 6.7 million tonnes. The adverse implications for the economy of a sizeable shortfall in the *kharif* foodgrains output were, to some extent, mitigated, by the improved out-turn in the ensuing *rabi* season. *Rabi* output of foodgrains increased by 5 million tonnes to 58.9 million tonnes in 1982-83 as compared with that in 1981-82. The improvement in *rabi* output reflected, in part, measures especially adopted to boost production under a multi-pronged action programme. These included timely supply of agricultural inputs such as fertilizers, electricity, diesel, seeds, etc., to farmers. Output of wheat, a major *rabi* crop, established a new record, with production

reaching 42.5 million tonnes in 1982-83 as compared with 37.5 million tonnes in 1981-82. Nevertheless, overall output of foodgrains at around 128.4 million tonnes during 1982-83 was lower by about 5 million tonnes than the record output of 133.3 million tonnes during 1981-82. Domestic availability of foodgrains was increased by timely imports to augment stocks under the public distribution system, demands on which had been increasing steadily following the set back to the *kharif* outturn.

Over the years, the public distribution network has been expanded. By the end of January 1983, about 2.81 lakhs ration/fair price shops had been established. Apart from this, foodgrains are also distributed under the National Rural Employment Programme (NREP) and the Employment Generation Scheme (EGS). During the first nine months of 1983 i.e., upto September 1983, the off-take of foodgrains from the public distribution system was higher at 12.7 million tonnes as compared with 10.7 million tonnes in the corresponding period of 1982. Procurement of *kharif* foodgrains was lower because of the reduced production. Rice procurement during 1982-83 season (upto end-July 1983) aggregated 7.0 million tonnes as against 7.3 million tonnes during the corresponding period of last year. Likewise, purchase of coarse grains during 1982-83 *kharif* season at 1.68 lakh tonnes was lower than 1.95 lakh tonnes during the same period of last season. The position in the case of wheat procurement was, however, much better largely because of the improved *rabi* output; procurement of wheat aggregated 8.3 million tonnes as compared with 7.7 million tonnes in the corresponding period of the preceding year. In order to build up stocks with the public distribution system, the Government contracted for import of 2.5 million tonnes of foodgrains during the current year as compared with 3.95 million tonnes in the preceding agricultural year. At the end of September 1983, foodgrains stocks with the Central and State Governments amounted to

14.1 million tonnes i.e. 2.1 million tonnes more than those a year ago.

Output of most of the principal non-food crops was also significantly lower during 1982-83. Production of oilseeds at 10.6 million tonnes registered a decline of 13 per cent as compared with 12.2 million tonnes in 1981-82. Production of raw jute (including *mesta*) at 7.2 million bales registered a sharp decline of 14 per cent. Raw cotton output at 8.3 million bales during 1982-83 was lower than that of 8.4 million bales in 1981-82. However, according to the latest official estimate, sugarcane production at 189.1 million tonnes (in terms of cane) was somewhat higher than the preceding season's output of 186.4 million tonnes.

During 1982-83 (July-June), industrial production suffered a deceleration in growth rate. The General Index of Industrial Production for 1982-83 registered a growth of only 3.3 per cent as compared with 7.3 per cent in 1981-82. The deceleration was particularly sharp during the first quarter of the year i.e. July-September 1982 which registered a growth of 2.1 per cent only as against 9.1 per cent in the corresponding period of 1981; in the subsequent quarter the growth worked out to 3.5 per cent as against 8.0 per cent in the corresponding quarter of 1982; 4.0 per cent in January-March 1983 as against 6.4 per cent in the corresponding quarter of 1982 and 3.5 per cent in April-June 1983 as against 6.1 per cent in the quarter of April-June 1982. The deceleration in industrial output has been shared by all the three sectors namely, 'manufacturing', 'mining and quarrying' and 'electricity'; output in 'manufacturing' sector, which has the highest weightage of 81.0 per cent in the General Index, registered an increase of 1.9 per cent as compared with 6.4 per cent in the preceding year. On a similar comparison, output in 'mining and quarrying' whose weight in the general index is 9.7 per cent, rose by 9.2 per cent as against 14.9 per cent and 'electricity' with a weightage of 9.2 per cent showed an increase of 6.3 per cent as against 7.1 per cent.

An analysis of the index according to the use-based classification showed that with the exception of 'intermediate goods', all the other groups shared in the deceleration. Output in basic industries (weight 32.3 per cent) rose by 6.5 per cent as against 10.1 per cent in 1981-82.

In the capital goods industries (weight 15.3 per cent), there was, in fact, a decline in output of the order of 1.6 per cent in 1982-83 as against a rise of 6.0 per cent in the preceding year. In consumer goods industries also (weight 31.5 per cent), there was a significant deceleration in growth, the increase in output in this sector being only 1.3 per cent as against 8.9 per cent in the preceding year. As mentioned earlier, in the case of intermediate goods industries (weight 21.0 per cent) the increase in output worked out higher at 4.5 per cent as against 2.6 per cent in 1981-82. The intermediate industries group includes cotton spinning, jute textiles, tyres and tubes, man-made fibres, dyestuff, petroleum products and coal.

Apart from the general constraints, namely, the dampening of demand following sharp decline in agricultural production and income and the emergence of infrastructural bottlenecks, particularly power in a number of major States in the country, the causes for the deceleration in growth of industrial output varied between industrial groups. These factors included consumer resistance to high prices as in the case of steel industry, prolonged strike in Bombay cotton textile mills and declining export demand and intensified competition from substitutes as for instance in the jute industry.

Reflecting the trends in agricultural and industrial output, real net national product (NNP) registered a smaller increase of 2.1 per cent in 1982-83 as against 5.0 per cent in the preceding year. Per capita income, at constant prices (1970-71), is also estimated to have declined from Rs. 720/- in 1981-82 to Rs. 718/- in 1982-83. At current prices, the per capita income is estimated to have risen only marginally to Rs. 1,782/- in 1982-83 from Rs. 1,750/- in 1981-82. The ratio of savings to national income remained virtually stable at the level of 16.7 per cent as discussed in Chapter II.

The price situation during the year should be considered as relatively stable against the background of the decline in agricultural output and the deceleration in industrial production. Prices, as measured by the wholesale price index, on a point to point basis, registered an increase of 7.5 per cent during 1982-83 (July-June) which is larger than the increase of 2.5 per cent recorded in the preceding year. On the basis of weekly

averages, the index rose by 4.3 per cent in 1982-83, which is smaller than 5.8 per cent in 1981-82. As has been discussed in Chapter IV, the rising trend in prices since the beginning of the year upto the end of August was followed by a decline upto December. However, since January there has been almost a continuous upward trend in prices. Along with the rise in wholesale prices, consumer prices have also recorded an increase during the year. The Consumer Price Index for Industrial Workers (on a point to point basis) registered an increase of 13.4 per cent as compared with an increase of 7.1 per cent in the preceding year. On the basis of monthly averages, the rise in the index was, however, smaller at 9.0 per cent as compared with 10.9 per cent in 1981-82.

The increase in wholesale prices was shared by all the groups. In the 'primary articles' group, reflecting the decline in agricultural output, the index for cereals, specially rice, recorded a substantial increase, over and above the increase recorded in the preceding year. Pulses which had declined sizeably in the preceding year also recorded an increase during the year. Oilseeds is yet another sub-group which recorded a sharp rise during the year as against a decline in the preceding year. Among the 'manufactured products' significant increases have been recorded in edible oils and the 'sugar' group.

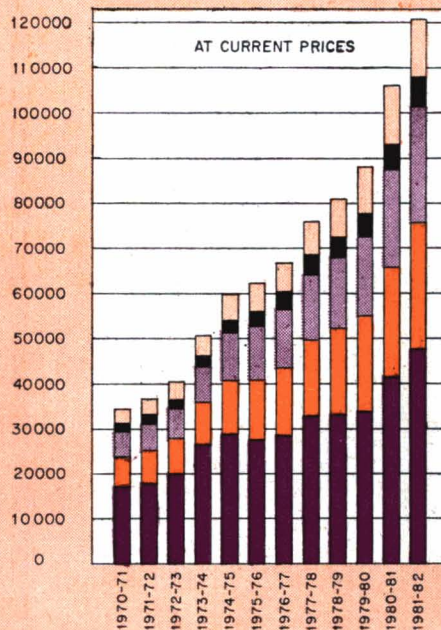
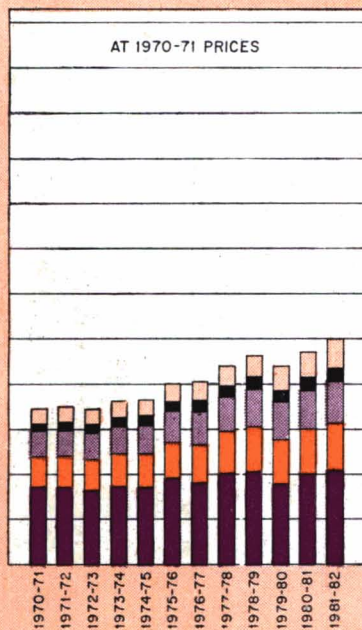
The upward trend in the prices of some of the food articles such as fruits and vegetables and the sugar group in the latter half of the year should be considered mainly seasonal. However, the sustained increase in prices of cereals, pulses and edible oils called for measures to keep the situation under control. These included planning of imports of rice and also wheat to buttress official stocks of foodgrains, stepping up the release of foodgrains, sugar and edible oils through the public distribution system and reduction in the prices of fertilizers issued to the farmers. Action on the monetary front was directed primarily to bringing about reduction in the excess liquidity with the banking system so as to contain credit expansion in line with the productive needs of the economy in the context of the trends in monetary expansion.

During the year ended June 1983, money supply recorded larger expansion both in absolute and relative terms as compared with the preceding

year. Narrow money, M_1 , rose by Rs. 3,260 crores or 12.3 per cent, compared with the increase of Rs. 2,508 crores or 10.4 per cent in 1981-82. Aggregate monetary resources expanded by Rs. 10,108 crores or 15.3 per cent in 1982-83 compared with the expansion of Rs. 7,556 crores or 12.9 per cent in the preceding year. As has been discussed in Chapter V, the acceleration in monetary expansion is mainly accounted for by the larger increase in bank credit to commercial sector which expanded by Rs. 7,745 crores (17.5 per cent) in 1982-83 as compared with the rise of Rs. 6,402 crores (16.9 per cent) in 1981-82. The increase in net bank credit to Government was, however, significantly lower than in the preceding year, namely, Rs. 4,913 crores or 14.2 per cent as against Rs. 6,284 crores or 22.2 per cent in 1981-82. Also, there was a sizeable reduction in the contractionary influence of decline in net foreign exchange assets of the banking sector and rise in net non-monetary liabilities of the banking system. The decline in net foreign exchange assets of the banking sector amounted to only Rs. 381 crores during 1982-83 as compared with Rs. 1,955 crores in 1981-82.

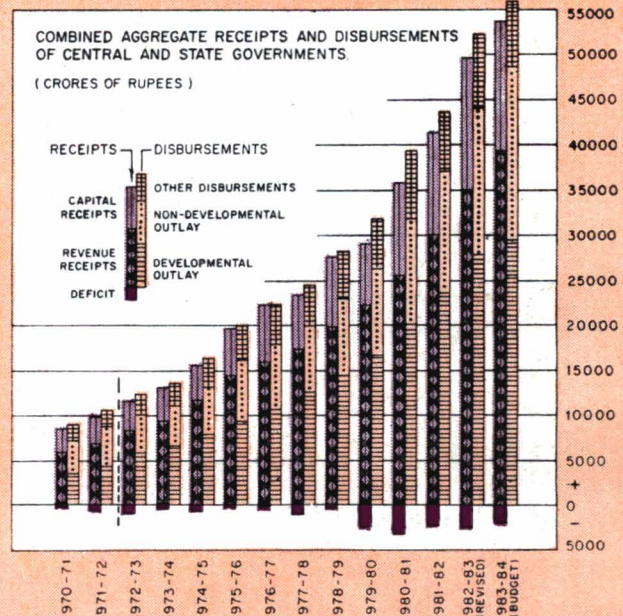
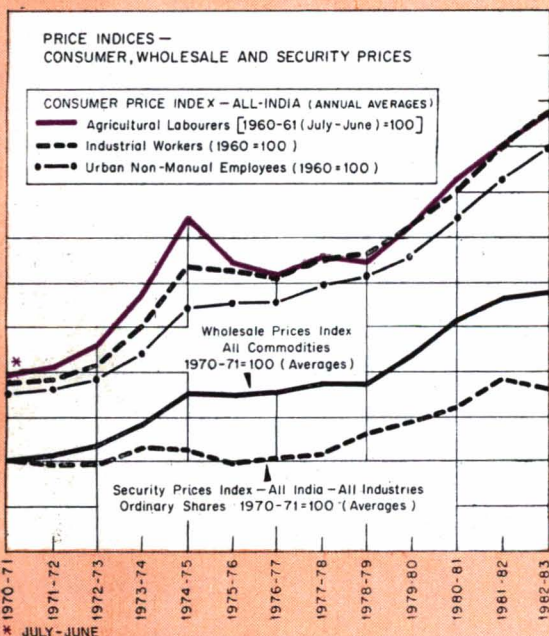
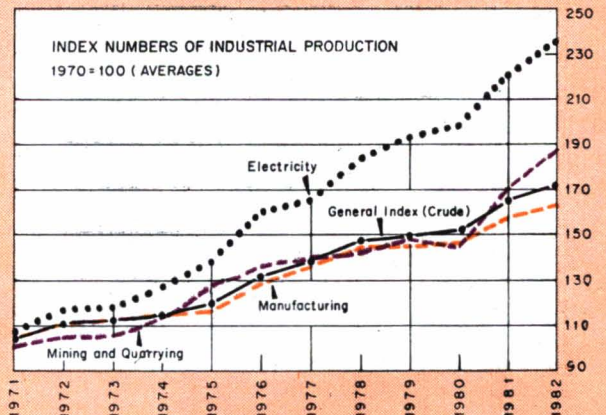
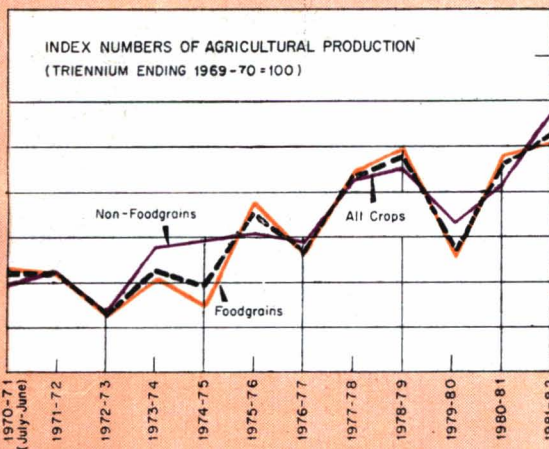
Available data on India's balance of payments position in 1982-83 (April-March) suggest some improvement after the sharp deterioration suffered in the preceding year. The country's foreign exchange reserves showed a much smaller decline of Rs. 1,122 crores excluding drawals under the IMF's Extended Fund Facility as against the decline of Rs. 2,255 crores in the preceding year excluding such drawals. On merchandise trade account, according to DGCI & S data, there was a further narrowing of the deficit to Rs. 5,467 crores in 1982-83 from Rs. 5,868 crores in the preceding year. Exports registered a smaller increase of 13.0 per cent as compared with the increase of 16.3 per cent recorded in 1981-82. Imports rose much less, by 4.4 per cent in 1982-83 as against 9.2 per cent in the preceding year. Oil imports, net of exports, in particular registered a decline reflecting both a fall in oil prices as well as reduced volume because of the sharp rise in domestic crude output. The surplus in the net invisible accounts during fiscal 1982-83 is not expected to be very much different from that in fiscal 1981-82. Gross investment income receipts were lower than those in 1981-82, whereas interest payments on external borrowings rose because of the increase

SELECTED ECONOMIC INDICATORS



NET DOMESTIC PRODUCT AT
FACTOR COST BY
INDUSTRY OF ORIGIN
(CRORES OF RUPEES)

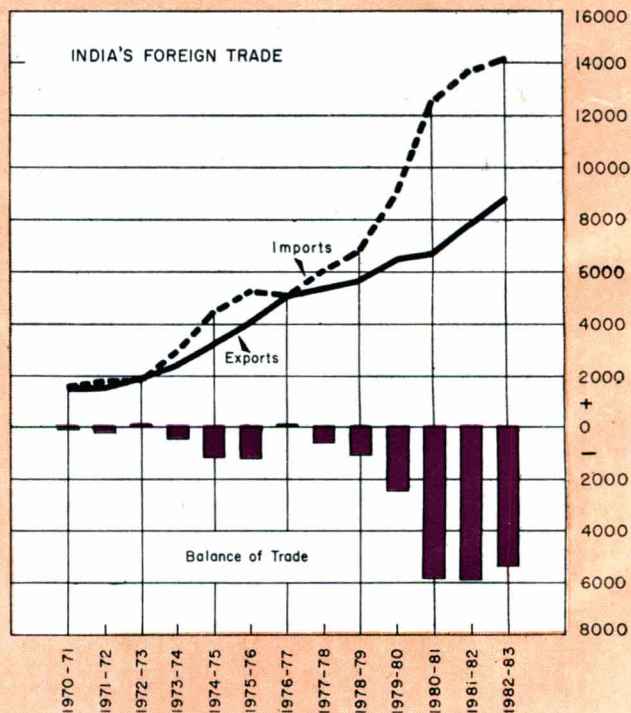
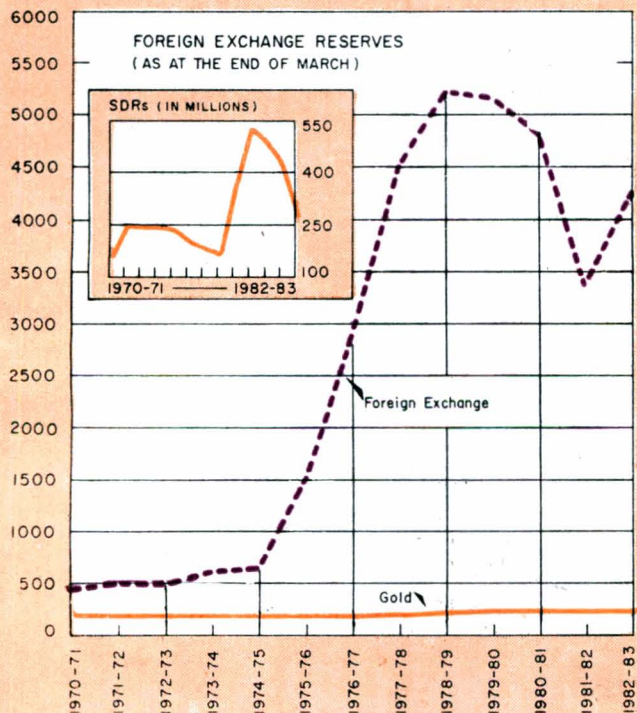
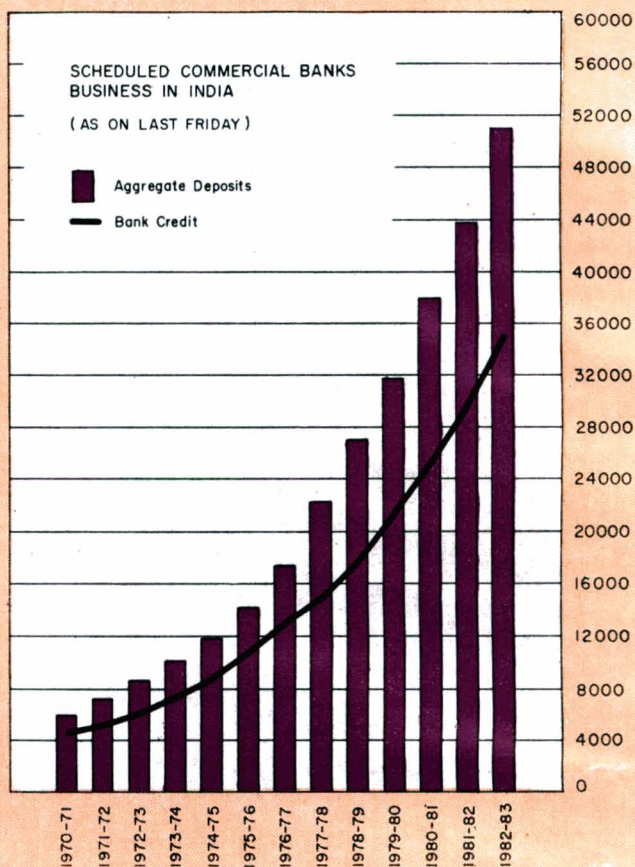
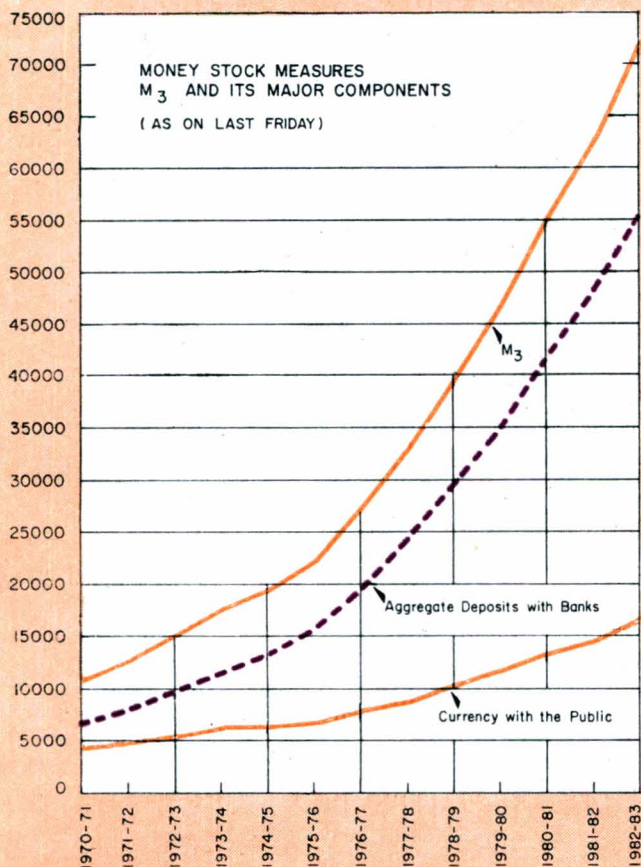
- Community and Personal Services
- Finance and Real Estate
- Transport, Communication, Trade, etc.
- Manufacturing, Construction, etc. (Secondary)
- Agriculture, Forestry, Fishing, etc. (Primary)



* JULY - JUNE

SELECTED ECONOMIC INDICATORS

(CRORES OF RUPEES)



in over-all external borrowings, in particular, those on commercial terms, when international interest rates ruled relatively high. Gross aid receipts during fiscal 1982-83 at Rs. 2,190 crores represented a rise of Rs. 333 crores over the receipts during fiscal 1981-82. Notwithstanding rise in debt service payments, net inflow of external assistance during fiscal 1982-83 would be higher by Rs. 298 crores than the revised figure of Rs. 946 crores during 1981-82. Indications are that the improvement in the external payments situation seemed to have continued during the April-June 1983 quarter.

To sum up: 1982-83 was on the whole, a difficult year with a sharp decline in foodgrains output and persisting deceleration in industrial production. In the face of these adverse developments, the behaviour of prices should be considered as relatively stable which reflected the pursuance of orderly supply and demand management policies in a year characterised by a severe drought and continued unfavourable external environment. The balance of payment position registered some improvement although the basic situation remains difficult.

As for the outlook, thanks to the excellent performance of the south-west monsoon, prospects for 1983-84 have brightened with expectations of a substantial improvement in the output of foodgrains. Production of foodgrains is anticipated to establish a new record, namely, over 142 million tonnes. The recovery in agricultural output should assist growth in industrial production through revival of demand. However, this anticipation of a beneficial impact on industrial output has not so far materialised. This suggests certain structural rigidities in the economy which need closer examination. There is some evidence of continuing weakness in infrastructure and absence of influence of a sustained increase in investment. Prices is

one area where continuous and careful watch needs to be kept. Recent trends indicate that the impact of the increase in agricultural output is yet to be fully reflected in the behaviour of prices. While prices of cereals have displayed a softening tendency, in the case of other sensitive commodities, specially, pulses, raw cotton, gur, oilseeds and edible oils, there has been no significant let up in the upward pressure on prices. This situation underlines the need for an integrated view of the various policies that affect the supplies, availability and pricing of these commodities. As mentioned earlier, notwithstanding the improvement in 1982-83, the basic external payments situation continues to be difficult. Reflecting the sizeable external debt incurred in the recent years, the burden of debt servicing is expected to increase progressively. Net receipts on account of private transfers seem to have entered a declining phase. Prospects of external assistance also do not appear encouraging. It is in the merchandise trade, therefore, that efforts should be mainly concentrated for strengthening balance of payments. The improvement on the merchandise trade account (which showed a narrowing of the deficit) should be carried forward during 1983-84. Efforts towards export promotion should be continued with vigour to avail of the emerging recovery in the Western economies from the recessionary conditions. Alongside, import substitution should also continue to receive high priority. Crude oil provides a notable instance where progressively rising domestic output has met increasingly larger proportion of the country's requirements. However, the country's dependence on imports of edible oils continues to be substantial; besides, imports of foodgrains still persist. The importance of ensuring adequate growth in agriculture and bringing about sustained self-sufficiency in foodgrains can, therefore, be hardly over-emphasised.

Chapter II

National Income, Saving and Investment

The estimates of key macro-economic aggregates during the financial year 1982-83¹ indicate a likely growth of 2.1 per cent in *real* national income in contrast to a rise of 5.0 per cent in 1981-82 and 8.1 per cent in 1980-81. The comparatively low growth recorded in 1982-83 was the result of a fall in agricultural output due to widespread and severe drought conditions and the deceleration in industrial production. The aggregate saving-income ratio during 1982-83 was fractionally lower than the level of 1981-82. The saving of the public sector declined and that of the household sector rose. Despite the near stability in the saving ratio, the decline in the *net* inflow of foreign resources, in terms of NNP at current market prices, resulted in the fall of

the ratio of *net* investment to income during the year.

A. Trends in National Income

1. Estimates for 1981-82

According to the *quick* estimates of national income and the related aggregates released by the Central Statistical Organisation (CSO), the Net National Product (NNP) at factor cost, in *real* terms, increased from Rs.47,490 crores in 1980-81 to Rs.49,887 crores in 1981-82 registering a growth of 5.0 per cent as compared to 8.1 per cent in 1980-81 (Table II-1). However, the rise in per capita income in *real* terms was only Rs.20 in 1981-82. This represented a marginal rise of 2.9 per cent as compared with the increase of 5.6 per cent in 1980-81.

¹ Estimates presented in this Chapter including those in the Tables relate to the financial year (April-March).

Table II—1: Trends in Net National Product and Per Capita Income

Description	1978-79	1979-80	1980-81	1981-82	1982-83
1	2	3	4	5	6
1. Net National Product (NNP) (Rupees crores)					
At 1970-71 Prices	46,386 (5.5)	43,922 (-5.3)	47,490 (8.1)	49,887 (5.0)	50,933 (2.1)
At Current Prices	81,123 (7.4)	88,372 (8.9)	1,06,539 (20.5)	1,21,243 (13.8)	1,26,354 (4.2)
2. Per Capita Income (Rupees)					
At 1970-71 Prices	716 (3.3)	663 (-7.4)	700 (5.6)	720 (2.9)	718 (-0.3)
At Current Prices	1,252 (5.1)	1,333 (6.5)	1,571 (17.9)	1,750 (11.4)	1,782 (1.8)
3. Net National Product at Current Market Prices (Rupees crores)					
	91,657. (8.5)	1,00,575 (9.7)	1,20,462 (19.8)	1,38,129 (14.7)	1,45,566 (5.4)

Sources and Notes: 1. Estimates up to 1981-82 are as those published by the Central Statistical Organisation (CSO), Government of India; the same are provisional for 1979-80 and 1980-81 and quick estimates for 1981-82. These figures may differ from the subsequent revisions, if any, made by the CSO.
2. Figures for 1982-83 are tentative estimates.
3. Figures in brackets are percentage changes over the previous years.

In *nominal* terms, the Net National Product (NNP), at factor cost, went up from Rs.1,06,539 crores in 1980-81 to Rs.1,21,243 crores in 1981-82 indicating a rise of 13.8 per cent as compared with a sharp increase of 20.5 per cent in the preceding year. The per capita income of Rs.1,750 (at current prices) reflected a rise of 11.4 per cent during 1981-82 on top of 17.9 per cent rise in 1980-81.

Sector-wise, the share of the 'primary' sector in Net Domestic Product (at factor cost) in *real* terms declined from 42.5 per cent in 1980-81 to 41.9 per cent in 1981-82; the 'secondary' and 'tertiary' sectors improved their shares marginally by 0.1 per cent and 0.5 per cent, respectively, in 1981-82.

Industry-wise, 'manufacturing', 'construction' and 'electricity, gas and water supply' recorded increases of 5.6 per cent, 4.5 per cent, and 10.6 per cent, respectively during 1981-82 as against the corresponding rises of 2.8 per cent, 1.9 per cent and 3.7 per cent in 1980-81. The main components of the 'services sector', namely, 'transport, communication and trade' and 'finance and real estate' registered growth rates of 5.5 per cent and 4.1 per cent compared with the corresponding rates of growth of 5.0 per cent and 1.8 per cent, respectively, in 1980-81, while the 'community and personal services' showed a lower growth of 9.7 per cent as against the rise of 10.5 per cent in 1980-81.

2. Performance during 1982-83

For the year 1982-83, no official estimates are yet available. However, based on certain key economic indicators, such as, agricultural and industrial output, the rate of growth of *real* national income has been tentatively estimated at 2.1 per cent during

the year. The small rise in the national income was due to a decline in the agricultural production by about 4.6 per cent and only a moderate increase of 3.9 per cent in the industrial output. The per capita income at constant (1970-71) prices is estimated to have declined from Rs.720 in 1981-82 to Rs.718 during the year, though at current prices it went up from Rs.1,571 in 1980-81 to Rs.1,750 in 1981-82 and is estimated to have gone up further to Rs.1,782 in 1982-83.

With the growth rate of 2.1 per cent in *real* national income during the year 1982-83, the average annual growth rate during the first three years of the Sixth Plan works out to 5.1 per cent, against the targeted growth rate of 5.2² per cent during the Sixth Plan period.

B. Aggregate Saving and Investment

According to the Bank's provisional estimates, net domestic saving has declined marginally by 0.1 percentage point to 16.7 per cent of NNP³ at current market prices whereas the net investment declined by 0.7 percentage point from 19.4 per cent of NNP in 1981-82 to 18.7 per cent in 1982-83 because of the fall in the *net* inflow of foreign resources⁴ which are estimated to have declined from 2.6 per cent of NNP in 1981-82 to 2.0 per cent in 1982-83 (Table II-2).

2 In terms of Gross Domestic Product (GDP).

3 The ratios given hereafter in this chapter are, unless otherwise specified, in relation to NNP at current market prices.

4 Inflow of foreign resources comprises *net* current account deficit on balance of payments (excluding *net* official transfer payments), retained earnings and non-cash inflow of foreign-controlled rupee companies.

Table II—2: Estimates of Net Domestic Saving and Investment as Percentage of Net National Product at Current Market Prices (Provisional)

Description	1980-81	1981-82	1982-83
1	2	3	4
1. Domestic Saving (Net)	16.7	16.8	16.7
2. Net Inflow of Foreign Resources	1.9	2.6†	2.0
3. Aggregate Investment (Net) (1 + 2)	18.6	19.4	18.7

† Now revised to 2.2 percent.

Note: The estimates presented here may differ from those presented in the Reserve Bank's *Annual Report for 1982-83* as the same have been revised in the light of fresh data.

C. Trends in Domestic Saving

The aggregate net domestic saving in 1982-83 is estimated higher at Rs.24,357 crores compared with the estimate of Rs.23,240 crores for the previous year; in terms of percentage to NNP, it worked out to 16.7 per cent. While the *real* income is likely to rise by 2.1 per cent during 1982-83, the aggregate net domestic saving is estimated to have increased by 4.8 per cent (15.7 per cent in 1981-82) in consonance with the rise of 5.4 per cent in *nominal* income at market prices during the year under review (14.7 per cent in 1981-82). Viewing the economy in terms of broad sectors, the household sector increased its saving, in terms of NNP, from 12.9 per cent in 1981-82 to 13.6 per cent in 1982-83, thus, improving its share in total domestic saving from 76.8 per cent in 1981-82 to 81.3 per cent in 1982-83. As against this, the saving of the public sector, in terms of NNP, is estimated to have gone down from 3.3 per cent in 1981-82 to 2.5 per cent in 1982-83. In absolute terms, it declined from Rs.4,526 crores in 1981-82 to Rs.3,666 crores in 1982-83. Estimates of saving of the private corporate sector, in terms of NNP, however, remained constant for the second year in succession (Table II-3).

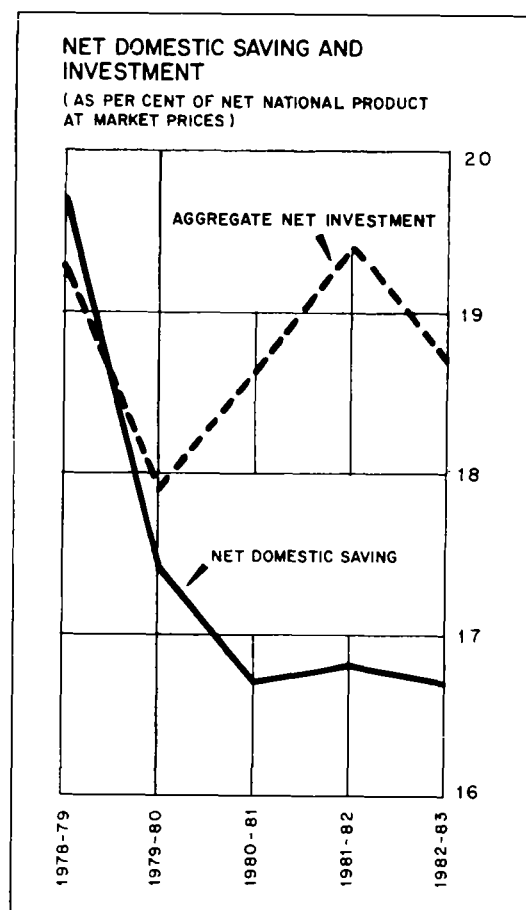


Table II—3: Estimates of Net Domestic Saving: Sector-wise
(Provisional)

(Rupees crores at current prices)

Description	1980-81	1981-82	1982-83
1	2	3	4
1. Public Sector	2,513 (12.5)	4,526 (19.5)	3,666 (15.1)
<i>Per cent of Net National Product at Market Prices</i>	2.1	3.3	2.5
2. Domestic Private Corporate Sector (including co-operatives)	836 (4.2)	867 (3.7)	879 (3.6)
<i>Per cent of Net National Product at Market Prices</i>	0.7	0.6	0.6
3. Household Sector	16,730 (83.3)	17,847 (76.8)	19,812 (81.3)
<i>Per cent of Net National Product at Market Prices</i>	13.9	12.9	13.6
4. Total Net Domestic Saving (1+2+3)	20,079 (100.0)	23,240 (100.0)	24,357 (100.0)
<i>Per cent of Net National Product at Market Prices</i>	16.7	16.8	16.7

Note: Figures in brackets represent percentages to total.

1. Saving of the Household Sector

The saving of the household sector comprises the saving in the form of a) financial assets and b) physical assets, the former being measured as additions to financial assets *net of financial liabilities*. The saving of the household sector is estimated to rise significantly from Rs.17,847 crores in 1981-82 to Rs.19,812 crores in 1982-83 and improved to 13.6 per cent of NNP in 1982-83 from 12.9 per cent in 1981-82 (Table II-4).

(a) Financial Assets

The household sector's saving in financial assets (net) recorded an increase of Rs.2,503 crores to Rs.11,508 crores in 1982-83, thus raising its share in total saving of the households from about 50.5 per cent in 1981-82 to 58.1 per cent in 1982-83. Acquisition of financial assets (gross) during the years improved, as a proportion of NNP from 9.2 per cent in 1981-82 to 10.7 per cent in 1982-83. The rise in the financial saving is mainly due to increased holdings of currency, deposits and provident funds, though there was perceptible decline in the households' claims on government (Table II-5).

(i) Currency

The additions to currency held by the households more than doubled to Rs.2,071 crores in 1982-83 compared to the rise of Rs.881 crores during the year 1981-82. This sharp rise has, however, to be viewed against the significantly smaller accre-

tion to currency holdings of this sector in 1981-82 because of operation of certain special factors in that year. The household sector's reduced preference for currency in 1981-82 was, it may be recalled, attributable to a variety of factors such as issue of Special Bearer Bonds, rise in yields on some savings media, and reduction in Government deficit as also in inflation rate, etc. The share of currency in the household sector's total financial assets (gross) which had thus declined sharply from 14.5 per cent in 1980-81 to 6.9 per cent in 1981-82, again rose to 13.3 per cent in 1982-83. Similarly, the proportion of currency to NNP at current market prices which had declined from 1.3 per cent in 1980-81 to 0.7 per cent in 1981-82 also rose to 1.4 per cent in 1982-83.

(ii) Deposits

Household sector's saving in deposits with commercial banks, co-operative banks, co-operative societies and non-banking companies are included under this instrument. Such deposits rose by Rs.1,479 crores to Rs.7,407 crores during the year 1982-83. Accretions to deposits with commercial banks which form the bulk of the saving in total deposits, have increased by Rs.1,193 crores to Rs.5,529 crores in 1982-83 as against a negligible rise of Rs.19 crores in 1981-82. The pace in growth of deposits picked up in 1982-83 as against deceleration in 1981-82, the deceleration was due to substantial increase in the shares and debentures of companies and other saving instruments with relatively better returns. The commercial banks

Table II-4: Saving of the Household Sector
(Provisional)

Description	(Rupees crores at current prices)		
	1980-81	1981-82	1982-83
1	2	3	4
1. Financial Assets (Gross) Per cent of Net National Product at Market Prices	11,222 (9.4)	12,719 (9.2)	15,570 (10.7)
2. Physical Assets Per cent of Net National Product at Market Prices	7,951 (6.6)	8,842 (6.4)	8,304 (5.7)
3. Financial Liabilities Per cent of Net National Product at Market Prices	2,443 (2.0)	3,714 (2.7)	4,062 (2.8)
4. Total Net saving (Net of Financial Liabilities) (1+2-3) Per cent of Net National Product at Market Prices	16,730 (13.9)	17,847 (12.9)	19,812 (13.6)

Table II—5 : Composition of Financial Saving of Household Sector (Gross)
(Provisional)

		(Rupees crores at current prices)		
Asset		1980-81	1981-82	1982-83
1		2	3	4
Total Financial Assets		11,222 (100.0)	12,719 (100.0)	15,570 (100.0)
Per cent of Net National Product at Market Prices		9.3	9.2	10.7
1.	Currency	1,628 (14.5)	881 (6.9)	2,071 (13.3)
Per cent of Net National Product at Market Prices		1.3	0.7	1.4
2.	Deposits	5,380 (47.9)	5,923 (46.6)	7,407 (47.6)
Per cent of Net National Product at Market Prices		4.5	4.3	5.1
3.	Insurance	908 (8.1)	998 (7.8)	1,122 (7.2)
Per cent of Net National Product at Market Prices		0.8	0.7	0.8
4.	Provident/Pension Funds	2,070 (18.4)	2,391 (18.8)	2,931 (18.8)
Per cent of Net National Product at Market Prices		1.7	1.7	2.0
5.	Claims on Government	744 (6.6)	1,682 (13.2)	935 (6.0)
Per cent of Net National Product at Market Prices		0.6	1.2	0.7
6.	Compulsory Deposits	- 94 (- 0.8)	20 (0.2)	48 (0.3)
Per cent of Net National Product at Market Prices		(-)0.1	—	—
7.	Investment in Corporate and Co-op. Shares/ Debentures and Units of UTI	218 (2.0)	424 (3.3)	455 (2.9)
Per cent of Net National Product at Market Prices		0.2	0.3	0.3
8.	Trade Credit (Net)	367 (3.3)	400 (3.2)	601 (3.9)
Per cent of Net National Product at Market Prices		0.3	0.3	0.4
9.	Other Assets	1	—	—
Per cent of Net National Product at Market Prices		—	—	—

Note: Figures in brackets are percentages to total.

could mobilize a significant portion of households' deposits in 1982-83 despite the availability of alternative saving media. The deposits of co-operative sector are estimated to increase by Rs.1,066 crores in 1982-83 compared to Rs.852 crores in 1981-82, while the increase in deposits with non-banking companies (financial and non-financial), has been estimated at Rs.812 crores in 1982-83 as against Rs.737 crores in 1981-82. The share of deposits in total financial assets (gross) has edged-up to 47.6 per cent in 1982-83 from 46.6 per cent in 1981-82. As a proportion of NNP, their share has moved up to 5.1 per cent in 1982-83 from 4.3 per cent in the previous year.

(iii) Social Security Funds

The financial saving of households through the insurance, provident and pension funds which are contractual in nature are covered under social security funds; these are next in importance to deposits. A significant increase of Rs.664 crores, to Rs.4,053 crores was noticed in these funds during the year 1982-83 as compared with increase of Rs.411 crores in 1981-82. Their share in the total financial assets moved up from 26.5 per cent in 1980-81 to 26.6 per cent in 1981-82 but declined to 26.0 per cent in 1982-83. In terms of NNP, the share of social security funds has risen by 0.4 percentage point to 2.8 per cent in 1982-83.

Saving in the form of 'insurance' includes changes in the life fund of Life Insurance Corporation of India (LIC), Postal Insurance and State Insurance Fund. Such accretions during 1982-83 have been estimated at Rs.1,122 crores as against Rs.998 crores in 1981-82. While there was a fall in saving through the postal insurance during the year under review, the State Insurance Fund improved its position. The share of insurance fund in total financial assets (gross) declined by 0.6 percentage point to 7.2 per cent during 1982-83.

The provident and pension funds constitute a major part of financial saving of the household sector. These funds include i) government provident funds (central, state and public provident funds), ii) provident funds of the employees of industrial establishments covered under EPF Scheme, Coal Mines, Assam tea plantations, Seamen, commercial banks, RBI and other institutions, and iii) pension funds of Assam tea plantations, Coal Mines and Employees Provident Fund Scheme. Saving through these funds increased by Rs.540 crores to Rs.2,931 crores in 1982-83 against a rise of only Rs.321 crores in 1981-82. Eventhough the share of provident and pension funds in total financial assets (gross) remained at 18.8 per cent in 1981-82 and 1982-83, their proportion to NNP edged-up from 1.7 per cent to 2.0 per cent.

(iv) *Claims on Government*

The different components of this instrument included here are households' investment in small savings, government securities, capital investment bonds, and special bearer bonds which were issued during brief periods in 1980-81 and 1981-82. During 1982-83, saving through these media dipped from 1,682 crores in 1981-82 to Rs.935 crores, mainly due to the discontinuation of the Special Bearer Bonds Scheme. The scheme of capital investment bonds which was introduced in June 1982 could fetch only Rs.72 crores during 1982-83. As a result, the share of this instrument in total financial assets (gross) declined sharply from 13.2 per cent in 1981-82 to 6.0 per cent in 1982-83.

(v) *Compulsory Deposits*

This instrument represents the deposits mobilised under Compulsory Deposits (Additional Emoluments, Additional Dearness Allowance Account (old and new) and Income Tax Payers) Schemes, 1974. The net accretions during the year 1982-83 under these schemes amounted to Rs.48 crores compared with Rs.20 crores in 1981-82, although under the ITP scheme alone the addition amounted to Rs.153 crores. This was the net result of comparatively higher repayments under Additional DA (old and new) schemes to the extent of Rs.103 crores in 1982-83 as against Rs.30 crores in 1981-82. The share of compulsory deposits in total financial assets (gross) showed a marginal improvement from 0.2 per cent in 1981-82 to 0.3 per cent during 1982-83.

(vi) *Investments in Shares, Bonds and Units*

This component comprises the household sector's investment in shares and debentures of corporate (financial and non-financial) and co-operative sectors and in units of the Unit Trust of India (UTI). Net accretion to this instrument including units of the UTI, is estimated at Rs.455 crores in 1982-83 against Rs.424 crores in 1981-82, but its share in total financial assets (gross) declined from 3.3 per cent in 1981-82 to 2.9 per cent in 1982-83.

A factor responsible for higher investment by households appears to be introduction of the Income Unit Scheme 1982 by the UTI on 1st May 1982 for aged and disabled people. The UTI could mop-up the funds from households through all its schemes, to the tune of Rs.155 crores in 1982-83 compared with Rs.39 crores in 1981-82. However, the share of this instrument, in terms of NNP, remained at 0.3 per cent.

(vii) *Trade Credit*

The trade credit refers to the credit extended by households to private corporate sector and state electricity boards. The net trade credit has been estimated at Rs.601 crores in 1982-83 compared with Rs.400 crores in 1981-82 and Rs.367 crores in 1980-81. Its share in total financial assets (gross) moved up to 3.9 per cent in 1982-83 from 3.2 per cent in 1981-82.

(b) Saving in Physical Assets

Saving in the form of physical assets comprise additions to 'construction', 'machinery and equipment' and 'change in stocks'. As per the estimates of the CSO, investment in physical assets during 1981-82 amounted to Rs.8,842 crores or 6.4 per cent of NNP as compared with Rs.7,951 crores or 6.6 per cent of NNP in 1980-81. As the official estimates for the year 1982-83 are not yet available, the saving in this form is estimated at Rs.8,304 crores or at 5.7 per cent of NNP based on certain available indicators. The decline in the proportion is due to severe drought in the major parts of the country.

(c) Financial Liabilities

Financial liabilities of the household sector include borrowings from commercial banks, co-operative institutions, loans from the Life Insurance Corporation of India and other term-lending institutions, loans extended by the central and state governments and loans from the private corporate sector. It is estimated that the aggregate financial liabilities increased by Rs.348 crores to Rs.4,062 crores in 1982-83 indicating a fractional rise in its share from 2.7 per cent of NNP in 1981-82 to 2.8 per cent in 1982-83.

Even though the households' borrowings from State Governments and non-banking financial companies recorded a decline, credit extended by commercial banks and co-operative banks accounted for the major share of the increase in borrowings. Loans from commercial banks continue to dominate the total liabilities to the extent of

Rs.2,266 crores in 1981-82, and further to Rs.2,849 crores in 1982-83; it constituted about 61.0 per cent of total liabilities in 1981-82 and 70.1 per cent in 1982-83.

2. Saving of the Public Sector

The public sector⁵ registered a significant fall in saving by about Rs.860 crores to Rs.3,666 crores in 1982-83, mainly on account of substantial decline in the saving of central government (Rs.732 crores) and the state governments (Rs.148 crores) administration owing to severe drought conditions in many states. As a result, the contribution of the public sector in total net domestic saving declined from 19.5 per cent in 1981-82 to 15.1 per cent in 1982-83; its proportion to NNP, also dipped from 3.3 per cent to 2.5 per cent during the same period (Table II-6). The sharp decline in the saving of the central government (including its departmental undertakings) from Rs.1,063 crores in 1981-82 to Rs.331 crores in 1982-83 is mainly attributable to the fall in saving of the central government administration and increased expenditure on renewals and replacements of departmental commercial undertakings. The fall in the saving of the state governments and local authorities is largely attributable to drought conditions in many states which necessitated higher non-developmental expenditure. The saving of non-departmental financial and non-financial undertakings, however, rose from Rs.1,159 crores in 1981-82 to Rs.1,259 crores in 1982-83.

⁵ Includes the central and the state governments' administration, their departmental and non-departmental undertakings, the statutory corporations and the local authorities.

Table II-6 : Saving of the Public Sector (Group-wise)

(Rupees crores at current prices)

Item	Financial Year		
	1980-81	1981-82	1982-83
1	2	3	4
1. Central Government (including departmental undertakings)	512	1,063	331
2. State Governments and Local Authorities	1,817	2,304	2,076
3. Non-departmental Financial and Non-financial Undertakings	184	1,159	1,259
4. Total (1+2+3) (Per cent of Net National Product at Market Prices)	2,513 (2.1)	4,526 (3.3)	3,666 (2.5)

3. Saving of the Domestic Private Corporate Sector

Saving of the domestic private corporate sector (including co-operative institutions) is estimated to have improved marginally from Rs.867 crores in 1981-82 to Rs.879 crores in 1982-83. But its share in total net domestic saving declined from 3.7 per cent to 3.6 per cent; in terms of NNP, however, its ratio remained constant at 0.6 per cent for the second year in succession.

D. Trends in Domestic Investment

Aggregate net domestic investment is the sum of net domestic saving generated in the economy and the net inflow of foreign resources during the year. At current prices, the *net* domestic investment in 1982-83 is estimated at Rs.27,267 crores, showing a rise of Rs.402 crores; its proportion to NNP, however, fell by 0.7 percentage point to 18.7 per cent in 1982-83.

(i) Estimates at constant prices

Net investment in 1982-83 at constant (1970-71) prices and its relation to NNP at constant market prices are presented in Table II-7. The investment at constant prices is estimated to have declined from Rs.8,994 crores in 1981-82 to Rs.7,973 crores in 1982-83, and its proportion to NNP at constant market prices is estimated to have declined to 14.2 per cent in 1982-83 from 16.4 per cent in 1981-82.

Eventhough the wholesale prices of all commodities went up only by 2.4 per cent in 1982-83, the prices of the goods that go into capital formation rose by 14.5 per cent which has affected the estimated investment deflator. Therefore, the decline in the investment rate at constant prices is steeper than that at current prices.

(ii) Sectoral Investment

The sector-wise details of investment are not yet available for the year under review. However, on the basis of certain available indicators, the trend in investment in some of the sectors are reviewed below.

(a) Public Sector

According to the CSO's estimates, the share of public sector investment in aggregate domestic investment (net) has declined sharply from 56.6 per cent in 1979-80 to 52.1 per cent in 1980-81 and further to 50.4 per cent in 1981-82. But, as a proportion of NNP, it edged up to 10.1 per cent in 1981-82 from 9.7 per cent in 1980-81. Since similar estimates for 1982-83 are not available for the public sector as a whole, the discussion is confined to some of its components on the basis of available statistical data. The *net* capital formation of central government is expected to rise only by 3.1 per cent during 1982-83 as compared to the sharp rise of 31.1 per cent in 1981-82. This is

Table II—7 : Net Investment as Percentage of NNP
(at 1970-71 Prices)

(Tentative Estimates)			(Rupees crores)	
Financial Year	Net Investment at current prices	Net Investment at 1970-71 prices	NNP at 1970-71 Market prices	Ratio of (3) to (4)
1	2	3	4	5
1980-81	22,377	8,597	52,089	16.5
1981-82	26,865	8,994	54,961	16.4
1982-83	27,267	7,973	56,138	14.2

Table II—8 : Capital Formation through Central Government Budget (at Current Prices)

(Rupees crores)			
Description	1980-81†	1981-82†	1982-83*
1	2	3	4
1. Gross Direct Fixed Assets Formation	1,751	2,411	2,744
2. Increase in Inventories	156	141	62
3. Net Direct Fixed Assets Formation (i.e., gross direct fixed capital formation <i>minus</i> expenditures on renewals and replacements)	1,559	2,108	2,257
4. Financial Assistance for Capital Formation	7,105	8,247	9,583
(a) To States, Union Territories	3,666	3,928	4,874
(b) To Non-departmental Commercial Undertakings	3,166	3,880	4,179
i) Financial Concerns	559	845	608
ii) Others	2,607	3,035	3,570
(c) Other parties	273	439	530
5. Gross Capital Formation in Central Government's Non-departmental Industrial and Commercial Undertakings	4,067 (100.0)	6,171 (100.0)	NA
i) Gross Fixed Assets	2,620 (64.4)	4,186 (67.8)	NA
ii) Variation in Inventories	1,447 (35.6)	1,985 (32.2)	NA

† Accounts

* Revised estimates

Source: i) Economic and Functional Classification of Central Government Budget, 1982-83, and

ii) Annual Report on the Working of Industrial and Commercial Undertakings of the Central Government, 1981-82.

mainly because the net fixed assets formation (measured as gross fixed assets formation *minus* expenditure on renewals and replacements) which constitutes the main component of capital formation (at *nominal* prices) of central government increased only by 7.1 per cent in 1982-83 against a steep rise of 35.2 per cent in 1981-82. During this period, the proportion of the increase in inventories to gross capital formation declined from 5.5 per cent to 2.2 per cent (Table II-8).

The estimates of capital formation of the state governments and union territories, and non-departmental commercial undertakings as also of local authorities are not available. The data on total financial assistance provided by the central government for capital formation to states, union territories and non-departmental commercial undertakings showed that such assistance increased from Rs.8,247 crores in 1981-82 to Rs.9,583 crores in 1982-83. The assistance to the non-departmental commercial undertakings increased by only Rs.299 crores to Rs.4,179 crores in 1982-83, while that for states and union territories went up by Rs.946 crores to Rs.4,874 crores in 1982-83.

As regards the gross capital formation of central government's non-departmental industrial and commercial undertakings, the information is available only up to 1981-82 which showed that the total gross fixed assets formation increased sharply by Rs.1,566 crores to Rs.4,186 crores in 1981-82. Even though the absolute figures of inventory accumulation have shown increase of the order of Rs.1,985 crores in 1981-82 compared to Rs.1,447 crores in 1980-81, its share in their total gross capital formation declined from 35.6 per cent in 1980-81 to 32.2 per cent in 1981-82.

The asset-wise composition of the capital formation of Central government indicates that the share of buildings and other construction in total gross fixed assets formation fell from 60.1 per cent in 1981-82 to 57.0 per cent in 1982-83. This fall of 3 points is offset by the machinery and equipment which showed an improvement in its share from 39.9 per cent in 1981-82 to 43.0 per cent in 1982-83 (Table II-9). The gross capital formation as a proportion of GNP at current market prices showed only a fractional (0.1 point) increase to 1.8 per cent in 1982-83.

**Table II—9: Capital Formation in Central Government Administration and Departmental Commercial Undertakings —
Asset-wise
(at current prices)**

		(Rupees crores)		
Description		1980-81 (Accounts)	1981-82 (Accounts)	1982-83 (Revised Estimates)
1		2	3	4
I.	Gross Fixed Capital Formation	1,751.2 (91.8)	2,411.4 (94.5)	2,744.3 (97.8)
	1. Building and Other Construction	1,067.5	1,449.9	1,564.0
	Proportion to I above	61.0	60.1	57.0
	(a) New Outlay	884.7	1,184.9	1,307.2
	(b) Renewals and replacements	182.8	265.0	256.8
	2. Machinery and Equipment	683.7	961.5	1,180.3
	Proportion to I above	39.0	39.9	43.0
	(a) New Outlay	518.0	645.0	738.4
	(b) Renewals and replacements	165.7	316.5	441.9
II.	Increase in Inventories	156.3 (8.2)	140.5 (5.5)	62.1 (2.2)
III.	Gross Capital Formation (I + II)	1,907.5	2,551.9	2,806.4
IV.	Gross Capital Formation as Proportion of GNP at market prices	1.5	1.7	1.8

Note: Figures in brackets are percentages to gross capital formation.

Source: Economic and Functional Classification of Central Government Budget, 1982-83.

(b) Private Corporate (non-financial) Sector.

The accounts of the non-financial corporate sector are not available for 1982-83 on a firm basis. A preliminary assessment of the performance of this sector during the year, in terms of investment and resources mobilised revealed that there is an overall improvement in resource mobilization to meet its investment requirements.

The net capital formation of the sector during the year under review, however, is estimated to have followed the pace set during 1981-82, the increase being Rs.710 crores to Rs.5,407 crores in 1982-83 compared with the rise of Rs.1,318 crores in 1981-82. While three-fourths of the rise in the net capital formation during 1982-83 was shared by the fixed assets formation, the rise during 1981-82 was almost equally shared by fixed assets formation and inventory accumulation. In terms of NNP, the net capital formation showed an improvement from 3.4 per cent in 1981-82 to 3.7 per cent in 1982-83.

The corporate sector continued to rely more on external resources for their capital formation. External sources, viz., borrowings, sundry creditors and capital raised, accounted for 58.3 per cent in their total resources in 1980-81. The reliance on external resources increased in the subsequent two years accounting for 65.7 per cent in 1981-82 and 66.6 per cent in 1982-83.

Borrowings from banks and others increased from Rs.1,802 crores in 1980-81 to Rs.2,643 crores in 1981-82 and further to Rs.3,479 crores in 1982-83, the bulk of the increase during 1981-82 being through borrowings from banks, and that during 1982-83 through borrowings from sources other than banks. Financing through trade credit has also played an important part in mobilization of resources. The high rate of resource mobilization through shares and debentures witnessed during 1981-82 slackened during the year under review. Plough back of their income through profits which has shown marginal decline was not a significant source of finance.

Table II—10 : Sources and Uses of Funds of Non-Government Non-financial Corporate Sector
(Provisional)

(Rupees crores)								
Sources	1980-81	1981-82	1982-83	Uses	1980-81	1981-82	1982-83	
1	2	3	4	5	6	7	8	
1. Capital raised	108	429	265	1. Gross capital formation	4,740	6,203	7,143	
1.1 Fresh capital	77	198	78	1.1 Net capital formation	3,379 (2.8)	4,697 (3.4)	5,407 (3.7)	
1.2 Debentures	31	231	187	1.1.1 Net fixed assets formation	1,783	2,377	2,900	
2. Saving	737 (0.6)	750 (0.5)	760 (0.5)	1.1.2 Increase in inventories	1,596	2,320	2,507	
2.1 Retained profits	699	780	760	1.2 Depreciation provision	1,361	1,506	1,736	
2.2 Change in tax provision	38	-30	—	2. Investments	67	75	89	
3. Borrowing	1,802	2,643	3,479	3. Cash & bank balances	224	300	239	
3.1 Banks	421	1,028	1,340					
3.2 Others	1,381	1,615	2,139					
4. Sundry creditors & other dues (net)	1,023	1,250	1,231					
5. Depreciation provision	1,361	1,506	1,736					
Total	5,031	6,578	7,471	Total	5,031	6,578	7,471	

Note: Figures in brackets represent percentages to NNP at current market prices.

Chapter III

Agricultural and Industrial Output

I AGRICULTURAL SECTOR

The year 1982-83 (July-June) witnessed a series of natural calamities like severe drought, floods and cyclones over large areas of the country. As many as fifteen States and one Union Territory were affected by drought and twelve States and one Union Territory were affected by floods and cyclones in varying degrees. The drought in 1982-83 was even more severe than that in 1979-80. As against the cropped area of about 41 million hectares and population of 24 crores affected by drought and floods in 1979-80, the corresponding figures for 1982-83 were 45 million hectares and population of 31 crores.

Despite this severe drought, the loss in *kharif* foodgrains output in 1982-83 is estimated lower at 9.9 million tonnes compared to the loss of about 15 million tonnes suffered in 1979-80, mainly because of the positive measures and timely action taken by the Central Government. *Kharif* production in 1982-83 is estimated at 69.5 million tonnes as against 79.4 million tonnes in 1981-82. To offset the losses suffered during the *kharif* season, the Government launched an intensive *rabi* production campaign. As a result, despite dry spells in certain parts of the country even during the season, *rabi* foodgrains production in 1982-83 touched a record level of 58.9 million tonnes, exceeding the previous year's high level of 53.9 million tonnes. Thus, total shortfall in foodgrains production during the year 1982-83 is estimated at 4.9 million tonnes as against the loss of 22.2 million tonnes suffered in 1979-80. The output of commercial crops has also suffered but the shortfall is expected to be more significant only in the case of jute and oilseeds, and the output of sugarcane and cotton may show only marginal declines.

During the year, the price policy with regard to agricultural commodities continued to be directed towards establishment of an appropriate price structure taking into account factors such as productivity, cost of cultivation, demand and

supply position and the need for providing incentive for higher production. On the basis of recommendations of the Agricultural Prices Commission (APC) the minimum support/procurement prices for 1982-83 were announced by the Government for paddy, wheat, coarse grains, pulses, selected oilseeds, cotton, sugarcane and jute with a view to compensating farmers for the rise in prices of inputs and ensuring them remunerative prices.

Trends in production and distribution, and price policy relating to major agricultural commodities are discussed below first and the strategies and measures designed to step up agricultural production are briefly narrated later.

PRODUCTION AND DISTRIBUTION

Foodgrains

Aggregate foodgrains production in 1982-83 is estimated at 128.4 million tonnes. This is lower by 4.9 million tonnes than the output of 133.3 million tonnes in the previous year. *Kharif* foodgrains production declined by 9.9 million tonnes from 79.4 million tonnes in 1981-82 to 69.5 million tonnes in 1982-83 because of delayed onset and early withdrawal of monsoon. Floods in Orissa and cyclonic storms in Saurashtra (Gujarat) in early November 1982 also caused damage to standing crops. The decline in *kharif* foodgrains output is, however, not as pronounced as that experienced in 1979-80 when *kharif* output had declined by as much as 15 million tonnes. This could partly be attributed to the fact that in 1982-83 the important food growing States were not as seriously affected by the weather as in 1979-80 and partly to the efforts made in 1982-83 to alleviate hardships and minimise the adverse impact of monsoon failure through arrangements for maintenance and extension of minor irrigation facilities, provision of fertilisers and other inputs which helped in salvaging the crop. *Rabi* foodgrains output has touched a record level of 58.9 million tonnes in 1982-83 which is higher by 5.0 million tonnes than that of 1981-82.

**Table III—1 : Agricultural Production: Sixth Five Year Plan
(Targets and Achievements)**

Commodities		1980-81		1981-82		1982-83		1983-84	1984-85
		Target	Revised estimates	Target	Revised estimates	Target	Final estimates	Target	Target
Rice	(Million tonnes)	55.0	53.6	58.0	53.2	56.5-58.0	46.5	57.0	63.0
Wheat	.. ..	36.0	36.3	38.0	37.5	38.5-39.0	42.5	41.0	44.0
Other cereals	.. ..	30.0	29.1	30.0	31.1	31.0	27.8	31.0	32.1
Pulses	.. ..	14.0	10.6	12.5	11.5	13.0-13.5	11.6	13.0	14.5
Total Foodgrains	.. ..	135.0	129.6	138.5	133.3	139.0-141.5	128.4	142.0	153.6
Sugarcane (in terms of cane)	.. ..	180.0	154.2	180.0	186.4	180.0-185.0	189.1	182.0-185.0	215.0
Cotton	(Million bales)1	8.1	7.0	8.4	7.8	8.2-8.5	8.2	8.2-8.5	9.2
Jute and Mesta	.. ..	8.3	8.2	8.4	8.4	8.1-8.4	7.2 †	8.2-8.5	9.1
Oilseeds (aggregate)	(Million tonnes)	11.0	9.1	11.2	12.2	11.8-12.0	10.6	12.5	13.0
Tea (a)	(Million Kgs.)	610.0	571.6	610.0	560.0	640.0	565.4	670.0	705.0
Coffee*	.. ..	128.7	118.6	135.8	152.1	143.3	135.0	151.2	159.5

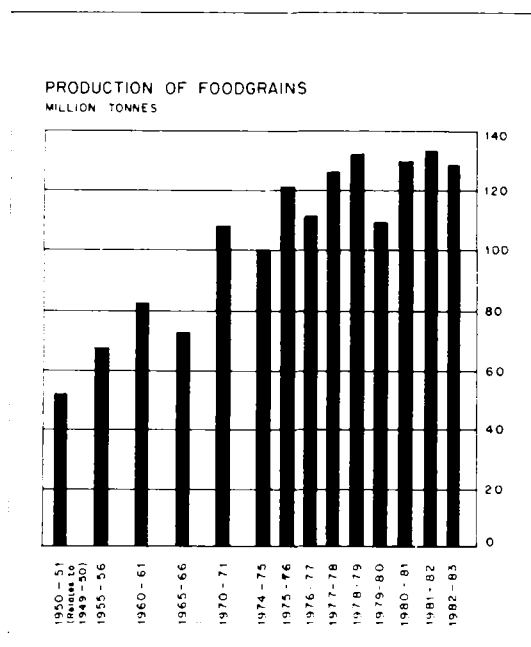
(a) Estimates relate to calendar year while targets are for financial year.

† Preliminary Estimates.

* Figures relate to October-September.

1. 1 Bale = 180 kgs.

Source: Annual Report 1982-83, Ministry of Agriculture, Government of India.



For the year 1983-84, a target of 142 million tonnes has been fixed for foodgrains production. The overall net availability of foodgrains which increased from 114.1 million tonnes in 1981 to 116.9 million tonnes in 1982 is anticipated to decline in 1983 due to lower production (Table III-1). As a result, the per capita daily availabil-

ity of foodgrains which increased from 453.6 grammes in 1981 to 454.1 grammes in 1982 (Table III-2). The foodgrains output in 1983 is expected to be 128.4 million tonnes, that is, lower by 4.9 million tonnes in 1982. As net imports and changes in Government stocks will be somewhat lower than the decline in production, the per capita daily availability is estimated to be lower during 1983 than in 1982.

The public distribution system (PDS) with a wide network of fair price/ration shops ensures supply of foodgrains to consumers, particularly the weaker sections of the population, at reasonable prices. Under the new 20-point programme, the PDS would cover the entire population. The number of fair price/ration shops functioning in the country at the end of January 1983 was about 2.81 lakhs. In addition, landless persons in rural areas are supplied foodgrains under the National Rural Employment Programme (NREP) and the Employment Generation Scheme. During 1982, 14.8 million tonnes of foodgrains (including 0.87 lakh tonnes under the NREP) were distributed through the PDS as against 13.0 million tonnes (including 2.74 lakh tonnes under the NREP) in 1981. The off-take of foodgrains during the first nine months of 1983 (January-September) was higher at 12.7 million tonnes compared with 10.7 million tonnes during the corresponding period of 1982.

Table III—2 : Availability of Foodgrains (January-December)

(Million tonnes)										
Year	Gross output	Net output	Net imports	Change in Govt. stocks	Net availability	Per capita net availability per day (in gms.)			Procurement	Public distribution
						All foodgrains	Cereals	Pulses		
1	2	3	4	5	6	7	8	9	10	11
1977	111.2	97.3	0.5	-1.6	99.4	431.8	388.5	43.3	9.9	11.7
1978	126.4	110.6	-0.6	-0.3	110.2	468.2	423.0	45.2	11.1	+10.2
1979	131.9	115.4	-0.9	+0.4	114.2	474.5	429.6	44.9	13.8	+11.7
1980	109.7	96.0	-0.4	-5.8	101.4	410.9	380.0	30.9	11.2	+15.0
1981	129.6	113.4	0.5	-0.2	114.1	453.6	416.0	37.0	12.9	+13.0
1982	133.3	116.6	1.5	+1.2	116.9	454.1	415.5	38.6	15.2	+14.8
1983 P	128.4	112.4	..	..	..	..	..	..	15.5	(a) 12.7

(a) Upto September 1983. - Not Available.

* Includes quantities released under the National Rural Employment Programme.

Notes: 1) Output data relate to agricultural year July-June.

2) Net output has been taken as 87.5 per cent of the gross output, 12.5 per cent being provided for feed, seed requirements and wastage.

3) Net availability = Net production + Net imports - Change in Government stocks.

4) Figures in respect of change in stocks with traders and producers are not available. The estimates of net availability should not, therefore, be taken to be strictly equivalent to consumption.

Source: Economic Survey 1982-83, Government of India.

RATIONING: STATUTORY

There was no change in the policy with regard to statutory rationing during 1982-83. Statutory rationing covers about 9.7 million people in greater Calcutta and the Durgapur industrial complex in West Bengal.

PROCUREMENT AND BUFFER STOCKS

The policy of allowing free movement of foodgrains throughout the country continued. There was no restriction on the free movement of rice, wheat and coarse grains. However, to ensure maximum procurement, most of the major paddy growing States were advised to impose restrictions on movement of paddy/rice to other States. Besides, the States were also advised to impose appropriate levy both on rice millers and wholesale dealers taking into consideration prevailing conditions. This policy proved helpful in maximising procurement inspite of lower production.

Rice procurement during the 1982-83 season aggregated 7.0 million tonnes as against 7.3 million tonnes procured during the last season (Table III-3). Procurement of coarse grains during the 1982-83 *kharij* season totalled 1.68 lakh tonnes as against 1.95 lakh tonnes in the last season. In the case of wheat, purchases during the 1982-83 *rabi* marketing season (April-March) aggregated 7.7 million tonnes compared with 6.6 million tonnes in the previous season. Procurement of wheat during the 1983-84 *rabi* marketing season amounted to 8.3 million tonnes (upto November 26, 1983) as against 7.7 million tonnes in the corresponding period last season.

The building up and maintenance of stocks have been the important planks of the national food policy. These stocks are maintained to ensure stability in supplies and prices over the years. On the recommendations of the Technical Group constituted in 1975, the Government decided in 1978 to build up a buffer stock of 12 million tonnes of foodgrains for imparting stability to the country's food

Table III-3 : 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
1978-79	53.8	35.5	30.4	6.3	8.0	Neg.	..	..	..	4.0	7.5	9.0	8.3	0.1
1979-80	42.3	31.8	27.0	3.9	5.9	0.1	..	..	..	6.1	8.8	6.7	5.0	0.1
1980-81	53.6	36.3	29.0	5.6	6.6	0.1	..	..	..	6.4	6.4	6.1	5.1	0.1
1981-82	53.2	37.5	31.1	7.3	7.7	0.2	..	2.2	..	7.5	7.2	5.3	7.2	0.1
1982-83	46.5	42.5	27.8	7.0	8.3	0.2	..	4.0	..	*6.0	*6.5	*2.0	*12.0	*0.1

[§] Includes quantities released under the National Rural Employment Programme.

(a) Upto end-November 1983.

* Upto end-September 1983.

.. Nil

Neg: Negligible.

Notes: i) Production figures relate to agricultural year (July-June).

ii) Procurement figures relate to the marketing season. (April-March for wheat and October-September for rice and coarse grains).

iii) Public distribution and year-end stocks relate to the calendar year.

Sources: a) Economic Survey 1982-83, Government of India.

b) Bulletin on Food Statistics 1981-82, Government of India.

Table III-4 : Minimum Support, Procurement and Issue Prices

(Rupees per quintal)

Commodities	1979-80			1980-81			1981-82			1982-83		
	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 (Coarse Variety)		95			105			115			122	
Rice - Common			150			165			175			188
- Fine			162			177			187			200
- Superfine			172			192			202			215
Wheat		117	130		130	(a) 145		142	(a/a) 160		151	(a/a/a) 172
Jowar		95			105			116			118	
Bajra		95	96		105	106		116	117		118	..
Maize		95			105			116			118	
Ragi		95			105			116			118	
Barley*	105			116			N.A.			122		
Gram*	145			N.A.			N.A.			235		
Moong*	200			N.A.			240			250		
Urad*	200			N.A.			230			245		
Tur*	190			N.A.			215			245		

* Rabi marketing season (April-March).

N.A. Not Announced.

.. Not Available.

(a) Rs. 145 for public distribution system and Rs. 155 for roller flour mills.

(a/a) Rs. 160 for public distribution system and Rs. 185 for roller flour mills.

(a/a/a) Rs. 172 for public distribution system and Rs. 208 for roller flour mills.

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

economy. This would be over and above the operational stocks ranging between 3.5 – 8.8 million tonnes needed during the year. In April 1981, another Technical Group was constituted to work out a national buffer-stock policy for the Sixth Plan period and its recommendations are under consideration of the Government. As at end-September 1983, foodgrains stocks with the Government were higher at 14.1 million tonnes as against 12.0 million tonnes a year ago.

Commodity-wise Review

RICE

Rice production during 1982-83 is estimated at 46.5 million tonnes showing a decline of 6.7 million tonnes over the 1981-82 output of 53.2 million tonnes (Table III-3). For 1983-84, a target of 57.0 million tonnes has been fixed.

As regards procurement prices, paddy prices for the 1982-83 *kharif* marketing season have been fixed at Rs.122 per quintal for common, Rs.126 per quintal for fine and Rs.130 per quintal for superfine varieties as against Rs.115, Rs.119 and Rs.123 per quintal, respectively, in the 1981-82 season. Consequent on this increase in the procurement prices of paddy, the issue prices of all varieties of rice have been raised by Rs.13 a quintal (Table III-4).

Aggregate rice procurement during the 1982-83 *kharif* marketing season was placed at 7.0 million tonnes as against 7.3 million tonnes in the previous season (Table III - 5). Rice distributed through the public distribution system (including issues for National Rural Employment Programme) during the calendar year 1982 amounted to 7.5 million tonnes as against 6.4 million tonnes in 1981. In the first nine months of 1983 (January to September), 6.0 million tonnes were distributed as against 5.6 million tonnes during the corresponding period of 1982.

Export of Basmati rice continued to be under Open General Licence (OGL) subject to a minimum price of Rs.6,000 a tonne. However, export of non-Basmati rice was allowed in restricted quantities on Government to Government basis through the Food Corporation of India (FCI) only. A total quantity of 3.47 lakh tonnes

valued at Rs.128.56 crores was exported by the FCI in 1982-83. During 1982, the FCI had entered into two contracts with the USSR for export of 3.75 lakh tonnes of non-Basmati rice in exchange of crude-oil. Out of this, 3.66 lakh tonnes were exported upto end-December 1982. In addition, India exported 0.37 lakh tonnes of rice to the USSR and the Maldives against the contracts signed in 1981. Besides, in response to an urgent request from the Government of Nepal, the Government of India exported 10,000 tonnes of rice to Nepal on a commodity-loan basis. The stocks of rice at 2.0 million tonnes at the end of September 1983 were lower by 1.1 million tonnes compared with the position a year ago (3.1 million tonnes). To replenish the stocks, India has contracted for import of rice from Thailand (1.7 lakh tonnes) and Burma (2.0 lakh tonnes).

WHEAT

Production of wheat, the major *rabi* crop, touched a new record of 42.5 million tonnes in 1982-83 from 37.5 million tonnes in 1981-82. For 1983-84, a target of 41.0 million tonnes has been fixed.

The APC recommended procurement price of Rs.150 per quintal for the fair average quality wheat for the 1982-83 *rabi* marketing season which was higher by Rs.8 than the price fixed for the previous season. The Government, however, enhanced the purchase prices by Rs.9 to Rs.151 per quintal with effect from April 15, 1983. The issue prices were raised by Rs.12 to Rs.172 a quintal for wheat distributed through the PDS and by Rs.23 to Rs.208 per quintal for wheat supplied to roller flour mills (Table III-4).

Wheat procurement during the 1983-84 *rabi* marketing season (upto November 26, 1983) aggregated 8.3 million tonnes as against 7.7 million tonnes in the corresponding period of the last season (Table III-5).

In the calendar year 1982, 7.2 million tonnes of wheat (including issues under the NREP) was distributed through the PDS as against 6.4 million tonnes in 1981. During the first nine months of 1983 (upto end-September 1983), 6.5 million tonnes of wheat was distributed from the Central Pool as against 5.1 million tonnes in the corresponding period of last season.

Table III-5 : Procurement of Rice and Wheat

(Thousand tonnes)											
State	1978-79		1979-80		1980-81		1981-82		1982-83		Wheat ^(a)
	Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat	
1	2	3	4	5	6	7	8	9	10	11	
Andhra Pradesh	1,042	—	469	—	693	—	1,088	—	1,625	—	
Assam	32	—	10	—	37	—	44	—	23	—	
Bihar	12	88	—	9	65	13	49	16	3	20	
Gujarat	—	Neg.	—	—	—	—	19	—	6	Neg.	
Haryana	887	1,389	553	1,003	670	1,121	882	1,262	713	1,400	
Jammu & Kashmir	58	22	50	29	61	20	53	20	36	19	
Karnataka	106	—	71	—	77	—	157	—	110	—	
Kerala	1	—	1	—	Neg.	—	Neg.	—	Neg.	—	
Madhya Pradesh	306	100	90	Neg.	340	167	367	67	184	55	
Maharashtra	31	—	2	—	66	—	25	—	Neg.	—	
Orissa	58	—	29	—	123	—	115	—	58	—	
Punjab	2,725	4,200	2,300	4,277	2,523	3,763	3,092	4,825	3,231	5,162	
Rajasthan	17	301	Neg.	17	5	10	35	135	34	178	
Tamil Nadu	71	—	133	—	179	—	573	—	415	—	
Uttar Pradesh	837	1,883	73	522	588	1,496	707	1,380	559	1,444	
West Bengal	146	3	69	—	143	—	45	—	13	—	
Others	5	14	1	4	2	—	7	14	3	1	
Total	6,334	8,000	3,851	5,861	5,572	6,590	7,258	7,719	7,013	8,279	

• Marketing season for rice is November-October. In the year 1979-80, however, procurement commenced on November 1 1979 and ended on September 30, 1980. Therefore, from 1980-81 marketing season commences from October 1, and ends on September 30. Marketing season for wheat is April-March. However, procurements are indicated against agricultural years.

Neg. Negligible. ^(a) Upto November 26, 1983.

Source: Bulletin on Food Statistics, Government of India.

The stocks of wheat with the Central and State Government agencies at 12.0 million tonnes at the end of September 1983 were higher by 3.3 million tonnes as compared with the position a year ago (8.7 million tonnes). During 1982, India exported 2.0 lakh tonnes of wheat to Bangladesh on a commodity-loan basis under the World Food Programme to enable her to meet food shortage. India also exported 25,000 tonnes of wheat under this programme to Nepal in September 1982 and February 1983. Besides, in May 1983, India agreed to give on a replacement basis, an interest-free loan of 10,000 tonnes of wheat to Nepal for six months from completion of delivery to enable her to tide over her food shortage.

The Government contracted for import of 3.95 million tonnes of wheat during 1982-83 with a view to building up buffer stocks and keeping a check on prices in the context of drought conditions in some parts of the country. Against these contracts, a quantity of about 3.4 million tonnes of wheat was received upto end-August 1983. In 1981-82, the Government had contracted for import of 2.3 million tonnes of wheat.

COARSE GRAINS

Output of coarse grains during 1982-83 is estimated at 27.8 million tonnes as compared to the previous year's production of 31.1 million tonnes. A target of 31.0 million tonnes has been fixed for 1983-84.

Under the *kharif* procurement policy for the 1982-83 marketing season, the support/purchase price of coarse grains was enhanced by the Government on the recommendation of the APC from Rs.116 to Rs.118 a quintal. Procurement of coarse grains totalled 1.68 lakh tonnes during the 1982-83 marketing season as against 1.95 lakh tonnes last season. Issues of coarse grains through the PDS aggregated 0.97 lakh tonnes in 1982 as compared to 1.85 lakh tonnes in 1981. During January-September 1983, 1.96 lakh tonnes were issued through the PDS as against 0.87 lakh tonnes in the corresponding period of last year.

PULSES

Production of pulses during 1982-83 is estimated at 11.6 million tonnes as against 11.5

million tonnes in the preceding year. The target of 13.0 million tonnes has been fixed for 1983-84.

Production of pulses, a major source of protein is not, however, commensurate with the country's requirements. As a result, per capita availability has declined. The limited scope for import of pulses also places a constraint on efforts to effectively manage supplies. Recognising the importance of pulses in the Indian diet, the Department of Agriculture has been constantly laying stress on their production. The measures taken for raising production included among others the following: (i) From 1982-83, the Centrally Sponsored Pulses Development Programme has been split into: (a) Intensive Pulses Development Programme and (b) Summer Moong Production Programme (SMPP). The SMPP envisages extension of area under *moong* in the summer season with irrigation after harvesting of *rabi* crop. (ii) For popularising short duration improved varieties of pulses, 4.02 lakh mini-kits of pulses containing improved seeds were distributed free during 1982-83 as against 0.63 lakh mini-kits in 1981-82. (iii) Subsidies on demonstration and plant protection measures were enhanced in 1982-83. (iv) The Pulses Development Programme provides financial assistance to farmers by way of subsidies on certified/truthfully labelled seeds, plant protection chemicals and equipments.

COTTON

According to the final estimates for 1982-83, the area under cotton crop in 1982-83 at 80.74 lakh hectares, showed only a marginal rise over that in 1981-82 (80.57 lakh hectares). Production of cotton in 1982-83, was however, lower at 77.17 lakh bales* than that of 78.84 lakh bales in 1981-82.

The Cotton Advisory Board's (CAB) latest estimate, however, places production during the 1982-83 season at about 83 lakh bales which is lower than the CAB's estimate of 84 lakh bales for the previous season.

The supply-demand position of cotton for the past few years is presented in Table III-6.

* 1 bale = 170 Kgs.

Table III—6 : Trends in Availability of Cotton

(In '000 bales of 170 kgs each)

Year (September-August)	Production	Yield per hectare (In kgs)	Imports	Exports	Mill consump- tion	Extra factory consump- tion	Stocks with mills as at the end of the season
1	2	3	4	5	6	7	8
1977-78	 7243 (7103)	157	661	5	6616	550@	1173
1978-79	 7958 (7927)	167	26	141	6981	550@	1487
1979-80	 7648 (8020)	160	NIL	529	7412	550@	1512
1980-81	 7010 (7800)	152	NIL	697P	7678	350R@	1292
1981-82	 7884 (8400)	167	50P	375P	7123	440R@	1179
1982-83*	 (8300)	N.A.	NIL	714	7500	465	1394**

P: Provisional. N.A. = Not available.

@: Inclusive of Ambar Charkha and surgical dressing factories.

*: CAB estimates as on October 3, 1983.

**: As at the end of March, 1983.

Note: Figures in brackets represents CAB's estimates.

Source: Directorate of Cotton Development and the Cotton Advisory Board.

The 1982-83 season commenced, according to the CAB's estimates, with an opening stock of 22.75 lakh bales* (subsequently raised to 27.16 lakh bales). Adding the season's output of 83 lakh bales, aggregate availability during the season works out to 110.16 lakh bales. On the demand side mill consumption is expected to rise from 70.35 lakh bales to about 75 lakh bales, following resumption of work in the textile mills of Bombay which were affected last year by a prolonged strike. Extra-factory consumption (inclusive of consumption by the waste spinning units) is assumed at 4.65 lakh bales and exports are placed at 7.14 lakh bales. Thus, aggregate demand is placed higher at 86.79 lakh bales as against 78.10 lakh bales in the previous season. The closing stock at the end of the season (end-August 1983) is estimated lower at 23.37 lakh bales than that at the end of the previous season (27.16 lakh bales).

The cotton production strategy adopted in the

* This is inclusive of the stock with mills and other Government agencies as also with private trade.

earlier years was continued in 1982-83. It consisted of (i) raising the per hectare productivity of both irrigated and unirrigated crop through intensive cultivation measures; (ii) stepping up of area under irrigated cotton by fully exploiting the potential under the command of new irrigation projects; and (iii) accelerating the spread of high-yielding varieties/hybrids to cover maximum potential area. This strategy is an integral part of the comprehensive Centrally sponsored Intensive Cotton Development Programme (ICDP) implemented in all the major cotton growing States. The area covered (including irrigated and non-traditional areas) under the ICDP during the 1982-83 season is placed at 19.65 lakh hectares (roughly 25.2 per cent of total area under cotton in the country, estimated at 78.0 million hectares spread over 26 potential districts). Improved seeds and fertilizer supply in these districts covered an area of 1.4 million hectares and 1.6 million hectares, respectively. Aerial spraying of cotton plants covered an area of 1.35 lakh hectares against the target of 2.10 lakh hectares; mainly because of inadequacy of helicopters. The target for ground spraying/dusting, a prog-

ramme introduced in the rainfed districts under the ICDP, was fixed at 0.50 lakh hectares. However, owing to delay in State sanctions, the programme was implemented only over a limited area. Production of high yielding/hybrid cotton seed was continued in Madhya Pradesh, Gujarat, Maharashtra, Andhra Pradesh and Karnataka; the area covered was 1,256 hectares against the target of 2,405 hectares. In addition to the Centrally sponsored ICDP, a few States continued to implement their own package programmes.

For the 1982-83 season the Government announced the minimum support price of Rs.380 per quintal for the basic variety of *kapas* (J-34) as recommended by the APC. This represents an increase of about 27 per cent over the support price of Rs.300 per quintal for the 1980-81 season. It may be recalled that the Government had not announced any support price for the 1981-82 season.

The Cotton Corporation of India (CCI) continued to make commercial purchases during the 1982-83 season. Aggregate purchases by the CCI amounted to 9.52 lakh bales during the 1982-83 season. During the 1981-82 season it had purchased 10.56 lakh bales.

Under the Maharashtra State Cotton Monopoly Procurement Scheme, the Maharashtra State Co-operative Marketing Federation (MSCMF) procured 18.19 lakh bales of cotton during the 1982-83 season as against 14.82 lakh bales in the preceding season. The procurement during the current season was made by the MSCMF at guaranteed prices ranging between Rs.390 and Rs.520 per quintal.

RAW JUTE AND MESTA

The official production estimate of raw jute and mesta for the 1982-83 season (July-June) is yet to be released. However, trade estimates place production lower at about 72.15 lakh bales* (58.59 lakh bales of jute and 13.56 lakh bales of mesta) owing to adverse weather conditions. The previous season's production was 84.00 lakh bales comprising of 68.17 lakh bales of raw jute and 15.83 lakh bales of mesta (Table III-7).

* 1 bale = 180 kgs.

Table III—7 : Trends in Availability of Jute and Mesta

('000 bales of 180 kgs. each)

Year (July-June)	Production	Imports	Exports	Consumption●	Closing stock §	Availability●●
1	2	3	4	5	6	7
1976-77	7,099	37	17	7,042	606	7,903
1977-78	7,154	—	18	7,055	434	7,760
1978-79	8,333	—	28	6,479	2,378	8,767
1979-80	8,023	—	Neg.	8,175	3,187	10,401
1980-81	8,195	—	102	8,293	3,327	11,382
1981-82	8,400	—	294	7,582	2,830	11,727
1982-83	7,215 †	—	100 †	7,843	2,003 †	10,045

● Of which village level consumption was at the rate of 250 thousand bales per annum till end of the jute season 1979-80 and at the rate of 300 thousand bales per annum thereafter.

§ Estimated stocks with mills, STC/JCI and other stockists at the end of the season.

† = Estimate. Neg. = Negligible.

●● Includes closing stock of the preceding season, production and imports (if any) during the season.

The raw jute and mesta production target for 1982-83 was fixed at 85.00 lakh bales. To achieve this target, the Centrally Sponsored Intensive Jute Development Programme (IJDP) continued to be implemented. This programme was spread over eight States viz. West Bengal, Bihar, Assam, Orissa, Uttar Pradesh, Andhra Pradesh, Meghalaya and Tripura. It covered an area of over 4 lakh hectares. A provision of Rs. 169.86 lakhs was made in 1982-83 for implementing the programme; the amount is to be shared equally by the Centre and States.

The Planning Commission, on the basis of past achievements, revised downwards the 1983-84 target for raw jute and mesta from 89.3 lakh bales to 85.0 lakh bales.

The 1982-83 season commenced with an opening stock of 28.30 lakh bales compared with 33.27 lakh bales at the commencement of the preceding season. As in the previous five years, during 1982-83 also there were no imports. Together with an estimated output of 72.15 lakh bales, aggregate availability of jute and mesta during 1982-83 is placed at around 100.45 lakh bales as against 117.27 lakh bales in the preceding season. On the demand side, mill consumption during the 1982-83 season is placed at 75.43 lakh bales as against 72.82 lakh bales in the corresponding period of the preceding season. Village level consumption is estimated at around 3.00 lakh bales. Exports are estimated at 1.00 lakh bales; in the 1981-82 season 2.94 lakh bales were exported. The stocks as at the end of June 1983 are estimated at around 20 lakh bales, compared with 28.30 lakh bales at the end of the 1981-82 season.

On the recommendation of the APC, the minimum support price of raw jute (W-5 grade ex-Assam) for the 1982-83 season was maintained at the level fixed for the last season, viz., Rs. 175 per quintal. Based on this price, the Jute Commissioner worked out and statutorily fixed prices for other grades/varieties in different States under the Jute (Licensing and Control) Order, 1961.

During the 1982-83 season, the overall supply-demand position of raw jute was better balanced than in the preceding season, when a serious imbalance between supply and demand

had developed as a result of which prices of raw jute and mesta, especially of the medium and lower grades had declined causing acute distress among small and marginal farmers. In the wake of a short crop due to drought, raw jute prices started firming up from November 1982, a period in which prices generally seek lower levels with marketing of new crop. Owing to a steady demand from mills and their agents, prices in the up-country markets ruled higher than the statutory minimum. This was in contrast to the situation in a couple of earlier seasons when raw jute prices had ruled below the statutory minimum price in some of the markets.

The Jute Commissioner, took some measures under the Jute (Licensing and Control) Order, 1961, to stabilise prices of raw jute *vis-a-vis* jute goods. The Jute Manufacturing Committee made periodic assessment of the impact of purchases by various agencies during the peak marketing period. In view of the limited availability of raw jute during the lean months, under the provisions of the Jute (Licensing and Control) Order, 1961, the permissible level of raw jute inventory with mills was brought down in a phased manner from March to June 1983, to ensure its equitable distribution among mills. Mills' purchases from the Jute Corporation of India (JCI) have been kept outside the purview of this control order.

To improve the functioning of the jute industry, the Government issued, from time to time, orders under the Jute (Licensing and Control) Order, 1961 directing mills to produce a certain specified quantity of B. Twills for the Directorate General of Supplies and Disposals (D.G.S. & D.) on cost plus price basis. For this purpose the arrangement regarding linkage of purchase of B. Twill bags by DGS & D with the purchase of raw jute from the JCI by supplier mills continued.

The JCI commenced the 1982-83 season with a carry over stock of 14.1 lakh bales. The Corporation had planned in the beginning to purchase 20 lakh bales under the price support operations and another 5 lakh bales on a commercial basis during the season. However, in view of short crop and steady to firm conditions prevailing in the market during the 1982-83 season, the JCI did not consider it necessary to resort to price support operations on a scale comparable to that in the preceding season. Its

purchases, during the 1982-83 season were, therefore, much lower at 8.6 lakh bales (comprising of 6.6 lakh bales under price support operations and 2.0 lakh bales under commercial operations) as against 17.6 lakh bales in the preceding season under price support operation. There was no commercial purchases during 1981-82 season.

OILSEEDS

According to the all-India final estimate of oilseeds* for 1982-83, oilseeds production was lower at 10.6 million tonnes as compared to the target of 11.8-12.0 million tonnes and the previous season's production of 12.2 million tonnes. Over the year, production declined by 13.5 per cent. Production of groundnut during 1982-83 at 55.5 lakh tonnes was lower by 23.1 per cent as compared to 72.2 lakh tonnes output in 1981-82. The marked decline in *kharif* oilseeds output is attributed mainly to the severe setback received by the *kharif* groundnut crop due to inadequate and erratic monsoon and drought conditions in the major groundnut growing regions of Gujarat, Andhra Pradesh, Maharashtra, and Tamil Nadu. The *kharif* groundnut crop was also damaged to some extent by a cyclone which swept Gujarat around harvesting time. *Rabi* oilseeds prospects which had looked bright at one time also suffered due to untimely rains at the maturing stage of the crop. Rapeseed/mustard output was 24.7 lakh tonnes in 1982-83 as against 23.8 lakh tonnes in 1981-82. Sesamum and linseed output was 5.0 lakh tonnes and 4.8 lakh tonnes, respectively, as against the previous year's output of 5.9 lakh tonnes and 4.8 lakh tonnes, respectively. Output of castorseed was 3.5 lakh tonnes as compared to 3.1 lakh tonnes in 1981-82.

The three on-going Centrally Sponsored Schemes which aims at increasing oilseeds production were continued in various States during 1982-83. These are: Intensive Oilseeds Development Programme; Extension of Oilseeds to New Irrigated Areas; and Development of Non-Traditional Oilseeds Crops. The Intensive Oilseeds Development Programme which aims at improving productivity of groundnut and rapeseed/mustard crops, was extended to 40.50 lakh hectares in 1982-83. In 1981-82, 29.6 lakh hectares were co-

vered under this programme. Emphasis continued to be laid on increasing the area under *rabi*/summer irrigated groundnut and rapeseed/mustard in command areas of irrigation projects as productivity of irrigated oilseeds crop is found to be high. During 1981-82, an area of 9.01 lakh hectares is estimated to have been covered under *rabi*-summer irrigated groundnut. Efforts to introduce non-traditional oilseed crops like sunflower and soyabean also continued in several States.

Two special projects, viz., (i) Intensive Project for Increasing Production of Groundnut in Saurashtra Region (1980-84) and (ii) Soyabean Project in Madhya Pradesh (1981-86) also continued to be implemented during 1982-83. The total outlay of Rs.35 crores on the groundnut project is being fully met by the Union Government. During 1981-82 an area of 2.18 lakh hectares was covered under *rabi*/summer irrigated groundnut as against 0.68 lakh hectares in 1979-80. During 1982-83, 18.00 lakh hectares were covered under *kharif* groundnut and 2.0 lakh hectares were expected to be covered under *rabi*/summer irrigated groundnut. The Soyabean Project in Madhya Pradesh involves an outlay of Rs.15 crores which is being fully met by the Central Government. During 1982-83 this project covered 7.70 lakh hectares in Madhya Pradesh.

To re-inforce the efforts for bridging the gap between indigenous supply of oilseeds and demand for edible oils, the Government of India decided to set up a National Oilseeds Board which would evolve an integrated approach covering all aspects of production, marketing and processing of oilseeds. The Government also formulated during the year, a National Oilseeds Project involving an investment of Rs.125 crores. The project envisages an increase in annual production of 35.6 lakh tonnes in the third year. It will ensure an additional availability of about 12 lakh tonnes of edible oils annually.

To offset the losses in *kharif* oilseeds, the target for 1982-83 *rabi* oilseeds was substantially revised upwards from 46.0 lakh tonnes to 58.4 lakh tonnes and concerted efforts were made in the *rabi* season to increase production. These included: (i) raising summer irrigated groundnut area to 15 lakh hectares; (ii) increasing the area under rapeseed/mustard, toria and sole cropping of rapeseed; (iii) raising mustard as inter-crop; and (iv)

* Comprising groundnut (in-shell), rapeseed/mustard, sesamum, linseed, castorseed, safflowerseed, nigerseed, soyabean and sunflowerseed.

Table III—8 : Progress of NDDB's Project

State	No. of oilseeds growers' co-operative societies at the village level		No. of villages covered		No. of farmer members		Area of the members (ares)		Procurement of oilseeds (in tonnes)	
	1981-82	1982-83	1981-82	1982-83	1981-82	1982-83	1981-82	1982-83	1981-82	1982-83
Gujarat	969	978	1,129	1,256	64,851	69,707	2,53,672	2,29,409	78,650	29,159
Madhya Pradesh	91	181	791	1,533	9,045	15,924	56,933	51,518	10,834	19,875
Tamil Nadu	50	94	116	328	2,689	4,940	3,676	6,782	565	554
Orissa	—	21	—	147	—	1,146	—	2,123	—	99
Total	1,110	1,274	2,036	3,264	76,585	91,717	3,14,281	2,89,832	90,049	49,687

popularising cultivation of safflower over large areas.

A programme of expansion of area under short duration rapeseed/mustard, i.e., toria as a catch crop between *kharif* and *rabi*, was successfully launched in Rajasthan, Bihar, Uttar Pradesh and Madhya Pradesh. Liberal financial assistance was also made available to the State Governments by the Central Government for taking up suitable plant protection measures. To introduce and popularise new varieties of different oilseeds as also to popularise oilseed crops in non-traditional areas, a massive programme of free distribution of oilseeds minikits has been organised. During 1982-83 (April-March) 3.99 lakh minikits were distributed as against 72,000 in 1981-82 and 32,000 in 1980-81.

The project for the development of co-operative structure for increasing oilseeds production through an integrated programme of production, marketing and processing being implemented in Gujarat, Madhya Pradesh, Tamil Nadu and Orissa by the National Dairy Development Board (NDDB) made considerable progress in 1982-83. The State-wise progress under the scheme is indicated in the Table III-8.

The co-operative federation organised under the Project in Gujarat is also procuring groundnut seed for other States. This step has been taken to meet the imminent shortage of seeds in other areas on account of failure of *kharif* crop. The Madhya Pradesh Co-operative Oilseeds Growers' Federation, which has obtained a letter of intent for setting up of a 400 tonnes soya-

bean processing complex at Ujjain, continued to use the processing facilities of a co-operative mill in Gujarat and a public sector mill in Madhya Pradesh during the year.

Against its commitment to supply 1,60,000 tonnes of edible oils to the NDDB over a seven-year period (1978-85), the Co-operative League of USA has so far supplied 1,04,608 tonnes of refined soyabean oil. The Co-operative Union of Canada has also supplied 15,725 tonnes of crude rapeseed oil. From these receipts, about 77,370 tonnes of refined soyabean oil and 15,384 tonnes of crude rapeseed oil have been sold so far through the co-operatives and the public distribution system. Total funds generated out of the sale proceeds are of the order of Rs.83.84 crores. Of this, Rs.54.76 crores have been utilised for the co-operative project purposes including financial assistance to State level federations.

The minimum support prices for oilseeds of fair average quality announced by the Government for 1983-84 and the corresponding prices for 1982-83 are indicated below:

Table III—9 : Support Prices for Oilseeds

Oilseeds	Support price (Rs. per quintal)	
	1983-84	1982-83
Groundnut-in-shell	315	295
Soyabean (black)	230	220
Soyabean (yellow)	255	245
Sunflowerseed	275	250

The Government also announced, after a gap of three years, the minimum support price for rapeseed/mustard. The price has been fixed at Rs.355 a quintal for 1983-84. The market prices of all oilseeds, however, ruled substantially higher than the support prices fixed by the Government.

With a view to keeping prices of edible oils in check, the Government decided to augment edible oil supplies by import of 12 lakh tonnes. The Government also increased in stages allocation of imported edible oils to the States for distribution through the PDS. The monthly average quota was increased from 28,210 tonnes during November 1982 to March 1983 to 35,355 tonnes in April and further to 43,370 tonnes in June 1983. From November 1982 to October 1983, 5.4 lakh tonnes of oils were allotted for the PDS.

Further, with a view to reducing pressure on domestic supplies of edible oils used commonly for manufacturing vanaspati, the Government continued to supply imported vegetable oils to vanaspati manufacturers through the State Trading Corporation upto 60 per cent of their requirement. From June 1983, additional imported vegetable oils upto 20 per cent of the requirement are being provided to vanaspati manufacturers.

SUGARCANE

The area under sugarcane during the 1982-83 season, according to final estimates, was 33.7 lakh hectares as against 31.9 lakh hectares in 1981-82. The States which mainly accounted for the increase in area in 1982-83 were Uttar Pradesh, Maharashtra, Madhya Pradesh and Gujarat. The high sugarcane and gur prices, as also favourable weather conditions at sowing time were the main factors responsible for increase in area in 1982-83.

With the increase in area and improvement in productivity, sugarcane output rose from 186.4 million tonnes (in terms of cane) in 1981-82 to 189.1 million tonnes in 1982-83 or by 1.5 per cent (Table III-10). The target for 1983-84, is 182.0-185.0 million tonnes. The annual action programme adopted for achieving this target lays emphasis on soil and seed treatment, distribution of improved cane seed and fertilisers, improved cultivation practices and plant protection measures, better management of ratoon crop, training of sugarcane workers and extension drive.

The APC had recommended for the year 1982-83 a statutory minimum price of Rs.15.50 per quintal of sugarcane linked to a recovery of 8.5 per cent or below, subject to a proportionate premium for every 0.1 per cent increase in recovery above that level. However, the Government retained the statutory minimum price of Rs.13 per quintal linked to a recovery of 8.5 per cent or below with a premium for every 0.1 per cent increase in recovery beyond 8.5 per cent.

TEA

Production of tea increased by 5.4 million kgs. to 565.4 million kgs. during 1982 (Table III-10) mainly because of increase in production of North India tea (from 437.4 million kgs. in 1981 to 441.9 million kgs. in 1982). Production of South India tea recorded a moderate increase.

Production during the first nine months of 1983 (January - September) in North India is estimated higher at about 339.3 million kgs. as compared with 316.5 million kgs. in the corresponding period last year. However, production in South India during this period is placed lower at 80.8 million kgs. as against 84.3 million kgs. in the corresponding period last year.

According to provisional data, the quantity of tea exported from India during the financial year 1982-83 declined to 195.8 million kgs. from 224.2 million kgs. in 1981-82. The value of tea exports during 1982-83 also declined to Rs.370.40 crores from Rs.406.83 crores in 1981-82. The unit value realisation during the year at Rs.18.91 per kg was, however, a little higher than that in the previous year (Rs.18.15 per kg.).

COFFEE

According to the revised estimates released by the Coffee Board, coffee production in 1982-83 (October-September) is placed lower at 135.0 thousand tonnes against the target of 143.2 thousand tonnes and the preceding year's output of 152.1 thousand tonnes. The fall in production is shared by both Arabica and Robusta varieties (Table III-10).

Internal consumption during 1982 is placed at 54.0 thousand tonnes compared with 50.8 thousand tonnes in 1981. Exports of coffee during the financial year 1982-83 are placed at 83.7 thousand tonnes compared with 83.8 thousand

Table III-10 : Trends in Production, Export, Consumption, etc., of Non-foodgrain Commodities

Years	Oilseeds ¹		Tea (Million kgs.)		Coffee ('000 tonnes)			Sugarcane (In terms of can)		Tobacco (Million kgs.)		
	Production (Million tonnes)	Yield per hectare (kgs.)	Production ²	Export ¹	Production ⁴	Export ⁵	Internal consumption ²	Production (Million tonnes)	Yield per hectare (kgs.)	Production	Export	Internal consumption
1	2	3	4	5	6	7	8	9	10	11	12	13
1977-78	9.7	572	556.3	221.5	125.1	55.8	44.1	177.0	56,160	494	80.0	361.0
1978-79	10.1	570	363.8	177.3	110.5	65.4	46.0	151.7	49,114	454	78.1	360.3
1979-80	8.7	516	543.8	208.4	149.8	62.0	49.6	128.8	49,354	439	76.3	++
1980-81	9.1	515	569.6	231.7	118.6	89.3	47.7	154.2	57,836	481	78.5	++
1981-82	12.2	640	560.0	224.2	152.1	83.8	50.8	186.4	58,358	525	116.9	++
1982-83	10.6	553	565.4	195.8	135.0	83.7	54.0	189.1	56,205	N.A.	91.8	++

P Provisional estimates. * Related to April 1982 - February 1983. (a/a) Final estimate.

(a) Revised estimate, subject to revision.

++ As unmanufactured tobacco has been exempted from excise duty since 1979-80, data on raw tobacco leased for home consumption which were maintained by the Central Excise are not available from 1979-80 onwards.

** Estimate.

1. Figures relate to November-October.
2. Figures relate to calendar year.
3. Figures relate to financial year.
4. Figures relate to October-September.
5. Figures relate to March-February.

Source: Ministry of Agriculture, Government of India, Tea Board, Coffee Board.

tonnes in 1981-82. Value of coffee exports amounted to Rs.201.65 crores in 1982-83 compared with Rs.166.68 crores in the previous year. Unit value realisation also increased from Rs.19.88 per kg. in 1981-82 to Rs.24.10 per kg. in 1982-83. With the improvement in international prices of coffee, the Government enhanced on December 16, 1982 the export duty on coffee from Rs.440 per quintal to Rs.530 per quintal.

TOBACCO

According to the all-India final estimates for 1981-82, total area under tobacco showed a marginal decline of 0.7 per cent from 451.5 thousand hectares in 1980-81 to 448.3 thousand hectares in 1981-82. However, tobacco output showed an impressive increase of 9.3 per cent from 480.8 million kgs. in 1980-81 to 525.3 million kgs. in 1981-82. Both area and production of Virginia Flue Cured (VFC) tobacco were higher in 1981-82 at 152.9 thousand hectares and 137.7 million kgs. compared with 142.4 thousand hectares and 117.0 million kgs., respectively, in 1980-81.

Andhra Pradesh, Gujarat and Karnataka are the main States cultivating tobacco. Andhra Pradesh recorded an increase both in area and production of tobacco during 1981-82; the area increased from 169.4 thousand hectares in 1980-81 to 182.8 thousand hectares and production from 164.0 million kgs. in 1980-81 to 192.5 million kgs. In Gujarat, despite a decline in area from 121.5 thousand hectares in 1980-81 to 113.0 thousand hectares, production increased from 185.2 million kgs. in 1980-81 to a record level of 209.5 million kgs., surpassing Andhra Pradesh's production by 17 million kgs., because of substantial rise in average yield from 1,524 kgs. per hectare in 1980-81 to 1,854 kgs. per hectare in 1981-82.

The official estimate of area and production of tobacco for 1982-83 is not yet available. However, on the basis of available information the area under Virginia tobacco in Andhra Pradesh during 1982-83 is estimated at 165.0 thousand hectares as against 136.9 thousand hectares in 1981-82 and production is estimated at 150.0 million kgs. as against 128.4 million kgs. in 1981-82. In Gujarat, raising of bidi tobacco nurseries was adversely affected by delayed monsoon. With the arrival of rains in August 1982,

bidi tobacco was planted in 83,000 hectares but in November 1982 a devastating cyclone caused damage of 25-30 per cent to the crop. In Karnataka, production of Virginia tobacco during 1982-83 is estimated at 22.6 million kgs.

According to partially revised data, during 1981-82 exports of unmanufactured tobacco amounted to 116.9 million kgs. valued at Rs.197.22 crores as against exports in 1980-81 of 78.5 million kgs. valued at Rs.124.41 crores. Provisional data for 1982-83 place export quantity lower at 93.9 million kgs. but export value higher at Rs.204.41 crores showing realisation of higher unit values.

In the 1982-83 crop season, growers of VFC tobacco in Andhra Pradesh, experienced difficulties in marketing in view of unremunerative prices offered by trade at the beginning of the season. To solve their difficulties, the Government advised the STC to purchase VFC tobacco direct from growers on a no profit no loss basis as a price support measure and also prevailed upon domestic cigarette manufacturers to purchase their requirements directly from growers.

The tobacco growers' co-operative marketing societies are expected to give considerable assistance to growers in marketing their produce at fair prices. According to available information there are 34 such societies in Andhra Pradesh, 8 in Karnataka, 5 in Tamil Nadu, 15 in Maharashtra and 4 in Gujarat. These societies have not, however, been able to make much head-way mainly because of financial constraints. Hence, to make them financially viable the Central Government has decided to include tobacco within the purview of 'agricultural produce' as defined in the National Co-operative Development Corporation (NCDC) Act which will render co-operative societies dealing in tobacco eligible for financial assistance from the NCDC.

Production Strategy and Measures

The agricultural production strategy continued to lay emphasis on increasing productivity by extending irrigation, promoting use of fertilisers, expanding coverage under the high-yielding varieties programme, and through plant protection measures, agricultural extension, etc. Programmes for increas-

ing employment and earning capacity of weaker sections in rural areas also continued to be implemented. The measures taken during 1982-83 are discussed below.

HIGH-YIELDING VARIETIES PROGRAMME

The coverage of area under the high-yielding varieties programme (HYVP) increased from 46.5 million hectares in 1981-82 to 47.7 million hectares in 1982-83. This was, however, 3.3 million hectares lower than the target fixed for the year (Table III-11). The target for 1983-84 has been fixed at 52 million hectares of which the target for paddy is 22.5 million hectares and that for wheat is 18.2 million hectares.

Under the Minikit Demonstration Programme, 16.0 lakh minikits containing seeds of high-yielding varieties of rice and wheat and hybrids of jowar, bajra, maize and ragi were distributed free of cost among farmers in different parts of the country in 1981-82. Under the special programme of minikit demonstration in respect of wheat, a sum of Rs.3.0 lakhs was sanctioned for distribution of 12,000 minikits in Assam during 1982-83. Under the programme of growing community nurseries, the target for establishment of community nurseries was raised from 17,000 hec-

tares to 25,000 hectares including about 3,000 hectares in the cyclone affected regions of Orissa. The rate of subsidy was also increased from Rs.1,000 per hectare to Rs.1,500 per hectare to cover the cost of inputs. Under the scheme for replacement of rust susceptible varieties by rust-resistant varieties of wheat, seeds of high-yielding variety of wheat were allocated to Uttar Pradesh and Himachal Pradesh for free distribution among farmers in the hilly areas of these States. The Central sector scheme of maize demonstrations in tribal areas continued to be implemented in selected districts of Gujarat, Madhya Pradesh, Orissa and Rajasthan. The scheme has been extended to Andhra Pradesh and Meghalaya.

QUALITY SEEDS

During 1982-83, distribution of certified seeds reached a record level of 42 lakh quintals. Production of certified seeds by the National Seeds Corporation during 1982-83 increased to 6.6 lakh quintals from 4.12 lakh quintals in the previous year. Production of foundation and certified seeds by the State Farms Corporation of India also increased to 4.74 lakh quintals from 3.20 lakh quintals in 1981-82. Breeder seeds were produced for the first time on the farms of the National Seeds Corporation and the State Farms Corporation of India to overcome the chronic

Table III-11: Crop-wise Coverage of Area Under High Yielding Varieties

		(Million hectares)							
Commodity		1978-79	1979-80	1980-81	1981-82	1982-83		1983-84	1984-85
		Actuals	Actuals	Actuals	Actuals	Target	Anticipated achievement	Target	Target
1		2	3	4	5	6	7	8	9
Paddy	.. ..	16.9	16.0	18.2	19.7	22.5	18.7	22.5	25.0
Wheat	.. ..	15.9	15.0	16.1	16.7	18.0	18.1	18.2	19.0
Jowar	.. ..	3.1	3.1	3.5	3.9	4.5	4.7	4.8	5.0
Bajra	.. ..	2.9	3.0	3.6	4.6	4.0	4.5	4.7	5.0
Maize	.. ..	1.4	1.4	1.6	1.6	2.0	1.7	1.8	2.0
Total	.. ..	40.1	38.5	43.0	46.5	51.0	47.7	52.0	56.0

Sources: 1. Economic Survey, 1982-83, Government of India.

2. Annual Report, Ministry of Agriculture, Government of India.

shortage of basic planting materials.

The National Seeds Programme launched by the Government with the assistance of the World Bank, for strengthening the existing infrastructure for seed production, processing and distribution made good progress in 1982-83. The programme covers the States of Punjab, Haryana, Andhra Pradesh, Maharashtra, Bihar, Karnataka, Orissa, Rajasthan and Uttar Pradesh and envisages development of seed farms, construction of certified seed processing plants and seeds transit stores, etc. The reserve stock of certified seeds maintained under the programme increased to 1.36 lakh quintals in 1982-83 from 0.99 lakh quintals in 1981-82.

IRRIGATION

Aggregate irrigation potential created through major, medium and minor irrigation projects

which had recorded an increase of 2.5 million hectares to 61.4 million hectares in 1981-82 is estimated to have increased further by 2.4 million hectares to 63.8 million hectares in 1982-83 (Table III-12). The contribution of major and medium schemes to the increase in irrigation potential is estimated at 0.89 million hectares as compared with 1.02 million hectares in 1981-82 and that of minor irrigation projects (both surface and ground-water) at 1.5 million hectares is the same as in the preceding year.

The approved financial outlay on major and medium irrigation schemes was Rs.1,582 crores in 1982-83 as against the expenditure of Rs.1,425 crores incurred in 1981-82. The outlay on minor irrigation in 1982-83 was Rs.635.26 crores compared with the expenditure of Rs.556.48 crores in 1981-82. The financial outlay on minor irrigation during the Sixth Plan period is given in to Table III-13.

Table III—12 : Development of Irrigation Potential

(Million hectares)					
	1978-79	1979-80	1980-81	1981-82	1982-83
I	2	3	4	5	6
I. Surface Water					
(a) Major and Medium	25.9	26.6	27.5	28.5	29.4
(b) Minor	7.8	8.0	8.2	8.4	8.6
II. Ground Water	20.9	22.0	23.2	24.5	25.8
Total	54.6	56.6	58.9	61.4	63.8

Source: Ministry of Irrigation, Government of India.

Table III—13 : Financial outlay on Minor irrigation

(Rupees crores)				
Item	Approved Sixth Plan	1980-81 (Actual)	1981-82 (Actual)	1982-83 (Anticipated)
I	2	3	4	5
(i) State Plan	1,740	271.57	289.69	329.46
(ii) Central Sector	70	3.70	6.79	10.80
(iii) Institutional	1,700	296.00	260.00	295.00
Total	3,510	571.27	556.48	635.26

Under the crash programme for construction of 5,000 public shallow tubewells, 1,740 tubewells were constructed upto end-December 1982. Against the target of construction of 500 tubewells with improved designs under the pilot project taken up with the World Bank assistance, 475 tubewells were energised upto 1982-83. The operation of these tubewells with improved designs revealed that their irrigation potential was double that of traditional tubewells. In view of this, the second phase of this pilot project contemplating construction of 2,000 tubewells of 1.5 cusecs and 200 tubewells of 3 cusecs capacity at a cost of Rs.185 crores has been taken up with the World Bank assistance and the project is scheduled to be completed by the end of March 1987.

COMMAND AREA DEVELOPMENT PROGRAMME

Under the Command Area Development (CAD) Programme introduced at the commencement of the Fifth Five Year Plan to reduce the gap between irrigation potential created and utilisation thereof and to optimise agricultural production through better management of land and water re-

sources in the command areas of selected irrigation projects, 45 CAD authorities have been established covering 76 CAD projects in 16 States and one Union Territory. The programme is financed from own resources of States/Union Territories, Central assistance on a matching basis for selected CAD projects and institutional credit to cultivators for whom the work (mainly land levelling/shaping or ground water development, is undertaken. The expenditure incurred in the State and Central sectors during the last three years is as follows:

Construction of field channels and land shaping/levelling form an important part of the CAD programme. The achievements in respect of these programmes are given in Table III-15.

From 1982-83 high priority has been accorded to enforcing *warabandi* and a target of 5 lakh hectares has been fixed. Out of this, 2.57 lakh hectares have been achieved upto December 1982.

Table III—14 : Expenditure incurred under Command Area Development Programme.

(Rupees crores)			
	1980-81 (Actual)	1981-82 (Actual)	1982-83 (Anticipated)
1	2	3	4
State Sector	71.57	73.82	100.00
Central Sector	33.14	35.73	45.00@

@ Till end-January 1983, Central assistance of Rs.16.45 crores was released.

Table III—15 : Achievement under Command Area Development Programme.

(Thousand hectares)				
	1980-81 (Actual)	1981-82 (Actual)	1982-83 Target	1982-83 Achievement
1	2	3	4	5
(i) Construction of field channels	619.82	978.64	1200	806 @
(ii) Land levelling/shaping	77.31	84.41	211	15 @ @

@ Upto December 31, 1982.

@ @ Upto September 1982.

Table III—16 : Consumption of Fertilisers

(Lakh tonnes)

Year (April-March)	Nitrogenous (N)	Phosphatic (P ₂ O ₅)	Potassic (K ₂ O)	Total
1	2	3	4	5
1978-79	34.2	11.1	5.9	51.2
1979-80	35.0	11.5	6.1	52.6
1980-81	36.8	12.1	6.2	55.2
1981-82	40.7	13.2	6.7	60.6
1982-83	42.6	14.2	7.4	64.2
1983-84 (Target)	48.0	16.0	8.0	72.0

Source: Annual Report 1982-83, Ministry of Agriculture, Government of India.

FERTILISERS AND MANURES

Fertiliser consumption increased by 6 per cent during 1982-83 (April-March) and reached a level of 64.2 lakh tonnes. Though the *kharif* season consumption was at the previous season's level (23 lakh tonnes), the *rabi* season consumption at 41 lakh tonnes was significantly higher than the previous *rabi* season consumption of 37.54 lakh tonnes. The per hectare consumption in 1982-83 is estimated higher at 35 kgs. against 31 kgs. in 1981-82. For 1983-84, the consumption target is fixed at 72.0 lakh tonnes (Table III-16).

Domestic production of fertilisers during 1982-83 was 43 lakh tonnes compared with 41 lakh tonnes in 1981-82. Production was substantially higher in both the years than the annual production level of about 30 lakh tonnes in the earlier three years. As a result, imports of fertilisers could be reduced considerably from 20.4 lakh tonnes in 1981-82 to 12 lakh tonnes in 1982-83 without adversely affecting total availability of fertilisers to farmers.

During the year, movement of fertilisers by rail improved considerably. During April-November 1982, movement by rail of indigenously produced fertilisers was of the order of 49.9 lakh tonnes against 43.7 lakh tonnes in the corresponding period of the previous year. As a result of increased domestic production sup-

plemented by imports and better delivery through rail, availability position of fertilisers was comfortable in 1982-83. Apart from ensuring that the requirements of the States were met in full, the Government opened 21,070 additional sale points to improve distribution of fertilisers in the interior regions. Besides, the short-term loan sanctioned to State Governments for purchase and distribution of fertilisers and other inputs was increased from Rs.200 crores in 1981-82 to Rs.250 crores in 1982-83.

The Government continued to encourage use of organic fertilisers as supplemental plant nutrients. The estimated production of rural and urban composts during 1982-83 was 230 million tonnes and 6.5 million tonnes, respectively.

As for pricing of fertilisers, the retention price scheme introduced for nitrogenous (w.e.f. November 1, 1977) and phosphatic (w.e.f. February 1, 1979) fertilisers continued to be in force during 1982-83. The scheme of fertiliser freight subsidy introduced w.e.f. November 1, 1977 also continued. Under this Scheme, manufacturers have been encouraged to move fertilisers upto the block headquarters in order to ensure availability of fertilisers in the interior areas in adequate quantity and in time. Effective from May 23, 1982, the uniform subsidy of Rs. 1,250 per tonne of P₂O₅ paid on single super phosphate has been replaced by a differential level of subsidy. Now single super phosphate has been brought under statutory price con-

trol and a uniform price has been fixed for the entire country in place of the various prices in force before May 23, 1982.

Regarding retail prices of fertilisers, reference may be made to last year's Report about the changes effected during 1981-82. During 1982-83 the Government, in view of the conditions in the international markets, reduced retail prices of all types of fertilisers by 7.5 per cent with effect from June 29, 1983.

The total subsidy given for indigenous as well as imported fertilisers was as follows:

Table III—17 : Subsidies for Fertilisers
(Rs. crores)

Year	For im- ported ferti- lisers	For indi- genous	Total
1	2	3	4
1977-78	159	107	266
1978-79	169	173	342
1979-80	282	321	603
1980-81	335	170	505
1981-82	111	275	386
1982-83 (Estimated)	98	550	648

PLANT PROTECTION MEASURES

Detection of pest and disease build-up and timely remedial measures continued to be the essential elements of the plant protection strategy. Timely action was taken against breeding of gregarious locusts in the scheduled desert areas as a result of which the country remained free from desert locust invasions as in the previous year. The 19 Central surveillance stations and 13 Central plant protection stations located in different parts of the country continued to conduct roving surveys for monitoring pest and disease situations in respect of important crops. A network of 26 Plant Quarantine and fumigation stations screened about 1.52 lakh tonnes of wheat, 17,501 tonnes of dry/fresh fruits and 2,340 live plants imported from various countries.

Consumption of pesticides during 1982-83 (April-March) is estimated at the last year's level of 61,000 tonnes on account of absence of any large scale build-up of pests and disease in most parts of the country. About 12,700 tonnes of

technical grade material of eight commonly used pesticides were allotted to various States under the 50 per cent distribution scheme. Central assistance amounting to Rs.3.59 crores was also sanctioned to various States/Union Territories for covering a cropped area of 14.34 lakh hectares under the Centrally sponsored scheme for control and eradication of pests, diseases and weeds in endemic areas. Aerial pest control measures were carried over an area of 0.7 lakh hectares by end-November 1982 by the Directorate of Agricultural Aviation.

AGRICULTURAL MACHINERY AND IMPLEMENTS

Agricultural implements and machinery used in land tilling and other field operations play a vital role in increasing productivity and production and, therefore, emphasis is laid on selective mechanisation and development of suitable implements, particularly those needed by small and marginal farmers and those suitable for dry land areas. The programme for popularisation and distribution of agricultural implements received a special thrust in the 'Productivity Year' under the New 20-Point Programme and considerable progress was made in distribution of seed-cum-fertiliser drills and other agricultural implements especially in dry land areas.

Manufacture of agricultural machinery and implements has recorded significant progress in the country since the early sixties. The tractor industry has now an installed capacity of 1,10,000 tractors per annum and in the case of power tillers the installed capacity is 16,000 per annum. About 50,000 power threshers are manufactured annually in the small-scale sector. Improved seed-cum-fertiliser drills, puddlers and other implements and tools are manufactured in large quantities throughout the country.

The Tractor Training & Testing Stations at Budni (Madhya Pradesh) and Tractor Training Centre at Hissar (Haryana) continued the testing of a large range of agricultural machinery and implements and training farmers, mechanics, technicians and others in selection, operation and maintenance of agricultural machinery. The Testing Stations had already tested 47 agricultural machines of different types upto end-January 1983 and 59 machines were under various stages of testing. Preparation of standards for manufac-

turing of agricultural machinery and implements continued at the Indian Standards Institution.

AGRO-INDUSTRIES CORPORATION

At present there are Agro-Industries Corporations in 17 States. The Corporations have been set up with the objective of designing, developing and manufacturing suitable mechanical aids to agriculture, processing of agricultural produce and handling manufacture and distribution of fertilisers, insecticides and small implements. The total turnover of these Corporations has reached about Rs.350 crores and they have been advised to expand their activities to attain wide range objectives of providing inputs and services to the farming community.

AGRICULTURAL EXTENSION

Agricultural extension work helps in optimisation of production through effective exploitation of available infrastructural facilities. A new organisational approach known as 'Training and Visit System' has been adopted in 13 States with the World Bank assistance. The new approach aims primarily at professionalisation of the agricultural extension service and effective utilisation of the large existing infrastructure with marginal reorganisation and strengthening. It provides a simple but effective mechanism for systematic and timely transfer of know-how from the research laboratories to specialists through monthly workshops, from specialists to agricultural extension officers and village level workers (VLWs) through fortnightly training sessions and from VLWs down to farmers through a fortnightly programme of visits. The reorganised extension system has created a significant impact on increasing production in States where the system has been adopted.

SOIL AND WATER CONSERVATION PROGRAMME

Upto 1981-82 (April-March) an area of about 25.38 million hectares was covered under the soil and water conservation programmes involving an expenditure of Rs.847 crores. An additional area of 1.11 million hectares is estimated to have been covered under the programmes during 1982-83. A new initiative was taken during 1982-83 for restoration of fallow lands (other

than current fallows) under the New 20-Point Programme. Under the action programme for 1982-83 which aimed at bringing about 4 lakh hectares of such fallow lands under productive uses, an area of about 3.50 lakh hectares was brought under cultivation, agro-forestry, pasture development, etc.

A two-tier national body on land resources consisting of a National Land Resources Conservation and Development Commission and a National Land Board was set up during 1982-83. The Commission will identify problems and issues relating to the health and care of the soil, while the National Land Board will consider recommendations of the Commission relating to larger issues relevant to framing national policies for scientific management of land resources.

The Centrally sponsored scheme for soil conservation in the catchments of river valley projects is being implemented to moderate the siltation of multipurpose reservoirs and thus helps to prolong their useful life so as to ensure sustained production from the command areas. The scheme also envisages moderating degradation of the catchments and increasing their productivity through optimum utilisation of the soil and water resources. The scheme has been in operation in 29 catchment areas in 17 States and one Union Territory and upto 1981-82 covered an area of 16.38 lakh hectares involving an expenditure of Rs.121.24 crores. During 1982-83, an area of 1.2 lakh hectares is estimated to have been covered under the scheme at a cost of Rs.14.32 crores. The Centrally sponsored scheme of Rs.64 crores for integrated watershed management of flood prone rivers launched in 1980-81 for treating 5.5 lakh hectares in catchment areas has been in operation in 7 States and one Union Territory. The programme for 1982-83 under this scheme envisaged treatment of an area of 40,000 hectares. The All-India Soil and Land Use Survey Organisation carried out detailed soil surveys in selected watersheds and sample soil survey blocks in addition to delineation, codification and fixation of small watersheds in the 37 catchments of river valley projects and flood prone rivers. Till 1981-82, the organisation completed priority delineation surveys in 442.78 lakh hectares, detailed soil surveys in 66.59 lakh hectares and sample surveys in 3,475 blocks. During 1982-83, priority delineation surveys in about 70 lakh hectares, detailed soil surveys in

2.4 lakh hectares and sample surveys in 740 blocks in 6 districts were expected to be completed.

Besides the Central Government, the State Governments took many effective steps during 1982-83 to promote the concept of watersheds, delineate the catchment into watersheds and micro-watersheds, fix *inter se* priorities, and draw up soil and water conservation programmes in the form of watershed management plans.

DRYLAND FARMING

Dry land or rainfed agriculture is practised on as much as 105 million hectares or 73 per cent of the net cultivated area of 143 million hectares.

In view of the emphasis on development of dryland agriculture in the New 20-Point Programme, a comprehensive strategy, envisaging intensive and extensive approaches to dryland farming was chalked out in February 1982. Under the intensive approach, selected micro-watersheds are to be taken up for intensive development through a multi-disciplinary approach including crop production, horticulture, social forestry, pasture development, water harvesting, pest control, use of modern implements, improved seeds, etc. Upto February 1983, a total number of 3,433 watersheds covering an area of about 2.6 million hectares had been identified and work was initiated by the various States for their intensive integrated development. Under the extensive approach, being adopted outside the selected micro-watersheds, the available technologies of dryland farming including distribution of seed-cum-fertiliser drills and other improved implements, use of drought - resistant seeds and fertilisers, inter/double cropping, deepening/renovation of tanks/ponds, etc., are to be widely disseminated and promoted. Out of an area of 17.5 million hectares taken up for this purpose, about 12.8 million hectares was brought under improved dry farming practices upto October 1982.

A Central sector pilot project for propagation of water conservation/harvesting technology for dryland farming has been initiated in 19 districts of 16 States. Besides, rainfed farming projects are under formulation with the World Bank assistance to cover an area of 1.2 lakh hectares in the

States of Andhra Pradesh, Madhya Pradesh, Karnataka and Maharashtra.

INTEGRATED RURAL DEVELOPMENT PROGRAMME

The Integrated Rural Development Programme (IRDP) which was launched in 1978-79 with a view to providing assistance to identified families in the low income target group of scheduled castes, scheduled tribes, agricultural and non-agricultural labourers, rural artisans, marginal and small farmers, etc., to raise their income level well above the poverty line is in operation in all the 5,011 development blocks of the country. The programme aims at providing assistance to 15 million families — 3,000 families on an average in each block during the Sixth Plan period. This target is sought to be achieved by providing assistance annually to at least 600 families per block on an average. The Sixth Plan allocation for the programme is Rs.1,500 crores to be shared equally by the Centre and the States. For this programme credit support (excluding subsidy) from the banking sector would be to the extent of Rs.3,000 crores. Thus, aggregate investment on the programme during the Sixth Plan would be Rs.4,500 crores. The achievements under the IRDP are given in Table III-18.

A new scheme called 'Scheme for Development of Women and Children in Rural Areas' (DWCRA) was launched in September 1982 under the IRDP with the objective of focussing attention on development of women and children belonging to the target group households and providing the needed supporting services to enable them to take up income generating activities. The approved financial outlay for the scheme is Rs.15.60 crores which will be shared equally by the Central and the State Governments.

DROUGHT PRONE AREAS PROGRAMME

The main thrust of the efforts under the Drought Prone Areas Programme (DPAP) launched in the Fifth Plan is directed towards restoration of a proper ecological balance and optimum utilisation of land, water, livestock and human resources. In 1982-83, the programme covered 510 blocks in 69 districts of 13

Table III—18 : Progress of Integrated Rural Development Programme during 1980-81 to 1982-83

Items	Unit	1980-81 ^(a)	1981-82 ^(a)	1982-83 ^(a) (upto January 1983)
1	2	3	4	5
1. Central allocation	(Rs. crores)	127.80	153.36	204.48
2. Central releases	..	82.58	128.45	110.61*
3. Total expenditure including State share	..	156.24	262.39	190.08
4. Term credit disbursed	..	236.62	484.65	380.72
5. Number of families assisted	(In lakhs)	27.83	28.29	18.34
6. Number of SC/ST families assisted	..	6.63	9.82	7.43
7. Per capita investment	(Rupees)	1,411.00	2,641.00	3,114.00

^(a) : Provisional.

* Upto February 1983.

Source: Annual Report 1982-83, Ministry of Rural Development, Government of India.

States, and the Central Government had allocated Rs.40.67 crores for it.

The programme, being a new experiment in area planning, has aroused interest on a global basis. The World Bank has extended a loan of US \$35 million for the programme in 6 districts, viz., Anantpur (Andhra Pradesh), Bijapur (Karnataka), Ahmednagar and Sholapur (Maharashtra) and Jodhpur and Nagour (Rajasthan). West Germany has given an aid of

Rs.19.5 million for the programme in Bankura district of West Bengal and the European Economic Community has given an aid of US \$10 million for the programme in Jalaun, Hamirpur and Mirzapur districts of Uttar Pradesh.

The achievements of the programme upto March 31, 1981 and during 1982-83 (upto end-September 1982) are set out below:

Table III—19 : Achievements of Drought Prone Areas Programme

Indicators	Units	Achievements	
		Upto end-March 1981	During 1982-83 (upto September 1982)
1. Soil & moisture conservation	'000 hectares	139.7	18.09
2. Creation of irrigation potential	..	44.6	38.46
3. Forestry & pasture	..	82.2	44.16
4. Milk societies established	Numbers	538	150
5. Sheep societies established	..	49	3
6. Number of beneficiaries (families)	In '000	992.8	247.15
7. Mandays of employment created	In Lakhs	469.5	83.69

DESERT DEVELOPMENT PROGRAMME

The Desert Development Programme launched in 1977-78 covers hot arid desert areas of Rajasthan, Haryana, Gujarat and cold arid desert areas of Jammu and Kashmir and Himachal Pradesh. The coverage of the programme was modified from 1982-83, following the recommendations of a task force set up by the Government to review the programme. Consequently, 126 blocks were covered under the programme in 1982-83 as against 132 blocks in the previous year. The programme has envisaged from 1982-83 an outlay of Rs.10 lakhs per annum per 1,000 square kms. of geographical areas subject to a ceiling of Rs.2 crores per annum per district for most hot arid areas and Rs.60 lakhs per district for less hot arid areas. For cold desert areas, an annual allocation of Rs.1 crore for Leh in Jammu and Kashmir and Rs.50 lakhs each for Spiti and Pooh in Himachal Pradesh has been made. Accordingly, the total allocation for this programme for 1982-83 was Rs.21.18 crores. The achievements of the programme during 1982-83 are set out below:

NATIONAL RURAL EMPLOYMENT PROGRAMME

The National Rural Employment Programme (NREP) aims at providing employment opportunities in rural areas and creating durable community assets for strengthening the rural infrastructure. The programme is being implemented as a Centrally sponsored scheme on a 50:50 sharing basis between the Centre and the States.

The payment of wages in foodgrains is restricted to 1 kg. per day per person and the balance is paid in cash. Coarse grains are also permitted to be utilised for payment of wages provided the State Governments/Union Territories can procure the grains locally at the procurement prices fixed by the Central Government. Ten per cent of the resources are earmarked for utilisation on programmes of direct benefit to scheduled castes and scheduled tribes. Similarly, 10 per cent of the resources are earmarked for utilisation on social forestry works. Available information about implementation of this programme is set out in Table III-21.

Table III—20 : Achievements of Desert Development Programme

Indicators	Units	Achievement (upto September 1982)
1. Afforestation		
(i) Plantation	Hectare	7,134
(ii) Shelter belt plantation	Kms.	4,451
(iii) Sand dunes stabilisation	Hectares	2,131
2. Irrigation potential created	..	434
3. Rural electrification	Numbers	5
4. Execution of watershed development programme	Hectares	280
5. Animal husbandry		
(i) New veterinary dispensaries/centres opened	Numbers	15
(ii) Wool extension centres	..	8
(iii) Milk collection centres	..	4
(iv) No. of cross breed lambs born	..	292
6. Employment generated	Lakh mandays	9.39

Table III—21 : Progress of National Rural Employment Programme during 1981-82 and 1982-83

Items	Units	1981-82	1982-83@
1	2	3	4
1. Foodgrains Component			
(i) Allocation	Lakh tonnes	5.06	4.47
(ii) Releases	"	2.78	@ 2.48
(iii) Utilisation	"	2.28	@ 0.95
2. Cash components			
(i) Allocation by the Centre	Rs. crores	166.94	192.67
(ii) Allocation by the States	"	166.14	199.50
(iii) Unutilised balance from previous year	"	128.79	143.46
(iv) Utilisation	"	319.47	223.81
3. Employment generated	Million man-days	354.52	*235.00 @@ (353.00)

@ Upto March 10, 1983.

@@ Target.

* Upto end-January 1983.

Source: Annual Report, 1982-83, Ministry of Rural Development, Government of India.

II. INDUSTRIAL SECTOR

Trends in Industrial Production during 1982-83

Overall Trends

The acceleration in the growth rate of industrial output witnessed in 1981-82 (April-March) could not be sustained during 1982-83. The average of monthly general indices of industrial production for 1982-83 at 173.8 showed a lower rate of increase of 3.9 per cent as compared with 8.6 per cent in 1981-82 (Table III-22). The decline in the rate of industrial growth during 1982-83 was primarily contributed by the 'manufacturing' sector, which has 81.08 per cent weightage in the general index of industrial production. The growth rate in 'manufacturing' sector during 1982-83 was 2.3 per cent as against 7.5 per cent during 1981-82. The remaining two sectors, 'mining and quarrying' and 'electricity' also recorded lower increases of 10.8 per cent and 7.0 per cent during 1982-83 as against 15.8 per cent and 10.2 per cent in the previous year, respectively.

The share of industries (in terms of weight in general index of industrial production) recording increases in output was lower compared to the preceding year. During 1982-83, industries accounting for a combined weight of only 58.5 per cent showed production increases as against industries with a weight of 78.0 per cent recording increases in 1981-82. During 1982-83, industries with combined weight of 22.6 per cent recorded growth rates of 10 per cent and above, whereas, industries accounting for as much as 43.8 per cent of total weight recorded growth rates of 10 per cent and above in the preceding year. A striking feature of industrial scene during 1982-83 was that industries with a weight of as much as 38.9 per cent recorded absolute declines in output. In comparison, industries with weight of 19.4 per cent registered absolute decline in output during 1981-82 (Table III-23).

Government took further measures during the year under review to assist industrial production and increase the capacity utilisation in industries.

Table III—22: Trends in Industrial Production—Group-wise

(Based on C.S.O.'s Index (1970=100) of Industrial Production)

Group	Weight	Increase (+)/Decrease (–) over the previous year (Per cent)		
		April-March		
		1980-81	1981-82	1982-83 (Provisional)
1	2	3	4	5
General Index (Crude)	100.00	+4.0	+ 8.6	+3.9
A. Used-based Classification:				
1. Basic Industries	32.28	+3.9	+12.6	+8.1
2. Capital Goods Industries	15.25	+7.2	+ 7.1	–2.7
3. Intermediate Goods Industries	20.95	+1.3	+ 4.2	+2.6
4. Consumer Goods Industries	31.52	+4.4	+ 8.1	+3.7
(a) Durables	3.41	+1.8	+ 0.7	+2.9
(b) Non-durables	28.11	+4.8	+ 9.2	+3.8
B. Input-based Classification:				
1. Agro-based Industries	33.68	+6.0	+ 6.1	+2.7
2. Metal-based Industries	21.93	+4.1	+ 5.7	–1.0
3. Chemical-based Industries	12.86	+1.7	+13.4	+3.1
C. Sectoral Indicators:				
1. Transport Equipment and Allied Industries	10.79	+2.4	+11.0	+1.1
2. Electricity and Allied Industries	14.53	+7.2	+ 8.0	+3.4
3. Energy Output (a)	18.51	+4.8	+13.7	+10.5

(a) Consists of coal and lignite, petroleum crude and products and electricity.

Within the framework of existing policy and subject to certain conditions, units were allowed re-endorsement of capacity based on their best production performance during the past five years ended March 1982 with further opportunity for re-endorsement of capacity depending on higher levels of production achieved in 1982-83. Large houses and FERA companies were also permitted to establish capacities in high technology and high investment areas. Besides, Government an-

nounced concessions for setting up of industries in no industry districts/backward areas by increasing the rates of Central Investment Subsidy.

With a view to dealing with industrial sickness more effectively, the Government of India advised financing banks to evolve methods or mechanism to diagnose sickness at the initial stages and bring to the notice of administrative ministry concerned.

Table III—23 : Classification of Industries by their Growth Rates

Range of Growth Rates	In terms of weight in General Index of Industrial Production (Base: 1970=100)	
	April-March	
	1981-82	1982-83 (Provisional)
1	2	3
A. Increase		
1. Moderate: Less than 5%	14.27	9.98
2. Marked: 5% and above	63.70	48.54
Of which:		
10% and above	43.75	22.56
3. Total Weight (1+2)	77.97	58.52
B. Decline		
1. Moderate: Less than 5%	7.88	22.63
2. Marked: 5% and above	11.52	16.22
Of which:		
10% and above	5.47	13.48
3. Total Weight (1+2)	19.40	38.85
Total (A+B)	97.37	97.37

A series of steps were taken during the year to boost industrial investment and industrial growth. The ceiling on interest rate was raised from 13.5 per cent to 15 per cent per annum on non-convertible debentures, while maintaining the interest rate of convertible debentures at 13.5 per cent. With a view to making non-convertible debentures attractive, companies were permitted to pay a premium upto 5 per cent of the face value of the debentures at the time of redemption of these debentures.

The Union Budget for 1982-83 provided excise duty concessions during the twelve months period from 1st March 1982 to 28th February 1983 in respect of 38 tariff items including some basic materials and certain finished products like caustic soda, fertilisers, steel ingots, etc. Further, concessions were extended to electronics industry since it was both a labour intensive and export-oriented industry. The Budget extended import duty concessions to cover 59 new items of capital equip-

ments and 23 new items of raw materials and components.

Notwithstanding these measures, there was, as mentioned earlier, a deceleration in the growth of industrial output during 1982-83. The important factors which influenced industrial production during the year were the overall dampening effect emanating from the fall in agricultural production, and income, and infrastructural bottlenecks, particularly power in a number of major States. Among the other factors which affected industrial production, mention may be made of the strike in the textile mill industry in Bombay and continued recessionary trends abroad.

The overall decline in the industrial growth was reflected in the performance of infrastructural industries such as power, coal, saleable steel, crude petroleum, petroleum products and cement. This sector which accounts for a combined weight of 23.3 per cent in the general index of industrial

production showed a lower growth rate of 8.4 per cent during 1982-83 as compared to 12.4 per cent during 1981-82.

As regards the performance of individual infra-structural industries, power generation during 1982-83 increased by 7.0 per cent as compared with 10.2 per cent in the previous year. The total power generation at 131.6 billion Kwh was short of the target. However, overall shortage of power continued to adversely affect industries, particularly in the Southern and Eastern regions during 1982-83.

Coal output during 1982-83 rose by 4.4 per cent to 130.4 million tonnes as compared to 9.6 per cent in 1981-82. Saleable steel output showed only a marginal increase of 0.5 per cent. This industry reported an increase in the stocks of saleable steel items with SAIL plants as a result of slackness in demand from user industries. The rate of growth in the output of crude petroleum and petroleum refinery products was 30.1 per cent and 10.3 per cent during 1982-83, respectively, as compared to 54.1 per cent and 16.8 per cent in 1981-82.

There was also a lower rate of expansion in the freight carried by the railways. Total goods traffic handled by the railways during 1982-83 at 227.8 million tonnes showed an increase of 3.0 per cent as compared with 12.3 per cent in 1981-82.

Industry Group-wise Analysis

The decline in the rate of growth in industrial production from 8.6 per cent during 1981-82 (April - March) to 3.9 per cent in 1982-83 was shared by all the broad industry groups. While 'basic', 'consumer' and 'intermediate' goods industries contributed 67 per cent, 30 per cent and 14 per cent, respectively, to the overall growth in industrial production during 1982-83, in the case of 'capital' goods industries, the contribution was negative, the group having registered a decline in production of the order of 11 per cent. During 1981-82, all the four groups had contributed to the growth of industrial production.

The 'basic' industries group (weight: 32.28 per cent), the single largest among the four groups in terms of weight, recorded a growth of 8.1 per cent

during 1982-83, lower than 12.6 per cent registered in the preceding year (Table III-22). Within this group, iron and steel pipes and iron and steel structurals recorded growth of 34.4 per cent and 11.6 per cent during 1982-83, respectively, compared to 5.6 per cent and 5.7 per cent during the last year. The growth rate declined in fertilisers (nitrogenous fertilisers-N Content and phosphatic fertilisers - P_2O_5) from 28.2 per cent in 1981-82 to 6.0 per cent in 1982-83 and in iron and steel castings and forgings from 14.5 per cent to 6.0 per cent. On the other hand, special steel (-56.3 per cent), ferro-alloys (-22.3 per cent), salt (-6.2 per cent) and inorganic chemicals (-2.8 per cent) recorded absolute declines in production.

The next important group *viz.*, 'consumer goods, industries (weight: 31.52 per cent) showed a growth of 3.7 per cent during 1982-83 as against 8.1 per cent in 1981-82. Under this group, the rate of growth in the output of durable goods (weight: 3.41 per cent) was, however, higher at 2.9 per cent as against 0.7 per cent in the preceding year. Output of non-durables (weight: 28.11 per cent) increased at a lower rate of 3.8 per cent as against 9.2 per cent during the last year. Among consumer durable goods industries, typewriters and duplicators which had shown a nominal increase of 0.6 per cent in 1981-82 recorded growth rate of 18.8 per cent in 1982-83. Production of motor cars which increased by 35.9 per cent in 1981-82, showed a lower increase of 2.3 per cent during 1982-83. Production of scientific instruments increased by 17.0 per cent during 1982-83 as compared to a decline of 34.1 per cent registered during 1981-82. In motor-cycles and bicycles the increase in output was 10.7 per cent during year under review as compared to 5.8 per cent in 1981-82. Electric fans showed an increase of 3.1 per cent as against a decline of 3.6 per cent in the preceding year. Industries which recorded absolute declines in production included hurricane lanterns, tele-communication apparatus and watches and clocks. Among the consumer non-durables, production of sugar increased by 31.4 per cent during 1982-83 as compared to 33.8 per cent in the preceding year. Output of razor blades, beverage industries and tobacco manufactures increased by 14.5 per cent, 11.1 per cent and 5.4 per cent, respectively during 1982-83 as against 16.7 per cent, 46.4 per cent and 13.5 per cent in 1982-83. Other industries which recorded increases in the production during 1982-83 included cotton fabrics (decentralised sector), artificial leather and oil

cloth, rubber footwear, soaps and glycerine, vanaspati, drugs and pharmaceuticals and photographic and optical goods. Industries which registered declines in output included cotton and blended/mixed fabrics (mill sector), textiles-others, footwear, other wearing apparel and made up textile goods, electrical lamps matches and tea.

The 'intermediate goods' industries group (weight: 20.95 per cent) registered a decline in the rate of growth from 4.2 per cent in 1981-82 to 2.6 per cent in 1982-83. In this group, newsprint recorded the highest growth rate of 112.7 per cent in 1982-83 compared to a small increase of 7.8 per cent in 1981-82. Other industries which also achieved increases in output included metal products except machinery and transport equipment - others, fine chemicals (including photographic chemicals), insulators, glue and gelatine, paints and varnishes, explosives including gun powder and safety fuses and coal and petroleum products. Cotton and blended yarn, asbestos cement and dry cells registered declines in output by 3.3 per cent, 2.0 per cent and 1.3 per cent in 1982-83, respectively, in contrast to the increases of 10.2 per cent, 12.6 per cent and 8.6 per cent in the previous year. Similarly, man-made fibres including regenerated cellulose, rayon, nylon and storage batteries recorded declines of 3.9 per cent and 4.2 per cent in 1982-83, respectively, compared to the increases of 13.1 per cent and 12.5 per cent in previous year. However, jute textiles which had recorded a decline in output by 4.0 per cent in 1981-82 showed a nominal increase of 0.4 per cent in 1982-83. Persisting slackness in export demand accounted for the continued poor performance of the jute industry.

The 'capital goods' industries group (weight: 15.25 per cent) recorded a fall of 2.7 per cent during 1982-83, in contrast to an increase of 7.1 per cent in the preceding year. In this group, while output of sugar machinery (24.7 per cent), air gas compressors (15.7 per cent), boilers and steam generating plants (14.6 per cent), power driven pumps (8.7 per cent) and air conditioners and refrigerators (3.7 per cent) recorded increase, there were declines in ship building and repairing (15.4 per cent), railway rolling stock (3.4 per cent), textile machinery (11.3 per cent), equipments for generation, transmission and distribution of electricity including transformers (10.3 per cent) and cement machinery (10.0 per cent). Other industries which also showed decreases in production during 1982-83 included buses and trucks, agricultural machinery

(tractors), paper machinery, metallurgical machinery, tea and jute machinery and internal combustion engines. The decline in the output of 'capital goods' industries reflected the slackening for demand, in general.

Industrial Growth during April-June 1983

The declining trend in the growth of industrial output noticed during 1982-83 (April-March) continued during the quarter, April-June 1983.

The average of monthly indices of industrial production at 172.5 for April-June 1983 recorded an increase of 3.5 per cent as against 6.0 per cent in the corresponding quarter of 1982. The deceleration in industrial production during April-June 1983 was accounted for by declines in the growth rates of all the three sectors *viz.* 'manufacturing', 'electricity' and 'mining and quarrying'.

The output in 'mining and quarrying' sector increased by 5.6 per cent which was lower than the rise of 12.3 per cent in the corresponding quarter of 1982. Output in this sector was adversely affected by a decline of 1.5 per cent in the output of coal (excluding lignite) (weight: 5.84 per cent) in contrast to an increase of 7.4 per cent in April-June 1982. In the case of crude oil, production at 5.76 million tonnes in April-June 1983 increased by 19.0 per cent compared to the higher growth of 27.0 per cent in April-June 1982.

The 'manufacturing' sector, which accounted for the highest weight of 81.08 per cent in the general index, also showed a decline in growth rate to 3.4 per cent during April-June 1983 from 5.2 per cent achieved in the corresponding quarter of the last year. The decline in growth was mainly brought about by the fall in this sector in the level of output in aluminium (24.2 per cent), saleable steel (18.9 per cent), nitrogenous fertilisers (12.7 per cent), sugar (10.1 per cent), commercial vehicles (12.1 per cent) and dry cells (10.1 per cent). Some of the industries which registered increases in their production during the period April-June 1983 over the corresponding period of last year were mopeds/scooters (132.4 per cent), newsprint (31.2 per cent), power driven pumps (27.9 per cent), electric motors (39.4 per cent), soda ash (31.3 per cent), agricultural tractors (28.7 per cent), clothmill sector (28.5 per cent), yarn (13.0 per cent) and petroleum refinery products (8.8 per cent). The improvement recorded in the output of cloth (mill sector), reflected the near normalcy re-

stored in the textile mills in Bombay with large number of workers returning to work after a long-drawn strike.

The overall increase in the electricity generation was lower at 2.6 per cent during April-June 1983 compared to the rise of 5.9 per cent in the corresponding quarter, a year ago.

Capacity Utilisation

Data on capacity utilisation are available for 50 industries, accounting for a total weight of 41.28 per cent in the general index of industrial production. Of the 50 industries, while 29 industries registered decline in capacity utilisation, 21 industries showed improvement over the position in 1981-82 (Table III-24).

Basic Industries

In this group, the capacity utilisation increased during 1982-83 over the level of 1981-82, in many industries, such as copper (57.5 per cent to 72.5 per cent) and zinc (58.4 per cent to 61.0 per cent). Saleable steel, ignot steel, phosphatic fertilisers and aluminium (virgin metal) showed nominal increase in capacity utilisation. The industries which utilised their capacities at lower level than last year included soda ash (89.2 per cent), steel castings (44.6 per cent), caustic soda (73.6 per cent) and nitrogenous fertilisers (66.3 per cent). The low capacity utilisation in fertiliser industry was due to initial problems encountered by the new units which went into commercial production during 1982-83.

Capital Goods Industries

All the industries under this group excepting road rollers and electric motors, registered decline in utilisation of capacity during 1982-83. The industries in which capacity utilisation declined during 1982-83 included machine tools (113.0 per cent to 88.9 per cent), commercial vehicles (88.4 per cent to 83.7 per cent), textile machinery (82.6 per cent to 79.4 per cent), agricultural tractors (84.3 per cent to 69.3 per cent) and railway wagons (65.2 per cent to 52.2 per cent). Besides, ball and roller bearings and power transformers also registered declines in capacity utilisation. The lower capacity utilisation in many of these industries during 1982-83 was attributed to paucity of demand for capital goods.

Intermediate Goods Industries

Capacity utilisation in industries in this group increased in 1982-83 in respect of cycle tyres, acrylic fibre, caprolactum, paints and varnishes, ceramics (refractories) and newsprint. Acrylic fibre industry, reflecting the increase in capacity utilisation in the previous two years, attained the level of 100 per cent in 1982-83. Capacity utilisation in petroleum products declined from 96.0 per cent in 1981-82 to 92.9 per cent in 1982-83. As regards newsprint industry, the capacity utilisation, increased from 36.8 per cent during 1981-82 to 51.0 per cent in 1982-83. This was, however, lower than that achieved in 1980-81 (68.3 per cent) because of difficulties faced by new units which went into commercial production in the last quarter of 1982.

Consumer Goods Industries

Under this group, consumer durables viz., T.V. receivers, electric fans, passenger cars and typewriters showed increases in capacity utilisation ratio in 1982-83. Lack of demand on one hand and substantial addition of new capacity on the other, resulted in lower capacity utilisation in 1982-83 than that achieved last year in many industries, such as domestic refrigerators (from 96.5 per cent in 1981-82 to 65.5 per cent in 1982-83), bicycles (93.6 per cent to 70.7 per cent) and sewing machines (62.2 per cent to 57.3 per cent). Under consumer non-durables, synthetic detergents, leather footwear and vanaspati registered lower capacity utilisation in 1982-83, compared to the previous year's level. Capacity utilisation ratio registered decline in paper and paper board industry from 64.9 per cent in 1981-82 to 58.8 per cent during 1982-83 due to initial stabilisation problems faced by the new units coupled with the poor performance of the existing units. Capacity utilisation in sugar industry remained high during 1981-82 as well as in 1982-83 at 140 per cent and 116.7 per cent, respectively.

Frequency distribution of industries, according to capacity utilisation ratios pertaining to the 50 industries discussed in this section, is presented in Table III-25. According to the data presented in this Table, 12 industries recorded more than 80 per cent capacity utilisation in 1982-83, compared to 18 in 1981-82. Nine industries utilised their capacity below 60 per cent in 1982-83, as against 6 industries in 1981-82. Another feature which

Table III—24 : Production, Installed Capacity and Capacity Utilisation Ratios of Selected Industries

Group/Industry	Accounting Unit	April — March								
		1980-81 (Monthly Average)			1981-82 (Monthly Average)			1982-83 (Provisional) (Monthly Average)		
		Production	Installed Capacity	Ratio (%)	Production	Installed Capacity	Ratio (%)	Production	Installed Capacity ^(a)	Ratio (%)
1	2	3	4	5	6	7	8	9	10	11
I. Basic Industries										
1. Cement (Hydraulic)+ +	'000 Tonnes	1,504.8	2,250.0	66.9	1,755.3	2,438.3	72.0	1,922.4	2,666.7	72.1
2. Steel Castings ^(a)	..	5.9	13.9	42.4	6.8	13.9	48.9	6.2	13.9	44.6
3. Saleable Steel ^(a)	..	523.6	725.0	72.2	604.7	725.0	83.4	607.7	725.0	83.8
4. Ingot Steel ^(a)	..	612.8	950.0	64.5	716.5	950.0	75.4	718.8	950.0	75.7
5. Aluminium (Virgin Metal) ^(a)	..	16.7	27.1	61.6	17.3	26.8	64.6	17.4	26.8	64.9
6. Copper (Blister) ^(a)	..	2.1	4.0	52.5	2.3	4.0	57.5	2.9	4.0	72.5
7. Zinc ^(a)	..	3.4	7.7	44.2	4.5	7.7	58.4	4.7	7.7	61.0
8. Caustic Soda ^(a)	..	47.4	64.9	73.0	51.0	64.8	78.7	50.2	68.1	73.6
9. Soda Ash ^(a)	..	42.4	52.8	80.3	52.6	52.8	99.6	50.6	56.7	89.2
10. Nitrogenous Fertilisers ^(a) (N Content)	..	189.0	380.8	49.6	262.0	393.3	66.6	284.0	428.3	66.3
11. Phosphatic Fertilisers (P ₂ O ₅) ^(a)	..	69.6	106.7	65.2	79.0	117.5	67.2	81.2	118.3	68.6
12. Lead ^(a)	..	1.2	1.5	80.0	1.2	1.5	80.0	1.2	1.5	80.0
II. Capital Goods Industries										
1. Textile Machinery \$	Rs. Crores	25.3	27.5	92.0	27.5	33.3	82.6	30.4	38.3	79.4
2. Commercial Vehicles (Buses and Trucks) ^(a)	'000 Nos.	5.9	7.9	74.7	7.6	8.6	88.4	7.2	8.6	83.7
3. Railway Wagons (In terms of 4 wheelers) ^(a)	..	1.0	2.1	47.6	1.4	2.3	65.2	1.2	2.3	52.2
4. Road Rollers ^(a)	Nos.	74.6	150.0	49.7	83.4	150.0	55.6	96.1	150.0	64.1
5. Agricultural Tractors ^(a)	'000 Nos.	5.8	6.4	90.6	7.0	8.3	84.3	5.2	7.5	69.3

(Contd.)

Table III—24 : Production, Installed Capacity and Capacity Utilisation Ratios of Selected Industries (Contd.)

Group/Industry	Accounting Unit	April — March								
		1980-81 (Monthly Average)			1981-82 (Monthly Average)			1982-83 (Provisional) (Monthly Average)		
		Production	Installed Capacity	Ratio (%)	Production	Installed Capacity	Ratio (%)	Production	Installed Capacity ^(a)	Ratio (%)
1	2	3	4	5	6	7	8	9	10	11
6. Power Transformers +	'000 KVA	1,621.5	2,475.0	65.5	1,749.3	2,880.0	60.7	1,569.2	2,880.0	54.5
7. Electric Motors +	'000 H.P.	342.7	572.0	59.9	381.5	559.0	68.2	391.3	560.0	69.9
8. Machine Tools +	Rs. Crores	17.0	16.3	104.3	21.7	19.2	113.0	23.2	26.1	88.9
9. Ball and Roller Bearings (a)	Lakh Nos.	28.3	37.5	75.5	31.4	37.5	83.7	30.6	41.7	73.4
III. Intermediate Goods Industries										
1. Tyres - Automobiles (a)	'000 Nos.	565.0	775.0	72.9	630.4	866.7	72.7	619.1	941.7	65.7
2. Tyres - Cycles (a)	..	2,291.8	2,833.3	80.9	2,171.9	2,833.3	76.7	2,283.5	2,833.3	80.6
3. Petroleum Products (a)	Million Tonnes	2.0	3.0	66.7	2.4	2.5	96.0	2.6	2.8	92.9
4. Viscose Staple Fibre \$	'000 Tonnes	6.7	7.4	90.5	6.7	8.8	76.1	4.2	10.4	40.4
5. Polyester Fibre \$	'000 Tonnes	1.9	2.7	70.4	2.4	2.9	82.8	2.3	2.9	79.3
6. Acrylic Fibre \$	..	0.7	1.3	53.9	1.2	1.3	92.3	1.3	1.3	100.0
7. Storage Batteries +	'000 Nos.	146.4	220.0	66.5	164.7	222.0	74.2	157.8	232.0	68.0
8. Dry Cells +	Million Nos.	82.9	121.3	68.3	92.2	125.3	73.6	92.9	130.3	71.3
9. Paints and Varnishes +	Lakh Kgs.	75.7	97.9	77.3	80.8	124.7	64.8	91.7	125.4	73.1
10. Caprolactum \$	'000 Tonnes	1.1	1.7	64.7	0.8	1.7	47.1	1.2	1.7	70.6
11. Ceramics (Refractories) \$	..	75.0	135.0	55.6	72.9	140.2	52.0	87.5	149.2	58.6
12. Cotton Spinning* \$\$	—	—	—	77.0	—	—	75.5	—	—	66.2
13. Newsprint (a)	'000 Tonnes	4.3	6.3	68.3	4.6	12.5	36.8	9.8	19.2	51.0

—(Contd.)

Table III—24 : Production, Installed Capacity and Capacity Utilisation Ratios of Selected Industries — (Contd.)

Group/Industry	Accounting Unit	1980-81 (Monthly Average)			April-March 1981-82 (Monthly Average)			1982-83 (Provisional) (Monthly Average)		
		Production	Installed Capacity	Ratio %	Production	Installed Capacity	Ratio %	Production	Installed Capacity	Ratio %
		3	4	5	6	7	8	9	10	11

IV. Consumer Goods Industries

(a) Durables:

1. Passenger Cars (a)	'000 Nos.	2.6	4.4	59.1	3.5	4.4	79.6	3.6	4.4	81.8
2. Electric Fans +	..	346.8	267.1	129.8	334.5	408.0	82.0	341.9	376.0	90.9
3. Bicycles (a)	..	347.1	433.3	80.1	405.4	433.3	93.6	406.8	575.0	70.7
4. Typewriters (a)	..	7.9	11.5	68.7	8.0	11.7	68.4	9.6	12.2	78.7
5. Domestic Refrigerators (a)	..	24.2	28.3	85.5	27.3	28.3	96.5	30.7	46.9	65.5
6. Sewing Machines (a)	..	27.2	47.8	56.9	28.8	46.3	62.2	27.4	47.8	57.3
7. Radio Receivers (a)	Rs. Crores	7.8	9.8	79.6	8.8	10.8	81.5	10.0	12.5	80.0
8. T.V. Receivers (a)	Rs. Crores	5.8	8.2	70.7	7.7	8.8	87.5	13.3	10.8	123.2

(b) Non-durables:

1. Vanaspati +	'000 Tonnes	62.7	115.4	54.3	72.1	115.4	62.5	73.2	117.9	62.1
2. Synthetic Detergents (Organised Sector) (a)	..	13.0	20.0	65.0	13.7	20.0	68.5	14.1	23.1	61.0
3. Sugar** (a)	Million Tonnes	0.4	0.5	80.0	0.7	0.5	140.0	0.7	0.6	116.7
4. Leather Footwear (Organised Sector) (a)	Lakh Pairs	10.4	17.9	58.1	12.1	17.9	67.6	10.9	16.8	64.9
5. Rubber and Canvas Footwear (a)	..	36.8	45.7	80.5	31.5	47.5	66.3	34.1	47.5	71.8

— (Contd.)

Table III- 24: Production, Installed Capacity and Capacity Utilisation Ratios of Selected Industries (Concl'd.)

50

1	Accounting Unit	April-March								
		1980-81 (Monthly Average)			1981-82 (Monthly Average)			1982-83 (Provisional) (Monthly Average)		
		Production	Installed Capacity	Ratio (%)	Production	Installed Capacity	Ratio %	Production	Installed Capacity	Ratio %
		3	4	5	6	7	8	9	10	11
6. Cloth Weaving (Mill Sector)* \$\$	—	—	—	77.7	—	—	73.7	—	—	59.3
7. Paper and Paper Boards (excl. Newsprint) @	'000 Tonnes	92.0	138.1	66.6	101.5	156.4	64.9	101.5	172.7	58.8
8. Electric Lamps (Incandescent Filament) +	Million Nos.	16.8	19.6	85.7	22.2	21.4	103.7	22.6	23.2	97.4

* Capacity utilisation ratio indicates the ratio of spindles/looms worked to spindles/looms installed.

** Figures relate to sugar season (October - September).

@ Anticipated as per the Mid-term Appraisal of Sixth Plan.

Sources: i) + Central Statistical Organisation,

ii) \$ Mid-term Appraisal, Sixth Plan.

iii) @ Production data from C.S.O. and installed capacity data from Mid-term Appraisal, Sixth Plan.

iv) ++ Production data from C.S.O. and installed capacity data from Cement Manufacturers' Association.

v) \$\$ Textile Commissioner's Office, Bombay.

Table III—25 : Frequency Distribution of Capacity Utilisation Ratios of Selected Industries

Range of Capacity Utilisation Ratio in 1982-83	Industry	Capacity Utilisation Ratio %			Percentage Variation	
		April-March			1982-83 over 1981-82	1981-82 over 1980-81
		1982-83	1981-82	1980-81		
1	2	3	4	5	6	7
A. Basic Industries						
Above 80	1. Soda Ash	89.2	99.6	80.3	-10.4	+24.0
	2. Saleable Steel	83.8	83.4	72.2	+ 0.5	+15.5
Between 70 and 80	3. Lead	80.0	80.0	80.0	-	-
	4. Ingot Steel	75.7	75.4	64.5	+ 0.4	+16.9
Between 60 and 70	5. Caustic Soda	73.6	78.7	73.0	- 6.5	+ 7.8
	6. Cement (Hydraulic)	72.1	72.0	66.9	+ 0.1	+ 7.6
	7. Copper (Blister)	72.5	57.5	52.5	+26.1	+ 9.5
	8. Phosphatic Fertilisers (P ₂ O ₅)	68.6	67.2	65.2	+ 2.1	+ 3.1
	9. Nitrogenous Fertilisers (N Content)	66.3	66.6	49.6	- 0.5	+34.3
Below 60	10. Aluminium (Virgin Metal)	64.9	64.6	61.6	+ 0.5	+ 4.9
	11. Zinc	61.0	58.4	44.2	+ 4.5	+32.1
	12. Steel Castings	44.6	48.9	42.4	- 8.8	+15.3
B. Capital Goods Industries						
Above 80	1. Machine Tools	88.9	113.0	104.3	-21.3	+ 8.3
	2. Commercial Vehicles (Buses and Trucks)	83.7	88.4	74.7	- 5.3	+18.3
Between 70 and 80	3. Textile Machinery	79.4	82.6	92.0	- 3.9	-10.2
	4. Ball and Roller Bearings	73.4	83.7	75.5	-12.3	+10.9
Between 60 and 70	5. Electric Motors	69.9	68.2	59.9	+ 2.5	+13.9
	6. Agricultural Tractors	69.3	84.3	90.6	-17.8	- 6.9
	7. Road Rollers	64.1	55.6	49.7	+15.3	+11.9
Below 60	8. Power Transformers	54.5	60.7	65.5	-10.2	- 7.3
	9. Railway Wagons	52.2	65.2	47.6	-19.9	+37.0
C. Intermediate Goods Industries						
Above 80	1. Acrylic Fibre	100.0	92.3	53.9	+ 8.3	+71.2
	2. Petroleum Products	92.9	96.0	66.7	- 3.2	+43.9
	3. Tyres - Cycles	80.6	76.7	80.9	+ 5.1	- 5.2
Between 70 and 80	4. Polyester Staple Fibre	79.3	82.8	70.4	- 4.2	+17.6
	5. Paints and Varnishes	73.1	64.8	77.3	+12.8	-16.2
	6. Dry Cells	71.3	73.6	68.3	- 3.1	+ 7.8
Between 60 and 70	7. Caprolactum	70.6	47.1	64.7	+49.9	-27.2
	8. Storage Batteries	68.0	74.2	66.5	- 8.4	+11.6
	9. Tyres-Automobiles	65.7	72.7	72.9	- 9.6	- 0.3
	10. Cotton Spinning	66.2	75.5	77.0	-12.3	- 1.9
Below 60	11. Ceramics (Refractories)	58.6	52.0	55.6	+12.7	- 6.5
	12. Newsprint	51.0	36.8	68.3	+38.6	-46.1
	13. Viscose Staple Fibre	40.4	76.1	90.5	-46.9	-15.9

(Contd.)

Table III—25 : Frequency Distribution of Capacity Utilisation Ratios of Selected Industries —(Concl'd.)

Range of Capacity Utilisation Ratio in 1982-83	Industry	Capacity Utilisation Ratio %			Percentage Variation	
		April-March			1982-83 over 1981-82	1981-82 over 1980-81
		1982-83	1981-82	1980-81		
1	2	3	4	5	6	7
D. Consumer Goods Industries						
<i>(a) Durables:</i>						
Above 80	1. T.V. Receivers	123.2	87.5	70.7	+40.8	+23.8
	2. Electric Fans	90.9	82.0	129.8	+10.9	-36.8
	3. Passenger Cars	81.8	79.6	59.1	+2.8	+34.7
Between 70 and 80	4. Radio Receivers	80.0	81.5	79.6	-1.8	+2.4
	5. Typewriters	78.7	68.4	68.7	+15.1	-0.4
	6. Bicycles	70.7	93.6	80.1	-24.5	+16.9
Between 60 and 70	7. Domestic Refrigerators	65.5	96.5	85.5	-32.1	+12.9
Below 60	8. Sewing Machines	57.3	62.2	56.9	-7.9	+9.3
<i>(b) Non-durables:</i>						
Above 80	1. Sugar	116.7	140.0	80.0	-16.6	+75.0
	2. Electric Lamps (Incandescent Filament)	97.4	103.7	85.7	-6.1	+21.0
Between 70 and 80	3. Rubber Canvas Footwear	71.8	66.3	80.5	+8.3	-17.6
Between 60 and 70	4. Leather Footwear (Organised Sector)	64.9	67.6	58.1	-4.0	+16.4
	5. Vanaspati	62.1	62.5	54.3	-0.6	+15.1
Below 60	6. Synthetic Detergents (Organised Sector)	61.0	68.5	65.0	-10.9	+5.4
	7. Cloth weaving (Mill Sector)	59.3	73.7	77.7	-19.5	-5.1
	8. Paper and Paper Boards (excl. Newsprint)	58.8	64.9	66.6	-9.4	-2.6

emerges from these data is that while in the case of most of the basic industries capacity utilisation was more or less maintained in 1981-82 as well as in 1982-83, in the case of industries under the rest of the three groups, there was a mixed trend.

Small-Scale Sector

It has been estimated that the production in the small scale industrial sector at Rs. 27,700 crores at 1978-79 prices recorded a growth of 6.9 per cent during 1982-83 compared to the growth of 10.0 per cent achieved in the previous year. Value of exports this sector at current prices increased by 18.0 per cent to Rs. 2,390 crores during 1982-83 compared

with the growth of 30.8 per cent in 1981-82. The target of production of small scale sector for 1983-84 has been fixed at Rs. 30,000 crores, i.e., an increase of 9.1 per cent over the production in 1982-83 (Table III-26).

The new 20 Point Programme lays particular stress on the provision of all facilities for the growth of small industries. Accordingly, various policy measures and promotional programmes have been initiated from time to time. These included reservation of items for exclusive development in the small-scale sector, marketing assistance, preferential prices, provision of credit facilities on easy terms, supply of raw material on priority basis, etc.

To strengthen the small-scale sector a higher provision has been made in Plan outlay to the tune of Rs.156.07 crores for the year 1983-84 as against the provision of Rs.115.46 crores for 1982-83. The existing scheme of concessions in excise duty for the small-scale sector is being continued. While the limit of full exemption has been reduced from Rs.7.5 lakhs to Rs.5 lakhs, for first clearance, the limit for subsequent clearance above Rs.5 lakhs at concessional rate of duty of 75 per cent of the normal duty has been raised from Rs.15 lakhs to Rs.25 lakhs.

Table III-26: Small-scale Sector

Item	(April-March)			
	1980-81	1981-82 (Estimated)	1982-83 (Anticipated)	1983-84 (Target)
1	2	3	4	5
Production (Rupees Crores at 1979-80 Prices)	23,566	25,920	27,700	30,000
Exports (Rupees Crores)	1,549	2,026*	2,390*	1,625
Employment (Lakh persons)	71	75	78**	N.A.

* Estimated at current prices.

** Target.

Sources: Annual Report of Ministry of Industry 1982-83 and Report of the Small Industries Development Organisation, 1981-82.

The policy of reservation of items for exclusive production in the small-scale sector and for exclusive purchases by the Government was being regularly monitored. The number of such reserved items stood at 837 and 401, respectively. Concessions and incentives available to small-scale industries have also been extended to small-scale service establishments with investment in plant and machinery up to Rs.2 lakhs and located in rural areas and towns with a population of 5 lakhs or less.

The programme for modernising small-scale units is being implemented for 20 industries on all-India basis and for 38 industries in selected concentration centres. Under the scheme, 418 units were registered till the end of October 1982 and in-plant studies in respect of half of them have already been completed.

District Industries Centres

During the year, further progress was made in implementation of the District Industries Centres (DIC) programme introduced in May 1978. During 1982-83 (April-March), the total number of DICs increased to 395 and covered 408 out of 413 districts in the country.

According to the latest available information in respect of 350 DICs, during the period April-December 1982, 1.24 lakh new registrations comprising 0.42 lakh permanent registrations and 0.82 lakh provisional registrations were completed and 1.31 lakh new industrial units comprising 0.81 lakh artisan-based units and 0.50 lakh small-scale units went into production. These units together generated additional employment for 3.95 lakh people (Table III-27). Credit assistance provided by financial institutions amounted to Rs.182.05 crores during April-December 1982. DICs assisted 850 sick units and provided technical assistance to 0.74 lakh units. Besides, DICs provided training assistance to 0.59 lakh entrepreneurs/artisans.

The estimates for 1982-83 (April-March) for all DICs place establishment of new units at 4.12 lakhs (3.22 lakh artisan-based and 0.90 lakh small-scale units) and additional employment generation at 12.29 lakh persons.

Industrial Sickness

Latest data (upto June 1982) on industrial sickness show further rise in number of sick units as well as in total bank credit outstanding against them. The number of large industrial units availing of bank credit of Rs.1 crore and above and identified by banks as sick rose to 439 at end-June 1982 from 422 as at end-June 1981 (Table III-28). The bank credit outstanding against these units amounted to Rs.1,728.40 crores at end-June 1982 compared with Rs.1,453.29 crores at end-June 1981, showing an increase of Rs.275.11 crores over the year. Industry-wise, the incidence of sickness was more pronounced in the case of textiles with 114 units and outstanding bank credit of Rs.520.24 crores. In the case of engineering and electricals, iron and steel, and sugar industries, there was a reduction in the number of sick units but the amount of credit outstanding increased by Rs.32.14 crores, Rs.36.42 crores and Rs.31.23 crores, respectively.

Table III—27 : Performance of District Industries Centres

Item	Total Achievements			Per DIC Achievement		
	April—March		1982-83 (April-Dec. 1982)	April—March		1982-83 (April-Dec. 1982) (Estimated)
	1980-81	1981-82		1980-81	1981-82	
1	2	3	4	5	6	7
1. No. of DICs reporting	324	333	350	—	—	—
2. New Registrations done (Nos.) :	1,53,197	1,88,195	1,23,986	473	565	512
3. New Units established :						
i) Artisans	1,77,236	2,38,241	80,736	547	716	334
ii) SSI	60,328	69,980	50,327	186	210	208
Total	2,37,564	3,08,221	1,31,063	733	926	542
4. Sick Units assisted (Nos.)	939	485	850	3	1.5	4
5. Credit assistance provided by financial institutions (Rupees in crores)	286.80	424.38	182.05	0.89	1.27	0.75
6. Additional Employment generated (No. of Persons)	8,07,145	9,57,215	3,94,971	2,491	2,875	1,633
7. Units given technical and other assistance Nos.	1,69,721	1,88,558	74,468	524	566	306

Source: Office of the Development Commissioner, Small-Scale Industries, Ministry of Industry.

Table III—28 : Sick Industrial Units and Outstanding Bank Credit (Rupees crores)

Industry	End-June 1981		End-June 1982	
	No. of Units	Amount of Outstanding Bank Credit	No. of Units	Amount of Outstanding Bank Credit
1	2	3	4	5
1. Engineering and Electricals	92	319.61	91	351.75
2. Iron and Steel	47	105.89	40	142.31
3. Textiles	94	406.48	114	520.24
4. Chemicals	26	186.12	25	182.62
5. Sugar	48	117.00	45	148.23
6. Jute	35	92.26	37	110.28
7. Rubber	12	64.95	15	100.41
8. Cement	3	13.20	3	12.08
9. Miscellaneous	65	147.78	69	160.48
Total	422	1,453.29	439	1,728.40

The number of sick industrial units identified by banks in the small-scale sector rose to 26,973 (provisional) at end-June 1982 as against 22,360 a year ago. Bank credit outstanding against these units rose to Rs.393.67 crores at end-June 1982 from Rs.321.82 crores a year ago. Out of 26,973 small sick units, 5,316 units were considered by banks as potentially viable and 14,576 as non-viable units. Of the viable units, 1,982 were under banks' nursing programme.

At the instance of the Central Government, the Reserve Bank advised financing banks in April 1983 that they should evolve methods and mechanisms to diagnose sickness in industrial units at the incipient stage itself and bring it to the notice of the concerned administrative ministries immediately and in cases where there is no proper response from the concerned ministry, the matter should be brought to the notice of the Finance Ministry. Banks were also advised not to nominate the same officer on boards of too many assisted units.

The interim report submitted by the Tiwari Committee, to which a reference was made in the last year's Report, was still under consideration of the Government. It may be recalled that this Committee was appointed to look into legal and other difficulties faced by banks in rehabilitating sick units and to suggest remedial measures.

Industrial Licensing Policies

Mention was made in the last year's Report about the policy changes introduced in April 1982 in pursuance of declaration of 1982 as the 'Year of Productivity' and liberalisation of investment procedures envisaged in the revised 20-Point programme. The most significant among these was the decision to refix, for the first time, industrial capacity on the basis of highest production achieved during the five years ending 1981-82. With a view to streamlining investment procedures, correcting regional imbalances and accelerating industrialisation of backward areas, further policy changes were announced by the Government during 1982-83. Some of the important policy changes were as follows.

(1) The Government announced on February 2, 1983 that even industrial undertakings which are exempt from the licensing procedures and are required to register with concerned technical au-

thorities such as DGTD, Textile Commissioner, Iron and Steel Controller, Jute Commissioner, Coal Controller, etc., should conform to the locational policy of the Government. The locational policy to be followed by such undertakings will be the same as that for industrial undertakings covered by the licensing provisions. The order of preference for location will be: (a) No industry districts; (b) Notified backward districts/areas in backward States; and (c) Notified backward districts/areas in other States.

(2) As a step towards liberalisation of investment procedures, the Government had already exempted from licensing provisions industrial undertakings where investment in fixed assets, viz., land, building, plant and machinery, did not exceed Rs.3 crores. Considering the general escalation in project costs in the last few years, the Government raised on April 23, 1983, the exemption limit relating to investment in fixed assets from Rs.3 crores to Rs.5 crores.

(3) With a view to correcting regional imbalances and speeding up industrialisation of backward areas, the Government announced on April 27, 1983, following concessions for setting up of industries in 'No industry districts'/Backward Areas:

(a) The rate of central investment subsidy applicable to 286 backward districts divided under three categories has been fixed as under.

- (i) Category A - 25 per cent of the investment subject to a ceiling of Rs.25 lakhs per unit.
- (ii) Category B - 15 per cent of investment subject to a maximum of Rs.15 lakhs per unit.
- (iii) Category C - 10 per cent of investment subject to a maximum of Rs.10 lakhs per unit.

It has, however, been stipulated that in a block/taluk/urban agglomeration including extension of township in categories 'B' and 'C' districts, where investments by a unit have exceeded Rs. 30 crores as on March 31, 1983, such unit will not be eligible for further investment subsidy or concessional finance.

(b) Keeping in view the role that can be played by MRTP/FERA companies for developing backward areas, it has been decided to permit entry of these companies into non-Appendix I in-

industries which are not reserved for small-scale sector, subject to an export obligation of 50 per cent for setting up industries in districts in 'B' and 'C' categories and 30 per cent in districts in 'A' Category. However, MRTP/FERA companies will not be eligible for central subsidy for investment in category 'C' districts.

(4) The Central Government would recognise industrial units fulfilling certain criteria as nucleus plants. These nucleus plants are expected to provide an impetus for the setting up of such industries as can promote development of ancillary units. Sixty-nine districts/areas have so far been identified by State Governments for launching the nucleus plant programme. Task Forces have already been set up to assess the type of projects required in each district or area, their ancillary linkage and infrastructural needs.

(5) It has been decided that for the grant of industrial licences, preference will be given for location of industries in 87 districts identified as having no large and medium industry. However, units entering these districts will also have to conform to the locational policy of the Government.

(6) As a growing concern for environment protection/wildlife conservation, the Government will examine carefully location of an industrial unit, especially if it is close to a national park, sanctuary or national monument before granting a licence or permission under the Industries (Development & Regulation) Act.

Annual Plan 1983-84 - Outlay for Industry and Minerals and Power

The Annual Plan for 1983-84 provides for a total outlay of Rs.7,776.9 crores on 'industry and minerals' in the Central sector, which is higher by Rs.1,393.6 crores or 21.8 per cent than the revised outlay in the preceding year (Table III-29). The outlay for 1983-84 has been enhanced to facilitate completion of projects under execution. Out of the total plan outlay of Rs.7,776.9 crores, Rs.1,222.5 crores have been earmarked for the various power projects and Rs.6,555.4 crores for other industries and minerals. Total plan outlay for 'industry and minerals' (including power) in respect of States and Union Territories for

1983-84 has been fixed at Rs.3,432.6 crores and Rs.536.2 crores, respectively, as against Rs.3,020.9 crores and Rs.456.2 crores in the previous year. Some of the important industries which have been allotted higher Central sector outlays for 1983-84 compared with the previous year are: non-ferrous metals (+53.8 per cent), petroleum (+39.1 per cent), textiles (+26.9 per cent), power (+18.0 per cent) and drugs and pharmaceuticals (+12.2 per cent). Industries which have been allotted smaller allocations than in the previous year are: paper and newsprint (-13.1 per cent), iron and steel (-5.7 per cent), cement (-3.9 per cent), and petro-chemicals (-3.1 per cent).

Important industries in which additions to capacity have been envisaged during 1983-84 are: steel (ingot), aluminium, cement, caustic soda, petroleum products, fertilisers, staple fibre, filament yarn, paper, machine tools, earth moving equipments, shipbuilding, passenger cars, jeeps, scooters, bicycles, GLS lamps, domestic refrigerators, etc.

Selected Industries: A Review

The performance of selected industries in the four broad groups, viz., *basic, capital goods, intermediate goods* and *consumer goods* industries is briefly reviewed below.

A. Basic Industries

(a) COAL

Coal production (excluding lignite) reached a record level of 130.4 million tonnes during 1982-83 (April-March); in the previous year production was 124.9 million tonnes (Table III-30). The growth rate of 4.4 per cent during 1982-83 was, however, even lower than half of that (9.6 per cent) attained in the previous year. Despite the record level of output, the target of 133 million tonnes fixed for 1982-83 could not be reached because of constraints such as sporadic strikes by employees of Singareni Collieries Co. Ltd. (SCCL), shortage of power, especially in the Eastern region, and law and order problems. The steps taken during the year to raise production included improved power supply through better generation by Damodar Valley Corporation

Table III— 29: Outlay for Selected Industries in the Central Sector under Annual Plan

Industry	(Rupees crores)		
	April—March		
	1981-82	1982-83*	1983-84
1	2	3	4
1. Iron and Steel	795.56 (- 0.9)	870.31 (+ 9.4)	820.37 (- 5.7)
2. Petroleum	*1,206.45 (+ 54.6)	2,023.66 (+ 67.7)	2,815.00 (+ 39.1)
3. Coal and Lignite	*682.63 (+ 44.2)	872.16 (+ 27.8)	946.17 (+ 8.5)
4. Power	*698.17 (+ 42.4)	1,035.74 (+ 48.4)	1,222.47 (+ 18.0)
5. Fertilisers	272.96 (+ 2.4)	327.57 (+ 20.0)	398.60 (+ 21.7)
6. Non-ferrous Metals	195.85 (+ 84.1)	293.81 (+ 50.0)	451.98 (+ 53.8)
7. Petro-chemicals	73.87 (+ 30.7)	115.58 (+ 56.5)	112.00 (- 3.1)
8. Cement	32.35 (- 13.2)	32.00 (- 1.1)	30.76 (- 3.9)
9. Paper and Newsprint	103.17 (+ 33.8)	97.30 (- 5.7)	84.52 (- 13.1)
10. Drugs and Pharmaceuticals	29.84 (- 2.5)	12.30 (- 58.8)	13.80 (+ 12.2)
11. Textiles	18.00 (- 18.2)	17.33 (- 3.7)	22.00 (+ 26.9)
Total for Industry, Minerals and Power	*4,935.19 (+ 35.8)	6,383.33 (+ 29.3)	7,776.93 (+ 21.8)

* Revised.

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

Source: Plan Budget, Government of India.

(DVC), control over absenteeism and close monitoring of performance. Output of coal (excluding lignite) during April-June 1983, however, declined marginally to 29.19 million tonnes from 29.63 million tonnes in the corresponding period of 1982 mainly due to power supply problems. The target for 1983-84 has been fixed at 142 million tonnes as against expected demand of 147 million tonnes.

Coal India Ltd. (CIL) which accounts for 90 per cent of coal production in the country, achieved a record level of 115 million tonnes in

1982-83, — higher by 5.4 million tonnes than the previous year's output of 109.6 million tonnes. The significant improvement in CIL's production was attributed to an increase in output per man-shift (OMS) from 0.75 tonne in 1981-82 to 0.80 tonne in 1982-83 and commissioning of four new collieries with a capacity of 2 million tonnes per year.

Despatches of coal during 1982-83 increased by 5.2 per cent to 119.5 million tonnes compared with 113.6 million tonnes in the previous year, mainly due to change in distribution policy. With

Table III—30 : Performance of Coal Industry

Item	(Million tonnes)		
	April—March		
	1980-81	1981-82	1982-83 (Provisional)
1	2	3	4
1. Production			
(a) Coal (i+ii)	114.0 (+9.6)	124.9 (+9.6)	130.4 (+4.4)
i) Coking Coal	31.7 (+5.7)	35.5 (+12.0)	37.8 (+6.5)
ii) Non-coking Coal	82.3 (+11.2)	89.5 (+8.7)	92.6 (+3.5)
(b) Lignite	5.1 (—)	6.3 (+23.5)	6.9 (+9.5)
2. Imports (Coking Coal)	0.4	0.7	1.4
3. Despatches (i+ii)	101.7 (+6.8)	113.6 (+11.7)	119.5 (+5.2)
i) Coking Coal	26.7 (+5.1)	31.1 (+16.5)	35.8 (+15.1)
ii) Non-coking Coal	75.0 (+7.6)	82.6 (+10.1)	83.7 (+1.3)
4. Exports	0.1	0.2	0.2
5. Year-end Pit-head Stocks (i+ii)	18.3 (+30.7)	21.1 (+15.3)	23.4 (+10.9)
i) Coking Coal	8.0 (+40.4)	9.0 (+12.5)	9.2 (+2.2)
ii) Non-coking Coal	10.3 (+24.1)	12.1 (+17.5)	14.2 (+17.4)

Notes: 1) Figures in brackets are percentage variations over the preceding year.

2) Figures of year-end stocks cannot be arrived at on the basis of other figures in the Table as figures relating to exports of coal represent actual exports and not despatches for exports.

Source: Department of Coal, Ministry of Energy.

a view to passing on the benefit of the increased coal production to consumers, coal is now sold free of restrictions from certain specified mines having heavy pit-head stocks. Average daily loadings in CIL and SCCL increased to 10,500 wagons during 1982-83 as against 10,127 wagons a day in 1981-82, with increase in availability of wagons as a result of close co-ordination at various levels between railways and coal companies. Pit-head coal stocks rose from 21.1 million tonnes at end-March 1982 to 23.4 million tonnes by

end-March 1983 on account of reduced demand from user industries.

CIL has 11 washeries for coking coal and 1 for non-coking coal. With a view to increasing coal production, 15 coal projects for a total production capacity of 21.81 million tonnes per year have been sanctioned. A long term exploration programme covering modernisation of exploration technology, etc., to attain a higher rate of extraction has been drawn by the Central Mine Planning

and Design Institute (CMPDI), Ranchi. CIL has also launched a crash programme to set up coal handling plants to crush coal according to required size before despatch. At present CIL has 130 such plants and it is likely to construct another 175 plants. SCCL and CIL have launched a scheme to open a large number of coal stockyards in various States to distribute coal and soft coke to industrial and domestic consumers.

(b) IRON ORE

Production of iron ore increased marginally by 0.5 per cent from 41.4 million tonnes in 1981 to 41.6 million tonnes in 1982 (Table III-31). Pit-head stocks of iron ore (5.3 million tonnes) at the end of 1982 were however, at the same level as a year ago. The share of public sector mines in total production of iron ore in 1982 at 49 per cent showed no change over the year. Output of iron ore from captive mines of steel plants constituted 36 per cent of total production in 1982 as against 33 per cent in 1981. Despatches of iron ore for internal consumption were marginally higher at 16.7 million tonnes in 1982 compared with 16.4 million tonnes in 1981.

Despatches of iron ore for exports at 24.8 million tonnes were a little higher than in 1981. Although overall iron ore exports recorded a marginal increase, exports by National Mineral De-

velopment Corporation (NMDC) declined from 75.77 lakh tonnes in 1981-82 to 64.42 lakh tonnes in 1982-83 mainly due to inability of Japanese and South Korean Steel Mills to take delivery of contracted quantity of ore. Prospects for export of iron ore do not seem encouraging in view of scaling down of steel output by Japanese and Korean steel manufacturers and reported slashing down of ore prices by the German steel manufacturers.

(c) CEMENT

The increase in cement production achieved during 1981-82 was maintained though the pace of production during 1982-83 was slower than that in 1981-82. Production rose by 2.0 million tonnes (9.4 per cent) to 23.1 million tonnes on top of an increase of 16.7 per cent recorded in 1981-82 (Table III-32). Despite frequent power cuts/interruptions in major cement producing States affecting adversely the output, the increase in production was brought about largely by the additional capacity created during the year.

The continuation of the dual price policy with partial decontrol in cement distribution introduced last year also provided impetus to the cement production. As a result of increase in production there was fall in the imports of cement during 1982-83 to 1.7 million tonnes from 2.0 million

Table III—31: Performance of Iron Ore Industry

Item	(Million tonnes)		
	1980	January – December 1981	1982
1	2	3	4
Production	41.9 (+5.0)	41.4 (-1.2)	*41.6 (+0.5)
Despatches for Exports	25.9 (+6.1)	24.5 (-5.4)	24.8 (+1.2)
Year-end stocks	5.2	5.3	5.3

* Provisional and includes iron ore concentrates also.

Notes: 1. Figures in brackets represent percentage variations over the previous year.

2. Figures of year-end stocks cannot be arrived at on the basis of other figures in the Table as despatches for domestic consumption are not given.

Source: Indian Bureau of Mines.

Table III—32 : Performance of Cement Industry

Item	(Million tonnes)		
	April - March		1982-83 (Provisional)
	1980-81	1981-82	
1	2	3	4
Installed Capacity	27.00 (+ 10.6)	29.26 (+ 8.4)	32.00 (+ 9.4)
Production	18.06 (+ 2.5)	21.08 (+ 16.7)	23.07 (+ 9.4)
Capacity Utilisation Ratio (Per cent)	66.89	72.04	72.09
Imports	1.97	2.00	1.70
Year-end Stocks	0.31	0.32	*2.89

* As at end-February, 1983.

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

Sources: Central Statistical Organisation and Cement Manufacturers' Association.

tonnes in the preceding year. During the first quarter (April-June) of 1983-84, cement production improved to the level of 6.1 million tonnes, but at lower rate of 7.0 per cent than that of 11.0 per cent achieved in the corresponding quarter of 1982-83.

The installed capacity in cement industry during 1982-83 increased by 2.7 million tonnes to 32.0 million tonnes. The capacity utilisation ratio increased marginally to 72.1 per cent in 1982-83 from 72.0 per cent in 1981-82. With the commissioning of additional capacity of about 7.1 million tonnes during 1983-84 and with improved availability of power in major cement producing States, it is expected that the target of about 28 million tonnes in cement production will be achieved.

The cement despatches recorded an increase of 7.1 per cent to 21.36 million tonnes in 1982-83 from 19.95 million tonnes in 1981-82. The year-end stocks of cement increased from 0.32 million tonnes at end-March 1982 to 2.89 million tonnes at end-March, 1983.

The scheme of partial decontrol which came into effect from February 28, 1982 continued to operate during the year (for details please see Chapter IV of Report on Currency & Finance, 1981-82, Volume I). The Central Government revised the retention price of levy cement upward by Rs.52 per tonne with effect from July 7, 1983

to compensate for the increase in the railway freight charges over the past two years.

The Government have decided to set up a productivity Board for the cement industry which would identify the areas for improvement in productivity in terms of capacity utilisation, quality of cement, labour, materials, maintenance, etc.

(d) IRON AND STEEL

The growth in the output of iron and steel industry achieved in 1981-82 (April-March) could not be sustained during 1982-83. The output of steel ingot, saleable steel as well as finished steel rose marginally by 0.3 per cent, 0.5 per cent and 1.6 per cent, respectively, as compared to a high rate of 16.1 per cent, 15.5 per cent and 23.8 per cent last year. The decline in the rate of growth of steel output was mainly on account of infrastructural bottlenecks especially the chronic shortage and erratic supply of power, shortage of railway wagons, high ash content of coal and inadequate off-take emanating from the sluggish demand from a few user industries. But for an increase in production in mini-steel plants during the year under review the output of steel would have been still lower.

The production of *saleable steel* at the integrated steel plants increased marginally by 0.5 per

cent in 1982-83 to 7,292 thousand tonnes, compared with 7,256 thousand tonnes in 1981-82 (Table III-33). Of this, the combined output of five steel plants under Steel Authority of India Ltd. (SAIL) viz., Bhilai, Durgapur, Rourkela, Bokaro and IISCO at 5,671 thousand tonnes during 1982-83 registered an increase of only 0.4 per cent over the output of 5,651 thousand tonnes during 1981-82. The production by Tata Iron and Steel Co. (TISCO) also increased nominally by 16 thousand tonnes to 1,621 thousand tonnes during 1982-83.

At the total rated capacity of 8,724 thousand tonnes, the capacity utilisation of six integrated steel plants increased marginally, from 83.4 per cent in 1981-82 to 83.8 per cent in 1982-83. For 1983-84, a production target of 7,267 thousand tonnes, comprising 5,717 thousand tonnes at SAIL plants and 1,550 thousand tonnes at

Table III-33 : Production of Steel

Year	(April—March)									
	1	2	3	4	5	6	7	8	9	10
	Bhilai	Durgapur	Rourkela	Bokaro	TISCO	IISCO	Total	VISL	ASP	Total
							(2 to 7)			(9 + 10)
1980-81	2041	741	1165	923	1874	609	7353	108	70	178
							(- 8.4)			(- 8.7)
1981-82	2115	930	1203	1292	1956	601	8598	104	86	190
							(+ 16.1)			(+ 6.7)
1982-83 (Provisional)	2130	952	1144	1829	1946	624	8625	92	81	173
							(+ 0.3)			(- 8.9)
1980-81	1818	598	985	844	1537	523	*6283	81	41	122
							(+ 4.0)			(- 12.2)
1981-82	1819	782	1091	1472	1605	488	7256	77	52	129
							(+ 15.5)			(+ 5.7)
1982-83 (Provisional)	1838	812	992	1529	1621	500	7292	49	65	114
							(+ 0.5)			(- 11.6)
1980-81	1264	347	894	732	749	366	4352	81	42	123
							(- 0.6)			(- 11.5)
1981-82	1145	504	1063	1392	945	339	5388	77	52	129
							(+ 23.8)			(+ 4.9)
1982-83 (Provisional)	1362	467	956	1483	871	335	5474	N.A.	47	47
							(+ 1.6)			(- 63.6)

N.A. = Not available.

* For 1980-81, plant-wise figures of saleable steel output would not add up as inter-plant transfers of HR Coils for further processing are excluded from the total (Column 8) to avoid duplication.

Note: Figures in brackets represent percentage variations over the preceding year.
Source: Steel Authority of India Ltd.

TISCO, was fixed. The production of saleable steel during April-June 1983 at 1266.4 thousand tonnes recorded a decline of 18.9 per cent as compared with the decline of 4.5 per cent in the corresponding period of previous year.

During the year under review, the production of *ingot steel* of integrated steel plants increased by only 0.3 per cent to 8.625 thousand tonnes, compared to a significant improvement of 16.1 per cent in the preceding year. The capacity utilisation of integrated steel plants, in respect of ingot steel, at 75.7 per cent did not show much improvement from the position in the preceding year.

The Salem Steel Plant (SSP) commenced production in September 1981. It has an installed capacity of 32 thousand tonnes of cold rolled stainless/heat resisting steel sheets/coils. The production during the six month (September 1981 to March 82) was only 3.21 thousand tonnes. During 1982-83 the production of 6.75 thousand tonnes was significantly lower than the target of 11 thousand tonne fixed for the year under review. The production of the plant was adversely affected mainly due to severe power cuts in Tamil Nadu and to some extent by hike in import duty on imported hot rolled bands during the last quarter of 1982-83.

Mini-steel plants, an important segment of the steel industry, accounting for one-fifth of steel production in the country, produced mild steel as well as alloy steel. At end-March 1983, there were 165 mini-steel plants (with a total licensed capacity of over 41 lakh tonnes per annum) of which 144 units were in operation. Production of steel by mini-steel plants during 1982-83 increased by 5.0 per cent to an estimated level of 2.1 million tonnes, compared to 2.0 million tonnes in 1981-82. The average capacity utilisation of these plants ranged between 70 per cent and 75 per cent during 1982-83 as compared to 65 per cent and 70 per cent during 1981-82. In order to enable the mini-steel plants to increase their production, Government permitted liberal imports of melting scrap and sponge iron. In addition, permission was given to diversify their production within their licensed capacities for other grades of steel, to adopt new technologies so as to effect improvements in productivity through lower consumption of inputs like power, raw materials etc. It is expected that these facilities, should help

production to reach a level of 2.6 million tonnes by the year 1984-85.

Reflecting the slackness in demand especially from the engineering industry, total despatches of steel items recorded a marginal fall of 0.3 per cent to the level of 7,060 thousand tonnes compared to 7,112 thousand tonnes in 1981-82. Consequently, stocks of saleable steel with steel plants increased by 41.1 per cent to 1,670 thousand tonnes in end-March 1983 from 1,183 thousand tonnes in end-March 1982. Adequate availability of steel items with poor off-take resulted in drastically reduced imports; the actual imports turned out to be 1.74 million tonnes of steel from 2.13 million tonnes estimated originally for the year.

An important development during the year under review was the Government's announcement on April 1, 1982 to discontinue its informal regulation of iron and steel prices. Accordingly the prices of various categories of saleable steel representing 36 per cent of total saleable steel production of integrated plants were increased by the Joint Plant Committee (JPC) to ensure a higher return to the main producers. In view of the steep escalation in the prices of coal, power and railway freight rates, JPC again hiked the prices on October 23, 1982 in respect of 58 per cent of the output constituting pig-iron, railway materials, plates and structural bars and rods, etc. As the off-take of steel did not pick up, SAIL, with a view to stimulating demand, announced a new steel distribution policy in January 1983 under which all steel traders were entitled to buy directly from the SAIL stock-yards. Under the old scheme, the channel of distribution was confined to registered traders only. Under the new policy, the stocks would be offered to the traders on a first-come-first-serve basis, subject to the condition that the minimum quantity purchased should not be less than a truck-load.

Another important development in the steel industry during the year under review was the adoption of a production strategy; this strategy emphasised larger production of pig iron so as to increase its rate of capacity utilisation and reduce dependence on imports.

In the Sixth Five Year Plan (1980-85), a provision of Rs.4,000 crores was made for the iron and steel sector. The main emphasis was to implement

expeditiously the expansion programmes mainly at Bhilai and Bokaro Steel Plants. It was expected that capacity to produce ingot steel will rise with the commissioning of the Cold Rolling Mill Complex and of 7th blast furnace complex at Bokaro and Bhilai Steel Plants, respectively by December 1984. With a view to achieving higher productivity at Bokaro, Durgapur, Rourkela and Bhilai, captive power generation capacity is being expanded. A silicon steel project for producing 37.5 thousand tonnes of cold rolled grain oriented silicon steel (CRGO) and 36 thousand tonnes of cold rolled non-grain oriented silicon steel (CRNO) is under implementation at Rourkela and is likely to be completed in 1983.

(e) ELECTRICITY

Due to the shortfall in the generation of hydel and nuclear power, the overall electricity generation during 1982-83 (April-March) at 131.6 billion kwh registered a growth rate of 7.0 per cent which was lower than that of 10.2 per cent recorded in the preceding year (Table III-34). The increase in electricity generation was contributed mainly by thermal power which rose by 15.5 per cent in 1982-83, compared with 13.4 per cent

during the preceding year. On the other hand, hydel and nuclear power generation declined by 2.6 per cent and 33.0 per cent in 1982-83 respectively as against the increase of 6.5 per cent and 0.4 per cent in the preceding year. The decline during 1982-83 was attributable to scanty rains resulting in the depletion of reservoirs' levels. Consequently, the share of hydel power in total electricity generation declined to 36.7 per cent from 40.3 per cent in 1981-82. The share of nuclear power also declined from 2.5 per cent in 1981-82 to 1.5 per cent in 1982-83. As a result of these declines, the share of thermal power improved from 57.2 per cent in 1981-82 to 61.8 per cent in 1982-83.

The improvement in the performance of thermal units during 1982-83 was the result of concerted efforts made by the State Electricity Boards towards better operation and the assistance provided by the Centre to overcome some of the operating problems. Besides, a series of measures such as constitution of Task Forces for power stations, visits to power stations by 'Roving Teams', implementation of plant betterment programmes and constant monitoring also contributed to the improvement in the performance of thermal sta-

Table III—34: Source-wise Break-up of Generation of Electric Power

Source	(Million Kilo Watt Hours)					
	1980-81		April—March		1982-83 (Provisional)	
			1981-82			
	Power Generation	Percentage	Power Generation	Percentage	Power Generation	Percentage
1	2	3	4	5	6	7
1. Thermal	62,031 (+8.5)	55.6	70,346 (+13.4)	57.2	81,261 (+15.5)	61.8
2. Hydel	46,532 (+2.3)	41.7	49,558 (+ 6.5)	40.3	48,273 (- 2.6)	36.7
3. Nuclear	3,009 (+4.6)	2.7	3,021 (+ 0.4)	2.5	2,024 (-33.0)	1.5
Total	111,572 (+5.7)	100.0	122,925 (+10.2)	100.0	131,558 (+ 7.0)	100.0

Note: Figures in brackets indicate percentage variations over the preceding year.

Source: Central Electricity Authority.

tions. The improvement in the transportation of coal by railways to thermal power stations was an additional factor contributing to the increase in thermal power generation. The better performance of thermal power stations was reflected in the improvement of plant load factor from 46.8 per cent in 1981-82 to 49.8 per cent during 1982-83.

Region-wise, during 1982-83 the high growth of 25.2 per cent in thermal generation was recorded by the North-Eastern region followed by the Northern region with 23.1 per cent. While hydel power generation in Northern and North-Eastern regions showed a rate of increase of 10.4 per cent and 10.5 per cent respectively during the year. Western, Eastern and Southern regions recorded a fall of 18.8 per cent, 12.6 per cent and 5.2 per cent, respectively. The capacity utilisation in respect of hydel and nuclear power dropped considerably to 44.7 per cent and 26.9 per cent in 1982-83 compared to 47.8 per cent and 40.1 per cent, respectively, during the year 1981-82.

In spite of the fact that the overall gap between demand and supply of power narrowed down to 10.2 per cent during 1982-83 from 10.8 per cent during 1981-82, constraints emanating from power continued to affect adversely the performance of industrial activity, particularly in areas of Punjab, Haryana, Rajasthan, Gujarat, Tamil Nadu, Karnataka and Kerala.

An important development in the field of power generation was creation of additional generating capacity of the order of 3,095 MW during 1982-83 raising the total installed generating capacity to 34,630 MW (Table III-35). The tentative target fixed for power generation for the year 1983-84 is 146 billion Kwh of which 93.5 billion Kwh is to be generated by thermal, 49.0 billion Kwh by hydel and 3.5 billion Kwh by nuclear units. In fact during April-June 1983, total power generation increased by 2.6 per cent to 32,701 billion Kwh from that of 31,874 billion Kwh in the corresponding quarter of 1982. The additional capacity proposed to be installed during 1983-84 is 4,032 MW in which the share of thermal, hydel and nuclear generation is 3,072 MW, 945 MW and 15 MW, respectively. It is also proposed to raise plant load factor in power generating units to 51.0 per cent in 1983-84 from 49.8 per cent during 1982-83.

(f) CRUDE OIL AND PETROLEUM REFINERY PRODUCTS

The total extraction of crude oil during 1982-83 (April-March) at 21.1 million tonnes registered an increase of 30.1 per cent, compared with 54.1 per cent in 1981-82 (Table-III-36). For 1982-83, target of 5.80 million tonnes of crude oil for on-shore fields and of 12.11 million tonnes for offshore fields was fixed. Agency-wise, the latest available data indicate that over four-fifths of the

Table III—35 : Installed Plant Capacity

		(Mega Watt)			
Year (April - March)		Hydel	Thermal	Nuclear	Total
1		2	3	4	5
1980-81		11,720 (+6.5)	16,953 (+10.8)	860 (+34.4)	29,533 (+9.6)
1981-82		12,105 (+3.3)	18,570 (+9.5)	860 (—)	31,535 (+6.8)
1982-83 (Provisional)		12,710 (+5.0)	21,060 (+13.4)	860 (—)	34,630 (+9.8)

Note: Figures in brackets indicate percentage variations over the preceding year.

Source: Central Electricity Authority.

total output during April-December 1982 was accounted for by Oil and Natural Gas Commission (ONGC) — 8.9 million tonnes from offshore wells and 4.0 million tonnes from onshore fields. The remaining was accounted for by Oil India Ltd. (OIL) which produced 2.2 million tonnes of crude oil during April-December 1982, compared to 2.3 million tonnes in the corresponding period of 1981. The sustained increase in indigenous

output of crude oil was largely due to the accelerated production programme adopted in respect of offshore extraction as well as restoration of normal conditions in Assam. Production of crude oil would have been still higher during 1982-83 but for the major blow-out in ONGC's offshore well in Bombay High. Total output of crude oil is targeted to go up further to 26.3 million tonnes in 1983-84.

Table III—36 : Crude Oil and Petroleum Refinery Products

Item	(Thousand tonnes)		
	1980-81	April—March 1981-82	1982-83 (Provisional)
1	2	3	4
A. Crude Oil			
(a) Production (i+ii)	10,507 (- 10.7)	16,194 (+ 54.1)	21,061 (+ 30.1)
(i) On-shore	5,522 (- 24.8)	8,219 (+ 48.8)	8,185 (- 0.4)
(ii) Off-shore	4,985 (+ 12.7)	7,975 (+ 60.0)	12,876 (+ 61.5)
(b) Imports	16,248 (+ 0.8)	15,298 (- 5.8)	16,955 (+ 10.8)
B. Petroleum Refinery Products			
(a) Production	24,123 (- 6.5)	28,182 (+ 16.8)	31,074 (+ 10.3)
<i>Of which</i>			
(i) Naphtha	2,115 (- 12.4)	3,004 (+ 42.0)	2,990 (- 0.5)
(ii) Kerosene	2,396 (- 5.6)	2,907 (+ 21.3)	3,393 (+ 16.7)
(iii) High Speed Diesel Oil	7,371 (- 7.6)	9,642 (+ 30.8)	9,761 (+ 1.2)
(b) Imports	7,289 (+ 54.3)	4,884 (- 33.0)	5,020 (+ 2.8)
<i>Of which</i>			
(i) Naphtha	231 (+ 50.0)	114 (- 50.6)	101 (- 11.4)
(ii) Kerosene	2,065 (+ 33.6)	1,969 (- 4.6)	1,863 (- 5.4)
(iii) High Speed Diesel Oil	3,219 (+ 60.1)	1,838 (- 42.9)	2,582 (+ 40.5)

@ Includes NOC imports.

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

Source: Ministry of Petroleum, Chemicals and Fertilisers (Department of Petroleum).

Exploration activities by ONGC during the year under review were marked by the discovery of hydrocarbons in the Ognaj and Madhera structures in the Western Region. Another highlight was the commissioning of the BHS/SLW platform in the Bombay High on October 10, 1982 and of the production platform R-12 in the Ratna structure on November 15, 1982.

Import of crude oil during 1982-83 amounted to 17.0 million tonnes compared to 15.3 million tonnes in the preceding year. However, the net imports amounted to 12.6 million tonnes during 1982-83, compared with 14.5 million tonnes in the preceding year. The net imports during 1983-84 have been estimated to be about 12 million tonnes of crude oil.

Total production of petroleum refinery products at 31.1 million tonnes during 1982-83 was 10.3 per cent higher than that in 1981-82. With the commissioning of Mathura Refinery in January 1982 having a capacity of 6 million tonnes, the installed refining capacity in the country increased to 37.8 million tonnes. The net imports of refinery products during 1982-83 increased by only 2.8 per cent to 5.0 million tonnes from 4.9 million tonnes (net) in 1981-82. Net imports of refinery products during 1983-84 are estimated to be 4.81 million tonnes.

B. Capital Goods Industries

(a) ENGINEERING INDUSTRIES

The growth rate of engineering industry, which has a weight of about 30 per cent in the general index of industrial production, declined to 1.7 per cent during 1982-83 from 7.0 per cent in 1981-82 and 3.6 per cent in 1980-81, reflecting deceleration in output of manufacturing sector. The setback during the year under review was a result of certain infrastructural constraints and sluggishness in exports.

The performance of selected engineering industries is briefly reviewed below under three broad heads, *viz.*, (i) heavy mechanical engineering, (ii) light mechanical engineering and (iii) electrical engineering industries.

(i) Heavy Mechanical Engineering Industries

Under this group, the automobile industry registered a decline in output for the first time in the past four years (Table III-37). This was mainly due to fall in output of *commercial vehicles* by 5.6 per cent during 1982-83 in contrast to a sharp increase of 27.8 per cent in 1981-82 on top of a growth of 24.2 per cent in 1980-81. The notable performance of this industry in 1980-81 and 1981-82 was facilitated considerably by higher demand for commercial vehicles for movement by road of vital inputs needed by various industries following transport bottlenecks on railways. The industry's performance during 1982-83 thus reflects reduction in production following the substantial increase in the preceding two years. The pick up in its production noticed during the latter half of 1982-83 following credit relaxation could not, however, be sustained and in the first quarter of 1983-84 (April-June) production of commercial vehicles declined by 12.1 per cent compared to an increase of 7.1 per cent in the corresponding period of 1982-83.

Production of *passenger cars* increased by 2.3 per cent during 1982-83 compared to the substantial increase of 36.1 per cent in 1981-82. During April-June 1983, output of passenger cars was 6.9 per cent higher than in the corresponding quarter of 1982. Technological upgradation of the existing range of passenger cars was carried out during the year. A new unit in the public sector licensed to produce cars in collaboration with Suzuki of Japan is expected to commence production by December 1983. Output of *jeeps* and *landrovers* at 21.8 thousands was higher by 5.3 per cent in 1982-83 compared with 15.6 per cent in 1981-82. During the quarter April-June 1983, production of jeeps registered a sharp increase of 30.0 per cent compared with 8.7 per cent in April-June 1982. Production of *scooters* increased substantially by 33.4 per cent in 1982-83, in contrast to a decline of 5.7 per cent in 1981-82 when production has suffered because of labour problems. During April-June 1983, however, production of scooters declined by 0.9 per cent compared to increase of 11.6 per cent in the corresponding quarter of 1982. Another industry which registered fall in output in the heavy mechanical engineering group was *railway wagons*. Production of railway wagons declined by 20.7 per cent during 1982-83, the setback being attributed to decline in orders from railways. Wagon production during

April-June 1983 also declined by 2.6 per cent. In the case of *road rollers*, output was higher by 15.2 per cent during 1982-83 compared with the preceding year. During 1982-83, (in terms of value) production of *machine tools* increased by 6.6 per cent on top of an increase of 28.3 per cent in the previous year; however, output during April-June 1983 declined by 3.6 per cent in contrast to an increase of 20.7 per cent in the corresponding period of 1982. Output of *diesel engines* during 1982-83 decreased by 8.6 per cent as against an increase of 15.0 per cent in 1981-82. The performance of this industry was adversely affected by inadequacy of demand from farmers and lower offtake by public sector undertakings; during April-June 1983, however, production in-

creased by 15.4 per cent compared to a decline of 1.6 per cent in the corresponding period last year. Among other heavy engineering goods, while output of *light, medium and heavy structurals* increased by 15.5 per cent, that of *steel castings* declined by 10.8 per cent during 1982-83 as against an increase of 7.4 per cent and 3.5 per cent, respectively, in the previous year.

(ii) *Light Mechanical Engineering Industries*

Among selected light mechanical engineering industries given in Table III-38, production of *typewriters* went up substantially by 20.4 per cent compared to a marginal rise of 0.7 per cent in

Table III—37: Output of Selected Heavy Mechanical Engineering Industries

Item	Unit	April—March		
		1980-81	1981-82	1982-83 (Provisional)
1	2	3	4	5
1. Automobiles (i+ii+iii)	'000 Nos.	120.5 (+15.2)	154.4 (+28.1)	151.4 (-1.9)
(i) Passenger Cars	..	31.3 (-5.4)	42.6 (+36.1)	43.6 (+2.3)
(ii) Commercial Vehicles (Buses and Trucks)	..	71.3 (+24.2)	91.1 (+27.8)	86.0 (-5.6)
(iii) Jeeps and Land-rovers	..	17.9 (+27.0)	20.7 (+15.6)	21.8 (+5.3)
2. Scooters	..	211.7 (+36.4)	199.6 (-5.7)	266.2 (+33.4)
3. Light, Medium and Heavy Structurals	'000 Tonnes	90.8 (-30.7)	97.5 (+7.4)	112.6 (+15.5)
4. Steel Castings (including ferro-alloys)	..	324.6 (+9.2)	336.0 (+3.5)	299.7 (-10.8)
5. Diesel Engines (Stationary)	'000 Nos.	153.0 (+11.4)	176.0 (+15.0)	160.8 (-8.6)
6. Railway Wagons (in terms of 4 wheelers)	..	12.3 (+13.9)	17.4 (+41.5)	13.8 (-20.7)
7. Road Rollers	Nos.	895 (+8.1)	1,001 (+11.8)	1,153 (+15.2)
8. Machine Tools	Rs. Crores	203.4 (+19.2)	260.9 (+28.3)	278.0 (+6.6)

Note: Figures in brackets are percentage variations over the preceding year.

Source: Central Statistical Organisation.

Table III—38 : Output of Selected Light Mechanical Engineering Industries

Item	Unit	April—March		
		1980-81	1981-82	1982-83 (Provisional)
1	2	3	4	5
1. Typewriters	'000 Nos.	95.0 (+ 6.9)	95.7 (+ 0.7)	115.2 (+ 20.4)
2. Bicycles	..	4,164.7 (+ 7.0)	4,864.2 (+ 16.8)	4,881.8 (+ 0.4)
3. Sewing Machines	..	325.9 (- 11.3)	346.2 (+ 6.2)	328.9 (- 5.0)
4. Hurricane Lanterns	..	2,320 (+ 5.3)	2,389 (+ 3.0)	2,134 (- 10.7)
5. Razor Blades	Million Nos.	1,197 (- 29.8)	1,397 (+ 16.7)	1,600 (+ 14.5)
6. Stoves (Pressure Type)	'000 Nos.	1,188 (- 63.3)	1,044 (- 12.1)	1,044 (—)

Note: Figures in brackets are percentage variations over the previous year.

Source: Central Statistical Organisation.

1981-82. During April-June 1983, production of typewriters declined by 9.3 per cent in contrast to an increase of 57.6 per cent in the same quarter of last year. At present there are 5 units producing typewriters with an installed capacity of 146.4 thousand and further capacity of 33 thousand is being added. Schemes are envisaged for manufacturing different (Indian) language typewriters in anticipation of increase in demand for them in coming years. The target of production for 1983-84 has been fixed at 120 thousand. Production of *razor blades* also registered a growth of 14.5 per cent during 1982-83 on top of an increase of 16.7 per cent in 1981-82. As against a target of 5,200 thousand, output of *bicycles* was 4,882 thousand during 1982-83 which showed a marginal increase of 0.4 per cent as against 16.8 per cent in 1981-82. However, during April-June 1983 output registered a substantial increase of 24.9 per cent compared to a decline of 2.3 per cent in the corresponding quarter of 1982. For 1983-84, a production target of 5,600 thousand bicycles has been fixed.

Production of *sewing machines* declined during 1982-83 by 5.0 per cent over the level in 1981-82; during April-June 1983 also there was a decline of 1.0 per cent in contrast to an increase

of 22.1 per cent in the corresponding period of 1982. The present installed capacity of 4 major units is 555 thousand machines. Besides, a substantial quantity is produced in the small-scale sector, since manufacture of sewing machines is reserved for this sector. A production target of 350 thousand has been set for sewing machines in 1983-84.

(iii) Electrical Engineering Industries

Excepting electrical lamps (GLS and others), radio receivers and storage batteries, output of all other important light electrical engineering goods recorded increases in output during 1982-83 (Table III-39). Output of *domestic refrigerators* rose by 12.5 per cent compared with 12.9 per cent in 1981-82; during April-June 1983 the rise in production at 23.8 per cent was significantly higher than in the corresponding period of 1982 (14.5 per cent). A target of 400 thousand refrigerators has been fixed for 1983-84. Production of *radio receivers* has been declining from 1979-80. During 1982-83, output of radio receivers at 1,505 thousand recorded a decline of 13.7 per cent on top of a decline of 10.2 per cent in 1981-82; output also declined by 20.9 per cent during April-June 1983 as against an increase of

14.7 per cent in the corresponding quarter of 1982. While output of *storage batteries* declined by 4.2 per cent during 1982-83 that of *dry cells* increased marginally by 0.8 per cent compared with an increase of 12.5 per cent and 11.3 per cent, respectively, in 1981-82. Production of both dry cells and storage batteries however, recorded decline of 10.1 per cent and 7.1 per cent, respectively, during April-June 1983 compared to increase of 24.1 per cent and a nominal decline of 0.2 per cent, respectively in the corresponding period of last year. Production targets of 2,400 thousand storage batteries and 1,270 million dry cells have been set for 1983-84. Production of *electric fans* increased by 2.2 per cent to 4,103 thousand as against a decline of 3.6 per cent in 1981-82; but during the quarter April-June 1983 output increased by 13.1 per cent as against a decline of 2.0 per cent during the corresponding period of 1982.

Among the selected heavy electrical engineering industries, performance of *power*

transformers industry was adversely affected on account of slack in orders from State Electricity Boards. Its production declined by 10.3 per cent during 1982-83 as against an increase of 7.9 per cent in 1981-82. The industry's performance during April-June 1983 quarter was, however, encouraging, its output increasing by 10.3 per cent in contrast to a decline of 9.6 per cent in the corresponding period of 1982. Although, output of *electric motors* during 1982-83 was only 2.6 per cent higher than in 1981-82, it rose sharply by 39.4 per cent during the quarter April-June 1983 in contrast to a decline of 18.2 per cent in the corresponding period of 1982.

(b) METALLURGICAL INDUSTRIES (OTHER THAN IRON & STEEL)

Production of non-ferrous metals excepting copper and lead declined during 1982-83 mainly due to power cuts.

Production of *aluminium* during 1982-83 increased marginally to 209.3 thousand tonnes

Table III—39 : Output of Selected Electrical Engineering Industries

Item	Unit	April—March		
		1980-81	1981-82	1982-83 (Provisional)
1	2	3	4	5
A. Light Electrical Engineering				
1. Electrical Lamps				
(i) GLS and others	Million Nos.	201.4 (- 1.4)	266.9 (+ 32.5)	262.5 (- 1.6)
(ii) Fluorescent	..	28.2 (+ 19.0)	31.8 (+ 12.8)	33.3 (+ 4.7)
2. Electric Fans	'000 Nos.	4,161.4 (+ 5.9)	4,013.6 (- 3.6)	4,103.0 (+ 2.2)
3. Radio Receivers	..	1,943.6 (- 0.7)	1,744.8 (- 10.2)	1,505.1 (- 13.7)
4. Storage Batteries	..	1,757 (+ 5.5)	1,977 (+ 12.5)	1,894 (- 4.2)
5. Dry Cells	Million Nos.	994.4 (+ 16.8)	1,106.5 (+ 11.3)	1,114.9 (+ 0.8)
6. Domestic Refrigerators	'000 Nos.	290.2 (+ 26.0)	327.6 (+ 12.9)	368.7 (+ 12.5)
B. Heavy Electrical Engineering				
1. Power Transformers	'000 KVA	19,458 (+ 8.1)	20,991 (+ 7.9)	18,830 (- 10.3)
2. Electric Motors	'000 HP	4,113 (+ 11.1)	4,578 (+ 11.3)	4,696 (+ 2.6)

Note: Figures in brackets are percentage variations over the previous year.
Source: Central Statistical Organisation.

Table III—40 : Production of Non-ferrous Metals

Item	1980-81	April March 1981-82		(Thousand tonnes)
		1982-83*		(Provisional)
1	2	3	4	
Virgin Metals				
1. Aluminium	200.4 (+ 3.4)	208.2 (+ 3.9)	209.3 (+ 0.5)	
2. Copper	25.4 (+ 12.9)	27.4 (+ 7.9)	34.6 (+ 26.3)	
3. Lead	14.9 (+ 31.9)	14.5 (- 2.7)	14.7 (+ 1.4)	
4. Zinc	45.5 (- 13.7)	57.7 (+ 26.8)	52.0 (- 9.9)	
Semi-manufactures				
1. Aluminium				
(a) Sheets and Circles - Rolled products	46.4 (- 3.5)	52.8 (+ 13.8)	56.5 (+ 7.0)	
(b) Wire rods for ACSR	29.6 (+ 29.8)	20.0 (- 32.4)	14.9 (- 25.5)	
2. Copper Sheets and Circles - Rolled products	1.5 (- 6.2)	1.2 (- 20.0)	1.3 (- 8.3)	
3. Brass Sheets and Circles - Rolled products	12.3 (+ 0.8)	11.3 (- 8.1)	12.6 (- 11.5)	
4. Zinc Sheets and Strips	9.6 (- 2.0)	9.3 (- 3.1)	10.7 (+ 15.1)	

Note: Figures in brackets indicate percentage variations over the preceding year.
Sources: Central Statistical Organisation and D.G.T.D.

*Provisional

against the target of 250 thousand tonnes (Table III-40). Consequently, capacity utilisation of this industry also increased marginally from 64.6 per cent in 1981-82 to 64.9 per cent in 1982-83. This nominal increase in production as well as capacity utilisation was achieved in spite of power cuts in the Eastern and Southern States and slackness in demand for the metal.

There is a sharp decline in domestic demand for aluminium since 1980-81. Consumption of aluminium declined from 305 thousand tonnes in 1980-81 to 231 thousand tonnes in 1981-82 largely due to inability of State Electricity Boards (SEBs) — the bulk consumers of electrical grade (EC) metal in the form of conductor cables, winding wires, etc. — to place adequate orders because of financial stringency. Besides, sluggish demand for cables and conductors in international markets under global tenders due to high cost of indigenous metal also had an adverse impact on the industry's performance.

Demand for commercial grade (CG) aluminium has also been adversely affected by high cost of the metal. Price of aluminium has gone up steeply in recent years on account of escalation in cost of power as well as other important inputs such as caustic soda, calcined, petroleum, coke, etc.

The Government has estimated that production of aluminium during 1983-84 would be 280 thousand tonnes as against estimated demand of 250 thousand tonnes.

Production of *blister copper* at 34.6 thousand tonnes in 1982-83 by Hindustan Copper Ltd. (HCL), the only copper producing company in the country, increased sharply by 26.3 per cent compared with 7.9 per cent in the previous year. However, HCL's Khetri and Ghatsila Plants could not utilise their capacity fully during the year due to continued restrictions on supply of power.

The first stage of Malanjkhand copper ore project for a mining capacity of 1 million tonnes per

annum and a matching concentrator plant was commissioned in May 1982. The second stage of the project is expected to be completed in July 1984. With the commissioning of this project, production is expected to show substantial improvement next year. Besides, with Malanjkhanda project going into full operation, import of copper is expected to fall by about 25,000 tonnes per year. The target fixed for blister copper production during (1983-84) is 40,000 tonnes.

Output of *lead* at 14.7 thousand tonnes during 1982-83 increased by 1.4 per cent. Two new projects at Rajpura - Dariba and Sargipalli are nearing completion and are expected to go into production in 1983-84.

Production of *zinc* which had recorded an impressive growth of 26.8 per cent in 1981-82 after consecutive declines in the previous two years, again dropped to 52.0 thousand tonnes during 1982-83 recording a fall of 9.9 per cent over the previous year's output. This was mainly attributed to severe power restrictions faced by the Hindustan Zinc Ltd. in Rajasthan. A lower production target of 69,500 tonnes has been fixed for 1983-84 as against the target of 72,000 tonnes for 1982-83.

C. Intermediate Goods Industries

(a) JUTE TEXTILES

The output of jute industry showed a marginal increase of 0.3 per cent during 1982-83 as against the decrease of 4.2 per cent during 1981-82 (Table III-41).

The stagnancy in the level of output during the year under review was attributable mainly to fall in demand for jute goods in the export markets. The closure of a number of jute mills on account of industrial disputes and power cuts in West Bengal also contributed to the poor performance of the industry.

Construction-wise, the production of carpet backing slumped to 56.2 thousand tonnes in 1982-83 from 84.1 thousand tonnes in the preceding year, recording a steep fall of 33.2 per cent in contrast to an impressive growth of 25.5 per cent during 1981-82. Output of hessian and other jute

goods which had declined by 13.2 per cent and 8.3 per cent, respectively, during 1981-82 recorded a further decline of 7.3 per cent and 0.4 per cent during 1982-83, respectively. On the other hand, production of sacking rose by 8.0 per cent in contrast to a marginal fall of 0.9 per cent in the previous year due to diversion of looms from carpet backing cloth.

The decline in domestic consumption of jute goods noticed during 1981-82 was reversed during 1982-83; as the domestic off-take was higher by 9.9 per cent at 1,002.8 thousand tonnes compared to 912.8 thousand tonnes in 1981-82. This improvement in off-take was largely on account of a number of steps initiated by the Government for stimulating demand which included compulsory use of new gunny bags with improved weaving pattern for packing by cement units, periodic purchase of B. Twill bags for packing fertilisers, sugar, etc.

The exports of jute goods during 1982-83 at 329.5 thousand tonnes declined further by 18.6 per cent on top of the decline of 8.0 per cent in the previous year. Construction-wise, quantity of exports in respect of hessian, sacking and carpet backing showed decline of 10.5 per cent, 47.1 per cent and 32.3 per cent, respectively. As in 1981-82, during 1982-83 not only quantity of exports declined but there was fall in the unit value realisation also. The factors which contributed to decline in the exports of jute goods included recession in the international markets, intense competition from other jute goods producing countries, particularly Bangladesh, and synthetic substitutes. The increase in cost of production due to higher mortgage/interest rates and high cost of inventory build-up also resulted in the fall of exports.

Reflecting the fall in exports, stocks of jute goods increased further to 122.5 thousand tonnes at end-March 1983 from 119.6 thousand tonnes at end-March 1982, which was also higher when compared to 117.5 thousand tonnes at end-March 1981. The increase in the stocks was due to slackening demand for sacking in foreign countries. The stocks of sacking at 62.9 thousand tonnes at end-March 1983 was higher by 15.0 per cent than the level of preceding year. The fall in stocks of hessian and carpet backing was due to sharp cut in their production and not because of high off-take.

Table III—41 : Jute Textiles

Item	Year (April-March)	(Thousand tonnes)				
		Hessian	Sacking	Carpet Backing	Others	Total
1	2	3	4	5	6	7
Production	1980-81	402.0 (+ 9.9)	732.0 (+ 11.8)	67.0 (- 53.6)	191.4 (+ 11.5)	1,392.4 (+ 4.2)
	1981-82	348.9 (- 13.2)	725.1 (- 0.9)	84.1 (+ 25.5)	175.5 (- 8.3)	1,333.6 (- 4.2)
	1982-83 (Provisional)	323.3 (- 7.3)	783.0 (+ 8.0)	56.2 (- 33.2)	174.8 (- 0.4)	1,337.3 (+ 0.3)
Exports	1980-81	289.6 (+ 14.0)	44.2 (- 26.2)	60.1 (- 58.6)	46.0 (+ 21.1)	439.9 (- 10.6)
	1981-82	239.1 (- 17.4)	68.0 (+ 53.8)	75.9 (+ 26.3)	21.6 (- 53.0)	404.6 (- 8.0)
	1982-83 (Provisional)	214.1 (- 10.5)	36.0 (- 47.1)	51.4 (- 32.3)	28.0 (+ 29.6)	329.5 (- 18.6)
Domestic Consumption + -	1980-81	121.1 (+ 23.1)	647.2 (+ 11.0)	—	153.7 (+ 7.6)	922.0 (+ 11.9)
	1981-82	122.9 (+ 1.5)	633.7 (- 2.1)	—	156.2 (+ 1.6)	912.8 (- 1.0)
	1982-83 (Provisional)	119.5 (- 2.8)	732.0 (+ 15.5)	—	151.3 (- 3.1)	1,002.8 (+ 9.9)
Year-end Stocks	1980-81	43.9 (- 16.1)	39.9 (+ 25.5)	15.2 (- 13.1)	18.5 (+ 39.1)	117.5 (+ 2.3)
	1981-82	37.1 (- 15.5)	54.7 (+ 37.1)	12.4 (- 18.4)	15.4 (- 16.8)	119.6 (+ 1.8)
	1982-83 (Provisional)	33.3 (- 10.2)	62.9 (+ 15.0)	10.0 (- 19.4)	16.3 (- 5.8)	122.5 (+ 2.4)

— Nil.

+ - Figures represent despatches from mills for internal consumption.

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

Source: Ministry of Commerce (Office of the Jute Commissioner).

With a view to promoting exports of jute goods, the Government took some short-term measures such as continuation of Cash Compensatory Scheme (CCS) on exports of almost all the items of jute goods upto September 1983 and inclusion of a number of new items in the CCS list and grant of cash subsidy on exports of sacking against bulk tenders for sale through the State Trading Corporation (STC). In order to improve the structural conditions in the jute market and enhancing the competitiveness of jute products vis-a-vis synthetics, an agreement was made at the UN conference at Geneva on October 1, 1982. The agreement envisaged the establishment

of an International Jute Organization with headquarters at Dhaka and the formation of International Jute Council.

The Government have also taken a series of steps for improving the viability of jute goods industry by constituting a permanent Steering Committee of Secretaries of respective Ministries headed by Secretary (Textiles) in the Ministry of Commerce. In addition to this, a Standing Committee for co-ordinating the institutional finance for jute industry has been set-up by Reserve Bank of India in November 1982 to study the financial problems of the industry on an on-going basis.

Besides, under the chairmanship of Union Labour Minister, a 32 member Industrial Committee on jute industry has been set up for a period of three years to improve labour relations in the industry. The Committee comprises 32 members of which 10 are representatives of Government and 11 each from employees and employers.

(b) RUBBER AND RUBBER MANUFACTURES

The production of *natural rubber* registered an all-time record of 165.9 thousand tonnes, showing a growth rate of 8.5 per cent in 1982-83 as against a decline of 0.1 per cent (152.9 thousand

tonnes) in 1981-82 (Table III-42). The increase in production was largely due to the rise in acreage under tapping as well as improvement in productivity. During the year under review, average yield per hectare was estimated to have increased to 830 kgs., higher than the peak of 806 kgs. achieved in 1976-77. Consumption of natural rubber at 195.5 thousand tonnes also rose during 1982-83, though the rate of growth was lower at 3.8 per cent than that of 8.5 per cent in 1981-82. As the indigenous production was not sufficient to meet the demand, 33,401 tonnes of natural rubber (including spill over from last year) were imported during the year. The year-end stocks of natural

Table III-42 : Rubber

Item	April—March		
	1980-81	1981-82	1982-83
	2	3	4
Production			
Natural	153.1 (+ 3.1)	152.9 (- 0.1)	165.9 (+ 8.5)
Synthetic	25.3 (- 14.2)	28.5 (+ 12.6)	30.3 (+ 6.3)
Reclaimed	29.3 (+ 9.3)	28.8 (- 1.7)	28.8 (—)
Imports			
Natural	9.3 (- 55.9)	41.3 (+ 344.1)	33.4 (- 19.1)
Synthetic	15.8 (—)	23.4 (+ 48.1)	18.8 (- 19.7)
Consumption			
Natural	173.6 (+ 5.1)	188.4 (+ 8.5)	195.5 (- 3.8)
Synthetic	45.2 (+ 11.3)	46.4 (+ 2.7)	49.6 (+ 6.9)
Reclaimed	26.9 (+ 19.6)	28.2 (+ 4.8)	29.2 (+ 3.5)
Year-end Stocks			
Natural	33.7 (- 24.9)	39.7 (+ 17.8)	43.4 (+ 9.3)
Synthetic	10.9 (- 28.3)	16.2 (+ 48.6)	15.7 (- 3.1)
Reclaimed	2.8 (+ 12.0)	2.4 (- 14.3)	2.0 (- 16.7)

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

Source: Rubber Board, Government of India.

rubber at 43.4 thousand tonnes were higher by 9.3 per cent than that of 1981-82 at 39.7 thousand tonnes. However, the gap between supply of and demand for natural rubber is likely to continue due to drought conditions prevailing in the rubber producing areas of Kerala. It is expected that the production of natural rubber would be about 1,75,000 tonnes during 1983-84 against the estimated demand of about 2,10,000 tonnes.

The output of *synthetic rubber* at 30.3 thousand tonnes showed a growth rate of 6.3 per cent, lower than 12.6 per cent in 1981-82. The consumption of synthetic rubber at 49.6 thousand tonnes was somewhat higher than that of 46.4 thousand tonnes in 1981-82. The imports of synthetic rubber, however, were lower at 18.8 thousand tonnes than 23.4 thousand tonnes in 1981-82. As a result, year-end stocks of synthetic rubber at 15.7 thousand tonnes were lower than the level of stocks (16.2 thousand tonnes) at the end of March 1982.

Details of production of selected rubber goods during the year 1982-83 are given in Table III-43. The number of units in the organised sector, engaged in production of rubber goods increased to 110 during 1982-83 from 109 units in the previous year. Production of *automobile tyres* recorded

a decline of 1.7 per cent in 1982-83 as against a growth of 11.5 per cent in 1981-82 mainly due to constraints like power shortage and high cost of raw materials. On the other hand, output of *cycle tyres* increased at the rate of 5.1 per cent as against a negative growth rate of 5.2 per cent in 1981-82. As regards *rubber footwear*, production was higher at 409.7 lakh pairs than 377.6 lakh pairs in 1981-82.

(C) CHEMICALS AND CHEMICAL PRODUCTS

The substantial increase noticed in the production of chemicals and chemical products with a weight of 10.90 per cent in the general index of industrial production, during 1981-82 could not be sustained in 1982-83, and this was largely on account of demand constraints as also difficult supply situation with regard to certain inputs. The average of monthly index for this group during 1982-83 at 217.6 registered an increase of only 2.5 per cent, compared to a rise of 12.8 per cent in the preceding year.

Among the selected items in this group, production of *fertilisers (nitrogenous and phosphatic)* registered a further improvement over the last two

Table III—43 : Production of Tyres, Tubes and Footwears

(Lakh numbers)

Year (April- March)	Automobile Tyres		Automobile Tubes	Cycle Tyres	Cycle Tubes	Rubber Footwear (Pairs)
	Total	Of which Giant				
1	2	3	4	5	6	7
1980-81	67.8 (+ 11.9)	37.0 (+ 9.1)	58.1 (+ 12.6)	275.0 (- 2.7)	130.5 (- 10.0)	441.6 (+ 12.1)
1981-82	75.6 (+ 11.5)	40.5 (+ 9.5)	60.3 (+ 3.8)	260.6 (- 5.2)	122.1 (- 6.4)	377.6 (- 14.5)
1982-83 (Provisional)	74.3 (- 1.7)	42.2 (+ 4.2)	62.1 (+ 3.0)	274.0 (+ 5.1)	140.7 (+ 15.2)	409.7 (+ 8.5)

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

Source: Central Statistical Organisation.

years, increasing by 41 per cent, from about 3.10 million tonnes in 1980-81 to 4.38 million tonnes in 1982-83. As a result, the imports of fertilisers were reduced significantly both in terms of quantum and value. As against a quantity of 1.40 million tonnes in 1981-82, the imports during 1982-83 declined to 0.49 million tonnes. During 1982-83, output of *nitrogenous fertilisers* at 3,408 thousand tonnes (in terms of nutrients), against a target fixed at 3,600 thousand tonnes, increased at a lower rate of 8.4 per cent, compared to a growth of 38.6 per cent, in 1981-82 (Table III-44). Similarly, production of

phosphatic fertilisers increased at a lower rate of 2.7 per cent to the level of 974 thousand tonnes compared to the growth rate of 13.5 per cent during 1981-82. The deceleration in the performance of fertiliser industry during 1982-83 was largely attributed to stabilisation problems in respect of Cochin II, Talcher and Ramagundam plants, power shortage and equipment problems. However, necessary remedial measures were initiated to improve the performance of the fertiliser plants. Among the plants under stabilisation, the performance of Namrup II Unit improved considerably. The performance of some of the other units is expected to improve during 1983-84 on

Table III—44 : Production of Major Chemicals and Chemical Products

Item	April—March		
	1980-81	1981-82	1982-83 (Provisional)
	2	3	4
1. Nitrogenous Fertilisers (N Content)	2,268 (+ 1.9)	3,144 (+ 38.6)	3,408 (+ 8.4)
2. Phosphatic Fertilisers (P ₂ O ₅)	835 (+ 11.2)	948 (+ 13.5)	974 (+ 2.7)
3. Sulphuric Acid	1,938 (- 10.3)	2,098 (+ 8.3)	2,076 (- 1.0)
4. Caustic Soda	568 (+ 5.0)	612 (+ 7.7)	602 (- 1.6)
5. Soda Ash	509 (- 6.1)	631 (+ 24.0)	607 (- 3.8)
6. Paints and Varnishes (Organised Sector)	91 (+ 16.7)	97 (+ 6.6)	110 (+ 13.4)
7. Soaps (Organised Sector)	315 (- 0.9)	328 (+ 4.1)	342 (+ 4.3)
8. Synthetic Detergents (Organised Sector)	156 (- 6.6)	165 (+ 5.8)	169 (+ 2.4)
9. Drugs and Pharmaceuticals (Rs. Crores).			
i) Bulk Drugs	240 (+ 6.2)	289 (+ 20.4)	325 (+ 12.5)
ii) Formulations	1,200 (+ 4.3)	1,430 (+ 19.2)	1,545 (+ 8.0)
10. Alcohol (Million Litres)†	404	515 (+ 27.5)	N. A.

† Data relate to alcohol year, i.e., December-November.

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

Sources: Central Statistical Organisation and D.G.T.D.

commissioning of captive power plants. Production of *nitrogenous* and *phosphatic fertilisers* are projected to touch the level of 3,800 thousand tonnes and 1,100 thousand tonnes during 1983-84, respectively.

Reflecting the stabilisation problems and other constraints encountered by the various fertiliser units, capacity utilisation in respect of *nitrogenous fertilisers* declined marginally to 66.3 per cent in 1982-83 from 66.6 per cent in 1981-82. However, as regards *phosphatic fertilisers*, the capacity utilisation was slightly higher at 68.6 per cent in 1982-83, compared to 67.2 per cent in 1981-82.

At the beginning of 1982-83, there were 36 large fertiliser units producing a wide range of straight nitrogenous, complex and phosphatic fertilisers and 38 small units producing single super phosphates (SSP) and six units producing ammonium sulphate as by-product from steel plants. Since then two more nitrogenous fertiliser plants, viz., Trombay V and GNFC plant at Bharuch were pressed into commercial production, thus raising the total capacity from 4.72 million tonnes in 1981-82 to 5.14 million tonnes in 1982-83. Installed capacity of phosphatic fertilisers also increased marginally to 1.42 million tonnes from 1.41 million tonnes. The capacity of nitrogenous and phosphatic fertilisers is estimated to attain the level of 5.43 million tonnes and 1.66 million tonnes, respectively, during 1983-84.

The present feedstock policy for fertilisers envisages development of additional fertiliser capacity based mainly on gas and coal. While gas-based technology has to be accorded first priority, there was a view for encouraging the establishment of coal-based fertiliser plants after gaining experience in coal-gasification technology employed in Talcher and Ramagundam plants and its viability in large-scale fertiliser production.

Production of *alcohol* during the alcohol year 1981-82 (December-November) was at 515 million litres which was 27.5 per cent higher than 404 million litres produced in the preceding year. With a carryover stock of 34.60 million litres, the total availability of alcohol during 1981-82 at 550 million litres was more than sufficient to meet the

estimated demand at 504 million litres. According to the Central Molasses Board, about 51 lakh tonnes of molasses would be available during the current alcohol year (1982-83), to meet the requirements for different uses, including the production of alcohol. The better availability of alcohol is expected to stimulate higher production of alcohol-based chemicals such as acetic acid, acetone and acetic anhydride. Three separate Working Groups were set up by the Government to examine different aspects concerning the development of alcohol and alcohol-based industries.

Production of *sulphuric acid*, one of the main raw materials used for the production of single super phosphate and phosphoric acid, at 2.08 million tonnes during 1982-83 was marginally lower by 1.0 per cent compared to 2.10 million tonnes registering a growth rate of 8.3 per cent in the preceding year. Sulphuric acid, a basic heavy chemical, is also used in the manufacture of rayon, iron and steel, etc. At present, 83 sulphuric acid units based on sulphur as the raw material, and six units utilising pyrites/metallurgical gases, with a total of 3.74 million tonnes of installed capacity, are operating. An additional capacity of 1.75 million tonnes was in various stages of implementation. During 1982-83, production of *caustic soda* declined by 1.6 per cent to 602 thousand tonnes, from a level of 612 thousand tonnes during 1980-81 while it recorded an increase of 7.7 per cent. The decline in output was due to inadequate demand from the Bombay textile mills which faced labour strikes throughout the year.

As regards *soda ash*, production at 607 thousand tonnes was lower by 3.8 per cent during 1982-83, compared to the sharp increase (of 24.0 per cent) in 1981-82. The decline in output of soda ash was due to slack in demand from textile sector and high stocks of 116 thousand tonnes at end-March 1982. With a view to helping the industry, imports of soda ash were drastically reduced during 1982-83 to the level of 45 thousand tonnes.

Production of *soaps* in the organised sector increased from 328 thousand tonnes in 1981-82 to 342 thousand tonnes in 1982-83. Output of *synthetic detergents* in the organised sector at 169

thousand tonnes in 1982-83 was 4 thousand tonnes more than that achieved in 1981-82. There are 18 units with an installed capacity of 251 thousand tonnes of synthetic detergents in the organised sector and about 500 units in the small-scale sector.

The production of *drugs and pharmaceuticals* registered lower increases during 1982-83 than those achieved in the preceding year. Total production amounted to Rs.325 crores in respect of bulk drugs and Rs.1545 crores in case of formulations, compared to Rs.289 crores and Rs.1430 crores produced in 1981-82, respectively (based on 1979-80 prices). However, the rate of growth of output decelerated in the case of bulk drugs from 20.4 per cent in 1981-82 to 12.5 per cent in 1982-83 and from 19.2 per cent to 8.0 per cent in respect of formulations. During the year under review, new drugs such as Cisplatin (anti-cancer), Denazol (anti-tumour), Methyldopa (anti-hypertension), Sodium Valproate (Anti-epilepsy) and Amidopyrin (anti-asthmatic) were produced for the first time in the country.

Out of nearly 200 indigenously produced bulk drugs which are specified for price control under the Drugs (Price Control) Order 1979, the prices of 190 items were revised by the end of 1982 with a view to rationalising the price structure. As a result, significant reduction in prices of some

medicines/formulations of widespread use have been brought about.

D. Consumer Goods Industries

(a) SUGAR

Sugar production during the 1982-83 season amounted to 82.32 lakh tonnes which was marginally lower than the record production of 84.38 lakh tonnes achieved in 1981-82. India thus continues to be the leading manufacturer of sugar. Despite the decline in production total availability during 1982-83 was much higher at 115.70 lakh tonnes (due to heavy carry-over stocks) as compared to last year's availability of 94.32 lakh tonnes. The offtake of sugar for internal consumption and exports was 64.65 lakh tonnes and 4.25 lakh tonnes, respectively, as against 57.11 lakh tonnes and 3.83 lakh tonnes in 1981-82 season.

The high sugar output during 1982-83 was facilitated by increased availability of sugarcane to sugar mills as a result of low prices offered for cane by *gur* and *khandsari* units due to depressed conditions in their markets.

With a view to encouraging sugar factories to crush all available sugarcane, the Government took following steps: (1) To enable sugar mills to continue crushing during May - September, when

Availability and Consumption of Sugar

Year (October-September)	Opening stock	Production	Imports	Exports	(In lakh tonnes)	
					Consumption	
1978-79	33.36	58.44	—	8.63	61.81	
1979-80	21.36	38.59	1.80	2.90	52.03	
1980-81	6.82	51.48	2.14	0.61	49.89	
1981-82	9.94	84.38	—	3.83	57.11	
1982-83	33.38	82.32	—	4.25	64.65	

Source: For data up to 1981-82, Annual Report 1982-83, Ministry of Agriculture, Department of Food, Government of India, and for 1982-83 Indian Sugar Mills' Association.

the recovery rate is normally low, the Government announced an incentive by way of Central excise rebate for sugar produced during this period in excess of the average production in the corresponding period of the last three seasons. The rebate was Rs.31.80 per quintal for free sale sugar and Rs.19 per quintal for levy sugar. In the case of new mills or mills which had ceased production in the earlier three years, the entire production during May to September 1983 would qualify for rebate on excise duty. (2) The incentive for setting up new factories, as also for expansion of existing ones which are in operation since 1975, were continued during 1982-83. (3) Despite high production and stocks, monthly releases of free sale sugar during the 1982-83 season continued to be regulated by the Government, taking into consideration demand and price trends to prevent sharp variations in sugar prices in the open market.

As regards sugar exports, India was allotted an export quota of 7 lakh tonnes raw value (6.5 lakh tonnes in terms of white crystal sugar) by the International Sugar Organisation (ISO) for the calendar year 1982 against which a quantity of 4.67 lakh tonnes only was exported upto end-December, 1982 as international prices of sugar were low. The ISO has retained India's export quota for 1983 at the preceding year's level. India exported 4.40 lakh tonnes of sugar upto end-October 1983. The Government of India decided to permit export sugar from January 1983 on the basis of levy requisition, and not free sale quota as was being done hitherto, with a view to reducing the subsidy burden on the exchequer. In the new import/export policy announced by the Government, the ban on export of sugarcane and *khandsari* has been lifted and these commodities have been placed under Open General Licence.

The Government's policy of partial control and dual pricing which operates through regulated releases continued unchanged during 1982-83 and the ratio of levy and free sale sugar also remained unchanged at 65:35. The quantum of monthly release of levy sugar was maintained at 2.94 lakh tonnes (except in October 1982 when Government released an additional 50,000 tonnes of levy sugar to meet festival demand). Monthly releases of sugar from September 1982 onwards are indicated

in the table below.

Month-wise Release of Sugar for Internal Consumption during 1982-83

(Lakh tonnes)			
Month	Levy	Free	Total
September 1982	2.94 (2.71)	3.30 (2.25)	6.24 (4.96)
October 1982	3.44* (2.71)	3.20 (2.90)	6.64 (5.61)
November 1982	2.94 (2.71)	3.20 (2.00)	6.14 (4.71)
December 1982	2.94 (2.71)	3.00 (1.70)	5.94 (4.41)
January 1983	2.94 (2.71)	2.50 (1.40)	5.44 (4.11)
February 1983	2.94 (2.71)	2.00 (1.40)	4.94 (4.11)
March 1983	2.94 (2.71)	1.50 (1.50)	4.44 (4.21)
April 1983	2.94 (2.94)	1.50 (1.40)	4.44 (4.34)
May 1983	2.94 (2.94)	1.70 (1.50)	4.64 (4.44)
June 1983	2.94 (2.94)	2.30 (2.00)	5.24 (4.94)
July 1983	2.94 (2.94)	2.60 (2.00)	5.54 (4.94)
August 1983	2.94 (2.94)	2.80 (3.00)	5.74 (5.94)

* Inclusive of 50,000 tonnes additional release.

Note: Figures in brackets represent releases of sugar during the corresponding month in the previous season.

The levy prices of sugar for 1982-83 season were worked out on the basis of the minimum statutory cane price announced for the season and on the conversion cost schedule recommended by the High Level Committee headed by Chairman, Bureau of Industrial Costs and Prices (BICP). For the 1982-83 season, the levy price (all-India average) has been revised and fixed at Rs.293.73 a quintal. The BICP has been asked to undertake a fresh review of the cost structure of sugar industry and recommend new levy prices for the next three seasons beginning with 1983-84.

The Government raised the sugar cess from Rs.5 to Rs.14 a quintal with effect from

November 1, 1982. The cess is meant for the Sugar Development Fund set up for maintaining sugar buffer stock. Consequent to enhancement of the sugar cess, the issue price of levy sugar was raised by 10 paise to Rs.3.75 per kg. with effect from December 1, 1982.

The Central excise duty on levy and free sale sugar was fixed at 13.175 per cent and 15.9 per cent *ad valorem* on December 17, 1979 and June 1, 1980, respectively. The duty on free sale sugar was, however, refixed at 5 per cent basic with a special recovery of 5 per cent on basic and 6 per cent additional (*ad valorem*) for a four month period commencing from August 1, 1982. From December 1982, it was restored to the original level. From March 1, 1983 specific rates of excise duty were introduced to replace *ad valorem* rates. These rates are Rs.38 per quintal on levy sugar and Rs.50 per quintal on free sale sugar.

The tariff value for the purpose of assessment of excise duty on free sale sugar, the rate of excise duty and amount of duty payable during 1982-83 are indicated in the table below

As on December 31, 1982, the licensed capacity of the sugar industry was 81.12 lakh tonnes. The installed capacity in 1981-82 was 64.80 lakh tonnes. The capacity utilisation ratio was 130.15 per cent in 1981. The installed capacity in

the 1982-83 crushing season is expected to go up to 67.75 lakh tonnes and the utilisation ratio is expected to be about 126 per cent.

The Levy Sugar Price Equalisation Fund was set up in 1976 for the purpose of (i) securing recovery from sugar producers of the excess realisations made by them under *interim* orders of courts, which allowed charging of prices higher than those fixed under the Essential Commodities Act, 1955; and (ii) refunding the excess realisations to the rightful claimants. During 1982-83 a sum of Rs.10.12 lakhs was recovered from sugar mills and credited to the fund, raising the cumulative total of amounts credited to the Fund since its establishment, to Rs.6.73 crores. In addition, the Food Corporation of India, under orders of courts, has collected by way of recovery from sugar mills a sum of Rs.11.23 crores.

(b) TEXTILES — COTTON AND SYNTHETIC

The performance of textile industry continued to be adversely affected for the second year in succession largely due to the prolonged labour strike in the textile mills of Bombay. The fall in output of the mill sector was, however, offset to some extent by increase in production of the decentralised sector. The strike in the textile mills of Bombay, which commenced on January 18, 1982, affected 60 textile units, including 12 Na-

Tariff value and Excise duty on Sugar

Month	Tariff Value (Rs. per quintal)	Rate of excise duty basic + additional (% <i>ad valorem</i>)	Excise duty (Rs. per quintal)
June 1982	.. 430	15.9(8.4+7.5)	68.37
July 1982	.. 440	15.9(8.4+7.5)	69.96
August 1982	.. 440	11.25(5.25+6)	49.50
September 1982	.. 450	11.25(5.25+6)	50.63
October 1982	.. 420	11.25(5.25+6)	47.25
November 1982	.. 390	11.25(5.25+6)	43.88
December 1982	.. 365	15.9(8.4+7.5)	58.04
January 1983	.. 350	15.9(8.4+7.5)	55.65
February 1983	.. 330	15.9(8.4+7.5)	52.47
March 1983	.. Specific	Rs. 31.80+18.20*	50.00

* Specific Duty.

tional Textile Corporation (NTC) units and one unit managed by Maharashtra State Textile Corporation. However, there was welcome improvement in the situation towards the close of the year and by March 5, 1983, total work force in attendance in Bombay mills rose to over 1.5 lakhs. Bombay mills produced about 60 per cent of their normal output of yarn and cloth towards the last quarter (January-March) of 1982-83 as mills gradually reopened.

Total production of yarn (cotton, blended/mixed and 100 per cent man-made fibre spun yarn) registered a further decline of 3.4 per cent on the top of a decline of 3.8 per cent in 1981-82 (Table III-45) mainly on account of closure of number of mills in Bombay and difficult power situation in many States. Output of blended/mixed yarn was 138 million kgs. during 1982-83 compared with 167 million kgs. in 1981-82; but output of cotton and 100 per cent

man-made fibre spun yarn was nominally lower than that in 1981-82. During the quarter April-June 1983 output of all types of yarn increased by 13.1 per cent in contrast to a decline of 8.5 per cent in the corresponding quarter of 1982. Unsold stocks of yarn with mills due to closure of mills for a larger part of the year, were lower at 18 million kgs. by end-March 1983, compared to 20 million kgs. a year ago.

With a view to ensuring adequate supply of hank yarn to the handloom sector, the Government continued the operation of the hank yarn obligation scheme requiring all mills to pack in hank form at least 50 per cent of yarn for civil delivery and of which, 85 per cent has to be in counts 40s and below. During the period April-September 1982, 157 million kgs. of hank yarn had been delivered by spinning units. With the addition of capacity in the spinning sector, especially in co-operative spinning mills of handloom weavers,

Table III-45 : Production, Consumption and Exports of Yarn

Item	(Million kgs.)		
	April - March		1982-83 (Provisional)
	1980-81	1981-82	
1	2	3	4
A. Production (i+ii+iii)	1,298 (+6.7)	1,249 (-3.8)	1,207 (-3.4)
(i) Cotton Yarn	1,067 (+12.2)	989 (-7.3)	978 (-1.1)
(ii) Blended/Mixed Yarn	144 (-16.3)	167 (+16.0)	138 (-17.4)
(iii) 100 per cent Man-made Fibre Spun Yarn	87 (-7.4)	93 (+6.9)	91 (-2.2)
B. Exports*			
Value (Rs. Crores)	21	15	18
Quantity	7	5	6
C. Domestic Consumption (all yarn) (i+i)	1,181	1,148	1,069
(i) Mill Sector†	538	474	375
(ii) Decentralised Sector‡	643	674	694
D. Year-end Stocks (unsold) (all yarn)	16	20	18

* Relates to cotton yarn only.

† Relates to consumption for weaving cloth only.

‡ Relates to civil deliveries of spun yarn to the decentralised sector.

Notes: 1) Figures of yarn exclude filament yarn.

2) Figures in brackets represent percentage variations over the preceding year.

Sources: Office of the Textile Commissioner and Indian Cotton Mills' Federation.

supply of yarn to the handloom sector is expected to improve further during 1983-84.

As a sequel to the strike in Bombay mills, all-India spindle activity dropped to 63-64 per cent during February to May 1982 from the average level of 78-79 per cent in 1981. Consequent upon the improvement in production activity of Bombay mills, all-India spindle utilisation increased to 66-67 per cent towards the end of third quarter of 1982. During April-December 1982, capacity utilisation of spindles was at a lower level of 65.3

per cent compared to 77.3 per cent during the corresponding period of 1981.

Total output of *cloth* (cotton, blended/mixed and 100 per cent man-made fibre fabrics) (in mill and decentralised sectors), after stagnating at a level of 10,981 million metres in 1981-82, declined by 4.3 per cent to 10,507 million metres in 1982-83, largely due to the continuance of the Bombay mill strike till the end of 1982 (Table III-46). The decline in cloth output would have been much larger but for better performance of

Table III-46 : Production, Consumption and Exports of Cotton and Man-made Textiles

Item	(Million metres)		
	April - March		1982-83 (Provisional)
	1980-81	1981-82	
1	2	3	4
A. Production (a-i)	10,988 (+ 5.8)	10,981 (- 0.1)	10,507 (- 4.3)
(i) Mill Sector (a-b+c)	4,168 (+ 2.0)	3,808 (- 8.6)	3,101 (- 18.6)
(a) Cotton Fabrics	3,434 (+ 6.3)	2,923 (- 14.9)	2,416 (- 17.3)
(b) Blended/Mixed Fabrics	730 (- 14.2)	877 (+ 20.1)	677 (- 22.8)
(c) 100 per cent Man-made Fibre Fabrics	4 (+ 33.3)	8 (+ 100.0)	8 (—)
(ii) Decentralised Sector (a+b+c)	6,820 (+ 7.5)	7,173 (+ 5.2)	7,406 (+ 3.2)
(a) Cotton Fabrics	4,934 (+ 14.7)	5,060 (+ 2.6)	5,434 (+ 7.4)
(b) Blended/Mixed Fabrics	540 (- 20.4)	658 (+ 21.9)	598 (- 9.1)
(c) 100 per cent Man-made Fibre Fabrics	1,346 (- 1.2)	1,455 (+ 8.1)	1,374 (- 5.6)
B. Exports <i>a</i> (Rs. Crores)	1,197 (+ 10.7)	1,379 (+ 15.2)	1,228 (- 10.9)
C. Domestic Consumption (all cloth)*	10,070 (+ 6.3)	10,143 (+ 0.7)	9,610 (- 5.3)
D. Year-end Stocks (unsold) (all cloth)†	122 (- 6.2)	160 (+ 31.1)	134 (- 16.2)

(i) Includes Cotton Textiles, Handloom Textiles, Ready-made Garments, Man-made Textiles, etc.

* Relates to total availability.

† Relates to mill sector only.

Notes: Figures in brackets represent percentage variations over the preceding year.

Sources: Office of the Textile Commissioner and Indian Cotton Mills' Federation.

the decentralised sector which registered a growth of 3.2 per cent with its output of cloth rising to 7,406 million metres. The mill-sector's cloth output recorded a sharp decline of 18.6 per cent in 1982-83. However, with Bombay mills gradually returning to normalcy, cloth output of the mill sector during the last quarter of 1982-83 (January-March 1983), recovered and increased by 12.1 per cent to 844.6 million metres in contrast to a decline of 26.0 per cent to 753.4 million metres in the corresponding quarter of 1982. It is estimated by the Indian Cotton Mills' Federation (ICMF) that production of as much as 986 million metres of cloth was lost in Bombay mills during 1982 due to the strike and all-India cloth production declined by 1,038 million metres or by 25 per cent. This indicates that cloth output in other centres also suffered by about 52 million metres.

The improvement in labour situation in Bombay mills was reflected in the increase in the mill-sector's output of cloth by 28.5 per cent to 924.6 million metres during April-June 1983 compared to a sharp decline of 29.2 per cent to 719.4 million metres in the corresponding quarter of 1982.

Consistent with the Government's textile policy with emphasis on protecting the handloom sector, no additional loomage over the 1981-82 level (2,10,000 looms) was permitted in the mill-sector during the year under review. The average utilisation of loomage had come down to 57-58 per cent in the first and second shifts after the commencement of the Bombay strike. By September 1982, the all-India loom activity improved to 65 per cent in the first shift and 61 per cent in the second shift. Loom-utilisation ratio in the third shift also increased by 6 percentage points in September 1982 over that in February-March 1982.

Total value of exports of all textiles, including cotton textiles, handloom textiles, ready-made garments, knitwear, etc., declined to Rs.1,228 crores during 1982-83, from Rs.1,379 crores in 1981-82. During 1982-83, exports of cotton piecegoods valued at Rs.174 crores were marginally lower than in 1981-82. While exports of textiles to U.S.S.R. increased during the year, exports to EEC countries and U.S.A. declined.

The National Textile Corporation (NTC) operated 110 mills (38 spinning units, 68 composite units, 3 weaving units and one processing house) in 1982-83 with an installed capacity of 3.30 million

spindles and 48,416 looms. These mills produced 61.24 million kgs. of market yarn and 641.6 million metres of cloth during April 1982 — February 1983; in 1981-82 they had produced 74 million kgs. of market yarn and 904 million metres of cloth. A target of 1,000 million metres of cloth and 80.5 million kgs. of market yarn has been set for 1983-84 for the NTC mills.

The existing *controlled cloth scheme* which became operative in July 1981, provides for annual production of 650 million square metres of controlled cloth (cheaper varieties of *sarees*, *dhotis* and long cloth). The handloom sector's quota of production of controlled cloth for 1982-83 was increased to 340 million square metres (from 325 million square metres in 1981-82) in accordance with the textile policy statement which visualised a gradual shift of controlled cloth output to the handloom sector. The NTC, which also plays a significant role in the controlled cloth scheme, produced 141.1 million square metres of controlled cloth during April-December 1982.

The textile industry continued to implement modernisation programmes for which IDBI also provides finance. During 1982-83, under its soft loan scheme, 29 applications for total loans of Rs.29.46 crores were received by IDBI and loans aggregating Rs.40.87 crores were sanctioned by it under 33 applications compared with Rs.96.28 crores under 70 applications in 1981-82. Total disbursement of loans by IDBI amounted to Rs.52.94 crores (76 applications) during 1982-83 compared with Rs.95.29 crores (60 applications) in 1981-82.

(C) PAPER, PAPER BOARDS AND NEWSPRINT

(i) Paper and Paper Products

Total output of paper and paper boards during 1982-83 remained stagnant at 1,218 thousand tonnes, as against an increase of 10.3 per cent in the preceding year largely due to shortage of power and raw materials (Table III-47). During April-June 1983, production declined by 11.1 per cent to 278.71 thousand tonnes compared to 313.67 thousand tonnes in the corresponding quarter of 1982. A target of 1,400 thousand tonnes has been fixed for 1983-84.

Table III—47 : Paper, Paper Boards and Newsprint

(Thousand tonnes)				
Year (April - March)	No. of Units	Installed Capacity	Production	Capacity Utilisation Ratio (Per cent)
1	2	3	4	5
A. Paper and Paper Boards				
1980-81	136	@ 1,657	1,104 (+ 8.6)	66.6
1981-82	159	1,877	1,218 (+ 10.3)	64.9
1982-83 (Provisional)	N.A.	2,072	1,218 (—)	58.8
B. Newsprint				
1980-81	1	75	51 (+ 6.3)	68.3
1981-82	2	150	55 (+ 7.8)	36.8
1982-83 (Provisional)	3	230	117 (+ 112.7)	51.0

N.A. = Not Available.

@ Figure relates to the position as on 1st January 1981.

Note: Figures in brackets indicate percentage variations over the preceding year.

Sources: Central Statistical Organisation and Ministry of Industry.

Production of wrapping paper declined by 0.1 thousand tonnes to 284.1 thousand tonnes during 1982-83 compared to a rise of 10.4 per cent in the preceding year. In the case of writing and printing paper and paper boards, production during the year at 721.6 thousand tonnes and 207.3 thousand tonnes, respectively, was a shade lower than the output of 721.9 thousand tonnes and 207.4 thousand tonnes, respectively, in the preceding year. The production of special varieties of paper in the same period declined marginally to 4.6 thousand tonnes as against a rise of 10.5 per cent in 1981-82.

In order to improve the efficiency of paper mills, the Government has initiated measures such as liberalisation of pulp imports, waiver of duty on imports of waste paper used for papermaking, excise rebates for small paper mills to encourage use of unconventional raw materials and special

incentives for the utilisation of bagasse in manufacture of paper.

During 1982-83, an additional capacity of 195 thousand tonnes was installed on top of 120 thousand tonnes capacity added in 1981-82, thus raising total installed capacity to 2,072 thousand tonnes by the end of 1982-83. The capacity utilisation has, however, continuously declined from 66.6 per cent in 1980-81 to 64.9 per cent in 1981-82 and further to 58.8 per cent in 1982-83.

The demand, production and installed capacity of paper and paper boards by 1984-85 have been estimated at 1,540 thousand tonnes, 1,500 thousand tonnes and 2,050 thousand tonnes, respectively. According to present reckoning, installed capacity is likely to exceed the plan target by 500 thousand tonnes at the end of 1984-85.

During the year under review, Government announced a change in price and production policy for the paper industry. To compensate paper manufacturers for increase in input costs, the Government amended the existing Paper (Regulation of Production) Control Order and sanctioned an increase of Rs.1,200 or 37.5 per cent in the ex-factory price of white printing paper to Rs.5,400 per tonne with effect from April 14, 1983. Under the same amendment order, the obligation on manufacturers to produce 30 per cent of white printing paper was dispensed with and in its place a new scheme was introduced according to which a manufacturer whose installed capacity (by way of a new unit or substantial expansion) has been commissioned on or after January 1, 1976 but has not completed five years from the date of such commissioning or is to be commissioned on or after the commencement of the amendment Order of 1983, is required to produce white printing paper to the extent of 5 per cent in the first year, 10 per cent in the second year, 15 per cent in the third year, 20 per cent in the fourth year and 25 per cent in the fifth and subsequent years.

(ii) *Newsprint*

There are at present 3 units producing newsprint with a total installed capacity of 230 thousand tonnes. Till 1981-82, the National Newsprint and Paper Mills (NEPA) was the only newsprint unit in the country with a capacity of 75 thousand tonnes. The Mysore Paper Mills with a capacity of 75 thousand tonnes of newsprint was commissioned in July 1981 and its production was estimated at 35,000 tonnes in 1982-83.

Another unit commissioned was the Kerala Newsprint Project with a capacity of 80,000 tonnes. Its production is estimated at 30 thousand tonnes in 1982-83.

Total output of newsprint during 1982-83 was 117 thousand tonnes compared to 55 thousand tonnes in 1981-82. The sharp increase (112.7 per cent) in output was due to the substantial addition of capacity during the last two years and increase in capacity utilisation during 1982-83. Capacity utilisation ratio of the industry rose sharply to 51.0 per cent during 1982-83 from 36.8 per cent in 1981-82.

Demand for newsprint during 1982-83 was estimated at 360 thousand tonnes and to meet the shortfall around 300 thousand tonnes of newsprint were imported. In 1981-82 also, 295 thousand tonnes of newsprint were imported to meet domestic demand. For 1983-84, imports of 206 thousand tonnes have been planned. In the Sixth Plan, demand for newsprint is projected at 500 thousand tonnes by 1984-85. During April-June 1983, output of newsprint was 39.53 thousand tonnes compared with 30.12 thousand tonnes in the corresponding period of 1982. A tentative production target of 180 thousand tonnes of newsprint has been fixed for 1983-84. A licence has been issued to Tamil Nadu Newsprint and Paper Ltd. for setting up a project in Tamil Nadu for manufacture of newsprint (50 thousand tonnes per annum) and writing and printing paper (40 thousand tonnes per annum), utilising bagasse. Two more units in Uttar Pradesh and Madhya Pradesh for production of newsprint with a capacity of 20 thousand tonnes and 79 thousand tonnes, respectively, have also been licensed.

Chapter IV

Price Trends and Price Policy

Price Trends : The Main Features

The general price level as measured by the wholesale price index increased by 7.5 per cent during 1982-83 (July-June), the price index for 'all commodities' (1970-71 = 100) moving up from 287.8 at end-June 1982 to 309.3 by end-June 1983. Thus, on a point-to-point basis, the rise of 7.5 per cent in 1982-83 was almost three times the increase of 2.5 per cent in 1981-82 but was considerably lower than the increases recorded in 1979-80 and 1980-81 (23.7 per cent and 11.7 per cent, respectively). On a weekly average basis, however, the general price index rose by 4.3 per cent in 1982-83 as compared with an increase of 5.8 per cent in 1981-82, 20.2 per cent in 1979-80 and 16.8 per cent in 1980-81 indicating comparative price stability during the year under review.

Three distinct phases are discernible in the movements of the index during the year. The first phase was marked by an increase in the prices and lasted for eight weeks upto August 21, 1982. During this period, the general index rose by 2.5 per cent and was influenced by a sharp spurt in the prices of cereals, pulses and other primary consumer articles, viz., milk and milk products, eggs, fish and meat, sugar, khandsari and gur and edible oils. The second phase of seventeen weeks lasting upto December 1982 showed a decline of 2.3 per cent which was, by and large, of the same magnitude as that of the first phase. The prices of commodities which exerted upward pressure in the earlier phase declined during this period. The last phase, which was longer in duration, covering twenty-seven weeks upto end-June 1983, witnessed

a rise in the index by 7.7 per cent on account of an uptrend in the prices of some of the primary consumer commodities mentioned above.

Table IV-1 shows the monthly variations in wholesale price index during the years, viz., 1981-82 and 1982-83. It may be seen from the table that in the year 1982-83, the first two months July and August 1982 witnessed rises of 2.0 per cent and 1.0 per cent, respectively. During the next four months, upto December 1982, the index showed a declining trend ranging between 0.1 per cent and 1.3 per cent per month. However, from January 1983 there was a reversal in the trend which continued unabated upto end-June 1983, showing a peak increase of 2.5 per cent in May 1983. The year 1981-82 had witnessed larger spells of monthly decline in the price index. The average monthly rate of inflation in 1982-83 was 0.6 per cent as against 0.2 per cent in 1981-82.

The year 1982-83 was marked by a severe drought and in consequence agricultural production suffered a severe setback. The output of foodgrains was estimated lower by 5 million tonnes than the record production of 133 million tonnes of 1981-82. The pace of growth of industrial production also experienced a slowdown. The index of industrial production rose by 3.7 per cent in 1982-83 (April-March) as against a larger rise of 8.6 per cent in 1981-82. Despite these unfavourable developments, there was relative stability in price level, thanks to effective supply and demand management policies. Advance action was taken to build up stocks and improve availability of foodgrains through intensive procurement and carefully plan-

Table IV-1 : Month-wise Percentage Variations in All Commodities Index (1970-71 = 100)

Year	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	April	May	June
1981-82	- 2.3	+ 1.0	- 1.5	- 0.2	- 0.9	- 0.7	- 0.6	- 0.9	- 0.6	- 0.1	- 0.4	- 2.8
1982-83	+ 2.0	+ 1.0	- 1.3	- 0.3	- 0.1	- 0.7	+ 0.7	- 0.8	- 0.9	- 1.5	+ 2.5	- 0.3

ned imports. Arrangements for the supply of agricultural inputs were streamlined to minimise the impact of drought. Several measures adopted by the Government to increase *rabi* production yielded positive result. *Rabi* output increased to a record level of 58 million tonnes this year though the favourable impact of this factor is yet to be reflected in prices.

Commodity/Group-wise Trends

All the three major groups contributed to the increase in the general index. The index of primary articles went up by 9.2 per cent over the year, its weighted contribution to the rise in the general index being significant at 48.6 per cent. The index for manufactured products recorded an increase of 6.3 per cent, its weighted contribution being 39.4 per cent. The index for fuel, power, light and lubricants moved up by 6.8 per cent and contributed 12.0 per cent to the rise in the general index. The principal commodity groups/sub-groups which were responsible for the increase during the year were cereals, fruits and vegetables, oilseeds, mineral oils, sugar, khandasari and gur, edible oils, textiles, basic metals, alloys and metal products. These groups/sub-groups together accounted for 61.9 per cent of the increase in the general price level.

Primary Articles

Among the primary articles, while the group 'minerals' declined by 11.0 per cent, the other two groups, *viz.*, 'food articles' and 'non-food articles' showed increases of 11.9 per cent and 12.2 per cent, respectively. In the preceding year, food articles alone had shown an increase of 9.1 per cent (Table IV-3(a)). The index for foodgrains rose sharply by 14.3 per cent during the year as against 1.0 per cent last year. The pressure on foodgrains emanated

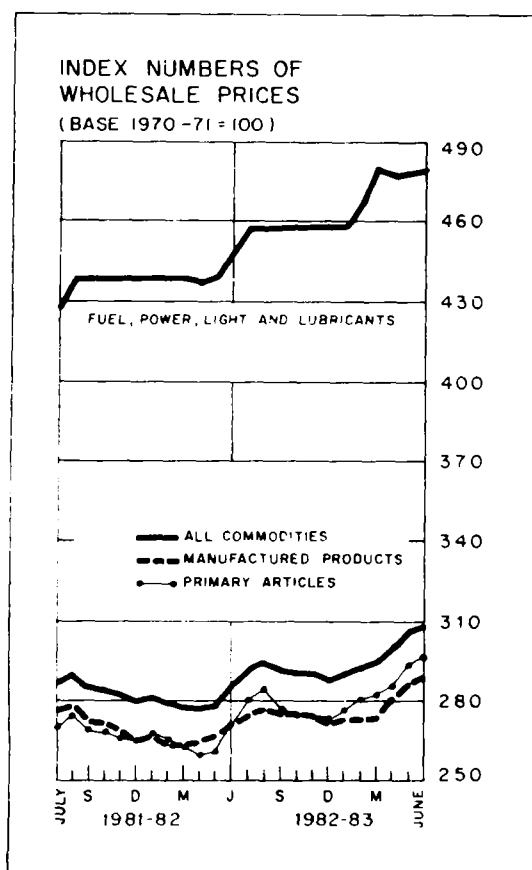
mainly from the rise in the index for cereals by 16.9 per cent. Under cereals, the index of rice showed a marked uptrend of 22.3 per cent, reflecting mainly the decline in stocks at the end of the marketing season. The price indices of wheat, jowar and bajra increased by 11.0 per cent, 2.6 per cent and 9.3 per cent, respectively. The rise in the procurement prices of paddy and coarse grains by 6.1 per cent and the increase in their issue prices by 7.4 per cent for 1982-83 marketing season contributed to the increases in their indices. The procurement/issue prices of wheat were also revised in April 1983 by about the same magnitude. The index of pulses rose by 5.0 per cent in contrast to a decline of 11.7 per cent last year.

The increases in the indices of 'fruits and vegetables', 'milk and milk products' and 'eggs, fish and meat' by 12.0 per cent, 4.2 per cent and 1.0 per cent, respectively, were comparatively lower than the corresponding increases of 15.5 per cent, 13.9 per cent and 21.2 per cent recorded last year. The index of the group 'condiments and spices' declined by 3.2 per cent as against a marked increase of 26.3 per cent last year. The fluctuations in the price indices of these commodity groups are due to seasonal factors. 'Other food articles' group index showed a marked rise of 45.2 per cent. The price index of tea rose substantially by 55.6 per cent and that of coffee by 15.2 per cent due to the buoyancy in the prices of these commodities following increase in demand in domestic and international markets. The increase in coffee prices was also assisted by a hike in minimum release price of coffee effected by the Government in March 1983.

In 'non-food articles' group, the index of fibres rose by 9.0 per cent, with raw cotton index going up by 4.9 per cent and that of raw jute by 43.0 per cent.

Table IV—2 : Extent of Price Rise Based on Wholesale Price Index (1970-71 = 100)
(Major Group-Wise)

	Weight	Per cent variation		Weighted contribution	
		1981-82	1982-83	1981-82	1982-83
ALL COMMODITIES	1000.00	+ 2.5	+ 7.5	+ 100.0	+ 100.0
Primary Articles	416.67	+ 4.8	+ 9.2	+ 74.0	+ 48.6
Fuel, Power, Light and Lubricants	84.59	+ 11.7	+ 6.8	+ 56.0	+ 12.0
Manufactured products	498.74	+ 1.6	+ 6.3	+ 30.0	+ 39.4



The rise in the index of raw cotton during the year, as against a sharp decline of 10.7 per cent last year, may be attributed to a pick up in demand due to a steady improvement in the working of Bombay based textile mills. The index of raw jute went up substantially by 43.0 per cent in the wake of a fall in raw jute production during the year under review. The index of 'oilseeds' rose by 14.0 per cent as against a fall of 6.4 per cent last year. Groundnut price index increased by 8.2 per cent as against a fall of 7.1 per cent last year. The indices for rape and mustardseed and copra registered even sharper increases of the order of 27.8 per cent and 42.9 per cent, respectively. The sizeable rise in the prices of oilseeds could be attributed to severe drought conditions in the main oilseed producing areas. The index of 'petroleum crude and natural gas' showed a larger decline of 13.3 per cent as against 7.2 per cent last year because of a fall in the price of imported crude oil.

Fuel, power, light and lubricants

The prices of all commodities covered by this group are administered by the Government. All the

commodity groups comprising this major group recorded increases during the year; but the rise was much smaller than in the previous year. The index of 'coal mining' went up by 2.0 per cent as against a steep increase of 16.5 per cent last year due to stability in the prices of coal. The index of 'mineral oils' went up by 4.5 per cent as compared to 9.8 per cent last year. (Table IV-3(b)) The rise in the index of this group was the result of a hike effected by the Government in the prices of petroleum products in February 1983. The index for 'electricity' increased sizeably by 19.2 per cent in comparison with 14.9 per cent last year owing to the spurt in power tariffs effected by the State Electricity Boards.

Manufactured Products

The increase in this major group was shared by all the component groups. (Table 3(c)). Among them, the 'food products' group with the highest weight registered a rise of 6.6 per cent, in contrast to a decline of 19.5 per cent in 1981-82. The index for 'sugar, khandsari and gur' increased by 3.4 per cent as against a steep decline of 29.8 per cent last year. Under 'miscellaneous food products', the index of 'edible oils' also increased by 10.3 per cent as against a fall of 1.4 per cent last year. Groundnut oil and mustard oil showed significant increases of 9.7 per cent and 20.9 per cent, respectively, during the year under review. Sugar, which had exerted a downward pressure on general price level in the last two years, showed a small rise during 1982-83 despite record sugar production. This followed from increased domestic demand, the rise in levy price of sugar in November 1982 and the reduction in monthly releases of quota for public distribution system. The prices of edible oils showed uptrend due to large demand in the wake of limited supplies.

The index of 'textiles' group increased by 5.5 per cent as against 2.9 per cent last year. The index of the sub-group 'cotton textiles' showed a rise of 5.2 per cent, while that of 'jute, hemp and mesta textiles' went up by 12.0 per cent. Sustained demand for jute goods in the domestic market in the wake of a fall in jute goods production boosted the prices of 'jute, hemp and mesta textiles'. The index of 'paper and paper products' moved up by 5.9 per cent owing to the hike of Rs.1,200/- per tonne in the administered prices of white printing paper effected by the Government in April 1983. In the previous year, however, the rise was higher at 11.6 per cent.

Table IV—3(a) : Index Numbers of Wholesale Prices : Primary Articles

(Base 1970-71 = 100)

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Items	Weight	End-June 1981	End-June 1982	End-June 1983	In Percentages			
					End-June 1982 over end-June 1981	End-June 1983 over end-June 1982	Weighted Contribution 1981-82	1982-83
1	2	3	4	5	6	7	8	9
ALL COMMODITIES	1000.00	280.7	287.8	309.3	+ 2.5	+ 7.5	+ 100.0	+ 100.0
PRIMARY ARTICLES	416.67	260.9	273.5	298.6	+ 4.8	+ 9.2	+ 74.0	+ 48.6
A. FOOD ARTICLES	297.99	229.6	250.4	280.2	+ 9.1	+ 11.9	+ 87.3	+ 41.3
Food Grains	129.22	234.1	236.5	270.4	+ 1.0	+ 14.3	+ 4.3	+ 20.4
(i) CEREALS	107.43	212.7	223.6	261.3	+ 5.1	+ 16.9	+ 16.5	+ 18.9
Rice	51.31	220.8	243.2	297.4	+ 10.1	+ 22.3	+ 16.2	+ 12.9
Wheat	34.17	184.8	191.3	212.3	+ 3.5	+ 11.0	+ 3.1	+ 3.3
Jowar	8.39	248.7	228.5	234.4	- 8.1	+ 2.6	- 2.4	+ 0.2
Bajra	6.64	228.4	225.3	246.3	- 1.4	+ 9.3	- 0.3	+ 0.6
(ii) PULSES	21.79	339.9	300.2	315.1	- 11.7	+ 5.0	- 12.2	+ 1.5
Gram	5.24	385.4	308.0	280.1	- 20.1	- 9.1	- 5.7	- 0.7
(iii) FRUITS & VEGETABLES	61.32	238.1	275.1	308.0	+ 15.5	+ 12.0	+ 32.0	+ 9.4
Vegetables	24.86	184.0	227.8	277.0	+ 23.8	+ 21.6	+ 15.3	+ 5.7
Fruits	36.46	275.0	307.2	329.2	+ 11.7	+ 7.2	+ 16.5	+ 3.7
(iv) MILK & MILK PRODUCTS	61.50	202.3	230.5	240.1	+ 13.9	+ 4.2	+ 24.4	+ 2.7
(v) EGGS, FISH & MEAT	18.97	292.1	354.0	357.7	+ 21.2	+ 1.0	+ 16.5	+ 0.3
Fish	6.31	327.7	460.4	445.3	+ 40.5	- 3.3	+ 11.8	- 0.4
Meat	8.46	334.0	362.5	375.6	+ 8.5	+ 3.6	+ 3.4	+ 0.5
(vi) CONDIMENTS & SPICES	10.94	152.8	193.0	186.8	+ 26.3	- 3.2	+ 6.2	- 0.3
(vii) OTHER FOOD ARTICLES	16.04	244.0	261.5	379.6	+ 7.2	+ 45.2	+ 3.9	+ 8.8
Tea	11.49	263.7	282.4	439.3	+ 7.1	+ 55.6	+ 3.0	+ 8.4
Coffee	1.61	139.8	139.9	161.1	+ 0.1	+ 15.2	-	+ 0.2
B. NON-FOOD ARTICLES	106.21	241.1	239.7	269.0	- 0.6	+ 12.2	- 2.2	+ 14.4
(i) FIBRES	31.73	218.1	206.3	224.8	- 5.4	+ 9.0	- 5.3	+ 2.7
Raw Cotton	22.46	234.2	209.2	219.5	- 10.7	+ 4.9	- 7.9	+ 1.1
Raw Jute	4.29	130.7	157.0	224.5	+ 20.1	+ 43.0	+ 1.6	+ 1.4
(ii) OIL SEEDS	42.01	263.4	246.6	281.1	- 6.4	+ 14.0	- 9.9	+ 6.7
Groundnuts	18.21	285.9	265.7	287.4	- 7.1	+ 8.2	- 5.2	+ 1.8
Rape & Mustardseed	8.22	282.8	227.6	290.8	- 19.5	+ 27.8	- 6.4	+ 2.4
Copra	4.49	194.6	195.2	278.9	+ 0.3	+ 42.9	-	+ 1.7
(iii) OTHER NON-FOOD ARTICLES	32.47	234.9	263.3	296.7	+ 12.1	+ 12.7	+ 13.0	+ 5.0
Sugar Cane	16.42	192.7	187.1	194.0	- 2.9	+ 3.7	- 1.3	+ 0.5
Rubber	1.28	299.5	315.2	383.5	+ 5.2	+ 21.7	+ 0.3	+ 0.4
Logs, Timber & Bamboo	3.31	454.3	633.8	820.0	+ 39.5	+ 29.4	+ 8.4	+ 2.9
Raw Tobacco	8.07	130.8	169.4	219.7	+ 29.5	+ 29.7	+ 4.4	+ 1.9
C. MINERALS	12.47	117.5	112.8	99.0	- 5.4	- 11.0	- 11.1	- 7.1
(i) METALLIC MINERALS	2.29	248.9	260.0	288.4	+ 4.5	+ 16.9	+ 0.4	+ 0.3
Iron Ore	1.56	236.5	237.8	271.3	+ 6.5	+ 14.1	-	+ 0.2
Lime Stone	2.30	239.2	300.0	300.0	+ 25.4	-	+ 2.0	-
(ii) OTHER MINERALS	4.16	260.9	291.5	293.7	+ 11.7	+ 0.8	+ 1.8	+ 0.1
(iii) PETROLEUM CRUDE NATURAL GAS	6.02	2162.3	2006.4	1739.5	- 7.2	- 13.3	- 13.3	- 7.4

Table IV—3(b) : Index Numbers of Wholesale Prices : Fuel, Power, Light and Lubricants

(Base : 1970-71 = 100)

Items	Weight	End-June 1981	End-June 1982	End-June 1983	End-June 1982 over end-June 1981	In Percentages		Weighted Contribution
						End-June 1983 over end-June 1982		
							1981-82	1982-83
1	2	3	4	5	6	7	8	9
FUEL, POWER, LIGHT & LUBRICANTS	84.59	401.0	447.9	478.4	+ 11.7	+ 6.8	+ 56.0	+ 12.0
A. COAL MINING	11.47	424.4	494.6	504.7	+ 16.5	+ 2.0	+ 11.3	+ 0.5
Coal	10.39	432.1	502.3	512.7	+ 16.2	+ 2.1	+ 10.3	+ 0.5
Coke	0.75	382.8	463.5	463.5	+ 21.1	—	+ 1.0	—
B. MINERAL OILS	49.12	468.0	513.9	536.9	+ 9.8	+ 4.5	+ 31.9	+ 5.3
Kerosene	8.35	293.4	320.5	343.2	+ 9.2	+ 7.1	+ 3.2	+ 0.9
Petrol	8.56	469.3	517.5	517.2	+ 10.3	- 0.1	+ 5.8	- 0.1
Aviation spirit	4.55	587.0	593.4	593.4	+ 1.1	—	+ 0.4	—
Light Diesel oil	3.44	671.5	755.2	800.1	+ 12.5	+ 5.9	+ 4.1	+ 0.7
High Speed Diesel oil	13.74	339.4	385.9	414.9	+ 13.7	+ 7.5	+ 9.0	+ 1.9
Lubricating oil	6.48	404.4	435.7	465.7	+ 7.7	+ 6.9	+ 2.9	+ 0.9
Furnace oil	4.00	1065.1	1179.5	1228.1	+ 10.7	+ 4.1	+ 6.4	+ 0.9
C. ELECTRICITY	24.00	252.7	290.4	346.2	+ 14.9	+ 19.2	+ 12.8	+ 6.2

PRICE TRENDS AND PRICE POLICY

Table IV—3(c) : Index Number of Wholesale Prices : Manufactured Products

80

(Base : 1970-71 = 100)

Items	Weight	End-June 1981	End-June 1982	End-June 1983	In Percentages			
					End-June 1982 over end-June 1981	End-June 1983 over end-June 1982	Weighted Contribution	
							1981-82	1982-83
1	2	3	4	5	6	7	8	9
MANUFACTURED PRODUCTS	498.74	276.8	272.5	289.6	- 1.6	+ 6.3	- 30.0	+ 39.4
A. FOOD PRODUCTS	133.22	336.4	270.7	288.7	- 19.5	+ 6.6	- 123.3	+ 11.1
(a) SUGAR, KHANDSARI, GUR	72.41	403.5	283.4	293.0	- 29.8	+ 3.4	- 122.5	+ 3.2
Sugar	21.91	276.5	238.5	233.8	- 13.7	- 2.0	- 11.7	- 0.5
Khandsari	4.92	424.4	272.0	274.6	- 35.9	+ 1.0	- 10.6	+ 0.1
Gur	45.58	462.3	306.2	323.4	- 33.8	+ 5.6	- 100.2	+ 3.6
(b) MISCELLANEOUS FOOD PRODUCTS	49.16	261.7	256.8	285.2	- 1.9	+ 11.1	- 3.4	+ 6.5
(i) EDIBLE OILS	37.16	262.8	259.0	285.8	- 1.4	+ 10.3	- 2.0	+ 4.6
Vanaspati	7.52	231.2	259.5	257.9	+ 12.2	- 0.6	+ 3.0	- 0.1
Groundnut oil	14.15	289.5	275.4	302.2	- 4.9	+ 9.7	- 2.8	+ 1.8
Mustard oil	6.68	270.1	229.1	276.9	- 15.2	+ 20.9	- 3.9	+ 1.5
B. BEVERAGES, TOBACCO and TOBACCO PRODUCTS	27.08	218.4	215.7	243.7	- 1.2	+ 13.0	- 1.0	+ 3.5
C. TEXTILES	110.26	223.2	229.6	242.3	+ 2.9	+ 5.5	+ 9.9	+ 6.5
(i) COTTON TEXTILES	81.02	226.5	232.2	244.2	+ 2.5	+ 5.2	+ 6.5	+ 4.5
Cotton Yarn	13.82	249.6	247.4	257.5	- 0.9	+ 4.1	- 0.4	+ 0.7
Cotton Cloth (Mills)	38.04	227.3	243.5	252.5	+ 7.1	+ 3.7	+ 8.7	+ 1.6
(ii) JUTE, HEMP & MESTA TEXTILES	12.14	169.5	182.2	204.0	+ 7.5	+ 12.0	+ 2.2	+ 1.2
D. PAPER & PAPER PRODUCTS	8.51	270.9	302.4	320.1	+ 11.6	+ 5.9	+ 3.8	+ 0.7
E. LEATHER & LEATHER PRODUCTS	3.85	371.3	360.1	380.7	- 3.0	+ 5.7	- 0.6	+ 0.4
F. RUBBER & RUBBER PRODUCTS	12.07	277.7	304.1	309.8	+ 9.5	+ 1.9	+ 4.5	+ 0.3
G. CHEMICALS & CHEMICAL PRODUCTS	55.48	254.7	265.5	278.4	+ 4.2	+ 4.9	+ 8.4	+ 3.3
(a) BASIC INDUSTRIAL CHEMICALS	7.26	355.9	363.6	401.4	+ 2.2	+ 10.4	+ 0.8	+ 1.3
(b) FERTILISERS	12.52	260.6	277.7	277.7	+ 6.6	—	+ 3.0	—

(Contd.)

REPORT ON CURRENCY AND FINANCE, 1982-83

Table IV-3(c). Index Numbers of Wholesale Prices : Manufactured Products—(Contd.)

(Base : 1970-71 = 100)

Items	Weight	End-June 1981	End-June 1982	End-June 1983	In Percentages			
					End-June 1982 over end-June 1981	End-June 1983 over end-June 1982	Weighted Contribution	
							1981-82	1982-83
1	2	3	4	5	6	7	8	9
H. NON-METALLIC MINERAL PRODUCTS	14.15	291.2	369.5	391.6	+26.9	+ 6.0	+ 15.6	+ 1.5
CEMENT, LIME & PLASTER	7.07	231.3	356.5	399.0	+54.1	+11.9	+ 12.5	+ 1.4
I. BASIC METALS, ALLOYS & METAL PRODUCTS	59.74	305.7	349.2	375.6	+14.2	+ 7.6	+ 36.6	+ 7.3
(a) IRON, STEEL & FERRO ALLOYS	34.73	315.3	379.4	409.8	+20.3	+ 8.0	+ 31.3	+ 4.9
Pig Iron	1.67	303.8	366.2	411.2	+20.5	+12.3	+ 1.5	+ 0.4
Structurals	4.72	267.7	352.7	381.1	+31.8	+ 8.1	+ 5.7	+ 0.6
Plates & Sheets	5.97	273.2	312.9	345.8	+14.5	+10.5	+ 3.3	+ 0.9
Bars & Rods	7.31	368.3	464.7	492.2	+26.2	+ 5.9	+ 9.9	+ 0.9
(b) NON-FERROUS METALS & THEIR ALLOYS	11.78	302.5	316.0	333.0	+ 4.5	+ 5.4	+ 2.2	+ 0.9
Aluminium	4.29	360.0	362.8	362.8	+ 0.8	—	+ 0.2	—
(c) METAL PRODUCTS	13.23	283.3	299.7	323.8	+ 5.8	+ 8.0	+ 3.1	+ 1.5
J. MACHINERY & TRANSPORT EQUIPMENT	67.18	259.0	275.5	290.0	+ 6.4	+ 5.3	+ 15.6	+ 4.5
(a) NON-ELECTRICAL MACHINERY	30.91	271.2	288.9	310.0	+ 6.5	+ 7.3	+ 7.7	+ 3.0
(b) ELECTRICAL MACHINERY	19.54	213.2	226.3	239.6	+ 6.1	+ 5.9	+ 3.6	+ 1.2
(c) TRANSPORT EQUIPMENT	16.73	289.9	307.9	312.0	+ 6.2	+ 1.3	+ 4.3	+ 0.4
K. MISCELLANEOUS PRODUCTS	7.20	239.0	242.4	251.7	+ 1.4	+ 3.8	+ 0.3	+ 0.3

PRICE TRENDS AND PRICE POLICY

The price index for 'rubber and rubber products' showed a smaller rise of 1.9 per cent during the year as against a sizeable increase of 9.5 per cent in 1981-82. This may be attributed to the arrangements made for import of rubber on large scale through State Trading Corporation as well as the large reduction in the import duty on rubber in June 1983.

The other group, 'basic metals, alloys and metal products' showed an increase of 7.6 per cent as compared with a larger increase of 14.2 per cent last year. Under this group, the index of the sub-group 'iron, steel and ferro alloys' rose by 8.0 per cent as a result of revisions in the prices of certain iron and steel items by the Joint Plant Committee (JPC) in October 1982 and April 1983. Periodical revisions in the prices of 'non-ferrous metals' by Minerals and Metals Trading Corporation (MMTC) pushed up the index of this sub-group by 5.4 per cent during the year. The 'miscellaneous products' group index went up by 3.8 per cent during 1982-83 as against 1.4 per cent last year.

The other groups which recorded increases in their price indices were: 'beverages, tobacco and tobacco products' (13.0 per cent as against a decline of 1.2 per cent last year); 'leather and leather products' (5.7 per cent as against a decline of 3.0 per cent last year); 'chemicals and chemical products' (4.9 per cent as against 4.2 per cent last year); 'non-metallic mineral products' (6.0 per cent as against 26.9 per cent last year) and 'machinery and transport equipment' (5.3 per cent as against 6.4 per cent last year).

Consumer Price Indices

The All-India Consumer Price Index for Industrial Workers (1960 = 100) increased from 470 in June 1982 to 533 in June 1983, registering a sharp rise of 13.4 per cent. In 1981-82, the index had

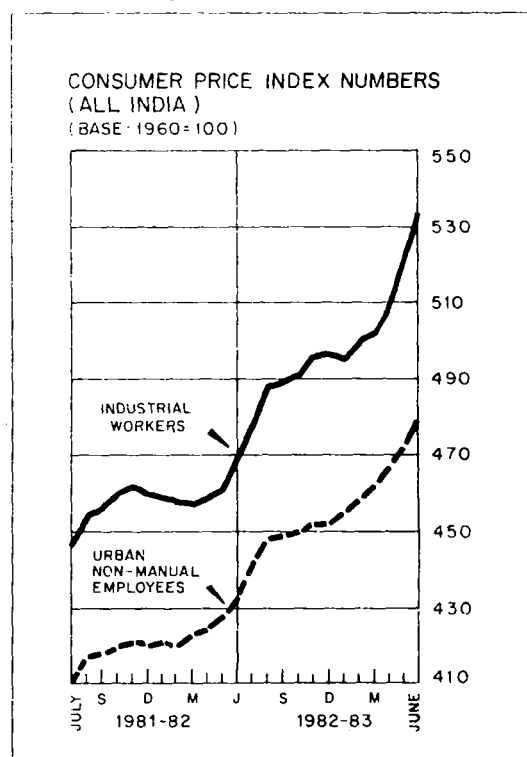


Table IV—4 : Consumer Price Indices

	(July-June Average)		
	1980-81	1981-82	1982-83
	1	2	3
1. Consumer Price Index for Industrial Workers (1960=100)	413.8	458.7	499.8
2. Per cent variation in (1)	(+ 11.9)	(+ 10.9)	(+ 9.0)
3. Consumer Price Index for Urban Non-Manual Employees (1960=100)	380.3	421.4	457.2
4. Per cent variation in (3)	(+ 12.1)	(+ 10.8)	(+ 8.5)

recorded a smaller rise of 7.1 per cent. On an average basis, however, the rise during July 1982-June 1983 was smaller at 9.0 per cent as against 10.9 per cent in the previous year (Table IV-4). During the whole of 1982-83 (July-June), with an exception in January 1983, the index moved steadily upward. In January 1983, however, it had declined marginally by 0.4 per cent. A centre-wise analysis shows that increases were recorded at all the important centres. The highest rise was recorded by Alwaye (22.0 per cent), followed by Alleppey (21.7 per cent), Madras (21.7 per cent), Madurai (20.4 per cent), Sambalpur (17.3 per cent), Bombay (14.5 per cent), Jalpaiguri (14.3 per cent) and Ahmedabad (13.3 per cent).

The Consumer Price Index for Urban Non-Manual Employees (1960 = 100) also rose to 479 in June 1983 from 433 in June 1982, showing a higher rise of 10.6 per cent compared with a rise of 8.0 per cent in the corresponding period of 1981-82. On an average basis, in 1982-83 the index showed a smaller rise of 8.5 per cent as against 10.8 per cent in the comparable period of the preceding year (Table IV-4). This index also showed substantial increases at various centres. Patna and Madras recorded the highest increases of 15.5 per cent each followed by Mangalore (14.9 per cent), and Bombay and Trivandrum (12.8 per cent each).

Price Policies

During 1982-83, Government of India revised the administered prices of some industrial commodities and made changes in export/import policies of certain commodities in the wake of developments in the domestic and international markets. The measures taken by the Government are listed below:

The Government increased the prices of various petroleum products (other than petrol) effective February 14, 1983. Oil companies were also asked to pay an enhanced cess on domestic crude oil of Rs.300/- per tonne as against Rs.100/- per tonne to mobilise more funds for development and investment. According to the revised price structure, the price of light diesel oil was increased by 15 paise per litre and that of furnace oil and low sulphur heavy stock supplied to general trade by 10 paise a litre. The price of high speed diesel (HSD) was raised by

20 paise per litre and that of aviation turbine fuel by 25 paise per litre. The Government initially introduced dual pricing policy for kerosene by charging separate prices for subsidised and non-subsidised kerosene, with the twin objectives of protecting the interests of weaker sections and discouraging large-scale adulteration of kerosene with diesel. However, subsequently the dual price system was abolished with effect from March 19, 1983. Kerosene was continued to be made available at a subsidised rate, but at 10 paise per litre higher than the earlier rate.

The Joint Plant Committee revised the prices of certain items of iron and steel with effect from October 23, 1982. The stockyard handling margin was also increased to Rs.160/- per tonne from Rs.70/- per tonne. The items of iron and steel undergoing upward revisions in their prices were pig iron, plates and chequered plates, crossing sleepers, bearing plate bars and other structurals, wheels and angles. The Joint Plant Committee again increased the prices of pig iron by Rs.105/- per tonne and of steel items by Rs.160/- per tonne for all despatches and deliveries made by plants and stockyards, respectively, with effect from April 1, 1983 consequent on increase in freight rates by Railways.

On April 20, 1983, the Government raised the administered price of white printing paper by Rs.1,200/- per tonne to Rs.5,400/- per tonne.

Effective July 1, 1982 the Government reduced the price of imported newsprint in the case of high-sea sales by Rs.120/- to Rs.6,000/- per tonne and raised the selling price in respect of buffer stock with State Trading Corporation (STC) by Rs.40/- to Rs.6,050/- per tonne for the quarter July-September 1982. In view of the lower international prices, the price of imported newsprint in the case of high-sea sales was further reduced by Rs.100/- per tonne to Rs.5,900/- per tonne for the quarter January-March 1983; the price in the case of sales from STC's buffer stock was also revised downwards to Rs.5,950/- per tonne effective January 1, 1983.

With effect from October 1, 1982, the Government raised the levy cement price by about Rs.12/- per tonne to compensate cement manufacturers for a rise in packing charges. However, the ex-factory prices of ordinary portland cement, portland slag cement and pozzolana portland cement with the corresponding free-on-rail prices were kept un-

changed. In February 1983, cement plants which had set up diesel generating sets after February 28, 1982 — the date of introduction of partial decontrol on cement — were allowed to sell an increased quantum of non-levy cement, *i.e.*, 48.5 per cent out of the additional production achieved with the help of the installation of the generating sets as against 33.4 per cent previously. In the case of new cement plants (which commenced production after January 1, 1982) falling in this category, the non-levy quantum was raised to 61.3 per cent of the additional production as against 50 per cent fixed earlier.

The prices of certain drugs were revised in September and October 1982 on the basis of cost studies conducted by the Bureau of Industrial Costs and Prices.

In May 1983, Government directed the State Trading Corporation to import 30,000 tonnes of natural rubber during 1983-84 for improving the supply position and stabilising the rubber prices at remunerative levels for the domestic producers. In view of the sharp rise in the rubber price in the international markets, the customs duty on rubber was reduced in June 1983 from 81.5 per cent to 35 per cent.

Taking into account the changes in prices of coffee in the international markets, the export duty on coffee was raised from Rs. 120/- per quintal to Rs. 190/- per quintal from July 5, 1982, to Rs. 300/- per quintal from September 20, 1982 and further to Rs. 400/- per quintal from November 2, 1982. Government raised the minimum release price of coffee from Rs. 4.40 to Rs. 5.50 per point with effect from March 1, 1983 to compensate the growers for the rise in cost of production.

With a view to keeping the prices of edible oils under control, Government increased the allocation of imported oils to the States for public distribution by about 25 per cent since May 1983.

The Union Government continued the scheme of monthly releases of sugar for maintaining sugar prices at reasonable levels. In the 1982-83 season, the proportions of levy and free sale sugar were kept unchanged at 65 per cent and 35 per cent, respectively. However, in view of the enhancement of development cess from Rs. 5/- to Rs. 14/- per quintal from November 1, 1982, the issue price of levy sugar was raised from Rs. 365/- per quintal to Rs. 375/- per quintal. The hike in development cess was aimed at meeting part of the expenses of holding buffer stock of 5 lakh tonnes of free sale sugar to be kept with the sugar factories. With a view to maximising production, excise duty rebate was given for extended crushing during May-September 1982 — Rs. 40/- per quintal for free sale sugar and Rs. 24.50 per quintal for levy sugar. In August 1982, the effective excise duty on free sale sugar was reduced by Rs. 19.53 per quintal upto November 3, 1982. With effect from April 1, 1983, Government replaced the *ad-valorem* rates of excise duty on both levy and non-levy sugar by specific rates — Rs. 38 per quintal on levy sugar and Rs. 50/- per quintal on non-levy sugar. In May 1983, Government decided to grant excise rebate for sugar production during May to September 1983 in excess of the average production during the corresponding period of the last three seasons.

Government reduced the prices of all types of fertilisers by 7.5 per cent with effect from June 29, 1983 in view of the conditions prevailing in the international markets.

The import duty on caprolactum was raised in October 1982 from 55 per cent to 75 per cent *ad-valorem* to counteract the effect of the cut in international prices. Simultaneously, the excise duty on caprolactum was increased to 18.91 per cent from 15.75 per cent.

The official pricing committee on non-ferrous metals periodically revised the ex-godown prices of some of the non-ferrous metals taking into account the price trends in international markets and keeping in view the overall requirements of the country's economy.

Chapter V

Monetary Developments

The Overall Trends

The pace of monetary expansion judged by the four measures of money supply, viz., M_1 , M_2 , M_3 and M_4 accelerated during the year 1982-83 (July-June), as compared with the preceding year.* Money supply in the broad sense, i.e., M_3 (comprising currency with the public, aggregate deposits with commercial and co-operative banks and 'other' deposits with the Reserve Bank of India) expanded by Rs.10,108 crores or 15.3 per cent in 1982-83, recording a rise which was higher by Rs.2,552 crores than that of Rs.7,556 crores or 12.9 per cent in the previous year. Money supply in the narrow sense, i.e., M_1 (comprising currency with the public, demand deposits with commercial and co-operative banks and 'other' deposits with the Reserve Bank) rose by Rs.3,260 crores or 12.3 per cent, compared with the increase of Rs.2,508 crores or 10.4 per cent in 1981-82. The growth in M_2 (M_1 + post office savings bank deposits) at Rs.3,245 crores or 11.2 per cent in 1982-83 was larger than that of Rs.2,546 crores or 9.7 per cent in the previous year. M_4 (M_3 + total post office deposits) also showed a larger increase of Rs.10,770 crores or 14.6 per cent in 1982-83 than that of Rs.8,371 crores or 12.8 per cent in 1981-82 (Table V-1).

The components that showed relatively large increases during 1982-83 were currency with the public and time deposits with banks. While currency with the public rose by Rs.2,378 crores or 15.3 per cent as against the lower increase of Rs.1,662 crores or 12.0 per cent in the preceding year, growth in the time deposits with banks was higher at Rs.6,848 crores or 17.3 per cent than that of Rs.5,048 crores or 14.6 per cent during 1981-82. The expansion in demand deposits with banks during 1982-83, however, was smaller at Rs.835 crores or 7.7 per cent than in 1981-82 (Rs.973 crores or 9.8 per cent). 'Other' deposits with RBI increased by Rs.47 crores or 39.8 per cent in contrast to the decline of Rs.127 crores or 51.8 per cent during the preceding year.

* The data on money supply for June used in this Report relate to June 30 for the Reserve Bank of India and to the last Friday of June in respect of commercial and co-operative banks.

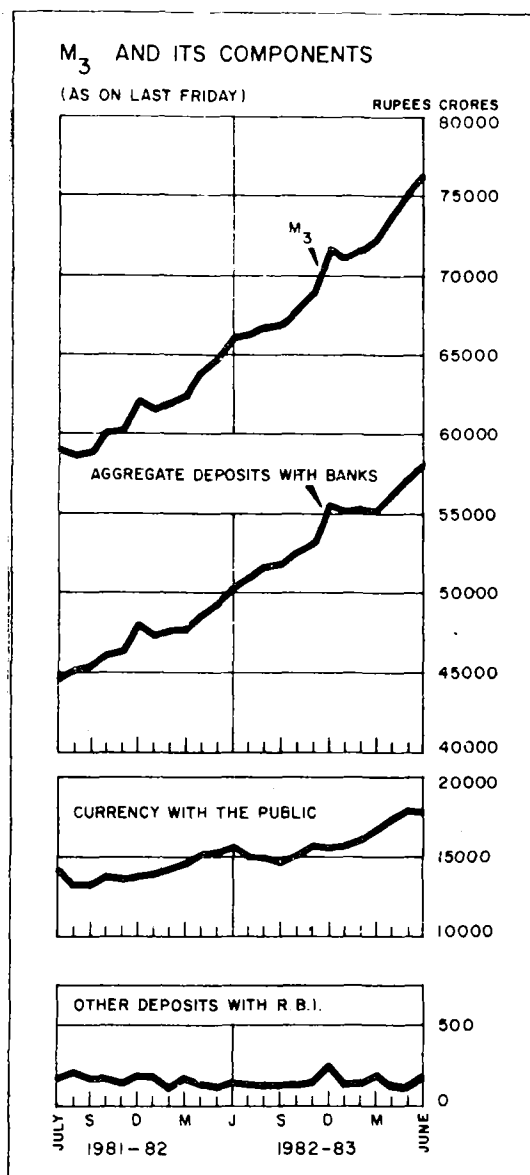
Reserve money recorded a larger increase of Rs.3,142 crores or 13.8 per cent during the year under review than the rise of Rs.2,022 crores or 9.7 per cent in 1981-82. The acceleration in the growth of reserve money during 1982-83 resulted mainly from an appreciably larger rise in currency with the public than in the previous year.

Money Supply

In 1982-83, the expansion of Rs.10,108 crores in M_3 was substantially higher than in 1981-82 (Rs.7,556 crores). Among the sources contributing to acceleration in the growth of M_3 was the lower contractionary impact of the fall of Rs.381 crores in net foreign exchange assets of the banking sector during the year as compared with the larger decline of Rs.1,955 crores in 1981-82. Bank credit to the commercial sector, which recorded a higher increase in 1982-83 (Rs.7,745 crores) than in the preceding year (Rs.6,402 crores) and a sharp reduction in the contractionary influence of the rise in net non-monetary liabilities of the banking sector during the year together exerted an expansionary impact on M_3 in 1982-83. The increase in net bank credit to Government in 1982-83 at Rs.4,913 crores or 14.2 per cent was, on the other hand, much lower than in 1981-82 (Rs.6,284 crores or 22.2 per cent). These variations during 1982-83 disregard the changes in components of sources, following the reclassification of some of the monetary aggregates, necessitated by the establishment of NABARD in July 1982 (Table V-2).

The lower order of expansion in the net bank credit to Government during 1982-83 was rendered possible by the lower order of increase of Rs.3,044 crores or 13.4 per cent in RBI's net credit to Government as against the increase of Rs.4,615 crores or 25.6 per cent during the preceding year. The increase in other banks' credit to Government during the year was larger than in 1981-82 in absolute terms (Rs.1,869 crores against Rs.1,669 crores) but was lower in percentage terms (15.7 per cent against 16.2 per cent).

Of the expansion in bank credit to the commercial sector of Rs.7,745 crores, the contribution from rise:



in the Reserve Bank's credit to the commercial sector was only Rs.291 crores as compared with the rise of Rs.417 crores in 1981-82, and the remaining Rs.7,454 crores came from the commercial and co-operative banks' credit to the commercial sector; the share of the commercial banks in the latter was of Rs.5,750 crores. Of the rise of Rs.5,750 crores, the share of food procurement credit was Rs.764 crores in 1982-83 as against the rise of Rs.622 crores in 1981-82. The expansion in non-food credit at Rs.4,985 crores in 1982-83 stood higher than the increase of Rs.3,008 crores in 1981-82.

Net non-monetary liabilities of the banking sec-

tor (other than time deposits with banks), increased by Rs.2,176 crores or 13.9 per cent, as against an increase of Rs.3,211 crores or 25.9 per cent in 1981-82. Net non-monetary liabilities of the Reserve Bank increased by Rs.119 crores as compared with the rise of Rs.1,371 crores in the preceding year.

Seasonal Trends

Seasonal variations in M₃ along with the sources of M₃ during the last two slack and busy seasons are presented in Table V-3. In the 1982 slack season (end-April to end-October), M₃ registered an expansion which was higher than in the slack season of 1981 in absolute terms but lower in percentage terms. The expansion in M₃ was Rs.3,933 crores or 6.1 per cent as compared with the increase of Rs.3,643 crores or 6.4 per cent in the 1981 slack season. A substantial increase in net bank credit to Government of Rs.3,294 crores or 10.3 per cent in the 1982 slack season as compared with Rs.1,888 crores or 7.1 per cent in the previous slack season mainly contributed to the larger expansion. Although RBI's net credit to Government recorded a lower increase of Rs.2,063 crores than that of Rs.2,134 crores in the 1981 slack season, there was a sharp increase of Rs.1,231 crores in other banks' credit to Government in contrast to a decline of Rs.246 crores in the preceding slack season. Bank credit to the commercial sector recorded a lower expansion of Rs.3,006 crores than that of Rs.3,333 crores in the 1981 slack season. RBI's credit to the commercial sector which declined by Rs.298 crores as against an increase of Rs.66 crores in the previous slack season and other banks' credit to the commercial sector which recorded a lower increase of Rs.2,708 crores than that of Rs.3,267 crores in the 1981 slack season contributed to the deceleration in growth of bank credit to the commercial sector in the 1982 slack season. Food credit registered a rise of Rs.265 crores as compared with Rs.230 crores in the 1981 slack season; non-food credit of commercial banks, registered an expansion of Rs.1,384 crores which was much smaller than that of Rs.2,078 crores in the previous slack season. Banking sector's net foreign exchange assets registered a decline of Rs.1,129 crores in the 1982 slack season as compared with the decline of Rs.1,065 crores in the preceding slack season. The increase in the banking sector's net non-monetary liabilities was much higher at Rs.1,244 crores as compared with that of Rs.535 crores in the 1981 slack season.

During the busy season (end-October to end-

Table V—1: Money Supply and Its Components

(Rupees crores)

Items	Outstanding as on the last day of				Variations during		
	June 1980	June 1981	June 1982	June 1983@	1980-81	1981-82	1982-83@
1	2	3	4	5	6	7	8
M₁	20,273	24,075	26,582	29,842	+ 3,802 (+ 18.8)	+ 2,508 (+ 10.4)	+ 3,260 (+ 12.3)
(a) Currency with the Public	12,097	13,891	15,553	17,931	+ 1,794 (+ 14.8)	+ 1,662 (+ 12.0)	+ 2,378 (+ 15.3)
(b) Demand deposits with Banks	7,923	9,939	10,911	11,746	+ 2,016 (+ 25.4)	+ 973 (+ 9.8)	+ 835 (+ 7.7)
(c) Other deposits with RBI	253	245	118	165	- 8 (- 3.2)	- 127 (- 51.8)	+ 47 (+ 39.8)
Post Office Savings Bank Deposits	2,020	2,241	2,279	2,265	+ 221 (+ 10.9)	+ 38 (+ 1.7)	- 14 (- 0.6)
M₂ (M₁ + Post Office Savings Bank Deposits)	22,293	26,316	28,862	32,107	+ 4,023 (+ 18.0)	+ 2,546 (+ 9.7)	+ 3,245 (+ 11.2)
Time Deposits with Banks	28,617	34,470	39,519	46,367	+ 5,853 (+ 20.5)	+ 5,048 (+ 14.6)	+ 6,848 (+ 17.3)
M₃ (M₁ + Time deposits with Banks)	48,890	58,545	66,101	76,209	+ 9,655 (+ 19.7)	+ 7,556 (+ 12.9)	+ 10,108 (+ 15.3)
Total Post Office Deposits	5,763	6,650	7,465	8,127	+ 887 (+ 15.4)	+ 815 (+ 12.3)	+ 662 (+ 8.9)
M₄ (M₃ + Total Post Office Deposits)	54,653	65,195	73,566	84,336	+ 10,542 (+ 19.3)	+ 8,371 (+ 12.8)	+ 10,770 (+ 14.6)

@ Data are provisional/partially revised.

- Notes: 1. In regard to currency with the public, notes in circulation data are as on the last day of June while the circulation of rupee and small coins data as also the deductible item 'cash on hand with banks' are on last Friday basis.
2. Data on demand and time deposits with scheduled commercial banks for June 1980 are reworked on a uniform basis of classification of their savings bank deposits.
3. Figures within brackets represent percentage variations.

April) of 1982-83, the expansion in M₃ at Rs. 5,998 crores or 8.8 per cent was substantially larger than in the busy season of 1981-82 (Rs. 3,805 crores or 6.3 per cent). Component-wise, the higher rates of growth were recorded in currency with the public and aggregate deposits with banks which rose by Rs. 2,174 crores or 14.3 per cent and Rs. 3,839 crores or 7.3 per cent, respectively, as compared with the corresponding increases of Rs. 1,315 crores or 9.4 per cent and Rs. 2,519 crores or 5.5 per cent in the 1981-82 busy season.

Source-wise, a significantly larger increase in bank credit to the commercial sector, a rise in net foreign exchange assets of the banking sector as against a decline in the previous busy season and a marked reduction in the increase in the banking sector's net non-monetary liabilities had contributed to the sharp increase in M₃ during the 1982-83 busy season. Bank credit to the commercial sector increased by Rs. 4,750 crores in the 1982-83 busy season as against a rise of Rs. 3,189 crores in the

previous busy season mainly on account of a larger expansion in other banks' credit to the commercial sector (Rs. 4,603 crores as against Rs. 2,935 crores); RBI's credit to the commercial sector rose by Rs. 147 crores as against a larger increase of Rs. 254 crores in the 1981-82 busy season. While food credit increased by Rs. 445 crores as compared with Rs. 189 crores in the 1981-82 busy season, non-food credit extended by commercial banks recorded a substantially higher increase of Rs. 3,344 crores than in the previous busy season (Rs. 1,396 crores). Net bank credit to Government, however, registered a smaller increase of Rs. 1,657 crores as compared with that of Rs. 3,465 crores in the previous busy season, mainly as a sequel to the lower order of increase in RBI's net credit to Government of Rs. 202 crores only as against an increase of Rs. 2,454 crores in the 1981-82 busy season; other banks' credit to Government recorded a higher growth (Rs. 1,455 crores) than in the previous busy season (Rs. 1,011 crores). Net foreign exchange assets of the banking sector recorded an increase of

Table V—2: Sources of Money Stock (M₃)

(Rupees crores)

Items	Outstanding as on last day of June				Variations during					
	1980	1981	1982	1983 (a)	1980-81		1981-82		1982-83@ \$	
					Absolute	Percentage	Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10	11
Sources of Money Stock (M₃) (1+2+3+4+5)										
1. Net Bank Credit to Government (A+B)	22,073	28,300	34,584	39,372	+ 6,227	+28.2	+ 6,284	+ 22.2	+4,913	+ 14.2
(A) RBI's Net Credit to Government (i-ii)	13,348	18,029	22,644	25,563	+ 4,681	+35.1	+ 4,615	+ 25.6	+3,044	+ 13.4
(i) Claims on Government (a+b)	14,529	18,328	23,044	26,316	+ 3,799	+26.1	+ 4,716	+ 25.7	+3,397	+ 14.7
(a) Central Government	14,367	18,083	22,919	26,103	+ 3,716	+25.9	+ 4,836	+ 26.7	+3,184	+ 13.9
(b) State Governments	162	245	125	213	+ 83	+51.2	- 120	- 49.0	+ 213	+170.4
(ii) Government Deposits with RBI (a+b)	1,181	300	400	753	- 881	-74.6	+ 100	+ 33.3	+ 353	+ 88.3
(a) Central Government	1,096	214	153	553	- 882	-80.5	- 61	- 28.5	+ 400	+261.4
(b) State Governments	85	86	247	200	+ 1	+ 1.2	+ 161	+187.2	- 47	- 19.0
(B) Other Banks' Credit to Government	8,725	10,271	11,940	13,809	+ 1,546	+17.7	+ 1,669	+ 16.2	+1,869	+ 15.7
2. Bank Credit to Commercial Sector (A+B)	31,281	37,780	44,182	51,379	+ 6,499	+20.8	+ 6,402	+ 16.9	+7,745	+ 17.5
(A) RBI's Credit to Commercial Sector*	1,528	1,765	2,182	1,925	+ 237	+15.5	+ 417	+ 23.6	+ 291	+ 13.3
(B) Other Banks' Credit to Commercial Sector (i+ii+iii)	29,753	36,015	42,000	49,454	+ 6,262	+21.0	+ 5,985	+ 16.6	+7,454	+ 17.7
(i) Bank Credit by Commercial Banks	22,078	26,556	30,186	35,936	+ 4,478	+20.3	+ 3,630	+ 13.7	+5,750	+ 19.0
(ii) Bank Credit by Co-operative Banks	3,908	4,835	6,065	6,629	+ 927	+23.7	+ 1,230	+ 25.4	+ 564	+ 9.3
(iii) Investments by Commercial and Co-operative Banks in Other Securities	3,767	4,624	5,749	6,889	+ 857	+22.8	+ 1,125	+ 24.3	+1,140	+ 19.8

(Contd.)

Table V—2: Sources of Money Stock (M₃) (Concl.)

(Rupees crores)

Items	Outstanding as on last day of June				Variations during					
	1980	1981	1982	1983 (a)	1980-81		1981-82		1982-83@ \$	
					Absolute	Percentage	Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10	11
3. Net Foreign Exchange Assets of the Banking Sector (A+B)	4,955	4,235	2,280	1,899	- 720	- 14.5	- 1,955	- 46.2	- 381	-
(A) RBI's Net Foreign Exchange Assets (i-ii)	5,000	4,280	2,325	1,944	- 720	- 14.4	- 1,955	- 45.7	- 381	- 16.4
(i) Gross Foreign Assets	5,000	4,553	3,500	5,031	- 447	- 8.9	- 1,053	- 23.1	+ 1,531	+ 43.7
(ii) Non-monetary Foreign Liabilities	—	273	1,175	3,087	+ 273	—	+ 902	+ 330.4	+ 1,912	+ 162.7
(B) Other Banks' Net Foreign Exchange Assets	- 45@	- 45@	- 45@	- 45@	—	—	—	—	—	—
4. Government's Currency Liabilities to the Public	601	634	670	677	+ 33	+ 5.5	+ 36	+ 5.7	+ 7	+ 1.0
5. Banking Sector's Net Non-monetary Liabilities other than										
Time Deposits with Banks (A+B)	10,020	12,404	15,615	17,118	+ 2,384	+ 23.8	+ 3,211	+ 25.9	+ 2,176	+ 13.9
(A) Net Non-monetary Liabilities of RBI	4,066	4,942	6,313	5,642	+ 876	+ 21.5	+ 1,371	+ 27.7	+ 119	+ 1.9
(B) Net Non-monetary Liabilities of Other Banks (derived)	5,954	7,462	9,302	11,476	+ 1,508	+ 25.3	+ 1,840	+ 24.7	+ 2,057	+ 22.1

(a) Data are provisional/partially revised.

\$ These variations disregard changes in components of sources on July 12, 1982, following reclassification of aggregates necessitated by the establishment of NABARD.

* Excludes, since the establishment of NABARD, its refinance to banks.

- Notes:
1. Constituent items may not add up to totals due to rounding off.
 2. Reserve Bank data are as on last day of June 1980, 1981, 1982 and 1983. Other data are as on last Friday of June 1980, 1981, 1982 and 1983.

Table V—3 : Seasonal Variations in M_3 and Its Sources of change

(Rupees crores)							
Items	Variations during						
	Slack Season		Slack Season		Busy Season		
	1981	1982	April 1982 to June 1982	April 1983 to June 1983@	1981-82	1982-83@	
	1	2	3	4	5	6	
I. M ₃ (a + b + c)	+ 3,643 (+ 6.4)	+ 3,933 (+ 6.1)	+ 2,125 (+ 3.3)	+ 2,302 (+ 3.1)	+ 3,805 (+ 6.3)	+ 5,998 (+ 8.8)	
(a) Currency with the Public	+ 58 (+ 0.4)	+ 18 (+ 0.1)	+ 320 (+ 2.1)	+ 506 (+ 2.9)	+ 1,315 (+ 9.4)	+ 2,174 (+ 14.3)	
(b) Aggregate Deposits with Banks (i+ii)	+ 3,686 (+ 8.7)	+ 3,923 (+ 8.1)	+ 1,822 (+ 3.7)	+ 1,743 (+ 3.1)	+ 2,519 (+ 5.5)	+ 3,839 (+ 7.3)	
(i) Demand Deposits	+ 462 (+ 4.9)	+ 324 (+ 3.2)	+ 628 (+ 6.1)	+ 352 (+ 3.1)	+ 428 (+ 4.3)	+ 786 (+ 7.4)	
(ii) Time Deposits	+ 3,224 (+ 9.8)	+ 3,599 (+ 9.4)	+ 1,194 (+ 3.1)	+ 1,391 (+ 3.1)	+ 2,091 (+ 5.8)	+ 3,053 (+ 7.3)	
(c) Other Deposits with RBI	- 101 (- 38.1)	- 8 (- 5.9)	- 17 (- 12.6)	+ 53 (+ 47.3)	- 29 (- 17.7)	- 15 (- 11.8)	
II. Sources of Money Stock (M ₃) (1+2+3+4-5)							
1. Net Bank Credit to Government (A+B)	+ 1,888 (+ 7.1)	+ 3,294 (+ 10.3)	+ 2,580 (+ 8.1)	+ 2,542 (+ 6.9)	+ 3,465 (+ 12.1)	+ 1,657 (+ 4.7)	
(A) RBI's Net Credit to Government (i-ii)	+ 2,134 (+ 13.3)	+ 2,063 (+ 10.0)	+ 2,056 (+ 10.0)	+ 2,835 (+ 12.5)	+ 2,454 (+ 13.5)	+ 202 (+ 0.9)	
(i) Claims on Government (a+b)	+ 2,106 (+ 13.1)	+ 789 (+ 3.6)	+ 1,025 (+ 4.7)	+ 2,335 (+ 9.7)	+ 3,825 (+ 21.0)	+ 1,298 (+ 5.7)	
(a) Central Government	+ 1,846	+ 2,808	+ 3,421	+ 3,385	+ 2,433	+ 412	
(b) State Governments	+ 260	- 2,019	- 2,396	- 1,050	+ 1,392	+ 886	
(ii) Government Deposits with RBI (a+b)	- 28 (- 31.8)	- 1,274 (- 89.0)	- 1,031 (- 72.0)	- 500 (- 39.9)	+ 1,371 (+ 2,285.0)	+ 1,096 (+ 698.1)	
(a) Central Government	- 25	- 1,284	- 1,277	- 696	+ 1,375	+ 1,103	
(b) State Governments	- 3	+ 10	+ 246	+ 196	- 4	- 7	
(B) Other Banks' Credit to Government	- 246 (- 2.3)	+ 1,231 (+ 10.8)	+ 524 (+ 4.6)	293 (- 2.1)	+ 1,011 (+ 9.7)	+ 1,455 (+ 11.5)	
2. Bank Credit to Commercial Sector (A+B)	+ 3,333 (+ 9.1)	+ 3,006 (+ 7.0)	+ 974 (+ 2.3)	+ 963 (+ 1.9)	+ 3,189 (+ 8.0)	+ 4,750 (+ 10.4)	
(A) RBI's Credit to Commercial Sector	+ 66 (+ 3.9)	+ 298 (+ 14.7)	+ 153 (+ 7.5)	- 1 (- 0.1)	+ 254 (+ 14.3)	+ 147* (+ 8.3)	

(Contd.)

* RBI's credit to commercial sector excludes, since the establishment of NABARD, its refinance to banks.
 @ Data are provisional/partially revised.

Table V—3 : Seasonal Variations in M₃ and its sources of change (Concl'd)

(Rupees crores)

Items	Variations during					
	Slack Season		April 1982 to June 1982		April 1983 to June 1983@	
	1981	1982	June 1982	June 1983	1981-82	1982-83
1	2	3	4	5	6	7
(B) Other Banks' Credit to Commercial Sector (i+ii+iii)	+ 3,267 (+ 9.3)	+ 2,708 (+ 6.6)	+ 821 (+ 2.0)	+ 964 (+ 2.0)	+ 2,935 (+ 7.7)	+ 4,603 (+ 10.5)
(i) Bank Credit by Commercial Banks	+ 2,308 (+ 9.0)	+ 1,649 (+ 5.6)	+ 516 (+ 1.7)	+ 828 (+ 2.4)	+ 1,585 (+ 5.6)	+ 3,789 (+ 12.1)
(ii) Bank Credit by Co-operative Banks	+ 254 (+ 5.2)	+ 254 (+ 4.2)	+ 35 (+ 0.6)	—	+ 915 (+ 17.9)	+ 345 (+ 5.5)
(iii) Investments by Commercial and Co-operative Banks in Other Securities	+ 705 (+ 16.2)	+ 805 (+ 14.7)	+ 270 (+ 4.9)	+ 136 (+ 2.0)	+ 435 (+ 8.6)	+ 469 (+ 7.5)
3. Net Foreign Exchange Assets of the Banking Sector (A+B)	- 1,065 (- 23.3)	- 1,129 (- 42.5)	- 374 (- 14.1)	+ 248 (+ 15.0)	- 844 (- 24.1)	+ 126 (+ 8.3)
(A) RBI's Net Foreign Exchange Assets (i-ii)	- 1,064 (- 23.1)	- 1,130 (- 41.9)	- 374 (- 13.9)	+ 248 (+ 14.6)	- 844 (- 23.8)	+ 127 (+ 8.1)
(i) Gross Foreign Assets	- 1,064 (- 21.8)	- 495 (- 12.8)	- 374 (- 9.7)	+ 573 (+ 12.9)	+ 58 (+ 1.5)	+ 1,079 (+ 31.9)
(ii) Non-monetary Foreign Liabilities	—	+ 635 (+ 54.0)	—	+ 325 (+ 11.8)	+ 902 (+ 330.4)	+ 952 (+ 52.6)
(B) Other Banks' Net Foreign Exchange Assets	—	—	—	—	—	—
4. Government's Currency Liabilities to the Public	+ 22 (+ 3.5)	+ 6 (+ 0.9)	+ 7 (+ 1.1)	- 3 (- 0.4)	+ 18 (+ 2.8)	+ 11 (+ 1.6)
5. Banking Sector's Net Non-monetary Liabilities other than Time Deposits with Banks (A+B)	+ 535 (+ 4.5)	+ 1,244 (+ 8.5)	+ 1,062 (+ 7.3)	+ 1,448 (+ 9.2)	+ 2,023 (+ 16.1)	+ 546 (+ 3.6)
(A) Net Non-monetary Liabilities of RBI	+ 456 (+ 9.1)	+ 669 (+ 11.1)	+ 262 (+ 4.3)	+ 124 (+ 2.2)	+ 602 (+ 11.0)	- 412 (- 6.9)
(B) Net Non-monetary Liabilities of Other Banks (derived)	+ 79 (+ 1.1)	+ 575 (+ 6.8)	+ 800 (+ 9.4)	+ 1,324 (+ 13.0)	+ 1,421 (+ 20.1)	+ 958 (+ 10.4)

Notes: 1. Figures within brackets represent percentage variations.

2. Constituent items may not add up to totals due to rounding off.

3. Data for April 1981, April 1982, October 1982 and April 1983 do not represent correctly all the transactions actually put through the Reserve Bank of India during the period.

4. Reserve Bank data are as on last days of June 1982 and 1983. Other data are as on last Fridays of June 1982 and 1983. In regard to currency with the public, notes in circulation data are as on last day of June while the circulation of rupee and small coins data as also the deductible item cash on hand with banks are on last Friday basis.

Rs.126 crores in contrast to a decline of Rs.844 crores in the 1981-82 busy season. The banking sector's net non-monetary liabilities moved up by Rs.546 crores as compared to a much larger increase of Rs.2,023 crores in the busy season of 1981-82.

During the first two months of the 1983 slack season (i.e., between end-April and end-June 1983), M_3 showed a higher expansion of Rs.2,302 crores than in the corresponding two-month period of 1982 (Rs.2,125 crores). Currency with the public recorded a larger increase of Rs.506 crores than that of Rs.320 crores in May-June 1982. The expansion in aggregate deposits with banks at Rs.1,743 crores was, however, less than the increase of Rs.1,822 crores mainly due to a lower rise in demand deposits. Other deposits with RBI registered an increase of Rs.53 crores as against a fall of Rs.17 crores during May-June 1982.

Source-wise, net bank credit to Government recorded a marginally smaller increase of Rs.2,542 crores than that of Rs.2,580 crores in May-June 1982. Bank credit to the commercial sector also increased by a lower order of Rs.963 crores as compared with that of Rs.974 crores last year. The main source of increase in M_3 was the net foreign exchange assets of the banking sector which rose by Rs.248 crores as against a decline of Rs.374 crores during the period end-April to end-June 1982.

Reserve Money

Reserve Money registered an acceleration during 1982-83 (Table V-4). Compared to the reserve money expansion of Rs.2,022 crores or 9.7 per cent in 1981-82, the increase in 1982-83 was Rs.3,142 crores or 13.8 per cent.

Currency with the public expanded by Rs.2,378 crores or 15.3 per cent as compared with an increase of Rs.1,662 crores or 12.0 per cent in 1981-82. Bankers' deposits with Reserve Bank increased by Rs.740 crores (12.2 per cent) as compared with a rise of Rs.461 crores (8.3 per cent) in 1981-82. Other deposits with RBI recorded a rise of Rs.47 crores or 39.8 per cent in contrast to a decline of Rs.127 crores or 51.8 per cent last year. On the other hand, there was a fall of Rs.23 crores in cash on hand with banks as against a rise of Rs.26 crores in the previous year.

The main source responsible for the expansion of Rs.3,142 crores in reserve money in 1982-83 was the Reserve Bank's net credit to Government. Nonetheless, the increase in Reserve Bank's net

credit to Government in 1982-83 at Rs.3,044 crores was lower than the increase of Rs.4,615 crores in 1981-82. The expansion in Reserve Bank's credit to the financial institutions including the NABARD at Rs.1,194 crores was considerably larger than that of Rs.421 crores in 1981-82. The Reserve Bank's claims on scheduled commercial banks and State co-operative banks, which had increased by Rs.279 crores during 1981-82, registered a decline of Rs.603 crores during 1982-83. Government's currency liabilities to the public increased by Rs.7 crores as against an increase of Rs.36 crores in 1981-82. The net foreign exchange assets of the Reserve Bank declined by Rs.381 crores in 1982-83 as against a substantial fall of Rs.1,955 crores in 1981-82; the net non-monetary liabilities of RBI, a neutralising factor, went up by Rs.119 crores as compared with a much larger increase of Rs.1,371 crores in 1981-82.

Some Monetary Relationships

A higher rate of growth in currency with the public than that in aggregate deposits with banks as also in M_3 during 1982-83 led to rise in the incremental ratios of currency to aggregate deposits and currency to M_3 . Thus, the incremental ratio for currency to aggregate deposits rose from 27.6 per cent in 1981-82 to 31.0 per cent in 1982-83 and the incremental ratio for currency to M_3 moved up from 22.0 per cent in 1981-82 to 23.5 per cent in 1982-83. The general ratio of currency to aggregate deposits increased nominally from 30.8 per cent in 1981-82 to 30.9 per cent in 1982-83 while the ratio of currency to M_3 remained unchanged at 23.5 per cent in 1982-83. During the five years 1978-79 to 1982-83, however, the incremental ratios for currency to aggregate deposits and currency to M_3 recorded declines till 1980-81, after which there was a steep increase in 1981-82 and 1982-83. On the other hand, the general ratios for currency to aggregate deposits and currency to M_3 continued to decline till 1981-82, with a small rise in the former ratio in 1982-83 (Table V-5).

The money multiplier, i.e., the ratio of M_3 to reserve money, showed a gradual rise in the five-year period 1978-79 to 1982-83 from 2.78 in 1978-79 to 2.94 in 1982-83. The incremental money multiplier, on the other hand, rose from 2.52 in 1978-79 to 2.97 in 1979-80, then declined to 2.86 in 1980-81 and rose sharply to 3.74 in 1981-82. In 1982-83, it moved down again to 3.22. The decline in the incremental money multiplier in 1982-83 reflects the increased currency preference as compared to the position a year ago.

Table V-4 : Reserve Money : Components and Sources of Change

(Rupees crores)

Items	Out-standings as on the last day of June 1978	1978-79	1979-80	1980-81	1981-82	1982-83@	Out-standings as on the last day of June 1983@
Reserve Money (1+2+3+4)	12,238	+3,040 (+ 24.8)	+2,148 (+14.1)	+3,376 (+19.4)	+2,022 (+ 9.7)	+3,142 (+ 13.8)	25,966
1. Currency with the Public	9,228	+1,662 (+ 18.0)	+1,207 (+11.1)	+1,794 (+14.8)	+1,662 (+12.0)	+2,378 (+ 15.3)	17,931
2. Other Deposits with R.B.I.	107	+ 125 (+116.8)	+ 21 (+ 9.1)	- 8 (- 3.2)	- 127 (-51.8)	+ 47 (+ 39.8)	165
3. Cash on hand with Banks	689	+ 124 (+ 18.0)	+ 59 (+ 7.3)	+ 211 (+24.2)	+ 26 (+ 2.4)	- 23 (- 2.1)	1,086
4. Bankers' Deposits with R.B.I.	2,214	+1,129 (+ 51.0)	+ 860 (+25.7)	+1,380 (+32.8)	+ 461 (+ 8.3)	+ 740 (+ 12.2)	6,784
Sources of Reserve Money (1+2+3-4)							
1. Reserve Bank's Claims on (a+b+c+d+e)	10,110	+2,162 (+ 21.4)	+3,619 (+29.5)	+4,940 (+31.1)	+5,311 (+25.5)	+3,635 (+ 13.9)	28,988
(a) Government (Net)	8,229	+1,392 (+ 16.9)	+3,727 (+38.7)	+4,681 (+35.1)	+4,615 (+25.6)	+3,044 (+ 13.4)	25,563
(b) Scheduled Commercial Banks	335	+ 560 (+167.2)	- 237 (-26.5)	- 87 (-13.2)	- 3 (- 0.5)	- 23 (- 4.0)	545
(c) State Co-operative Banks	479	- 94 (- 19.6)	- 28 (- 7.3)	+ 109 (+30.5)	+ 282 (+60.5)	- 580 (- 77.5)	51
(d) Financial Institutions (i+ii+iii)	966	+ 334 (+ 34.6)	+ 157 (+12.1)	+ 304 (+20.9)	+ 421 (+23.9)	+1,194 (+ 54.7)	2,829
i) ARDC/NABARD	243	+ 52 (+ 21.4)	+ 51 (+17.3)	+ 51 (+14.7)	+ 148 (+37.3)	+ 907 (+166.4)	904
ii) IDBI	688	+ 197 (+ 28.6)	+ 199 (+22.5)	+ 239 (+22.0)	+ 288 (+21.8)	+ 217 (+ 13.5)	1,828
iii) Others	35	+ 85 (+242.9)	- 93 (-77.5)	+ 14 (+51.9)	- 15 (-36.6)	+ 70 (+269.2)	96
(e) Internal Bills purchased and discounted	101	- 30 (- 29.7)	-	- 67 (-94.4)	- 4	-	-
2. Net Foreign Exchange Assets of R.B.I.	4,572	+ 994 (+ 21.7)	- 566 (-10.2)	- 720 (-14.4)	-1,955 (-45.7)	- 381 (- 16.4)	1,944
3. Government's Currency Liabilities to the Public	613	- 5 (- 0.8)	- 7 (- 1.2)	+ 33 (+ 5.5)	+ 36 (+ 5.7)	+ 7 (+ 1.0)	677
4. Net Non-monetary Liabilities of R.B.I.	3,057	+ 111 (+ 3.6)	+ 898 (+28.3)	+ 876 (+21.5)	+1,371 (+27.7)	+ 119 (+ 1.9)	5,642

@ Data are provisional/partially revised.

§ These variations disregard changes in components of sources on July 12, 1982, following reclassification of aggregates necessitated by the establishment of NABARD.

- Notes: 1) Figures within brackets represent percentage variations.
 2) Constituent items may not add up to totals due to rounding off.
 3) Reserve Bank data are as on last day of June 1978 to 1983. Other data are as on last Friday of June 1978 to 1982. In regard to currency with the public, notes in circulation data are as on last day of June while the circulation of rupee and small coins data as also the item 'cash on hand with banks' are on last Friday basis.

Table V-5: Monetary Ratios and Money Multiplier
(Based on data as on the last day of June)

Items	1978-79	1979-80	1980-81	1981-82	1982-83@
1	2	3	4	5	6
Monetary Ratios					
(a) Currency/Aggregate Deposits	34.7	33.1	31.3	30.8	30.9
(b) Currency/M ₃	25.6	24.7	23.7	23.5	23.5
Incremental Ratios					
(a) Currency/Aggregate Deposits	28.4	23.4	22.8	27.6	31.0
(b) Currency/M ₃	21.7	18.9	18.6	22.0	23.5
Money Multiplier					
M ₃ /RM	2.782	2.806	2.814	2.896	2.935
Incremental Money Multiplier					
M ₃ /RM	2.516	2.973	2.860	3.737	3.217

@ Provisional.

Income Velocity of Money

During the financial year 1982-83, the income velocity of broad money, i.e., the ratio of net national income at factor cost (at current prices) to average M₃ worked out to 1.8 per cent. In the earlier four years 1978-79 to 1981-82, it ranged from 2.0 per cent to 2.2 per cent. The annual percentage rise in M₃ in 1982-83 was significantly higher at 14.1 per cent than that of 3.7 per cent in net national income, with the result, the income velocity of M₃ came down from 2.0 per cent in 1981-82 to 1.8 per cent in 1982-83.

Both the net national income and M₃ registered the lowest growth rates in 1982-83, over the five-year period 1978-79 to 1982-83 (Table V-6).

Currency and Coinage

During the fiscal year 1982-83, currency in circulation expanded by Rs.2,221 crores or 14.4 per cent, which was much larger than the expansion of Rs.1,104 crores or 7.7 per cent in the preceding year. The increase in 'notes in circulation' as appearing in the balance sheet of the Issue Department of the Reserve Bank was also higher at Rs.2,203 crores as compared with the increase of Rs.1,066

crores in 1981-82. Circulation of rupee coins and small coins however, showed smaller increases of Rs.9 crores each as against Rs.18 crores and Rs.20 crores, respectively in 1981-82.

The proportion of notes in total currency in circulation, which was 95.7 per cent at the end of March 1981 and 1982, moved up to 96.2 per cent at end-March 1983. The proportion of rupee coins, which stood at 2.3 per cent both at end-March 1981 and 1982, declined to 2.0 per cent by end-March 1983. The proportion of small coins also declined from 2.0 per cent at end-March 1982, to 1.8 per cent by end-March 1983 (Table V-7).

The circulation of notes of all denominations except those of Rs. 10/- increased over the year in absolute amounts, but as proportion of total currency in circulation, only notes in the denominations of Rs.5/-, Rs.20/- and Rs.100/- showed increases. Notes in the denomination of Rs.100/- increased substantially by Rs.1,948 crores over the year 1982-83, as against an increase of Rs.423 crores recorded during 1981-82; the percentage share of Rs.100/- notes in the total currency in circulation which had decreased from 51.8 per cent in March 1981 to 50.8

Table V-6: Income Velocity of Money

(Amounts in Rupees crores)

Financial Year (April-March)	Net National Income at Factor Cost (at Current Prices)		M ₃		Income Velocity of M ₃
	Amount	Annual% increase	Amount*	Annual% increase	
1	2	3	4	5	6
1978-79	80,992	6.7	36,413	20.3	2.2
1979-80	87,253	7.7	43,756	20.2	2.0
1980-81	106,539	22.1	50,939	16.4	2.1
1981-82	121,243	13.8	59,771	17.3	2.0
1982-83	125,732@	3.7	68,203(P)	14.1	1.8

* Average of outstandings as on last Friday of every month (April to March).

(P) Provisional/partially revised.

@ Tentative estimate.

per cent in March 1982, increased to 55.4 per cent in March 1983. Notes in circulation in the denomination of Rs.50/- recorded a smaller expansion of Rs.293 crores in 1982-83 as against the increase of Rs.518 crores in 1981-82; its share in total currency declined from 17.7 per cent at end-March 1982 to 17.1 per cent by end-March 1983. The circulation of Rs.20/- notes at Rs.1,433 crores at the end of March 1983 showed an increase of Rs.219 crores over the year, as compared with the increase of Rs.124 crores during 1981-82. As proportion to total currency in circulation, too, its share increased to 8.1 per cent by March 1983 from 7.8 per cent a year ago. The circulation of notes of Rs.10/- denomination, which had declined by Rs.106 crores during 1981-82 further decreased by Rs.193 crores during 1982-83. The share of Rs.10/- notes in total currency, however, got further eroded to 10.2 per cent at end-March 1983 from 12.9 per cent at end-March 1982 and 14.7 per cent at end-March 1981 (Table V-8).

The circulation of Rs.5/- denomination notes increased both in absolute amount and as a proportion to total currency in circulation. The increase amounted to Rs.115 crores as against Rs.58 crores in 1981-82, and the share of Rs.5/- denomination notes in total currency increased to 4.6 per cent in March 1983 from 4.4 per cent in March 1982. Rs.2/- denomination notes increased only in absolute amount by Rs.39 crores as compared to Rs.93 crores during 1981-82 but their share in total currency decreased from 2.5 per cent to 2.4 per cent.

Demonetised High Denomination Notes

Of Rs.145.42 crores of high denomination notes in circulation as on January 16, 1978 when these were demonetised, notes worth Rs.125.11 crores (including notes amounting to Rs.64.95 crores declared by banks and Government treasuries) were tendered for exchange to the Reserve Bank. The value of notes passed by the Bank for exchange into lower denomination notes upto March 1983 was of the order of Rs.119.03 crores of which Rs.61.63 crores represented notes declared by banks and Government treasuries.

Mintage

Decimal coins of various denominations valued at Rs.6 crores were minted in 1982-83 (i.e. April 1982 to March 1983). (Statement 126 of Vol. II). Since the introduction of decimal coinage in 1956-57, the mintage of decimal coins amounted to Rs.299 crores till the end of March 1983.

New Series of Notes/Coins Issued

During the year under review, the Government of India issued commemorative coins with the inscription 'IX Asian Games' in the denominations of Rs.100/-, Rs.10/-, 25 paise and 10 paise. While the coins in denominations of 25 paise and 10 paise were issued for regular circulation through the

Table V-7 : Details of Currency in Circulation

(Rupees crores)

Financial Year (April-March)	Notes in Circulation		Circulation of Rupee Coins		Circulation of Small Coins		Currency in Circulation		of which with Banks	
	Out- stand- ings	Variation over the previous year	Out- stand- ings	Variation over the previous year	Out- stand- ings	Variation over the previous year	Out- stand- ings	Variation over the previous year	Out- stand- ings	Variation over the previous year
1	2	3	4	5	6	7	8	9	10	11
1980-81	13,688 (95.7)	+1,899	333 (2.3)	+ 9	286 (2.0)	+18	14,307 (100.0)	+1,926	844	+162
1981-82	14,754 (95.7)	+1,066	351 (2.3)	+18	306 (2.0)	+20	15,411 (100.0)	+1,104	874	+ 30
1982-83	16,957 (96.2)	+2,203	360(P) (2.0)	+ 9	315(P) (1.8)	+ 9	17,632(P) (100.0)	+2,221	953(P)	+ 79

Notes: 1. Figures in brackets represent proportion to total currency in circulation.
2. Figures include Reserve Bank data as on March 31 on the basis of closure of Government accounts.
(P) Provisional.

Bank's offices and agencies, the coins in the denominations of Rs. 10/- and Rs. 100/- formed part of proof/uncirculated sets sold by India Government Mint, Bombay.

In addition, the following coins with new designs have been issued during the year for general circulation: (i) New two-rupee coins with the inscriptions 'IX Asian Games' as well as 'National Integration', (ii) One-rupee coins in reduced size and weight, and (iii) 20 paise coins in Aluminium Magnesium alloys and 10 paise coins in reduced size and weight with the commemorative theme 'World Food Day' as well as without any commemorative theme.

Lost, Destroyed and Mutilated Notes

The number of claims in respect of lost, destroyed and mutilated notes received during the fiscal year 1982-83 was higher at 2.0 lakhs for 108.36 lakh pieces as against 1.79 lakh claims for 108.02 lakh pieces in 1981-82. In terms of value too, the claims were higher in 1982-83 at Rs. 8.56 crores against Rs. 7.51 crores in 1981-82. During the year, claims approved for payment aggregated Rs. 8.76 crores and the payment against approved claims (including those admitted during the previous years) amounted to Rs. 8.27 crores. In the fiscal year 1981-82, claims approved and the amount paid against the claims were of the order of Rs. 6.67 crores and Rs. 6.34 crores, respectively (Statement 123 of Vol. II).

Note Forgeries

The total number of forged notes including one rupee notes received by the Bank, which had increased more than two-fold from 2,868 pieces in fiscal year 1980-81 to 9,472 pieces in 1981-82, dropped substantially to 1,952 pieces in 1982-83 (Statement 124 of Vol. II).

Trends in Gold and Silver Prices

Gold

In the international gold markets, the price of gold depicted a generally firm trend during 1982-83. In the London market, it continued to move up steadily till mid-February 1983, after which it became somewhat subdued but closed higher on balance. Thus, the price rose by \$102.75 per fine ounce or 32.7 per cent over the year (from \$314 at end-June 1982 to \$416.75 at end-June 1983). The lowest and the highest levels touched during the year were \$307.40 on July 7, 1982 and \$511.50 on February 15, 1983. In the preceding year, the price in the London market had shown a decline of \$107.50 per fine ounce or 25.5 per cent from \$421.50 at the end of June 1981 to \$314 at end-June 1982. The main factors contributing to the bullish trend till February 15, 1983 were the weakness of the U.S. dollar, fall in U.S. interest rates, renewed conflict between Iran and Iraq, the fears about the stability of the international banking sys-

Table V—8 : Percentage share of Rs. 10/-, Rs. 20/-, Rs. 50/-, and Rs. 100/- Notes in Total Currency in Circulation*

End of March	Percentage Share				Total (2 to 5)
	Rs. 10	Rs. 20	Rs. 50	Rs. 100	
1	2	3	4	5	6
1981	14.7	7.6	15.4	51.8	89.5
1982	12.9	7.8	17.7	50.8	89.2
1983	10.2	8.1	17.1	55.4	90.8

* Inclusive of circulation of small coins.

tem and the nationalisation of banks in Mexico. The easiness in prices displayed in the second half of February and March 1983 was mainly on account of a remarkable rally of the U.S. dollar in the international markets and heavy offerings of the metal in reaction to the OPEC pact on oil price cut. However, the price staged some recovery during April and May due to expectations of lower interest rates. This uptrend was reversed in June on apprehensions that the Federal Reserve might tighten its credit policy in response to a surge in U.S. money supply. Nevertheless, the price closed higher at \$416.75 per fine ounce on June 30, 1983 as compared with \$314 as at end-June 1982. The movements in the price of gold in international markets are discussed in detail in Chapter X of the Report.

Domestic Market

In the Bombay market, the price of gold moved both ways with an underlying firm tendency and registered an increase of Rs. 115 per 10 grammes or 7 per cent over the year from Rs. 1,640 at the end of June 1982 to Rs. 1,755 by end-June 1983. In the preceding year, the rise in gold price in the Bombay market was smaller at Rs. 30 per 10 grammes or 1.9 per cent. The range of price variation during 1982-83 at Rs. 275 was higher than that in the preceding year when it was Rs. 190. The increase of 7 per cent in gold price in the Bombay market in 1982-83 was, however, small as compared to the rise of 32.7 per cent in the London market.

The price of gold in the Bombay market reached its highest level of Rs. 1,890 per 10 grammes on May 27, 1983; the lowest level of Rs. 1,615 per 10 grammes was touched on July 8, 1982. In the London market, the peak touched was \$511.50 per fine ounce (equivalent to Rs. 1,627.44 per 10 grammes)

on February 15, 1983 and the low touched was \$307.40 per fine ounce (equivalent to Rs. 952.63 per 10 grammes) on July 7, 1982. In 1981-82, the highest and the lowest levels were Rs. 1,795 and Rs. 1,605 per 10 grammes, respectively, in the Bombay market and \$460.25 per fine ounce (equivalent to Rs. 1,353.04 per 10 grammes) and \$297.00 per fine ounce (equivalent to Rs. 914.43 per 10 grammes), respectively, in the London market.

In the Bombay market, the gold price witnessed a more or less continuous increase from Rs. 1,640 on June 30, 1982 and reached Rs. 1,730 on August 27, 1982 on firm overseas advices, limited supplies and reports of seizure of smuggled gold. During September and early October, gold prices exhibited mixed trends but from the second week of October, the market turned bullish. The quotation, which had receded to Rs. 1,670 on October 5, rose to Rs. 1,750 on October 20, due to encouraging overseas advices. Thereafter, the price, which fluctuated within the range of Rs. 1,725 and Rs. 1,775 till November 26, moved up to Rs. 1,780 on November 29 but reacted to Rs. 1,740 by December 14. The uptrend in November was assisted by good festival demand and limited supplies, while the subsequent decline was attributed to increased supplies against poor demand coupled with a quiet trend abroad. From December 28, the uptrend was resumed, assisted by seasonal demand, increase in gold price abroad and weakening of the pound sterling. The quotation moved up to Rs. 1,795 on January 21, 1983. The price dipped to Rs. 1,750 by February 5 on poor local demand and improved arrivals. After displaying divergent movements till the third week of March, the market turned bullish and the price rose gradually to reach Rs. 1,880 on April 23 due to good demand, paucity of supplies and high overseas

Table V-9: Gold Prices in London and Bombay during 1982-83

(Monthly Averages)			(Rupees per 10 grammes)	
Months	London (Morning fixing)	Bombay (Closing)	Spread between Bombay and London Prices	
			Absolute	Percentage
1	2	3	4	5
June 1982	959.67	1650.80	+691.13	+72.02
July 1982	1038.29	1643.08	+604.79	+58.25
August 1982	1119.64	1669.72	+550.08	+49.13
September 1982	1358.14	1702.40	+344.26	+25.35
October 1982	1318.39	1721.46	+403.07	+30.57
November 1982	1305.90	1758.13	+452.23	+34.63
December 1982	1391.31	1753.38	+362.07	+26.02
January 1983	1525.41	1778.26	+252.85	+16.58
February 1983	1575.64	1770.30	+194.66	+12.35
March 1983	1353.43	1774.96	+421.53	+31.15
April 1983	1393.36	1831.36	+438.00	+31.43
May 1983	1409.76	1875.60	+465.84	+33.04
June 1983	1342.89	1791.54	+448.65	+33.41

advices. However, the price receded to Rs. 1,855 on May 11 due to lack of demand; subsequently it rose steadily and touched Rs. 1,890 on May 27 — the highest level during the period under review. Paucity in arrivals and improved demand contributed to this rise. In June 1983, a downtrend set in as a sequel to the lack of fresh buying support, unloading of stocks by sellers and lower overseas advices. The price quoted on June 30, 1983 was Rs. 1,755; a year ago, it was at Rs. 1,640 per 10 grammes.

Spread between the Indian and the International Prices

Table V-9 gives the monthly averages of gold prices in London and Bombay during 1982-83. The premium commanded by the Bombay price over the London price which was Rs. 691 per 10 grammes or 72 per cent in June 1982, narrowed down to Rs. 605 or 58 per cent in July and further to Rs. 344 or 25 per cent in September 1982 owing to the larger rise in London price than in the domestic price. Thereafter, the premium moved up to Rs. 452 or 35 per cent in November 1982 as the London price declined from Rs. 1,358 in September 1982 to

Rs. 1,306 in November, and the Bombay price rose from Rs. 1,702 to Rs. 1,758 during this period.

The premium narrowed to Rs. 195 or 12 per cent in February 1983 — the lowest during 1982-83. A sharp rise of Rs. 270 in London price as compared to a small increase of Rs. 12 in Bombay price during the period November 1982 to February 1983 contributed to this decline in the premium during the period. The London price (monthly average) which touched its peak at Rs. 1,576 in February receded to Rs. 1,343 in June, while the Bombay price rose from Rs. 1,770 in February to Rs. 1,792 in June 1983. As a result, the premium commanded by the Bombay price over the London price increased from Rs. 195 or 12 per cent in February to Rs. 449 or 33 per cent in June 1983.

Silver

International Markets

During 1982-83 (July-June), silver prices depicted firm trend in the international silver markets of New York and London, thus reversing the general downtrend witnessed since the early part of 1980. The price of silver in the New York market

rose sharply by 566 cents per ounce or 95.29 per cent from 594 cents per ounce at end-June 1982 to 1,160 cents per ounce at end-June 1983; in London, it recorded an even steeper increase of 427.50 pence per ounce or 129.53 per cent from 330.05 pence per ounce at end-June 1982 to 757.55 pence per ounce at the end of June 1983.

The major factors contributing to the buoyancy in silver prices in the international markets during 1982-83 were speculative activities and bullish trends in stock markets, heavy buying spree induced by fear of defaults by some major silver producers in repaying their loans, the reports of sizeable purchases of the white metal by the Soviet Union and the passing of the U.S. legislation limiting the sales of silver from the U.S. strategic stockpile to 10 per cent annually which removed the earlier fear of heavy official sales by the U.S. The firmness in gold prices also aided the sentiment.

The range of price variation in the New York and London silver markets during 1982-83 was higher than in the preceding year as shown below:

In the *New York* market, the price of silver, which stood at 594 cents per ounce at the end of June 1982, declined to 557 cents (the lowest level reached in 1982-83) on July 7 due to the strengthening of the dollar. Later on, an upswing followed and the price rose almost continuously to touch a high of 730.50 cents on July 27 as a sequel to the fall in interest rates in the U.S. and the resulting weakness of the dollar in exchange markets. The months of August, September and October witnessed a distinct uptrend in price which touched 1,083 cents on November 3. The upsurge in price during this period was attributed to speculative buying and bullish trends in stock markets. Subsequently, the price receded to 917.50 cents on November 24 as the U.S. dollar staged a temporary recovery on expectations that the U.S. might resume sales of stockpile silver (which were suspended in 1981). However, the

downtrend proved short-lived and the price rose to 1,121 cents on December 29, as the U.S. President gave his assent to the bill stipulating that the sales of stockpile silver in any year should not exceed 10 per cent of the U.S. mine production annually, and this removed the earlier fears about heavy sales of silver by the U.S. The buoyancy in silver prices continued unabated during January and February 1983 and the quotation touched 1,474.50 cents on February 16, 1983 — the highest level during 1982-83. The factors responsible for the upsurge in price were reduction in U.S. interest rates and the weakening of the U.S. dollar. Subsequently, the price started to ease and reached 1,022 cents on March 7 due to recovery of the U.S. dollar and prospects of lower oil prices. Thereafter, it exhibited divergent trends with a firm undertone and moved up to 1,237 cents on April 18 and further to 1,360 cents on May 31. The expectations of lower U.S. interest rates and bullish stock and bond markets in the U.S. exerted pressures on the price level. However, during June, an easy trend prevailed on fears about tightening of the credit policy by the Federal Reserve Board. The market closed at 1,160 cents per ounce on June 30, 1983. Over the year, however, it represented an increase of 566 cents per ounce or 95.29 per cent.

In the *London* market, the movements in silver prices were more or less similar to those in New York, but the net rise over the year was of a higher magnitude than in the New York market. The silver price in the London market, which had closed at 330.05 pence per ounce on June 30, 1982, touched the lowest level of 323.75 pence on July 7. Subsequently, it rose to touch 410.95 pence on July 27. During August, September and October, the price exhibited a bullish trend and reached 634.40 pence on November 5. The market sentiment was affected by the fall in U.S. interest rates and heavy buying of silver by the U.S.S.R. The quotation, after declining to 565.70 pence on November 24 due to the recovery of the dollar in foreign currency markets, again firmed up and touched 685.15 pence on December 29, mainly in response to the weakening of

July-June	New York (Cents per ounce)			London (Pence per troy ounce)		
	Highest	Lowest	Variation	Highest	Lowest	Variation
1981-82	1132	489	643	633	285	348
1982-83	1475	557	918	949	324	625

the U.S. dollar. The announcement of a reduction in key lending rates in Europe and the lack of firmness in the pound in an atmosphere of weak oil prices also contributed to this rise. There was a further upsurge in price during January and February 1983; it stood at 902.10 pence on January 31 and rose further to 948.65 pence on February 16 — the peak reached during 1982-83 — due to the continued weakness of pound sterling in the foreign exchange markets. Subsequently, a mixed trend was noticed, with the undertone somewhat subdued during March and April; the price quoted on April 29 was 766.25 pence. The re-emergence of the bullish trend in May with the quotation hovering between 767.15 pence and 862.65 pence was also attributed to the weakness of pound sterling. In June 1983, the price displayed a general downtrend in line with the price in New York market and closed at 757.55 pence per ounce on June 30, 1983, showing an increase of 427.50 pence per ounce or 129.53 per cent over the year.

Domestic Market

During 1982-83, silver price in the Bombay market evinced a generally bullish trend in line with the price movement in international markets. Over the year, the price of silver in the Bombay market registered a substantial rise of Rs.735 per kg. or 28.60 per cent from Rs.2,570 per kg. at end-June 1982 to Rs.3,305 per kg. at end-June 1983. In the preceding year, the price of the white metal had registered a net rise of Rs.195 per kg. or 8.2 per cent.

The price of silver in the Bombay market, which had closed at Rs.2,570 per kg. on June 30, 1982, declined initially to Rs.2,500 per kg. on July 7 (the lowest level in 1982-83), following poor demand, and discouraging Delhi and overseas advices. However, effective July 8, 1982, a generally firm underlying trend was noticed. The price, which fluctuated between Rs.2,500 and Rs.2,630 during July, was quoted in the range of Rs.2,565 and Rs.2,680 during August and then rose to Rs.2,735 on September 7 due to paucity of ready stocks and encouraging advices from Delhi and New York. Subsequently, the price started receding and touched Rs.2,600 on September 28 because of increased offerings, weaker overseas advices and slack demand. However, there was a reversal of the easy trend from the beginning of October and the price rose to Rs.2,675 on October 8 and further to Rs.2,710 on October 23, following good demand in the face of limited supplies and bullish overseas

advices. The quotation moved erratically in the range of Rs.2,670 and Rs.2,710 upto November 12 and then showed a distinctly firm trend and reached Rs.3,040 on December 10 due to paucity of supplies against brisk demand induced by encouraging overseas advices. The uptrend was attributed also to the reported purchase of an estimated 10 million ounces of silver during October by the Soviet Union which led to scarcity in supplies and settlement squeeze in the Chicago market, reduction in U.S. interest rates, the reported brisk demand for smuggling of the metal to Gulf countries in barter payment for gold and the prevailing marriage season. The price oscillated within the range of Rs.2,830-3,030 from December 11 to January 7 and started rising from January 8 to touch Rs.3,430 on February 1 due to reserved selling activity on encouraging domestic and overseas advices coupled with speculative buying. However, as speculative buying support waned mainly as a reaction to a subdued trend abroad and as arrivals increased, the price retreated sharply to Rs.3,270 on February 10. Thereafter, a small recovery ensued but soon the downtrend re-emerged which continued in March; the lowest price for the month of Rs.2,925 was touched on March 7. The fall in price stemmed from poor buying support and a weakness in the markets abroad. Subsequently, a bullish trend set in and the price rose to Rs.3,785 on May 19 due to heavy demand, rise in prices abroad and limited supplies. Thereafter, the price showed a mixed trend with an underlying subdued tone. Pressure of supplies and weak overseas advices contributed to this subdued tone; the quotation ranged between Rs.3,180 and Rs.3,725 from May 20 to June 30. The price which closed at Rs.3,305 per kg. on June 30, 1983, however, registered a rise of Rs.735 per kg. over the year.

Spread between the Indian and the International Prices

Table V-10 shows the average price of silver (in Rs. per kg.) in the Bombay, London and New York markets for June in each of the years 1979 to 1983 and monthly prices for 1982-83.

The premium commanded by the London and New York silver prices over the Bombay silver price widened from Rs.606-612 per kg. or 38 per cent in June 1979 to Rs.1,402-1,415 per kg. or about 55 per cent in June 1980. However, in June 1981, the premium narrowed considerably to Rs.281-284 or 11 per cent. In June 1982, London

Table V—10 : Silver Prices (Spot) in London, New York and Bombay
(Monthly Averages)

(Rupees per Kg.)

Month	Bombay (Closing)	London	New York	Price difference between London & Bombay (3 minus 2)		Price difference between New York & Bombay (4 minus 2)	
				Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8
June 1979	1,612.84	2,224.75	2,219.19	+ 611.91	+ 37.94	+ 606.35	+ 37.60
June 1980	2,574.04	3,988.72	3,976.11	+ 1,414.68	+ 54.96	+ 1,402.07	+ 54.47
June 1981	2,495.92	2,777.32	2,780.27	+ 281.40	+ 11.27	+ 284.35	+ 11.39
June 1982	2,568.28	1,696.16	1,698.85	- 872.12	- 33.96	- 869.43	- 33.85
1982-83							
July 1982	2,572.50	1,979.63	1,995.60	- 592.87	- 23.05	- 576.90	- 22.43
August 1982	2,618.06	2,175.81	2,189.72	- 442.25	- 16.89	- 428.34	- 16.36
September 1982	2,679.40	2,710.56	2,709.73	+ 31.16	+ 1.16	+ 30.33	+ 1.13
October 1982	2,660.00	2,930.08	2,950.68	+ 270.08	+ 10.15	+ 290.68	+ 10.93
November 1982	2,712.81	3,080.31	3,100.51	+ 367.50	+ 13.55	+ 387.70	+ 14.29
December 1982	2,920.38	3,300.88	3,292.08	+ 380.50	+ 13.03	+ 371.70	+ 12.73
January 1983	3,169.78	3,932.32	3,948.04	+ 762.54	+ 24.06	+ 778.26	+ 24.55
February 1983	3,297.17	4,463.87	4,457.38	+ 1,166.70	+ 35.38	+ 1,160.21	+ 35.19
March 1983	3,033.80	3,424.31	3,416.07	+ 390.51	+ 12.87	+ 382.27	+ 12.60
April 1983	3,355.91	3,772.69	3,776.90	+ 416.78	+ 12.42	+ 420.99	+ 12.54
May 1983	3,608.52	4,172.62	4,197.17	+ 564.10	+ 15.63	+ 588.65	+ 16.31
June 1983	3,313.65	3,822.01	3,818.95	+ 508.36	+ 15.34	+ 505.30	+ 15.25

Note: The quotation in pence per troy ounce in London and cents per ounce in New York have been converted into Kg. at 32.15 troy ounces. The par value of pence/sterling is computed at the average of the Reserve Bank's spot buying and selling rates and that of cent/dollar at the cross rates based on the daily average of spot buying and selling rates in London. The quotations are based on spot exchange rates.

and New York prices were lower than the Bombay price to the extent of about Rs.869-872 or 34 per cent.

The silver prices in Bombay market remained higher than those in the London and New York markets in July and August 1982; the discount at which London and New York prices were quoted in these two months was in the range of Rs.577-593 (22-23 per cent) and Rs.428-442 (16-17 per cent), respectively. But this trend was completely reversed in September and the London and New York prices overtook the Bombay price during the period from September 1982 to June 1983. The premium commanded by the London and New York prices over the Bombay price, which was in the range of

Rs.30-31 per kg. or 1 per cent in September 1982, rose to Rs.1,160-1,167 or 35 per cent in February 1983. Thereafter, it moved down to Rs.382-391 or 13 per cent in March, but rose again to Rs.564-589 or 16 per cent in May. In June 1983, it was somewhat lower at Rs.505-508 or 15 per cent.

On a comparison of June-end prices in the four year period, 1979 to 1983, it is observed that the Bombay price rose from Rs.1,613 to Rs.3,314 per kg. in June 1983 by Rs.1,701 or 105.5 per cent. The rise in the London price was smaller by Rs.1,597 or 71.8 per cent — from Rs.2,225 to Rs.3,822 per kg.; in the New York market also, the increase was lower by Rs.1,600 or 72.1 per cent — from Rs.2,219 to Rs.3,819 per kg. in June 1983.

Notes: 1. During the period July 1982 to June 1983, the domestic production of gold at 2,251 kgs. recorded a decline of 3.3 per cent over the level of 2,328 kgs. in the corresponding period of 1981-82. During 1981-82, the decline in production over that in the corresponding period of the previous year was 4.1 per cent. The output of silver at 14,924 kgs. during 1982-83 was lower than in the previous year (16,547 kgs.) by 9.8 per cent in contrast to a substantial increase of 27.6 per cent recorded in the 1981-82 over the production in 1980-81.

2. During the year 1982-83, the following amendments were made to the Gold Control Rules, 1968

and 1969

- (i) The gold dealers in transit lounges of international airports, etc., who sell ornaments against foreign exchange, have been brought on par with small exporters of ornaments. The yearly turnover limits for issue and renewal for the licences of these dealers have been kept at Rs.10,000/- instead of Rs.1 lakh and 100 grammes instead of 1000 grammes.
- (ii) The validity of a gold dealer's licence was extended to a period not exceeding three years.

Chapter VI

Banking Developments

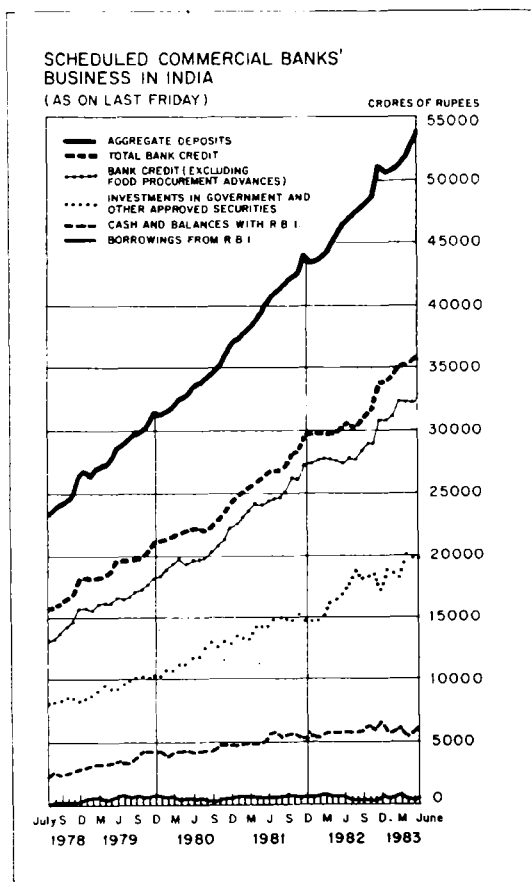
OVERALL REVIEW

A salient feature of the operations of scheduled commercial banks during 1982-83 was the pick-up in deposit growth after a marked deceleration in growth witnessed in 1981-82. Bank credit also showed a substantial expansion shared by both food and non-food credit. However, deposit accretion was more marked than the expansion in credit. The consequent excess liquidity in the banking system needed to be handled in a way that would contain inflationary potential implicit in the excess liquidity without affecting the essential process of production. The credit policy measures announced during the year were designed to achieve this task. The branch licensing policy continued to be aimed at covering more unbanked centres of the country.

Aggregate deposits of scheduled commercial banks increased during 1982-83 (July-June) by Rs.7,438 crores or by 16.1 per cent as against a smaller accretion of Rs.5,579 crores (13.8 per cent) in 1981-82. The rise was predominantly in time deposits, though demand deposits made no less contribution to the increase. The expansion in bank credit at Rs.5,749 crores recorded a growth rate of 19.0 per cent as compared to 13.7 per cent (Rs.3,629 crores) in the previous year. Non-food credit expanded by 18.2 per cent as against 12.4 per cent in 1981-82. Food credit also rose substantially by Rs.764 crores as compared to Rs.623 crores.

The Reserve Bank's credit policy during the year was one of carefully controlled expansion. In October 1982, the category of term deposits of five years and above was revived bearing a rate of interest of 11.0 per cent so as to offer a better return on longer-term bank deposits and thus assist the banks in their deposit mobilisation efforts. The refinance formula was liberalised in respect of food credit and export credit. Measures were also taken to stimulate investment in capital and engineering goods and to encourage exports. The lending rates were scaled down effective April 1, 1983 to provide relief to a wide spectrum of borrowers. The credit policy

measures announced on the eve of the 1983 slack season were aimed at containing inflationary potential implicit in excess liquidity evident in the banking system at that time, without hurting essential process of production. The measures included: raising of the Cash Reserve Ratio from 7 per cent to 8 per cent in two stages, from May 28 and July 30, 1983, adjustment in food credit refinance, further liberalisation in lending rates in respect of certain categories coming under the new 20-Point Programme, etc.



As regards the national targets set for banks, viz., 40 per cent of advances for priority sector to be attained by March 1985 and 60 per cent credit-deposit ratio in respect of rural and semi-urban offices, further progress was recorded. At the end of June 1983, priority sector advances constituted 36.7 per cent of total net bank credit. Banks' performance in sphere of agricultural credit was satisfactory; such advances constituted 15.6 per cent of net bank credit as against the 16 per cent sub-target set for March 1985. Banks had reached a credit-deposit ratio of 58.7 per cent and 50.0 per cent in respect of rural and semi-urban offices, respectively, at the end of June 1982 as against the target of 60 per cent. The public sector banks' advances under the old 20-Point Programme formed 8.4 per cent of their total credit at the end of December 1982.

Banks were fully geared to implement the new branch licensing policy the thrust of which is on branch expansion in rural and unbanked centres. Of the 2,839 offices opened during 1982-83 over 78 per cent were in rural areas.

CREDIT POLICY

As noted earlier, the accent of the Reserve Bank's credit policy during 1982-83 was on carefully controlled expansion so as to meet all genuine needs of credit for productive purposes without fuelling inflationary expectations. The details of measures taken by the Bank from time to time during the year are furnished below.

July 1982

The credit policy measures announced in July 1982 and reviewed in the previous year's Report are summarised below:

(a) introduction of a scheme of graduated penalties in cases of small involuntary defaults by banks in maintaining the Cash Reserve Ratio (CRR);

(b) liberalisation of stand-by refinance whereby draws under the facility would not be restricted to three days at a time as hitherto and evidence of a clearing imbalance would not be necessary for banks with a satisfactory record of CRR and Statutory Liquidity Ratio (SLR) maintenance; and

(c) raising of the cut-off point for working capital limits under Credit Authorisation Scheme (CAS) for private sector borrowers from Rs.2 crores to Rs.3 crores.

With these liberalisations, banks were expected to be able to normalise credit operations so as to fully meet legitimate credit requirements of vital sectors. It was also indicated to banks that non-food credit expansion for the financial year 1982-83 could be around the same rate of 16.8 per cent as attained in 1981-82, which in absolute terms came to about Rs.4,600 crores for the banking system as a whole.

October 1982

With the uncertainties evident in October 1982 regarding the *kharif* crop and the relatively slower growth of industrial output, the outlook for 1982-83 was one of a slowing down in the growth of the economy and in this context there seemed to be a continuing need for a cautious approach, particularly, in relation to primary money creation. At the same time, there was also a need to provide stimulus to certain vital sectors of the economy characterised by sluggishness of demand so as to sustain and strengthen the impulses for longer term growth and also as an offset both to uncertainties associated with the 1982-83 *kharif* crop and cost-push factors operating in the economy. It was recognised that credit policy must assist in the fuller utilisation of available capacities without providing any support to the revival of inflationary tendencies.

With a view to facilitating the attainment of these twin objectives, the following measures were devised in October 1982.

a) With effect from October 26, 1982, the category of term deposits of five years and above was revived offering a rate of interest of 11.0 per cent in accordance with the recommendations of the Working Group on Bank Deposits. Interest rates applicable to deposits of various maturities with effect from October 26, 1982 are given in Table VI-1.

(b) Two changes were made in the refinance facilities: (i) With effect from November 1, 1982, banks were made eligible for 100 per cent refinance over the outstanding level of food credit of Rs.2,500 crores; the then existing two-tier food refinance formula i.e., partial refinance between the outstanding levels of Rs.2,200 crores and Rs.2,600 crores and full refinance over Rs.2,600 crores, was discontinued; (ii) with effect from the last Friday of November 1982, banks were entitled

Table VI—1 : Interest Rates on Deposits

A	(Per cent per annum)
Term Deposits	Rates effective from October 26, 1982
Maturity of:	
15 days to 45 days	3.00
46 days to 90 days	4.00
91 days to less than 6 months	5.00
6 months & above but less than 9 months	6.00
9 months & above but less than one year	7.00
1 year and above but less than two years	8.00
Two years & above but less than three years	9.00
Three years & above but less than five years	10.00
Five years and above	11.00

Note : (1) On all term deposits of less than 3 years, regional rural banks may, at their discretion, allow an additional interest of 0.5 per cent per annum and scheduled commercial banks having aggregate demand and time liabilities of less than Rs.25 crores, an additional interest of 0.25 per cent per annum.

(2) Term deposits of one year and above under the Foreign Currency (Non-Resident) Accounts Scheme and Non-Resident (External) Rupee Accounts Scheme would continue to carry interest at rates 2 per cent above the local currency deposits.

to refinance to the extent of 50 per cent of the increase (on monthly average basis) in export credit over the level of 1980 upto the level of 1981 plus 100 per cent of the increase over the level of 1981. This measure was expected to enhance the banks' ability to increase export credit without any constraint.

(c) A few measures were taken to stimulate investment in capital and intermediate goods: (i) The IDBI was provided additional resources of Rs. 100 crores to ensure that the State Electricity Boards (SEBs) and the State Road Transport Corporations (SRTC) were sanctioned additional credit limits; (ii) the ceiling on the banks' share in term loans to SRTC was enhanced from the existing level of 25-30 per cent to 40 per cent of the term loan component of the project cost; (iii) the margin on tractor and truck loans was reduced from 25 per cent to 15 per cent; (iv) in the case of private sector parties not covered by CAS, the cut-off point for

term loans (of over three years) which require prior authorisation by the Reserve Bank was raised from Rs.25 lakhs to Rs.50 lakhs; and (v) in the case of major export-oriented manufacturing units outside the CAS whose annual average export turnover in the past three years was more than 25 per cent of total turnover, the cut-off point for term loans (of over three years) which require prior authorisation by the Reserve Bank was raised from Rs.25 lakhs to Rs.1 crore.

(d) To facilitate more expeditious sanction of export credit limits, the CAS procedure was liberalised: (i) In the case of major export-oriented manufacturing units whose annual average export turnover in the past three years was more than 25 per cent of total turnover, the cut-off point for the CAS was raised from Rs.3 crores to Rs.5 crores, and (ii) the sanction of additional packing credit limits requiring prior authorisation by the Reserve Bank was liberalised.

(e) Advances to State-sponsored organisations of scheduled castes/scheduled tribes were to be charged a concessional rate at 13.5 per cent per annum.

(f) The amount earmarked for housing finance was raised from Rs.100 crores to Rs.150 crores.

(g) The attention of banks was specially drawn to certain long term issues such as: (a) the need to give greater attention, under the overall target of 40 per cent set for priority sector advances, to the sub-targets for the weaker sections of society as identified in the 20-Point Programme, to the credit needs of small and marginal farmers, scheduled castes/scheduled tribes (SC/ST) and women entrepreneurs within the ambit of priority sector, and to the provision of banking infrastructure required for the implementation of the Integrated Rural Development Programme (IRDP) and irrigation schemes; (b) more effective implementation of the quarterly operating limits for medium and large borrowers so as to reduce excessive dependence on bank credit for working capital purposes; and (c) the need to ensure prompt payment by medium and large manufacturing units to small ancillary suppliers by extending at least 50 per cent of cash credit limit by way of drawee bills.

February 1983

Reduction in Lending Rates

In the context of the prevailing low rate of inflation, it was felt that real rates of interest were high. It was, therefore, decided to adjust downwards the structure of lending rates with effect from April 1, 1983. The Government made a contribution towards this end and the tax on interest income of banks was halved with effect from April 1, 1983.

The reduction in lending rates varied from 0.25 percentage point to 1.5 percentage points and the maximum lending rate was reduced from 19.5 per cent to 18.0 per cent.

The downward adjustments were intended to provide relief to a wide spectrum of borrowers including large and medium industry, agriculture, small-scale industry and export. Lending rates in the highest bracket which had increased by as much as 4.5 percentage points since September 1979 were subjected to a somewhat larger reduction than the rates for other categories which already had a significant concessional element and which had also experienced minimal increases since September 1979. The revised lending rate structure was expected to stimulate the growth of real output. A chart on the revised lending rates structure along with the rates prevailing prior to the revision is given in Annexure I to this chapter.

Priority Sector Advances

The recommendations of the Working Group on the role of banks in the implementation of the New 20-Point Programme were accepted by the Reserve Bank and the Government with some modifications and the Reserve Bank issued in February 1983 detailed guidelines regarding their implementation. As per the recommendations, a few changes were made in the definitions of some of the components of the priority sector, viz. retail trade, small business and professional and self-employed persons. In the case of agricultural finance, as against the existing sub-target of 16 per cent for both direct and indirect finance for agriculture and allied activities, a separate sub-target of 15 per cent of total credit was fixed for direct finance to agriculture (including allied activities) to be reached by March 1985 and 16 per cent by March 1987. The definition of weaker sections in the priority sector was also revised to correspond to the beneficiaries under the

20-Point Programme and would comprise (i) small and marginal farmers with land holdings of 5 acres and less, landless labourers, tenant farmers and share croppers; (ii) artisans and village and cottage industries; (iii) IRDP beneficiaries; (iv) scheduled castes and scheduled tribes; and (v) DRI beneficiaries. It was stipulated that advances to weaker sections as per the new definition should reach a level of 25 per cent of priority sector advances or 10 per cent of total bank credit by the end of March 1985.

April 1983

The credit policy was reviewed in the last week of April 1983 against the backdrop of the monetary and credit trends in the financial year 1982-83 and the likely developments in the first half of 1983-84. The real rate of growth of the economy in 1982-83 was perceptibly lower than in 1981-82 while primary money creation was considerably larger in 1982-83. In the context of a slowing down in the real growth of the economy in 1982-83 and the subdued demand for commercial credit, the large primary money creation had resulted in the generation of sizeable excess liquidity in the banking system. After an indifferent monsoon followed by severe and widespread drought, the expectation was of a normal or good monsoon during the current year and a significant increase in the rate of growth of overall output to 6-7 per cent. Credit requirements were expected to build up as the year progressed and be large during the second half of the year. Consequently the prevailing excess liquidity could turn out to be a short-term phenomenon. It was, therefore considered necessary to devise measures to contain the inflationary potential implicit in excess liquidity without hurting in any way the essential processes of production. The measures had to be so devised as to enable the banks to meet adequately the genuine productive requirements of the economy both in the first half as well as in the latter half of 1983-84.

As a working estimate, deposit growth in 1983-84 was projected in the region of Rs.8,000 crores (15.7 per cent) as against a little less than Rs.7,000 crores (15.9 per cent) in 1982-83. In the first half of 1983-84, bank deposits were expected to increase by about Rs.4,000 crores. Even without

recourse to Reserve Bank refinance, banks would be able to expand credit by Rs. 1,500 crores during the first half of 1983-84 and also build up further liquidity of around Rs. 1,000 crores.

The package of measures announced consisted of the following:

1) The CRR was enhanced from 7 per cent to 8 per cent in two stages: 7.5 per cent from the week beginning from May 28, 1983 and 8.0 per cent from the week beginning from July 30, 1983.* The increase was primarily aimed at achieving a better control of short-term excess liquidity over the financial year and to ensure that banks held their current excess liquidity more remuneratively. Since the excess liquidity was unevenly distributed among banks, the Reserve Bank offered to provide, on merits, to such of the banks as would have difficulty in meeting the enhanced CRR requirements, discretionary refinance for short periods to adjust to the higher requirements.

The interest rate payable on banks' cash balances with the Reserve Bank above the statutory minimum of 3 per cent (inclusive of the additional cash balances under the 10 per cent incremental CRR) was raised from 8 per cent to 9 per cent effective May 1, 1983. The rates of interest payable to banks under the scheme of graduated penalties introduced in July 1982 were also revised upwards with effect from May 1, 1983. The revised rates of interest are as follows:

Shortfall as per cent of absolute amount of cash balances required to be maintained (upto and inclusive of)	Rate of interest payable on eligible balances actually maintained (Per cent)
0	9.0
0.5	8.50
1.0	7.25
1.5	4.50
2.0	2.25
3.0	0.50
Over 3.0	0

*On August 8, 1983 it was decided to further raise it to 8.5 per cent with effect from the week beginning August 27, 1983.

2) With effect from July 1, 1983 banks would be provided refinance to the extent of 100 per cent over the outstanding level of food credit of Rs. 2,800 crores instead of Rs. 2,500 crores earlier.

3) With a view to strengthening the redistributive bias of credit policy and to provide a more purposeful thrust to the objectives of the 20-Point Programme, a few changes were effected in the lending rates structure announced in February 1983, which came into effect on April 1. Banks had been charging varying rates for retail trade in fertilisers. Distribution of fertilisers now came to be treated as indirect finance to agriculture and a lower scale of rates depending on the size of credit was made applicable to the ultimate borrower. (Please see Annexure I to this Chapter). Units engaged in the production and distribution of seeds would be charged a lower interest rate of 14 per cent as against 16.5 per cent applicable to government agencies engaged in procurement and distribution of seeds.

It was decided to reduce the interest rate on priority sector advances granted to professionals and self-employed persons belonging to SC/ST and professional and self-employed women. Short-term credit to these two categories would be provided at 14 per cent (14 - 16.5 per cent earlier) and term loans at 13.5 per cent (15 per cent earlier).

In the case of advances under consortia arrangements, banks had been charging varying rates. It was stipulated that in cases of consortia where banks had the option to charge a rate within an interest rate band, the rate should be determined at the average, rounded to the nearest one-half of one percentage point, of the rates suggested by the members in the consortia, weighted by the shares of the banks in the consortium credit limit sanctioned.

4) The additional resources facility of Rs. 100 crores from various financial institutions to IDBI provided in October 1982 to enable it to grant additional credit limits to State Electricity Boards and State Road Transport Corporations would be continued for 1983-84 also.

5) The problem faced by small-scale industry in receiving prompt payment for supplies made to medium and large industries was a major constraint to their efficient operations. In addition to the guidelines already issued to banks in October 1982

in this regard, it was now further stipulated that the performance of banks in increasing their portfolio of drawee bills relating to supply of raw materials to SSI would be taken into account while sanctioning discretionary refinance to them. Banks were also urged to ensure that the operating limits of medium and large borrowers were automatically reduced, if sundry credits from the small-scale sector rose above a stipulated level.

6) With reference to their role in the implementation of the new 20-Point Programme, detailed instructions on which had already been issued in February 1983, banks were urged to draw up detailed operational plans to achieve the various targets and sub-targets. In the ensuing credit budget discussions they were asked to include specific measures being taken by them towards this end. Banks were also expected to provide by way of loans on concessional terms a sum of Rs. 150 crores for a scheme being finalised by the Government for providing productive gainful self-employment to the unemployed educated youth.*

Changes in Provisions Governing Bank Deposits

A Working Group was appointed by the Reserve Bank in August 1982 to examine the trends in the growth of bank deposits and review the interest rate structure in respect of bank deposits and the existing regulatory framework regarding deposit mobilisation. One of the recommendations of the Working Group, viz., the reintroduction of term deposits of 5 years and above carrying a rate of interest of 11.0 per cent was implemented in October 1982. In the light of the other recommendations of the Working Group, the Bank modified certain provisions relating to bank deposits. These are given below:

(1) In the case of premature withdrawal of term deposits, the interest payable on such deposit would be 1 per cent below the rate applicable to the deposit for the period during which the deposit had remained with the banks. (2) The interest to be paid on premature withdrawal or renewal under reinvest-

ment plan (which provides for reinvestment of interest) would be compound interest with quarterly rests at permissible rate instead of simple interest. (3) Depositors having balances in Janata Deposit (daily deposit) and recurring deposit accounts would be allowed to convert the balances (with permissible rate of interest on a compounded basis) to fixed deposit accounts before maturity without penalty. (4) In the case of balances lying in current account in the name of a deceased depositor, interest would be paid at savings deposit rate on and from the date of the death of the depositor till payment to the legal heirs. (5) Banks are generally prohibited from paying interest on savings accounts opened in the name of trading/business concerns. However, certain development agencies (in view of the socially desirable purposes of their activities), societies registered under the Societies Registration Act, 1860 or any State law and companies licensed under Section 25 of the Companies Act, 1956 had already been exempted from the purview of this directive and were allowed to open savings bank accounts on usual terms. In addition, institutions which were specifically exempt from the liability to pay income tax under the Income Tax Act, 1961 were also now made eligible to earn interest on their savings bank accounts.

Term deposits of one year and above under the Foreign Currency Non-resident (FCNR) Accounts Scheme and Non-resident (External) Rupee (NRE) Accounts Scheme carry, with effect from March 1, 1982, additional interest of 2 per cent over the rates permissible on domestic deposits of comparable maturities. The Reserve Bank further clarified in May 1983 that in the event of a subsequent change in the non-resident status of the depositor following return to India for permanent stay, the original contracted rate would continue to be operative.

Advances against Deposits

As per the prevailing directive, in respect of loans or advances made against deposits, banks stipulate a margin of not less than 25 per cent of the deposit amount. In the case of term deposits which provide for reinvestment of the interest periodically, the question of taking into account accrued interest also for the purpose of determining the margin was considered and banks were instructed in April 1983 that in respect of advances granted against deposits under reinvestment scheme, accrued interest also should be taken into account for determining the margin.

* The scheme has since been finalised and the overall quantum of funds to be provided by the banking system during the financial year 1983-84 has been fixed at Rs. 160 crores; this would be over and above the amount banks would have normally lent under priority sector schemes.

Other Policy Measures

The other important banking policy measures taken by the Reserve Bank during the year include the following:

Advances for purchase of tractors and trucks: With a view to ensuring that the normal sales of trucks and tractors should not be adversely affected by paucity of credit, banks were advised in November 1982 to stipulate a reduced margin of 15 per cent as against 25 per cent in respect of advances against tractors and trucks. Banks were also asked to avoid imposing onerous conditions such as linking of credit with borrowers arranging for deposits with banks.

Advances for biogas plants: In view of the importance attached by the Government to the programme of installation of biogas plants, banks were advised to pay special attention to this programme and take effective steps to ensure that all pending applications were disposed of at the earliest. They were further told not to insist on security by way of mortgage of land on their advances upto Rs.5,000 granted for setting up of biogas plants.

Small-scale service establishments: The scope of the definition of small-scale industries was extended in September 1982 to include service establishments subject to certain conditions in the context of increasing self-employment opportunities arising from the growth of urbanisation and industrial dispersal. These units would typically cover personal or household services required in urban, semi-urban and rural context such as laundry, xeroxing, repair and maintenance of consumer durables, etc., which are not purely trading or commercial enterprises. Service establishments which were having investment in plant and machinery in each case not exceeding Rs.2 lakhs and were located in rural areas and towns with a population of 5 lakhs or less only were to be covered for this purpose.

Certain changes made in credit facilities and not already covered are summarised below: (i) An enhanced ceiling (from 30 to 40 per cent) on involvement of banks in the term loan component to State Road Transport Corporations for financing projects for fleet replacements/expansion was permitted in October 1982 for a further period of one year subject to certain stipulations. (ii) After a series of consultations with the concerned authorities and financial institutions, the Reserve Bank evolved a

set of formulae for extending financial support to Bombay textile mills. The concessions related to rate of interest, margin, promoters' contribution, rephasing of repayments, etc. (iii) In December 1982, the level of credit allowed to jute mills for purchase of raw jute (for inventory purposes) exclusively from the Jute Corporation of India was raised from 4 weeks' consumption to 6 weeks' consumption subject to the overall credit limit of 14 weeks' consumption available to the mills. The facility stands withdrawn with effect from July 1, 1983. (iv) Under the housing finance limit of Rs.150 crores earmarked for the banking system for 1983 in November 1982, the following sub-ceilings were fixed for various categories: direct finance to individuals/groups of borrowers belonging to scheduled castes/tribes and economically weaker sections — Rs.30 crores; borrowers belonging to low income groups — Rs.20 crores and others — Rs.15 crores. The balance of Rs.85 crores was to be provided by way of indirect finance to HUDCO/Housing Boards (Rs.75 crores) and Housing Development Finance Corporation (Rs.10 crores).

BANKING TRENDS

The scale of operations of scheduled commercial banks during 1982-83 witnessed further improvement as revealed by the movements in major banking variables. Aggregate deposits rose significantly, with both demand and time deposits contributing to the expansion. Also there was a sizeable increase in bank credit with both food and non-food credit contributing to the rise, the latter more conspicuously. Banks' investment portfolio as also their cash on hand and balances with the Reserve Bank recorded higher increases.

Deposit Growth

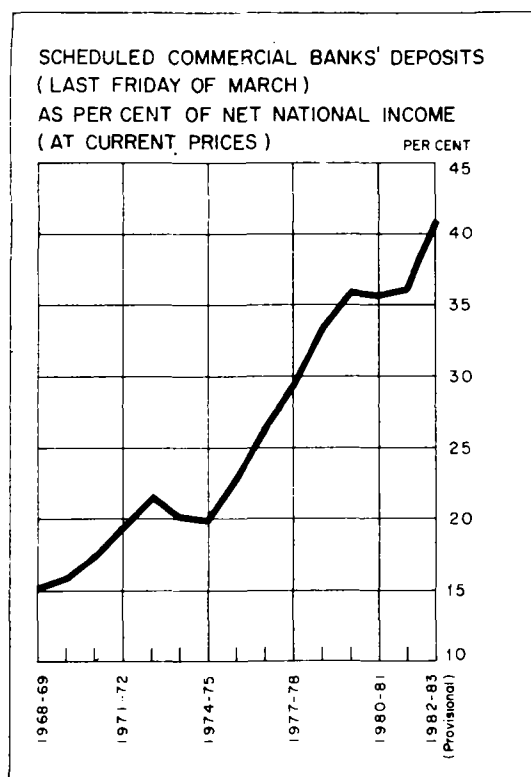
Accretion to aggregate deposits during 1982-83 (July-June) at Rs.7,438 crores was the largest so far, the corresponding figures for 1981-82 and 1980-81 being Rs.5,579 crores and Rs.7,172 crores, respectively. The growth rate of 16.1 per cent although higher than that of 13.8 per cent in 1981-82 was far below that of 21.5 per cent recorded in 1980-81.

The improvement in deposit growth was in evidence from the first quarter itself as may be seen from Table VI-2.

Table VI- 2: Quarterly Variations in Deposits

Quarter	(Rupees Crores)					
	Demand Deposits		Time Deposits		Total Deposits	
	1981-82	1982-83	1981-82	1982-83	1981-82	1982-83
July-September	- 252	- 177	1,288	1,614	1,036 (2.6)	1,437 (3.1)
October-December	943	2,012	1,595	2,501	2,538 (6.1)	4,512 (9.5)
January-March	- 598	-1,118	208	88	- 390 (- 0.9)	-1,029 (- 2.0)
April-June	672	278	1,723	2,240	2,395 (5.5)	2,518 (4.9)
Total	765	995	4,814	6,443	5,579 (13.8)	7,438 (16.1)

Note: Figures in brackets indicate percentage growth rates.



The increase was more marked during the quarter October-December 1982 when deposit growth was 9.5 per cent as against 6.1 per cent during the corresponding quarter of 1981-82. The deceleration in deposit growth witnessed in the quarter January-March 1983 was, however, larger than that in the same period of the preceding year. Deposit growth in the last quarter of 1982-83, though sizeable in absolute terms was lower than that of the corresponding quarter of 1981-82 in percentage terms.

The predominant contribution to deposit growth was by time deposits which increased by as much as Rs.6,443 crores as against Rs.4,814 crores in 1981-82. The increase in demand deposits amounted to Rs.995 crores (Rs.765 crores in the previous year). The seasonal variations in deposit growth as also in other banking indicators are given in Table VI-3.

The improvement in deposit growth during the year which has to be viewed against the marked deceleration in the rate of growth of national income was chiefly facilitated by an expansion in reserve money, revival in October 1982 of the category of term deposits of 5 years and above carrying a higher rate of interest, larger inflow of non-resident deposits and some what large expansion in commercial credit.

**Table VI—3 : Variations in Scheduled Commercial Banks' Data
(Seasonal and Annual)**

(Rupees crores)

Items	Seasonal Variations						Annual Variations (July-June)	
	Slack Season 1981	Busy Season 1981-82	Slack Season 1982	Busy Season 1982-83@	Slack Season		1981-82	1982-83@
	1	2	3	4	1982 (Upto July 30, 1982)	1983 (Upto July 29, 1983)@	7	8
1. Aggregate Deposits	+ 3,528	+ 2,256	+ 3,783	+ 3,639	+ 2,228	+ 3,422	+ 5,579	+ 7,438
a) Demand	+ 467	+ 237	+ 541	+ 695	+ 336	+ 880	+ 765	+ 995
b) Time	+ 3,061	+ 2,019	+ 3,242	+ 2,944	+ 1,892	+ 2,543	+ 4,814	+ 6,443
2. Borrowings from the RBI	+ 80	+ 13	- 270	+ 127	- 220	- 37	+ 8	- 63\$
3. Cash and Balances with the RBI	+ 941	+ 112	+ 529	- 968	- 150	+ 589	+ 268	+ 356
4. Money at call and short notice	+ 282	- 247	+ 142	- 104	- 35	- 9	- 11	- 120
5. Investments in Government and other approved securities	+ 414	+ 1,415	+ 1,994	+ 1,884	+ 1,657	+ 1,458	+ 2,723	+ 2,941
a) Government Securities	- 277	+ 1,010	+ 1,193	+ 1,462	+ 1,249	+ 1,041	+ 1,642	+ 1,843
b) Other approved securities	+ 690	+ 405	+ 800	+ 423	+ 408	+ 418	+ 1,081	+ 1,098
6. Bank Credit	+ 2,308	+ 1,584	+ 1,649	+ 3,789	+ 889	+ 1,246	+ 3,629	+ 5,749
a) Food procurement advances	+ 230	+ 189	+ 265	+ 445	+ 656	+ 893	+ 623	+ 764
b) Other advances	+ 2,078	+ 1,395	+ 1,384	+ 3,344	+ 232	+ 353	+ 3,007	+ 4,985
7. Bills rediscounted with the RBI	- 4	—	—	—	—	—	- 3	—
8. Gross Bank Credit (6+7)	+ 2,304	+ 1,584	+ 1,649	+ 3,789	+ 889	+ 1,246	+ 3,627	+ 5,749

@ Partially revised.

\$ These variations take into account also RRB borrowings transferred to NABARD on July 12, 1982.

Note : 1. Bank credit figures are inclusive of credit extended through issue of Participation Certificates.

2. The seasonal variations are based on outstandings on the last Friday of April and October and annual variations on the last Friday of June.

Source: Weekly returns submitted by banks under Section 42(2) of the Reserve Bank of India Act, 1934.

Expansion in Bank Credit

The expansion in bank credit during the year at Rs. 5,749 crores was more than one-and-half times that of Rs. 3,629 crores in 1981-82. The growth rate worked out to 19.0 per cent as against 13.7 per cent in the previous year. Food credit increased over the year by Rs. 764 crores as compared with the rise of Rs. 623 crores in 1981-82. The expansion in non-food credit was sizeable at Rs. 4,985 crores or 18.2 per cent as against Rs. 3,007 crores (12.4 per cent) in the previous year.

The first few months of the year witnessed a rather low order of non-food credit expansion. During July-October 1982, non-food credit expanded by Rs. 1,580 crores as against the rise of Rs. 1,808 crores in the corresponding period of 1981. In the ensuing busy season however, there was a spurt in non-food credit expansion of as much as Rs. 3,344 crores as against Rs. 1,395 crores in the 1981-82 busy season. Non-food credit expansion was also higher in the first three months of the 1983 slack season - Rs. 353 crores as against Rs. 232 crores in the same period of the 1982 slack season. The

incremental non-food credit-deposit ratio for the year as a whole worked out to 67.0 per cent as against a lower ratio of 53.9 per cent for 1981-82. The credit-deposit ratio at the end of June 1983 was 67.1 per cent as compared with 65.4 per cent a year ago.

Variations in other Assets and Liabilities

Over the year 1982-83, scheduled commercial banks' investments in Government and other approved securities recorded an increase of Rs. 2,941 crores or 17.4 per cent as against an increase of Rs. 2,723 crores or 19.1 per cent in 1981-82. The investment-deposit ratio at the end of June 1983 was 37.1 per cent as compared with 36.7 per cent a year ago. Investments during the 1982 slack season increased sharply by Rs. 1,994 crores as against only Rs. 414 crores in the 1981 slack season. In the ensuing busy season (November 1982 - April 1983) also, the increase in investments was higher at Rs. 1,884 crores (Rs. 1,415 crores in 1981-82). During the first three months of the 1983 slack season, however, investments rose at a slower pace than in the 1982 slack season — Rs. 1,458 crores as compared with Rs. 1,657 crores.

Scheduled commercial banks' cash and balances with the Reserve Bank increased by Rs. 356 crores as compared with the rise of Rs. 269 crores in the previous year. The rise was more sharp towards the latter half of the year, partly because of the increase in CRR from 7 per cent to 7.5 per cent from May 28, 1983. Despite higher build up of reserves, the cash-deposit ratio at the end of June 1983 worked out lower at 11.4 per cent as compared with 12.5 per cent a year ago.

Outstandings of banks' borrowings from the Reserve Bank declined from Rs. 572 crores at the end of June 1982 to Rs. 509 crores by the end of June 1983.*

The aggregate amount of participation certificates issued and outstanding decreased sharply from Rs. 90 crores as on the last Friday of December 1981 to Rs. 18 crores (provisional) by the last Friday of June 1983.

* The 1982-83 variation takes into account RRB borrowings from RBI transferred to NABARD on July 12, 1982.

Call Money Market

In the inter-bank money markets easy conditions prevailed in the first half of the year (July 1982 - June 1983) with the call money rates ruling well below the ceiling levels; in the latter part of the year generally stringent conditions were noticed with the money rates moving closer to the ceiling levels.

In the Bombay money market, the easy conditions which had set in during June 1982 became more marked in the subsequent months with the inter-bank call money rate ruling between 4 and 5 per cent till about the last week of December 1982. Subsequently, the money market turned stringent and the call rate moved up and remained near the ceiling level (10 per cent) for major part of the latter half of 1982-83. A marked rise in bank credit during this period as also the issue of three tranches of Government of India loans in quick succession (December 1982, February and March 1983) aided the hardening of rates. The trend was more or less similar in the Calcutta money market, where the call money rate ruled between 5 and 6 per cent till the third week of December 1982 and around 10 per cent for most of the remaining period of the year.

SELECTIVE CREDIT CONTROL

The existing selective credit control measures in respect of advances against sensitive commodities continued to operate during the year with adjustments in margin requirements against a few commodities and some additions to the exempted categories of advances. The minimum rate of interest applicable to commodities subject to selective credit control was reduced effective April 1, 1983.

Margin on Sugar advances

In the context of substantially higher production of sugar during the 1981-82 season and larger stocks with mills, the margin requirement on advances against 'non-released' stocks of sugar was reduced from 25 per cent to 20 per cent on September 13, 1982. Simultaneously, the margin on advances to manufacturers of *gur* and *khandsari* against stocks of these commodities was reduced from 65 per cent to 50 per cent. The margin on 'non-released' stocks of sugar (excluding buffer stocks) was further reduced from 20 per cent to 17.5

per cent on November 18, 1982. Banks were advised to ensure that the additional amount that became available to sugar units on this basis was utilised by them for making cane payments wherever they were in arrears and for meeting start-up expenses.

Buffer stocks of sugar

An important development in regard to sugar was the Government's decision to maintain initially a buffer stock of 5 lakh tonnes out of free sale sugar from the production of the 1981-82 sugar year. The buffer stock was to be held by sugar mills themselves as sequestered stock on a *pro-rata* basis; the sugar mills are to be financed to the extent of 100 per cent¹ by banks while the Government of India would reimburse the cost of holding and interest charges on the basis of the average tariff value of the previous three months in respect of free sale sugar with effect from October 1, 1982. The Directorate of Sugar notified all sugar mills individually the quantity and quality of sugar to be held by them as buffer stock. The scheme also envisaged utilisation of additional credit made available to the mills towards payment of cane arrears. To make the scheme self-financing, the maximum limit of cess leviable on sugar was raised from Rs. 5 to Rs. 14 per quintal.

Advances to sugar industry for off-season repairs

In view of the extended crushing season of 1981-82 and the urgent need for clean loans to complete off-season repairs before the commencement of crushing operations for the 1982-83 season, scheduled commercial banks were advised on November 5, 1982 that the Reserve Bank's prior authorisation was not required to grant clean loan assistance to mills up to Rs. 25 lakhs per unit for such purposes. These loans were, however, to be repaid as soon as possible after the commencement of the 1982-83 crushing season but in any case not later than March 31, 1983. Since the immediate financial problem faced by most of the units in the industry was their inability to adjust the margin deficit in their accounts, banks were asked to review individual cases and provide relief on merit.

Advances to sugar industry for 1982-83 crushing season

Scheduled commercial banks were advised on November 6, 1982 to take into account the

minimum cane price fixed by Government of India in considering credit limits for the 1982-83 season (during which production was then estimated to be around 80 lakh tonnes) and were permitted, subject to the estimates of sugar production of individual units, to sanction limits up to 125 per cent of the maximum amount availed of during the 1981-82 season (excluding temporary excess drawings) without obtaining the Reserve Bank's prior authorisation. Actual drawings in the borrowal accounts are to be regulated on the basis of deficit as disclosed in the monthly cash budgets of mills. Banks were also asked to continue the practice of monitoring payments of cane dues of sugar mills to growers and the system of earmarking of funds out of the advances against pledge/hypothecation of sugar for payment to cane growers as hitherto, in consultation with the borrowers.

Exemption of advances to KVIC and its associate institutions

On a review of the role of Khadi and Village Industries Commission (KVIC) in providing institutional support for generating employment opportunities and the problems faced by them in that regard, advances granted to KVIC and all its associate institutions against sensitive commodities were given complete exemption from the purview of selective credit controls effective October 26, 1982.

Reduction in margin on advances to cotton textile mills in Bombay

With a view to providing assistance to mills affected by the prolonged strike in Bombay and to help in their speedy rehabilitation, the Reserve Bank reduced on December 4, 1982 the margin on advances to cotton textile mills including those under the National Textile Corporation operating in Bombay against stocks of cotton and *kapas* by 10 percentage points for a period of six months up to June 3, 1983.

Exemption of advances to rice millers/dealers

On December 9, 1982, the Reserve Bank advised all scheduled commercial banks that the complete exemption from selective credit control available to millers/dealers acting as agents of Government for food procurement be extended to millers/dealers against pledge/hypothecation of paddy/rice held to the extent of the levy quota to be surrendered to the State Governments. It may be mentioned that this

1. The buffer stocks are exempt from margin stipulations.

concession had earlier been granted on June 9, 1982 to rice millers in West Bengal.

Revision in minimum lending rates

The minimum lending rate for loans/ advances/ cash credits/overdrafts against commodities, other than advances to sugar mills, coming under the purview of selective credit control was lowered from 19.50 per cent per annum to 18 per cent with effect from April 1, 1983. As regards, advances to sugar mills in respect of all stocks, the minimum rate was fixed at 16.50 per cent per annum and banks were allowed to charge a rate which is between this rate and the general ceiling rate on advances, i.e., 18 per cent per annum.

Packing credit advances to exporters of deoiled and defatted cakes

Banks are permitted to provide packing credits to exporters of deoiled and defatted cakes against the security of the relative raw materials (e.g., groundnut, cottonseed and rice bran) to the extent of the raw materials required even though the amount so advanced exceeds the value of the export order. This facility is, however, subject to the condition that the amount in excess of the export value is adjusted either in cash or by sale of the by-product oil as soon as extraction of oil is completed but within a period of 15 days from the date of the advance. In view of the difficulties faced by exporter-borrowers to adjust the excess packing credit, the Reserve Bank raised the period for adjustment of the excess packing credit advance from 15 days to 30 days for packing credit sanctioned on or after July 1, 1983.

Advances against warehouse receipts

On July 4, 1983 the Reserve Bank advised banks that for the purpose of selective credit control warehouse receipts issued by warehouses constructed by Agricultural Produce Market Committees set up by State Governments under the Regulated Market Yards Act would be treated on par with those issued by warehouses of Central/State Warehousing Corporations provided that the warehouses meet the standards required and are manned by trained staff. Further, the concessions in margin and interest rate allowed in respect of small advances up to Rs. 5,000 against warehouse receipts of rural godowns covering commodities for which support prices have been announced and in respect

of which procurement arrangements by Central/State Government agencies exist were also extended to similar advances upto Rs. 5,000 against warehouse receipts issued by rural warehouses of Central/State Warehousing Corporations or Agricultural Produce Market Committees. These concessions are to be confined to only one advance per borrower in respect of stocks held in one rural godown and the banks are also required to ensure that quantity of produce brought by the small farmer for storage is consistent with the size of his land holding (viz., five acres or less).

Exemption of advances to farmers against foodgrains

Advances upto Rs. 2,500 per farmer or the amount of crop loan outstanding, whichever is lower, granted by banks directly 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) were hitherto completely exempt from the purview of selective credit control. The credit limit for such exemption was raised with effect from July 4, 1983 to Rs. 5,000 per farmer or the amount of the crop loan whichever is lower.

The position of selective credit control as on August 5, 1983 is given in Annexure II to this Chapter.

Advances against sensitive commodities

Scheduled commercial banks' outstanding advances against selected commodities at the end of June 1983 amounted to Rs. 1,388 crores, showing an increase of Rs. 125 crores during 1982-83 as compared with a larger increase of Rs. 264 crores in 1981-82 (Table VI-4). If the outstandings against raw jute which is not covered by selective credit control are excluded, outstanding against commodities coming under the purview of selective credit control at Rs. 1,337 crores as at the end of June 1983 were higher by Rs. 172 crores over the level a year ago. The bulk of the increase in advances during 1982-83 was accounted for by sugar including *khandsari* (Rs. 175 crores), other foodgrains (Rs. 12 crores) and wheat (Rs. 6 crores). Of the total outstanding amount of Rs. 1,337 crores, advances against sugar (including *khandsari*), cotton and *kapas* and foodgrains accounted for Rs. 651 crores (48.7 per cent), Rs. 423 crores (31.6 per cent)

Table VI- 4 : Scheduled Commercial Banks' Outstanding Advances Against Selected Commodities

(Amount in rupees crores)

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Commodities	As on the last Friday of								
	June 1981			June 1982			June 1983*		
	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)	169.8	18.7	0.7	176.3	15.1	0.6	194.8	14.6	0.5
(a) Paddy and rice	102.3	11.3	0.4	110.7	9.5	0.4	110.6	8.3	0.3
(b) Wheat	18.3	2.0	0.1	19.3	1.7	0.1	25.6	1.9	0.1
(c) Other foodgrains	49.2	5.4	0.2	46.3	3.9	0.1	58.6	4.4	0.1
2. Sugar (Including Khandsari)	229.3	25.3	0.8	476.3	40.9	1.6	651.3	48.7	1.8
3. Oilseeds	11.7	1.3	—	15.7	1.4	0.1	14.2	1.1	—
(a) Groundnut	5.4	0.6	—	5.8	0.5	—	5.5	0.4	—
(b) Rapeseed/Mustardseed	5.3	0.6	—	8.4	0.7	—	6.9	0.5	—
(c) Linseed	0.6	0.1	—	0.7	0.1	—	0.7	0.1	—
(d) Castorseed	0.4	—	—	0.8	0.1	—	1.1	0.1	—
4. Vegetable Oils	27.4	3.0	0.1	35.6	3.1	0.1	34.1	2.6	0.1
(a) Groundnut Oil	7.5	0.8	—	8.7	0.8	—	6.1	0.5	—
(b) Rapeseed/Mustard Oil	12.1	1.4	0.1	14.2	1.2	0.1	12.7	1.0	—
(c) Castor Oil	7.5	0.8	—	11.2	1.0	—	13.8	1.0	0.1
(d) Linseed Oil	0.3	—	—	1.5	0.1	—	1.5	0.1	—
5. Vanaspati	15.1	1.7	0.1	18.2	1.5	0.1	19.7	1.5	0.1
6. Cotton and Kapas@	454.1	50.0	1.7	442.7	38.0	1.5	422.5	31.6	1.2
(a) Indigenous	432.1	47.6	1.6	417.9	35.9	1.4	396.8	29.7	1.1
(b) Imported	22.0	2.4	0.1	24.8	2.1	0.1	25.7	1.9	0.1
7. Total of 1 to 6	907.4	100.0	3.4	1164.8	100.0	3.9	1336.6	100.0	3.7
8. Raw Jute •	91.8		0.4	98.6		0.3	51.7		0.1
9. Total of 7 and 8	999.2		3.8	1263.4		4.2	1388.3		3.9
TOTAL BANK CREDIT +	26550.7		100.0	30179.7		100.0	35929.4		100.0

* Data are provisional.

@ Inclusive of advances to Cotton Corporation of India.

• Inclusive of advances to Jute Corporation of India.

+ According to returns from scheduled commercial banks received under Section 42(2) of the Reserve Bank of India Act, 1934.

Source: Data are estimates based on Basic Statistical Return 3 received from Head Offices of banks.

and Rs.195 crores (14.6 per cent), respectively. Oilseeds, vegetable oils and vanaspati accounted for the balance of Rs.68 crores or 5.2 per cent. The proportion of advances against sensitive commodities to total credit of all scheduled commercial banks for all purposes at 3.7 per cent at the end of June 1983 was marginally lower as compared with 3.9 per cent a year ago.

The major beneficiaries of advances against selected commodities were mills/factories and industrial users; these two categories accounted for 87 per cent of total advances at the end of June 1983, their share was 87.2 per cent a year ago. (Table VI-5).

Commodity-wise, the proportion of advances going to these two categories of borrowers was 99.1 per cent in the case of sugar (including *khandsari*), 96.4 per cent for vanaspati, 94.2 per cent for castor oil and 93.8 per cent for raw jute; the entire advances against linseed oil went to mills/factories.

WORKING OF DIFFERENT SCHEMES

(a) Credit Authorisation Scheme

Since 1965 the Credit Authorisation Scheme (CAS) has been an effective instrument of credit regulation particularly in the case of the large borrowers, both in the private and public sectors within the overall framework of the Bank's credit policy. Apart from bringing about financial discipline amongst borrowers, the scheme helps to improve appraisal techniques in banks and has proved to be an important instrument for strengthening the credit control and allocative measures.

Changes in CAS

Besides raising the cut-off point for working capital limits for prior authorisation for private sector borrowers in August 1982, referred to in the last year's Report, the following changes were made in the scheme in November 1982.

Cut-off point for export-oriented manufacturing units: In respect of export-oriented manufacturing units whose annual average export turnover during the preceding three calendar years was more than 25 per cent of the total turnover of the goods manufac-

tured by them and whose export turnover in the following years would not fall below 25 per cent of the total turnover, the cut-off point for working capital limits for the purpose of prior authorisation was raised from Rs.3 crores to Rs.5 crores.

Cut-off point for term loans: The cut-off point for individual term loans (repayable over a period exceeding three years) granted by banks to non-CAS parties in the private sector singly or jointly with other banks was raised for the purpose of prior authorisation from Rs.25 lakhs to Rs.50 lakhs; in the case of export-oriented manufacturing units (referred to above), the cut-off point was stipulated higher at Rs.1 crore.

Table VI—5: Security-wise Advances to Mills/Factories and Industrial Users

(As percentage to total credit against respective commodities)

Commodities	Last Friday of	
	June 1983*	June 1982
1	2	3
1. Linseed Oil	100.0	66.7
2. Sugar (including Khandsari)	99.1	99.2
3. Vanaspati	96.4	96.7
4. Castor Oil	94.2	71.4
5. Raw Jute	93.8	97.7
6. Cotton and Kapas	82.5	84.6
7. Castorseed	81.8	87.5
8. Rapeseed/Mustard Oil	77.9	76.7
9. Wheat	72.3	75.1
10. Groundnut Oil	72.1	73.6
11. Rapeseed/Mustard	58.0	66.7
12. Linseed	57.1	57.1
13. Other Foodgrains	54.8	63.7
14. Paddy and Rice	53.6	53.5
15. Groundnut	40.0	87.9
All Selected Commodities	87.0	87.2

*Provisional.

Source: Basic Statistical Return 3.

Grant of additional packing credit limits: Banks were allowed, within their discretion, to grant additional export packing credit limits without prior authorisation upto 25 per cent (earlier 15 per cent) of the existing packing credit limits or Rs.50 lakhs (earlier Rs.25 lakhs) whichever was lower, for a period not exceeding three months.

Exemptions from prior authorisation: Banks were advised that sanction of the undernoted facilities would not require prior authorisation:

- (a) Purchase of third party outstation cheques/bank drafts.
- (b) Advances against fixed deposits in borrowers' names.
- (c) Temporary working capital limits upto 10 per cent of the existing such facilities or Rs.50 lakhs, whichever was lower, for a period not exceeding three months for emergent circumstances (as against Rs.25 lakhs earlier).
- (d) Interim working capital limits upto Rs.25 lakhs where release of higher facilities sanctioned by banks was pending with the Reserve Bank for authorisation.

The exemption from prior authorisation in respect of (c) and (d) were subject to the stipulation that outstandings at any one time under these facilities did not exceed Rs.50 lakhs.

IDBI Bills Rediscounting Scheme: The annual purchaser-wise limit under the Industrial Development Bank of India's bills rediscounting scheme was raised from Rs.100 lakhs to Rs.150 lakhs. Consequently, banks were advised that they could issue acceptances on behalf of buyers under the scheme upto the enhanced limit. Sanction of such acceptance limits under the scheme or outside would not require the Reserve Bank's prior authorisation under the CAS, provided other relevant terms and conditions were complied with. It was clarified in this context that while accepting bills for purchase of machinery on deferred payment basis, whether under or outside the IDBI's scheme, the purchaser's bank should ensure that the purchaser-wise ceiling mentioned above was adhered to for all purchases of indigenous machinery over a limit year.

Working of the Credit Authorisation Scheme

As at the end of June 1983, the parties covered under the CAS numbered 897 as against 1,251 at the

end of June 1982. The upward revision in the cut-off point for credit authorisation referred to earlier accounted for this sharp drop in coverage. The 897 parties covered under the CAS according to the new cut-off point included 188 public sector undertakings. Total limits in force relating to parties covered under the scheme amounted to Rs.17,051 crores at the end of June 1983 (Table VI-6). The share of public undertakings was 60.9 per cent. Working capital (including packing credit and bills) continued to claim a predominant share of 93.0 per cent; term finance and sale of machinery on deferred payment basis constituted 5.6 per cent and 1.4 per cent, respectively, of the total limits in force.

Occupation-wise, of the total working capital limits in force as at the end of June 1983, the share of industry was the largest at 55.0 per cent — engineering, chemicals and chemical products and cotton textiles accounting for half of the industry's share (Table VI-7). The share of trade in total limits was 41.8 per cent. In the case of public sector units, the share of industry was only 34.0 per cent, whereas trade claimed a predominant share of 63.0 per cent, major part of which was for food procurement (43.0 per cent of total limits).

Applications received for the Reserve Bank's authorisation numbered 898 during the year as against 1,305 in 1981-82; the respective figures for public sector units were 210 and 219. The reduction, as already mentioned, is partly due to the revision in the cut-off point for credit authorisation. Applications approved numbered 529 during 1982-83 (873 in 1981-82) including 124 from public sector units. Of the Rs.3,843 crores for which authorisations were granted, public sector units accounted for Rs.3,130 crores or 81.4 per cent (Table VI-8).

(b) Differential Rate of Interest Scheme

Public sector banks made further progress in respect of their lending under the Differential Rate of Interest (DRI) Scheme. During the year ended December 1981, the number of loan accounts under the scheme rose by 4.15 lakhs to 29.25 lakhs and loans outstanding by Rs.64 crores to Rs.258 crores. The average amount of loan under the scheme also increased from Rs.771 to Rs.880. There was further improvement in the coverage of scheduled

Table VI—6 : Distribution of Credit Limits by Type of Credit

(Rupees crores)

Type of Credit	As on June 30, 1981		As on June 30, 1982		As on June 30, 1983	
	Total	Of which public sector units	Total	Of which public sector units	Total	Of which public sector units
	1	2	3	4	5	6
Working Capital*	12,798 (88.7)	7,111 (92.4)	14,186 (89.2)	7,768 (92.8)	15,853 (93.0)	9,948 (95.8)
Of which						
(a) Bills purchased & discounted	1,083 (7.5)	182 (2.4)	1,171 (7.4)	180 (2.1)	1,089 (6.4)	270 (2.6)
(b) Export finance	1,001 (7.0)	145 (1.9)	1,075 (6.8)	160 (1.9)	833 (4.9)	130 (1.3)
Sales of machinery on deferred payment basis	390 (2.7)	80 (1.0)	420 (2.6)	81 (1.0)	233 (1.4)	55 (0.5)
Term finance	1,239 (8.6)	504 (6.6)	1,300 (8.2)	521 (6.2)	965 (5.6)	377 (3.7)
Total limits in force	14,427 (100.0)	7,695 (100.0)	15,906 (100.0)	8,370 (100.0)	17,051 (100.0)	10,380 (100.0)
Number of parties	1,177	199	1,251	204	897	188

* Includes cash credits and overdrafts, bills purchased and discounted and export finance.

Note: Figures in brackets indicate percentages to total limits in force.

Source: Industrial and Export Credit Department, RBI.

castes and scheduled tribes (SC/ST) borrowers. The number of such borrowal accounts which stood at 11.18 lakhs at the end of December 1980 went up to 13.76 lakhs by the end of December 1981 and the amount of loans outstanding from Rs.88 crores to Rs.123 crores constituting 47.9 per cent of total advances under the scheme as against 45.4 per cent in December 1980 and the target ratio of 40 per cent. By the end of December 1981, the public sector banks had attained a ratio of 1.17 per cent in respect of their DRI advances (as a proportion of their total advances at the end of December 1980) as against the stipulated target of one per cent (Table VI-9)

At the end of December 1981, outstanding advances of private sector banks under the DRI Scheme aggregated Rs.2.75 crores spread over 26,000 borrowal accounts, of which an amount of Rs.73 lakhs covering 8,000 borrowal accounts was

availed of by members of SC/ST and constituted 26.5 per cent of total DRI advances as against the stipulated target of 40 per cent.

The National Institute of Bank Management (NIBM) has since submitted to the Government of India its final report on a study of the impact of the DRI Scheme conducted by it. A task force set up by the Government under the Chairmanship of a senior official in the Ministry of Finance has been asked to examine the various provisions of the DRI Scheme, recovery experience of banks in respect of loans granted under the scheme, effectiveness and the extent of guarantee cover for such loans and the mechanism for regular monitoring and periodical evaluation of banks' performance in implementing the scheme. In making its recommendations, the task force is also expected to assess the findings of the NIBM as contained in its report.

Table VI—7 : Occupation-wise Distribution of Total Working Capital@ Limits in Force

(As on June 30, 1983)

(Rupees crores)

Industry	Total limits in force		Of which public sector	
	Amount	Percentage to total	Amount	Percentage to total
1	2	3	4	5
I. AGRICULTURE & ALLIED ACTIVITIES	145.0	0.9	21.77	0.2
1. Agriculture	15.45	0.1	15.45	0.15
i) Direct finance	6.50	—	6.50	0.06
ii) Indirect finance	8.95	0.1	8.95	0.09
Distribution of fertilisers	8.95	0.1	8.95	0.09
Others	—	—	—	—
2. Plantations	129.55	0.8	6.32	0.05
Tea	129.55	0.8	6.32	0.05
Others	—	—	—	—
II. INDUSTRY	8724.21	55.0	3379.54	34.0
A. Mining and Quarrying	183.49	1.1	148.04	1.5
Coal mining	112.89	0.7	104.89	1.1
Iron ore	31.12	0.2	4.65	0.05
Others	39.48	0.2	38.50	0.4
B. Manufacturing	8253.67	52.1	2987.62	30.0
1) Sugar	648.77	4.1	129.72	1.3
2) Edible oils & vanaspati	85.62	0.5	5.98	0.1
3) Food manufacturing & processing	17.44	0.1	—	—
4) Tobacco processing & tobacco product manufacturing	101.40	0.6	4.50	0.1
5) Cotton textiles	919.34	5.8	81.51	0.8
6) Jute textile	146.92	0.9	10.50	0.1
7) Silk & synthetic fibres	313.74	2.0	12.25	0.1
8) Wool and woollen textiles	91.18	0.6	40.61	0.4
9) Other textiles	11.01	0.1	—	—
10) Paper & paper products	120.92	0.8	8.10	0.1
11) Leather & leather products	42.49	0.3	—	—
12) Rubber and rubber products	154.21	1.0	—	—
13) Manufacture of chemicals & chemical products	1131.50	7.1	420.03	4.2
a) Heavy industrial chemicals	160.11	1.0	20.75	0.2
b) Fertiliser (Production)	510.32	3.2	356.50	3.6
c) Drugs & pharmaceuticals	180.69	1.1	28.60	0.3
d) Plastics & plastic products	26.70	0.2	—	—
e) Others	253.68	1.6	14.18	0.2
14) Petroleum	667.30	4.2	665.00	6.7
15) Cement	134.80	0.9	22.94	0.2
16) Basic metal & metal products	769.22	4.8	491.15	4.9
i) Iron & steel	660.19	4.2	471.15	4.7
ii) Others	109.03	0.6	20.00	0.2
17) Engineering (except transport equipment)	2264.00	14.3	921.40	9.2
a) Heavy engineering	1436.68	9.1	833.50	8.4
i) Machinery except electrical machinery	741.88	4.7	289.69	2.9
ii) Electrical machinery	694.80	4.4	543.81	5.5
b) Light engineering (including light metal products)	827.32	5.2	87.90	0.8
18) Manufacture of transport equipment	428.41	2.7	139.53	1.4
i) Railway equipment industry	51.61	0.3	42.85	0.4
ii) Others	376.80	2.4	96.68	1.0
19) Others (manufacture)	205.40	1.3	29.40	0.3
C. Electricity, generation and distribution	263.29	1.7	231.88	2.4
D. Construction companies	23.76	0.1	12.00	0.1
III. TRADE	6627.69	41.8	6275.41	63.0
a) Foodgrains	4286.53	27.0	4286.53	43.0
b) Fertilisers	882.16	5.6	882.16	8.9
c) Raw cotton	517.64	3.3	506.07	5.1
d) Raw jute	86.61	0.5	82.41	0.8
e) Others	854.75	5.4	518.24	5.2
IV. TRANSPORT - PUBLIC UTILITIES AND FINANCE	119.00	0.8	80.94	0.8
1) Transport and communications	65.78	0.4	46.07	0.4
2) Financial and development institutions	45.24	0.3	26.89	0.3
3) Municipalities and administrative bodies	7.98	0.1	7.98	0.1
V. ALL OTHERS	237.27	1.5	190.29	2.0
TOTAL	15,853.17	100.0	9,947.95	100.0

@ Includes cash credits and overdrafts, bills purchased and discounted and export finance.

Source: Industrial and Export Credit Department, RBI.

Table VI—8 : Particulars of Applications received, approved, rejected and authorisations granted, etc. under Credit Authorisation Scheme (July-June)

Particulars	1980-81		1981-82		1982-83 \$	
	Total	Of which public sector	Total	Of which public sector	Total	Of which public sector
1	2	3	4	5	6	7
Applications received@	1323	244	1305	219	898	210
Applications approved	810	145	873	164	529	124
Applications rejected/withdrawn	67	7	62	2	19	5
Reporting cases	965	185	962	204	404	82
Authorisations granted by RBI (Rs. crores)	2366.3	1692.9	2621.2	1921.8	3842.5	3130.3
Amount involved in applications rejected/withdrawn (Rs. crores)	115.1	27.9	164.0	1.7	109.1	83.9
Limits reported by banks* (Rs. crores)	-965.0	-1128.9	-1142.0	-1246.3	-1046.1	-1037.2

@ Excluding applications received for extension of period, authorisations, for letters of credit or deferred payment guarantees, restorations, conversion of limits, etc.

* Represent changes in limits made by banks.

\$ Provisional.

Source: Industrial and Export Credit Department, RBI.

Table VI—9 : Progress of lending by Public Sector Banks under the Scheme of Differential Rate of Interest

As at the end of December	No. of borrowal accounts (000s)	Amount outstanding (Rs. crores)	Percentage of DRI advances to total advances of the previous year
1972	26	0.87	0.02
1975	465	20.99	0.31
1978	1620	90.00	0.74
1979	2076	139.80	0.98
1980	2510	193.56	1.04
1981	2925	257.50	1.17

Source: Rural Planning and Credit Department, RBI.

(c) Lead Bank Scheme*Preparation of District Credit Plans (DCPs)*

While reporting the progress made in the preparation of DCPs for 1983-85, it was stated by the lead banks that the work had lagged behind the schedule due to non-availability/non-receipt of necessary data from the district development departments/agencies. It was further reported that even bankable schemes had not been formulated in respect of certain districts. The lead banks were, therefore, advised that in case the relevant data were not made available, the plan should be completed by incorporating such data as could be obtained from concerned departments/agencies and on no account the work relating to preparation of DCPs should be delayed. DCPs for 1983-85 have since been prepared and launched in most of the districts.

Lead Bank Scheme: Training Programmes

The thrust on the implementation of the 20-Point Programme and especially IRDP, had underscored the need for further training programmes for bank and government officials for bringing about better appreciation of each other's role in the purposeful extension of credit support to developmental schemes for the weaker sections of the society. Accordingly, a scheme for conducting 104 training programmes all over the country has been evolved. NIBM is to coordinate the programme.

Lead Banks for Newly Constituted Districts

Consequent upon the reorganisation of some of the districts by State governments, the lead responsibility for the newly formed districts was entrusted to banks as shown below:

Working Group to review the working of the Lead Bank Scheme

The Working Group set up in November 1981 to review the working of the Lead Bank Scheme, to which a reference was made in the last year's Report has since submitted its recommendations. These have been accepted by the Reserve Bank with a few modifications. Consequently, necessary instructions have been issued to banks and State governments in this regard. Follow-up action on the recommendations relating to the Reserve Bank has also been initiated.

(d) Integrated Rural Development Programme

The banks continued their effort in increasing the flow of assistance under the Integrated Rural Development Programme (IRDP). The main objective of the programme launched in 1978-79 is to take above the poverty line the families in the identified target groups and create substantial additional opportunities for employment in rural areas. It enables the poorest of poor to acquire productive assets with the help of government subsidy and institutional finance. Total subsidy per year is estimated at about Rs. 300 crores, while the expected credit support from banks is about Rs. 600 crores.

Since progress in bank lending was not in accordance with the targets fixed under the IRDP, banks were asked in February 1983 to take all steps to increase their lending under this programme. The progress of lending under IRDP would be reviewed monthly at the district level consultative committee and quarterly at the State level bankers' committee. Each bank would review its own performance quarterly at the Board level on the basis of returns of progress submitted by branches.

State	Name of the old district from which the new district was formed or carved	Name of the new district	Lead Bank for the new district
Maharashtra	Osmanabad Beed & Solapur	Latur	State Bank of India
Maharashtra	Chandrapur	Gadchiroli	Bank of India
Kerala	Quilon, Alleppy & Idukki	Pathanamthitta	State Bank of Travancore

Table VI-10: Progress of Integrated Rural Development Programme

(Amount in crores)

										April-March		
										1980-81	1981-82	1982-83*
Subsidy allocated	..	..	..	..	..	..	..	..	..	250.55	300.65	400.88
Subsidy utilised	..	..	..	..	..	..	..	..	..	158.64	250.60	359.59
Term credit disbursed	..	..	..	..	..	..	..	..	..	289.05	467.59	713.98
Number of SC/ST families assisted	..	..	..	..	..	..	..	..	..	7,81,047	10,00,587	14,05,660
Total number of families assisted	..	..	..	..	..	..	..	..	..	27,26,747	27,13,418	34,55,447

* Provisional.

Source: Ministry of Rural Development, Government of India.

The progress made in extending credit support to IRDP is given in Table VI-10. It will be observed that the number of families assisted under the programme increased from 27.13 lakhs in 1981-82 to 34.55 lakhs in 1982-83 and term loans disbursed by banks from Rs. 468 crores to Rs. 714 crores. There was also an impressive increase in the number of scheduled castes/tribes assisted, from 10 lakhs to 14 lakhs in 1982-83.

Special Studies Cell in the Reserve Bank: For promoting integrated rural development and for framing Reserve Bank's policy for the purpose, a nucleus in the form of a Special Studies Cell was created by the Bank in its Rural Planning & Credit Department. The Cell which is still in the formative stage, has already identified certain areas in which special studies could be usefully undertaken. The Cell also conducted two studies, viz., the low credit-deposit ratio in the semi-urban branches of scheduled commercial banks and implementation of Annual Action Plans at selected rural/semi-urban branches of certain representative banks operating in Madhya Pradesh.

(e) Export Credit

During the year, outstanding export credit rose by Rs. 22 crores to Rs. 1,744 crores at the end of June 1983. In 1981-82, there was a fall of Rs. 6 crores in export credit.

In line with the revision in the general interest rates structure which came into effect on April 1, 1983, interest rates on export credit now stand reduced. The reduction amounted to 0.50 percentage point in respect of different categories of pre-shipment and post-shipment credits; the ceiling rate on export credit beyond the stipulated periods was

reduced from 17.5 per cent to 16.5 per cent. The rate of interest on deferred credit for periods exceeding one year, however, remained unchanged at 8.65 per cent.

Export Credit (Interest Subsidy) Scheme, 1968

As in the previous years, the Reserve Bank continued to disburse interest subsidy at 1.5 per cent from the Marketing Development Assistance of the Government of India, to commercial banks and eligible co-operative banks on export credit extended by them to exporters for specific periods. Besides, the Reserve Bank paid special subsidy on behalf of the Ministry of External Affairs, Government of India, to EXIM Bank and certain commercial banks in respect of certain special lines of credit extended to Bangladesh for its imports from India. The details are given below:

	Rate of special subsidy
<i>Rs. 25 crores special credit</i>	
Exim Bank	50 p.a.
United Commercial Bank	
United Bank of India	
<i>Rs. 7 crores credit</i>	
Exim Bank	15% p.a.
Punjab National Bank	
<i>Rs. 10 crores credit</i>	
Exim Bank	20 p.a.

The amount of subsidy paid during 1982-83 was special subsidy of Rs.72 lakhs and general subsidy of Rs.20 crores.

The other important developments relating to the interest subsidy scheme during the year were as under:

- (i) In order to mitigate the difficulties faced by banks and also to facilitate prompt compliance with audit objections regarding audit of bank branches by the Director of Audit, Government of India, banks were advised in February 1983 that audit under the Export Credit (Interest Subsidy) Scheme may be completed within a period of three years from the end of the financial year to which the transactions relate.
- (ii) Regarding export of cashew from Kerala, the period of pre shipment advances in respect of packing credit which was outstanding as on December 31, 1982 was extended for a further period of 180 days, beyond the initial period of 180 days, with interest at 15 per cent provided export materialised within a reasonable time. Banks would be entitled to claim interest subsidy at 1.5 per cent for the period so extended.

Duty Drawback Credit Scheme, 1976

This scheme is intended to benefit exporters who can avail of interest-free finance from banks upto 90 days against shipping bills provisionally certified by the Customs authorities towards refund of duty. The financing banks, in turn, are eligible to avail of interest-free refinance from the Reserve Bank pending final settlement of duty drawback claims of the exporters. During the period November 1, 1982 to April 30, 1983, limits aggregating Rs.17.01 crores were sanctioned to 28 banks. As on April 30, 1983 refinance to the extent of Rs.10.21 crores had been availed of by these banks and the amount outstanding was Rs.3.64 crores.

(f) Sick Industrial Undertakings

The Reserve Bank through its Sick Industrial Undertakings Division, monitors the performance of commercial banks in identifying the sick units and initiating appropriate remedial measures whenever necessary and co-ordinates efforts of the Government, banks and financial institutions in rehabilitation of sick units. This Division also attends to processing of applications received from banks for

credit authorisation in respect of sick units and disposal of proposals from banks for supportive measures, viz., charging concessional rate of interest, reduction in margin, funding of interest, etc., for rehabilitation of sick units which are potentially viable on a commercial basis.

The Reserve Bank advised banks in April 1983 that they should evolve methods and mechanisms to diagnose sickness in industrial units in the incipient stage itself and bring it to the notice of the administrative ministries concerned of the Government of India immediately and in cases where there was no proper response from the concerned administrative ministry, to the notice of the finance ministry. It was suggested that banks should not nominate the same person on the boards of many assisted concerns.

According to the quarterly review note of sick units prepared by the Reserve Bank based on the data furnished by scheduled commercial banks, there were 439 large sick industrial units (enjoying bank credit of Rs.1 crore and above each) as at the end of June 1982. Outstanding bank credit in respect of these sick units aggregated Rs.1,728 crores as compared to Rs.1,453 crores in respect of 422 units at the end of June 1981. Out of the 439 large sick units identified by banks, viability studies in respect of 374 units were completed; of these, 320 units were considered as potentially viable and 235 were put under nursing programme. Table VI-11 shows industry-wise and State-wise distribution of these 439 units.

According to the information furnished by banks for the quarter ended June 1982, there were 26,973 (provisional data) small-scale sick units involving bank finance of Rs.394 crores as compared with 22,360 sick units involving bank finance of Rs.322 crores at the end of June 1981. Out of 26,973 units, 5,316 units were considered by banks as potentially viable and 14,576 units as non-viable. Banks had put 1,982 viable units under nursing programme.

QUALITATIVE CHANGES IN BANK CREDIT DISTRIBUTION

Sectoral Deployment of Credit

Data on sectoral deployment of credit as at the end* of June 1983 in respect of 50 banks which account for about 96 per cent of total gross bank credit are given in Table VI-12. The share of prior-

* Based on the data as on last Friday.

Table VI—11 : Outstanding Bank Credit to Sick Industrial Undertakings: State wise and Industry wise

As at the end of June 1982 @

(Amount in crores of rupees)

States/Union Territories	Engineering & Electricals		Iron & Steel		Textiles		Chemicals		Jute	
	No. of units	Amount out-standing	No. of units	Amount out-standing	No. of units	Amount out-standing	No. of units	Amount out-standing	No. of units	Amount out-standing
1	2	3	4	5	6	7	8	9	10	11
West Bengal	26	132.80	9	73.16	9	19.39	5	12.36	36	108.27
Maharashtra	24	94.30	6	17.36	42	215.01	2	2.77	—	—
Karnataka	7	23.75	—	—	2	2.78	2	40.66	—	—
Gujarat	5	26.88	6	10.31	28	89.36	—	—	—	—
Tamil Nadu	8	10.77	3	3.24	6	72.27	7	104.91	—	—
Andhra Pradesh	3	4.04	3	11.14	2	3.43	1	2.07	1	2.01
Bihar	1	7.29	3	5.35	—	—	—	—	—	—
Haryana	3	4.25	1	1.93	—	—	1	1.64	—	—
Rajasthan	1	4.21	—	—	3	8.62	—	—	—	—
Madhya Pradesh	4	10.60	3	9.10	7	17.33	1	2.66	—	—
Orissa	—	—	—	—	2	15.71	1	2.60	—	—
Uttar Pradesh	4	23.19	5	8.21	8	60.03	—	—	—	—
Kerala	5	9.67	1	2.51	2	3.77	1	6.27	—	—
Punjab	—	—	—	—	1	1.52	2	2.79	—	—
Assam	—	—	—	—	—	—	1	1.31	—	—
Delhi	—	—	—	—	1	7.82	—	—	—	—
Pondicherry	—	—	—	—	1	3.20	1	2.58	—	—
Goa	—	—	—	—	—	—	—	—	—	—
Total	91	351.75	40	142.31	114	520.24	25	182.62	37	110.28

States/Union Territories	Sugar		Cement		Rubber		Miscellaneous		Total	
	No. of units	Amount out-standing	No. of units	Amount out-standing	No. of units	Amount out-standing	No. of units	Amount out-standing	No. of units	Amount out-standing
	12	13	14	15	16	17	18	19	20	21
West Bengal	1	2.06	—	—	5	26.52	18	52.88	109	427.44
Maharashtra	1	0.96	—	—	2	5.97	13	20.66	90	357.03
Karnataka	4	45.19	—	—	2	12.75	3	4.29	20	129.42
Gujarat	—	—	—	—	—	—	4	6.06	43	132.61
Tamil Nadu	5	10.59	—	—	—	—	6	13.43	35	215.21
Andhra Pradesh	1	3.56	—	—	—	—	2	5.39	13	31.64
Bihar	3	6.94	2	4.04	—	—	4	16.26	13	39.88
Haryana	—	—	—	—	—	—	1	4.61	6	12.43
Rajasthan	—	—	1	8.04	1	14.20	—	—	6	35.07
Madhya Pradesh	1	1.16	—	—	—	—	2	2.86	18	43.71
Orissa	—	—	—	—	—	—	—	—	3	18.31
Uttar Pradesh	29	77.77	—	—	—	—	8	15.43	54	184.63
Kerala	—	—	—	—	4	39.18	4	12.11	17	73.51
Punjab	—	—	—	—	—	—	—	—	3	4.31
Assam	—	—	—	—	—	—	1	0.97	2	2.28
Delhi	—	—	—	—	—	—	—	—	1	7.82
Pondicherry	—	—	—	—	—	—	—	—	2	5.78
Goa	—	—	—	—	1	1.79	3	5.53	4	7.32
Total	45	148.23	3	12.08	15	100.41	69	160.48	439	1728.40

@ Data are provisional.

* Those enjoying aggregate bank credit of Rs.1 crore or more from the banking system.

Table VI—12 : Sectoral Deployment of Gross Bank Credit

As on the last Friday

Sector	Outstanding		Increase over the year	(Rupees crores)	
	June 1981	June 1982		Outstanding June 1983@	Increase over the year
1	2	3	4	5	6
I. Public Food Procurement Credit	2,202 (8.5)	2,825 (9.5)	623	3,589 (10.1)	764
II. (a) Priority Sectors	8,966 (34.6)	10,673 (35.8)	1,707	12,565 (35.4)	1,892
<i>(i) Agriculture</i>	3,783 (14.6)	4,594 (15.4)	811	5,356 (15.1)	762
<i>(ii) Small-scale industries</i>	3,406 (13.2)	3,909 (13.1)	503	4,563 (12.9)	654
<i>(iii) Other priority sectors</i>	1,777 (6.9)	2,170 (7.3)	393	2,646 (7.5)	476
<i>(b) Industry (medium and large)</i>	9,983 (38.6)	11,213 (37.7)	1,230	13,418 (37.8)	2,205
<i>(c) Wholesale trade (other than food procurement)</i>	2,000 (7.7)	2,122 (7.1)	122	2,273 (6.4)	151
<i>(d) Other sectors</i>	2,737 (10.6)	2,942 (9.9)	205	3,615 (10.2)	673
III. Non-food Gross Bank Credit (a+b+c+d)	23,686 (91.5)	26,950 (90.5)	3,264	31,871 (89.9)	4,921
Export Credit (included under item III)	1,728 (6.7)	1,722 (5.8)	-6	1,744 (4.9)	22
IV. Gross Bank Credit (I+III)	25,888 (100.0)	29,775 (100.0)	3,887	35,460 (100.0)	5,685

@ Provisional.

Note: (1) Data related to major banks which account for about 96 per cent of gross bank credit. These data, besides taking into account the bills rediscounted with the RBI, also include bills rediscounted with the IDBI and other approved institutions and participation certificates.

(2) Figures in brackets are percentages to total gross bank credit.

Source: Credit Planning Cell, RBI.

ity sector advances in total gross bank credit which had increased by 1.2 percentage points over the year 1981-82 (July-June) to 35.8 per cent declined to 35.4 per cent by the end of June 1983. The share of public food procurement credit increased from 9.5 per cent to 10.1 per cent during the year. The share of medium and large industry which had recorded a decline from 38.6 per cent to 37.7 per cent in 1981-82, moved up slightly to 37.8 per cent at the end of June 1983. The share of wholesale trade declined further from 7.1 per cent at the end of June 1982 to 6.4 per cent by June 1983.

Within the priority sector, outstanding advances to agriculture at Rs. 5,356 crores at the end of June 1983 constituted 15.1 per cent of gross bank credit and 42.6 per cent of total priority sector advances showing small declines over the respective shares at the end of June 1982. Advances to small-scale industries at Rs. 4,563 crores at the end of June 1983 accounted for 12.9 per cent of total gross bank credit compared with 13.1 per cent in June 1981. The share of small-scale industries in total priority sector advances also declined over the year from 36.6 per cent to 36.3 per cent.

Non-food gross bank credit of these 50 major banks increased over the year by Rs.4,921 crores, which was very much larger than the increase of Rs.3,264 crores in 1981-82. Of the incremental non-food gross bank credit of Rs.4,921 crores, priority sector's share was Rs.1,892 crores (38.4 per cent). The share of agriculture in the incremental credit to the priority sector was 40.3 per cent and that of small-scale industry 34.6 per cent; other priority sectors accounted for the balance 25.1 per cent.

Medium and large industry's share in incremental non-food gross bank credit during 1982-83 was Rs.2,205 crores or 44.8 per cent, as against 37.7 per cent in 1981-82; the share of wholesale trade was lower at 3.1 per cent than 3.7 per cent in 1981-82.

Data on sectoral deployment of credit based on Basic Statistical Returns are available upto June 1981. These are given in Table VI-13, along with March 31, 1968 data based on Survey of Advances of Scheduled Commercial Banks according to purpose. The table shows the distinct shift in emphasis in sectoral deployment of bank credit over the post-nationalisation period. Over the period March 1968 to June 1981, the share of large and medium industry in total outstanding credit came down from 60.6 per cent to 36.8 per cent whereas that of agriculture and allied activities increased from 2.2 per cent to 16.7 per cent, and of small-scale industries from 6.9 per cent to 12.3 per cent.

Industry-wise Deployment of Credit

Gross bank credit extended to large, medium and small industry rose from Rs.15,122 crores at the end of June 1982 to Rs.17,981 crores by end-June 1983, an increase of Rs.2,859 crores; this was much larger than the increase of Rs.1,733 crores in the preceding year. The proportion of credit to industry in total gross bank credit however, declined marginally from 50.8 per cent in June 1982 to 50.7 per cent at the end of June 1983 (Table VI-14).

Of the increase in credit to industry of Rs.2,859 crores during 1982-83, iron and steel and engineering industries accounted for Rs.630 crores and Rs.357 crores, respectively, followed by the chemicals, dyes and paints group (Rs.225 crores) and cotton textiles (Rs.199 crores). Advances to sugar industry increased by Rs.155 crores as against Rs.248 crores in 1981-82. Outstanding advances to petroleum industry which had declined by Rs.388 crores in 1981-82 moved down further by Rs.87 crores by June 1983.

Of the total outstanding gross credit to industry of Rs.17,981 crores at the end of June 1983, the share of engineering was the highest at 23.4 per cent followed by the group chemicals, dyes, etc., including fertilisers (10.8 per cent) and iron and steel (8.7 per cent). At the other end, outstanding credit was less than Rs.250 crores each in the case of coal, jute textiles, vegetable oils, tobacco and tobacco products, cement, leather and leather products, construction and petroleum industries. Table VI-15 gives data on percentage share of major industries in total advances of scheduled commercial banks based on Basic Statistical Returns as at the end of March 1968 and for the latest four years available.

Table VI-16 indicates the progress of inventory management by large public limited companies in relation to their bank borrowings. A more careful inventory management by companies over the years is evident by the steady decline both in inventory-sales ratio and short-term borrowings-inventory ratio. Inventories as percentage of sales in the case of large public limited companies came down from the high of 33.1 in 1974-75 to 28.2 in 1981-82. Like-wise, the ratio of short-term bank borrowings to inventories which had moved up from 41.2 per cent in 1974-75 to 49.3 per cent in 1977-78 declined to 38.5 per cent in 1981-82.

Advances to Priority Sector

Data on outstanding advances of public sector banks to priority sectors on the eve of bank nationalisation (June 1969) and as at the end of December 1980 and 1981 are shown in Table VI-17. The number of borrowal accounts of public sector banks under priority sector advances increased substantially from 129 lakhs at the end of December 1980 to 153 lakhs by the end of December 1981. Their advances to these sectors moved up over the year by Rs.2,352 crores or by 29.8 per cent to Rs.10,240 crores at the end of December 1981. The share of priority sectors in total bank credit increased to 38.5 per cent by end-December 1981 from 35.9 per cent a year ago. In June 1969, priority sector advances had totalled Rs.441 crores and had accounted for only 14.6 per cent of total bank credit.

Within the priority sector, advances to agriculture rose by Rs.1,087 crores (31.6 per cent), small-scale sector by Rs.1,055 crores (29.1 per cent) and other priority sectors by Rs.158 crores (19.1 per cent).

Table VI—13 : Sectoral Classification of Scheduled Commercial Banks' Advances

(Rupees crores)

Sector	Outstanding as on									
	March 31, 1968		June 30, 1978		June 29, 1979		June 27, 1980		June 26, 1981	
	Amount	% to total	Amount	% to total	Amount	% to total	Amount	% to total	Amount	% to total
1	2	3	4	5	6	7	8	9	10	11
I. Industry	2,068	67.5	7,610	47.7	8,963	46.8	10,236	48.0	12,222	49.1
a) Large and medium industries	1,857	60.6	5,762	36.1	6,686	34.9	7,702	36.1	9,154	36.8
b) Small-scale industries	211	6.9	1,848	11.6	2,277	11.9	2,534	11.9	3,068	12.3
II. Agriculture and allied activities	67	2.2	1,961	12.3	2,521	13.2	3,152	14.8	4,160	16.7
Of which :										
a) Direct finance	..	..	1,405	8.8	1,946	10.2	2,418	11.3	3,033	12.2
b) Plantations	58	1.9	214	1.3	308	1.6	292	1.4	395	1.6
III. Internal trade	588	19.2	4,198	26.3	4,864	25.4	4,741	22.3	4,462	17.9
a) Wholesale trade	541	17.7	3,734	23.4	4,282	22.3	4,059	19.1	3,595	14.5
Of which :										
Food procurement	109	3.5	2,525	15.8	2,996	15.6	2,410	11.3	2,213	8.9
b) Retail trade	47	1.5	464	2.9	582	3.0	682	3.2	866	3.5
IV. Services	..	..	317	2.0	391	2.0	472	2.2	571	2.3
V. Personal loans	..	..	485	3.0	605	3.2	700	3.3	859	3.5
VI. All others	341*	11.1	1,391	8.7	1,819	9.4	2,010	9.4	2,601	10.5
VII. Total	3,064	100.0	15,961	100.0	19,163	100.0	21,312	100.0	24,875	100.0

* Includes services and personal loans.

.. Not available.

Source: March 1968 data are based on 'Survey of Advances of Scheduled Commercial Banks according to purpose'.
Data for 1978 to 1981 are based on Basic Statistical Returns.

Table VI—14 : Industry-wise Deployment of Gross Bank Credit

(Public and Private Sectors)

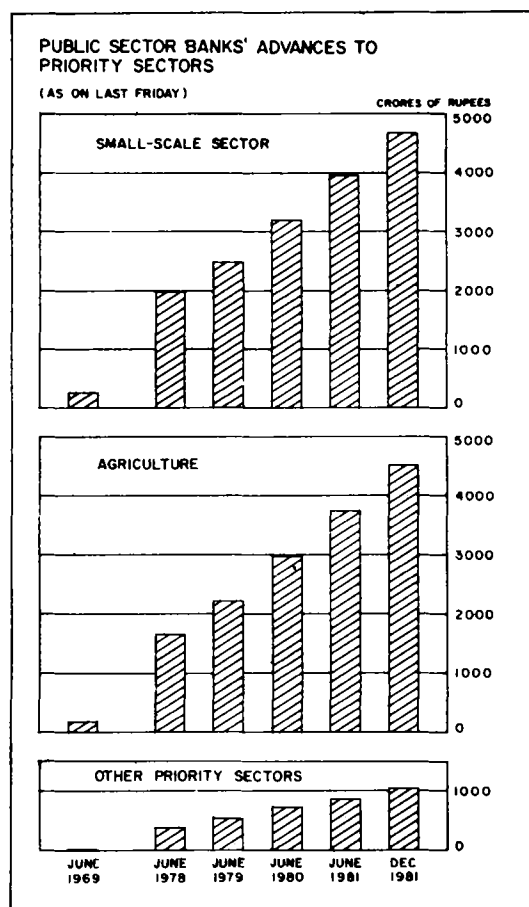
Industry	As on the last Friday		(Rupees crores)		
	Outstanding		Increase over the year	Outstand- ing June 1983 @	Increase over the year
	June 1981	June 1982			
	1	2	3	4	5
Coal	55 (0.2)	70 (0.2)	15	71 (0.2)	1
Iron and steel	648 (2.5)	943 (3.2)	295	1,573 (4.4)	630
Other metals & metal products	462 (1.8)	528 (1.8)	66	593 (1.7)	65
All Engineering	3,266 (12.6)	3,847 (12.9)	581	4,204 (11.9)	357
Electricity (Generation and Transmission)	181 (0.7)	234 (0.8)	53	293 (0.8)	59
Cotton textiles	1,174 (4.5)	1,196 (4.0)	22	1,395 (3.9)	199
Jute textiles	168 (0.6)	182 (0.6)	14	206 (0.6)	24
Other textiles	723 (2.8)	850 (2.9)	127	999 (2.8)	149
Sugar	278 (1.1)	526 (1.8)	248	681 (1.9)	155
Tea	232 (0.9)	269 (0.9)	37	274 (0.8)	5
Vegetable oils (Including Vanaspati)	188 (0.7)	200 (0.7)	12	231 (0.7)	31
Tobacco & tobacco products	138 (0.5)	143 (0.5)	5	131 (0.4)	-12
Paper and paper products	298 (1.2)	359 (1.2)	61	410 (1.2)	51
Rubber and rubber products	264 (1.0)	279 (0.9)	15	306 (0.9)	27
Chemicals, dyes, paints, drugs and pharmaceuticals	1,529 (5.9)	1,714 (5.8)	185	1,939 (5.5)	225
Of which: fertiliser	299 (1.2)	360 (1.2)	61	402 (1.1)	42
Cement	135 (0.5)	151 (0.5)	16	207 (0.6)	56
Leather & leather products	188 (0.7)	222 (0.7)	34	233 (0.7)	11
Construction	125 (0.5)	151 (0.5)	26	191 (0.5)	40
Petroleum	687 (2.7)	299 (1.0)	-388	212 (0.6)	-87
SAFAUNS*	303 (1.2)	309 (1.0)	6	333 (0.9)	24
Residual	2,347 (9.1)	2,650 (8.9)	303	3,499 (9.9)	849
TOTAL CREDIT TO INDUSTRY	13,389 (51.7)	15,122 (50.8)	1,733	17,981 (50.7)	2,859
Total Gross Bank Credit	25,888 (100.0)	29,775 (100.0)	3,887	35,460 (100.0)	5,685

@ Provisional.

* Ships acquired from abroad under new scheme.

Note: Figures in brackets are percentages to total gross bank credit.

Source: Credit Planning Cell, RBI.



cent). Nearly four-fifths of the outstanding advances of Rs.4,679 crores in respect of small-scale sector as at the end of December 1981 went to SSI units and the balance 20 per cent to road and water transport operators. Retail trade and small business, and professional and self-employed persons were the main beneficiaries of other priority sector advances claiming 76 per cent and 22 per cent, respectively, of the total advances of Rs.987 crores under that category as at the end of December 1981. Public sector banks' outstanding advances for housing and for consumption given to SC/ST and weaker sections amounted to Rs.35 crores and Rs.16 crores, respectively, as at the end of December 1981.

The public sector banks' aggregate assistance to beneficiaries under the old 20-Point Programme at the end of December 1981 was Rs.2,037 crores in 57.72 lakh accounts. According to provisional data

furnished by banks, such advances increased to Rs.2,620 crores in respect of 74.84 lakh accounts by the end of December 1982.

Village Adoption Scheme: As at the end of December 1981, banks had adopted 1,21,008 villages and serviced 42.36 lakh agricultural accounts with an outstanding balance amounting to Rs.1,228 crores as against 1,07,451 villages adopted till the end of December 1980 in which their outstanding advances had amounted to Rs.870 crores in 34.94 lakh accounts.

Regional and Rural/Urban Pattern of Credit Deployment

One of the national targets set for banks was deployment of 60 per cent of deposits mobilised in rural/semi-urban areas by way of credit in those areas. While the public sector banks were expected to achieve this target by March 1979, the private sector banks were to achieve the same within a time bound programme. Latest available data, which are for June 1982, on region-wise and State-wise credit - deposit ratios of scheduled commercial banks classified according to population groups are given in Table VI-18.

It is, however, necessary to point out that the credit-deposit ratios may not always indicate correctly as to whether the resources mobilised in a particular area/region were used in that area/region. This is because the ratios do not take into account banks' investments in the securities of State governments, State-level institutions, etc. Further, credit might have been sanctioned by offices of banks in metropolitan area, but might have been utilised in rural area or credit sanctioned in one State might have been utilised in another State. Again in cases where the amounts of both deposits mobilised and credit extended are very small, the ratios may not give a correct account of credit deployment.

It may be seen from the Table that for the country as a whole, the credit-deposit ratio for rural branches of all scheduled commercial banks including Regional Rural Banks at 58.7 per cent at the end of June 1982 was below the target of 60 per cent. The ratio in the case of semi-urban branches was still lower at 50 per cent. The credit-deposit ratios for rural and semi-urban centres in respect of public sector banks (excluding RRBs) were 55.3 per cent and 49.9 per cent, respectively. In the case of private sector banks the ratio was 48.1 per cent for rural offices and 48.8 per cent for semi-urban offices.

Table VI—15 : Advances of Scheduled Commercial Banks to Major Industries

Industry	(Percentage to total bank credit)				
	March 31, 1968	(As on the last Friday of June)			
		1978	1979	1980	1981
1	2	3	4	5	6
1. Basic metals and metal products	..	5.6	5.3	5.2	5.1
Of which: Iron and steel	3.7	3.2	2.9	2.8	2.6
2. Beverage and tobacco	..	0.9	0.8	0.9	0.7
3. Cement	1.3	0.4	0.4	0.5	0.5
4. Chemicals and chemical products	6.0	5.6	5.5	6.1	6.4
Of which:					
a) Heavy industrial chemicals	..	0.9	0.8	0.8	0.8
b) Drugs and pharmaceuticals	..	1.0	1.0	1.1	1.0
c) Fertilisers	..	1.2	1.3	1.6	1.8
5. Coal	0.8	0.4	0.3	0.3	0.1
6. Edible oils and vanaspati	1.4	0.7	0.9	0.7	0.7
7. Engineering	15.7	9.3	9.6	9.8	9.3
a) Heavy engineering	8.9	4.7	4.6	4.6	4.1
b) Light engineering	6.8	2.6	2.3	2.5	2.4
c) Others	..	2.0	2.7	2.7	2.8
8. Leather and leather products	..	0.8	0.8	0.8	0.7
9. Manufacture of basic minerals	..	0.4	0.5	1.8	3.1
10. Paper, paper products and printing	1.6	1.5	1.6	1.7	1.8
11. Rice mills, flour and dal mills	..	0.6	0.7	0.8	0.7
12. Rubber and rubber products	0.7	1.0	1.0	1.0	1.0
13. Sugar	5.3	2.4	1.9	0.9	1.0
14. Textiles	15.5	9.6	8.9	8.4	8.6
Of which:					
a) Cotton textiles	10.3	5.7	4.8	4.4	4.4
b) Jute textiles	3.1	0.7	0.7	0.5	0.7
15. Vehicles, vehicle parts and transport equipment	..	2.3	2.4	2.5	2.1
16. Other industries	17.6	6.2	6.2	6.7	7.3
TOTAL CREDIT TO INDUSTRY	69.6	47.7	46.8	48.0	49.1
Total Bank Credit	100.0	100.0	100.0	100.0	100.0

Not available.

Source: March 31, 1968: Survey of Advances of Scheduled Commercial Banks according to purpose.

1978-1981: Basic Statistical Returns.

Taking the banking system as a whole, as at the end of June 1982, only the southern region had achieved the national target of 60 per cent both in the case of rural and semi-urban offices. For rural offices the ratio was 50 per cent or more in the northern, central and western regions and less than 50 per cent in the north-eastern and eastern regions. A similar trend is observed in the case of semi-urban offices also. The credit-deposit ratio was 60 per cent or more in 13 States/Union territories in respect of rural branches and in 7 States/Union territories in respect of semi-urban branches. The ratio was below 40 per cent in respect of rural offices of 11 States and semi-urban offices of 9 States.

Data on frequency distribution of districts based

on credit-deposit ratios separately for rural and semi-urban offices as at the end of June 1982 as compared with the earlier two years are given in Table VI-19. It may be seen that the number of districts showing 60 per cent and above credit-deposit ratio in respect of rural offices increased from 161 (out of 399) in June 1980 to 188 (out of 400) in June 1981 and further to 211 (out of 408) by the end of June 1982. This progress has taken place alongside an increase in the size of deposit per district from Rs. 8 crores to Rs. 13 crores during the two year period. In the case of semi-urban offices, the districts having 60 per cent and above credit-deposit ratio numbered 125 (out of 359 districts) in June 1982 as against 112 (out of 357 districts) in June 1981 and 86 (out of 354 districts) in June 1980.

Table VI—16 : Ratio of Inventories to Sales and Bank Borrowings to Inventories

(Public limited companies in the private sector)

Year		Total Inventories as percentage of Sales @	Inventories in the form of raw materials, components, etc 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
Medium and Large Public Limited Companies*					
1650 Companies	1970-71	31.9	32.0	56.7	62.5
	1972-73	30.6	34.6	48.4	53.3
	1974-75	33.2	33.4	44.4	48.0
	1975-76	31.1	29.2	49.5	52.4
1720 Companies	1975-76	30.7	30.0	49.0	53.5
	1977-78	26.8	30.2	51.8	57.4
	1979-80	28.5	33.5	46.8	53.2
	1980-81	27.7	32.3	43.9	49.7
Large Public Limited Companies £					
385 Companies	1970-71	31.0	34.1	55.8	69.9
	1972-73	30.6	35.8	45.6	50.1
	1974-75	33.1	34.8	41.2	44.1
	1975-76	31.1	30.7	45.3	47.5
433 Companies	1975-76	31.0	31.7	47.1	51.3
	1977-78	27.1	31.8	49.3	54.4
	1979-80	29.4	35.4	42.0	48.5
	1980-81	28.6	33.6	38.9	43.7
478 Companies	1980-81	28.3	33.4	40.2	45.1
	1981-82	28.2	32.6	38.5	44.1

@ Net of rebates and discounts and excise duty and cess.

* Each with a paid-up capital of Rs.5 lakhs or above.

£ Each with a paid-up capital of Rs.1 crore or above.

Source: Reserve Bank of India studies on Company Finances.

Table VI—17 : Public Sector Banks' Advances to Priority Sectors

(As on the last Friday)

Sector	No. of Accounts (in '000s)			Amount Outstanding (Rs. crores)		
	June 1969	December 1980	December 1981	June 1969	December 1980	December 1981
1	2	3	4	5	6	7
1. Agriculture	165	9,257	10,627	162	3,435	4,522
<i>Of which</i>						
(i) Direct finance	160	8,154	9,563	40	2,709	3,496
(ii) Indirect finance	5	1,103	1,064	122	726	1,026
2. Small-scale Sector@	53	1,051	1,272	257	3,624	4,679
<i>Of which:</i>						
(i) Road and water transport operators@	2	277	348	6	615	916
(ii) Small-scale industries@	51	774	924	251	2,975	3,763
(iii) Setting up of industrial estates				—	34	—
3. Other Priority Sectors	42	2,606	2,992	22	829	987
<i>Of which:</i>						
(i) Retail trade & small business	33	1,733	2,003	19	640	755
(ii) Professional & self – employed persons	8	831	944	2	178	219
(iii) Education	1	42	45	1	11	13
4. Housing loans†	—	—	140	—	—	36
5. Consumption loans†	—	—	221	—	—	16
Total Priority Sector Advances	260	12,914	15,252	441	7,888	10,240
6. Exports				204	1,489	1,634
Total Bank Credit				3,016	21,959	26,627
Percentage of Priority Sector Advances to Total Bank Credit				14.6	35.9	38.5

@ The total is based on number of units and not on number of accounts in respect of Small Scale Sector.

† According to the revised proforma for monitoring priority sector advances; data on these items are available only for Dec. 1981.

— = nil or negligible

Note: Data for December 1981 are provisional.

Source: Banking Statistics, Government of India.

Distribution of Credit according to Interest Range

Table VI-20 gives data on scheduled commercial banks' credit classified according to interest range. Marked changes can be observed in the distribution pattern of outstanding credit in some of the interest ranges between June 1980 and 1981. This was due

to the introduction in the Union Budget for 1980-81 of the 7 per cent interest tax which raised the interest rates on bank advances. There was a shift in outstanding advances from the interest range of 10-12 per cent to 12-14 per cent and also in the interest range above 18 per cent. The proportion of outstanding advances in the interest range between 10-12 per cent came down from 29.4 per cent to

Table VI—18 : State-wise Credit-Deposit Ratios (%) of Offices of Public* and Private Sector Scheduled Commercial Banks According to Population Groups

(As on the last Friday of June 1982)

Region/State/Union Territory	Rural			Semi-urban			Urban/Metropolitan			Total		
	Public	Private	Total@	Public	Private	Total@	Public	Private	Total@	Public	Private	Total@
I	2	3	4	5	6	7	8	9	10	11	12	13
I. Northern Region	48.4	41.0	50.1	51.7	57.9	52.1	86.8	64.7	84.7	74.2	60.6	73.3
Haryana	78.0	31.1	79.0	68.5	55.1	68.1	68.6	164.7	70.9	70.7	70.9	71.3
Himachal Pradesh	42.2	24.6	42.3	47.3	20.8	46.1	—	—	—	44.1	21.8	43.8
Jammu & Kashmir	39.9	48.7	45.2	49.3	68.9	57.3	39.4	52.2	45.2	40.8	52.6	46.5
Punjab	36.2	9.1	35.2	41.5	47.5	41.6	49.2	70.5	50.0	42.6	43.8	42.7
Rajasthan	77.0	79.6	87.1	59.4	62.3	60.2	73.6	54.2	71.0	69.7	60.2	70.7
Chandigarh	77.1	—	77.1	—	—	—	227.5	49.4	224.6	225.3	49.4	222.5
Delhi	34.3	27.5	33.7	13.7	—	13.7	87.3	68.6	85.7	86.7	68.1	85.1
II. North-Eastern Region	40.7	29.2	45.8	36.8	33.6	37.6	56.5	52.9	55.5	42.4	42.9	43.9
Assam	44.4	29.4	46.2	39.8	41.0	40.1	59.0	52.9	57.6	46.7	47.3	47.0
Manipur	65.3	—	65.3	62.3	—	62.3	35.6	—	35.7	42.2	—	42.3
Meghalaya	39.1	—	39.1	18.5	15.6	18.4	—	—	—	21.3	15.6	21.1
Nagaland	26.7	—	26.7	40.3	20.1	38.6	—	—	—	36.3	20.1	35.4
Sikkim	38.4	—	38.4	13.0	—	13.0	—	—	—	14.2	—	14.2
Tripura	76.8	—	108.1	53.8	—	61.0	—	—	—	58.7	—	74.2
Arunachal Pradesh	13.1	—	13.1	—	—	—	—	—	—	13.1	—	13.1
Mizoram	13.5	—	13.5	27.8	—	27.8	—	—	—	25.0	—	25.0
III. Eastern Region	42.0	21.8	49.6	33.4	21.8	33.5	64.7	58.5	64.0	54.5	56.6	55.5
Bihar	41.8	—	48.5	37.2	16.6	37.1	39.1	30.9	38.9	38.8	29.2	40.1
Orissa	86.8	—	108.5	58.9	—	59.3	71.9	81.1	71.4	71.1	81.1	76.5
West Bengal	28.6	21.8	31.7	23.3	22.2	23.6	70.5	59.0	68.8	59.8	57.2	59.7
Andaman & Nicobar Islands	31.9	—	31.9	31.4	—	31.4	—	—	—	31.5	—	31.5
IV. Central Region	54.0	27.7	56.1	52.7	32.4	51.6	49.2	64.3	49.8	51.1	48.2	51.6
Madhya Pradesh	63.3	44.8	68.2	55.2	44.4	55.2	60.7	100.7	61.1	59.6	77.8	60.7
Uttar Pradesh	51.2	27.5	52.8	51.7	31.7	50.3	45.3	62.0	46.2	48.2	46.6	48.7
V. Western Region	51.6	65.2	52.5	47.6	52.9	47.8	73.2	100.4	75.5	66.3	94.9	68.5
Gujarat	44.3	—	44.3	46.6	135.0	46.6	62.5	53.6	62.3	54.3	54.4	54.3
Maharashtra	71.4	65.2	72.4	50.6	50.5	50.6	75.9	101.6	78.6	73.0	95.9	75.4
Dadra & Nagar Haveli	99.9	—	99.9	—	—	—	—	—	—	99.9	—	99.9
Goa, Daman & Diu	27.7	66.7	27.7	42.5	79.8	43.5	—	—	—	37.2	79.5	37.9
VI. Southern Region	78.1	54.6	80.7	61.9	51.2	60.4	88.9	93.2	89.4	79.3	70.7	79.1
Andhra Pradesh	83.2	70.8	90.4	63.3	52.2	62.7	65.7	52.6	65.0	68.0	54.6	68.0
Karnataka	72.5	48.8	77.3	67.8	47.7	65.6	83.0	79.3	82.6	77.8	65.2	77.8
Kerala	54.1	50.3	58.8	47.4	51.8	49.4	99.1	101.7	99.6	65.4	62.6	66.0
Tamil Nadu	95.0	63.4	92.6	72.5	51.4	68.9	109.5	106.3	109.0	98.8	85.6	97.1
Lakshadweep	11.3	—	11.3	—	—	—	—	—	—	11.3	—	11.3
Pondicherry	92.6	55.8	91.0	38.2	18.4	37.5	60.8	64.9	61.0	62.1	58.4	61.9
ALL-INDIA	55.3	48.1	58.7	49.9	48.8	50.0	74.7	79.5	75.1	66.2	74.7	67.0

* Public Sector Banks include State Bank of India, 7 Associate Banks of S.B.I. and 20 Nationalised Commercial Banks.

@ Including Regional Rural Banks.

Note: The data are provisional.

Source: Monthly Return on Aggregate Deposits and Gross Bank Credit.

Table VI—19 : Frequency Distribution of Districts based on Credit-Deposit Ratios of Scheduled Commercial Banks

(As on the last Friday)

(Rupees crores)

Credit-Deposit Ratio	June 1980			June 1981			June 1982		
	No. of districts	Deposits @	Advances	No. of districts	Deposits @	Advances	No. of districts	Deposits @	Advances
1	2	3	4	5	6	7	8	9	10
Rural Offices									
Upto 20%	48	563 (12)	76	34	614 (18)	91	28	570 (20)	75
20% - 30%	49	683 (14)	171	41	641 (16)	160	33	844 (26)	209
30% - 40%	43	533 (12)	193	42	734 (17)	263	47	927 (20)	324
40% - 50%	54	594 (11)	271	56	792 (14)	356	51	901 (18)	405
50% - 60%	44	361 (8)	200	39	499 (13)	274	38	542 (14)	300
60% and above % to total number of districts	161 40.4	1,320 8	1,271	188 47.0	1,974 11	1,888	211 51.7	2,681 13	2,478
Total	399	4,054	2,182	400	5,254	3,032	408	6,464	3,792
Semi-urban Offices									
Upto 20%	32	797 (25)	131	23	824 (36)	132	23	907 (39)	156
20% - 30%	49	946 (19)	238	42	1,241 (30)	316	36	1,219 (34)	310
30% - 40%	72	1,719 (24)	602	62	1,657 (27)	576	60	1,794 (30)	635
40% - 50%	64	1,364 (21)	606	66	1,795 (27)	809	62	2,228 (36)	1,013
50% - 60%	51	1,127 (22)	612	52	1,459 (28)	802	53	1,722 (32)	943
60% and above % to total number of districts	86 24.3	1,779 21	1,416	112 31.4	2,509 22	2,023	125 34.8	2,919 23	2,334
Total	354	7,732	3,605	357	9,485	4,658	359	10,788	5,391

@ Figures in brackets represent amount of deposits per district under each size class (in crores of rupees).

Note: The data are provisional.

Source: Returns on Aggregate Deposits and Gross Bank Credit.

15.7 per cent between June 1980 and 1981 accompanied by an increase (from 16.4 per cent to 24.1 per cent) in the advances in the interest range 12-14 per cent. The proportion of outstanding advances in the interest range 14-18 per cent declined between the two dates from 48.5 per cent to 27.5 per cent while such proportion at interest rate of above 18 per cent increased sharply from a mere 0.4 per cent to 27.4 per cent.

GEOGRAPHICAL AND FUNCTIONAL COVERAGE OF BANKS

Branch Expansion

Reference was made in the last year's Report to the branch licensing policy formulated by the Reserve Bank for the three year period, April 1982 to

Table VI—20 : Distribution of Loans and Advances* of Scheduled Commercial Banks According to Interest Range

Interest Range	(Amount in Rupees crores)							
	As on the last Friday of							
	June 1978		June 1979		June 1980		June 1981	
	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding
1	2	3	4	5	6	7	8	9
6 per cent and less	43,772 (5.6)	240.4 (2.2)	47,886 (5.0)	224.1 (1.7)	51,438 (4.6)	232.2 (1.6)	65,050 (4.8)	376.2 (2.2)
6 to 10 per cent	48,189 (6.2)	369.0 (3.3)	60,986 (6.5)	549.2 (4.1)	81,781 (7.4)	539.5 (3.7)	52,486 (3.9)	535.7 (3.1)
10 to 12 per cent	188,125 (24.2)	2,989.0 (26.8)	301,759 (31.7)	3,870.7 (28.9)	410,383 (37.1)	4,301.2 (29.4)	325,100 (24.2)	2,681.6 (15.7)
12 to 14 per cent	199,205 (25.6)	2,698.2 (24.2)	228,129 (24.0)	3,489.1 (26.1)	240,357 (21.7)	2,398.7 (16.4)	411,382 (30.6)	4,132.2 (24.1)
14 to 15 per cent	237,211 (30.5)	3,963.9 (35.6)	274,628 (28.9)	4,622.2 (34.5)	150,992 (13.6)	2,010.8 (13.7)	164,711 (12.3)	1,235.9 (7.2)
15 to 16 per cent	28,921 (3.7)	522.6 (4.7)	19,304 (2.0)	347.5 (2.6)	16,631 (1.5)	903.5 (6.2)	45,470 (3.4)	813.8 (4.8)
16 to 17 per cent	27,859 (3.6)	316.2 (2.8)	16,472 (1.7)	241.6 (1.8)	75,599 (6.8)	2,150.5 (14.7)	58,858 (4.4)	996.7 (5.8)
17 to 18 per cent	3,417 (0.4)	36.8 (0.3)	2,248 (0.2)	45.9 (0.3)	75,409 (6.8)	2,030.2 (13.9)	42,037 (3.1)	1,668.6 (9.7)
18 to 20 per cent	1,325 (0.2)	12.5 (—)	677 (0.1)	7.2 (—)	5,103 (0.5)	65.9 (0.4)	173,885 (12.9)	4,611.7 (26.9)
Above 20 per cent	144 (—)	1.1 (—)	120 (—)	1.5 (—)	179 (—)	1.7 (—)	5,354 (0.4)	84.8 (0.5)
TOTAL	778,168 (100.0)	11,149.8 (100.0)	952,189 (100.0)	13,399.0 (100.0)	1107,872 (100.0)	14,634.2 (100.0)	1344,333 (100.0)	17,137.2 (100.0)

* Relate to accounts with credit limits over Rs.10,000; exclude inland and foreign bills purchased and discounted.

(—) = Nil or negligible.

Note: Figures in brackets indicate percentage to total.

Source: Basic Statistical Returns.

March 1985, in consultation with Government of India. The main thrust of the policy continues to be on improving banking facilities in rural and semi-urban areas and reducing inter-regional disparities in the spread of such facilities. The policy aims at achieving a coverage of one bank office on an average for a population of 17,000 in the rural and semi-urban areas by the end of March 1985 as per the 1981 census. State Governments were advised to identify rural unbanked centres where new bank offices could be located, and based on their recommendations the branch expansion programmes for 18 States and 5 Union Territories were finalised. In respect of the remaining States/Union territories, viz., Bihar, Manipur, Nagaland, West Bengal and Union Territories of Dadra and Nagar Haveli and Mizoram, the plans were expected to be finalised shortly. In Uttar Pradesh, a major part of the programme was finalised and the State Government was asked to identify additional centres for completing the programme in accordance with the requirement of the policy. The Governments of Arunachal Pradesh and Lakshadweep had no plan for expansion in their territories. On the basis of the suggestions of the State Governments regarding the centres in rural areas identified for opening of new bank offices, 5,100 centres were allotted to banks according to the guidelines laid down under the policy. As at the end of June 1983, banks were holding authorisations/licences for opening offices at 5,475 centres.

According to provisional data, during 1982-83 commercial banks (including regional rural banks) opened 2,839 offices as against 3,470 offices opened (after adjustment for offices closed) in 1981-82. During the year, 2,225 offices were opened at hitherto unbanked centres, as against 2,705 in 1981-82 (Table VI-23).

The number of commercial bank offices in the country increased from 8,321 at the time of nationalisation of 14 major banks to 42,016 by the end of June 1983. Of the 33,965 offices added during the period, 61 per cent were in unbanked centres.

The number of offices opened in rural areas during 1982-83 at 2,224 formed 78.3 per cent of the total offices opened (Table VI-21). As at the end of June 1983, 49.6 per cent of all the offices of the State Bank of India and its associate banks were in rural areas; the corresponding figures of rural offices was 47.2 per cent in the case of nationalised

Table VI-21 : Share of rural offices in new offices

Period (July to June)	Total offices opened@ during the year	Of which those opened@ in rural areas	(3) as per- centage of (2)
1	2	3	4
1969-70	1,869	1,230	65.8
1970-71	1,882	1,217	64.7
1971-72	1,609	537	33.4
1972-73	1,740	744	42.8
1973-74	1,574	605	38.4
1974-75	1,794	641	35.7
1975-76	2,490	881	35.4
1976-77	3,582	1,846	51.5
1977-78	3,214	2,269	70.6
1978-79	2,186	1,531	70.0
1979-80	2,217	1,768	79.7
1980-81	3,287	2,550	77.6
1981-82	3,470	2,744	79.1
1982-83*	2,839	2,224	78.3

@ Adjusted for offices closed.

* Data are provisional.

banks and 38.6 per cent in the case of other commercial banks. Over 90 per cent of the offices of regional rural banks were in rural areas (Table VI-22).

Table VI-23 also gives particulars of State-wise average population per bank office as at the end of June 1969, June 1982 and June 1983. It will be seen that the national average population per bank office which was 65,000 at the end of June 1969 came down to 16,000 (1981 census) by the end of June 1983.

Urban/metropolitan centres: The branch expansion programme for 1982-83 in respect of urban and metropolitan/port town centres was finalised during the year and banks were allowed to open 194 offices at urban centres and 185 offices at metropolitan/port town centres. Banks were also advised to send their programmes for 1983-85 for opening branches at these centres.

Unbanked block headquarters: Of the 675 centres identified as unbanked block headquarters in the country, 601 were covered by branches of commercial banks/regional rural banks. Of the remaining 74 centres, licences in respect of 66 were pending with the banks. Banks have expressed certain difficulties in opening offices in 8 block headquarters mainly on account of lack of infrastructural facilities. The question of opening of offices at the 74 unbanked

Table VI—22 : Bank Group-wise/Population Group-wise Distribution of Commercial Bank Offices in India

Bank Group	Number of offices as on														
	19-7-1969					30-6-1982					30-6-1983				
	Rural	Semi-urban	Urban	Metro-politan/ Port Town	Total	Rural	Semi-urban	Urban	Metro-politan/ Port Town	Total	Rural	Semi-urban	Urban	Metro-politan/ Port Town	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
State Bank of India	462 (29.4)	796 (50.7)	163 (10.4)	150 (9.5)	1571 (100.0)	3025 (50.0)	1708 (28.3)	730 (12.1)	583 (9.6)	6046 (100.0)	3268 (51.1)	1749 (27.3)	768 (12.0)	612 (9.6)	6397 (100.0)
Associate Banks of State Bank of India	358 (40.0)	375 (42.0)	86 (9.6)	75 (8.4)	894 (100.0)	1297 (46.1)	852 (30.3)	386 (13.7)	278 (9.9)	2813 (100.0)	1371 (46.3)	894 (30.1)	404 (13.6)	295 (10.0)	2964 (100.0)
14 Nationalised Banks	703 (16.9)	1465 (35.1)	928 (22.3)	1072 (25.7)	4168 (100.0)	8340 (46.9)	3935 (22.1)	2872 (16.1)	2653 (14.9)	17800 (100.0)	8858 (47.7)	4043 (21.7)	2972 (16.1)	2691 (14.5)	18564 (100.0)
6 Banks nationalised in 1980*						1293 (42.7)	686 (22.6)	569 (18.7)	489 (16.0)	3037 (100.0)	1400 (43.9)	693 (21.8)	593 (18.6)	501 (15.7)	3187 (100.0)
Regional Rural Banks						4748 (92.8)	330 (6.5)	38 (0.7)	1 (—)	5117 (100.0)	5988 (93.0)	382 (6.0)	42 (1.0)	1 (—)	6413 (100.0)
Other Commercial Banks	337 (20.0)	708 (41.9)	279 (16.5)	364 (21.6)	1688 (100.0)	1691 (38.8)	1253 (28.7)	764 (17.5)	656 (15.0)	4364 (100.0)	1733 (38.6)	1275 (28.4)	796 (17.7)	687 (15.3)	4491 (100.0)
TOTAL	1860 (22.3)	3344 (40.2)	1456 (17.5)	1661 (20.0)	8321 (100.0)	20394 (52.1)	8764 (22.4)	5359 (13.7)	4660 (11.8)	39177 (100.0)	22618 (53.8)	9036 (21.5)	5575 (13.3)	4787 (11.4)	42016 (100.0)

* Number of offices as on July 19, 1969 are included under "Other Commercial Banks" group.

Note: 1. Figures in brackets are percentages to the total in each bank group.

2. Classification of Centres: Rural = Population upto 10,000. Semi-urban = 10,001 to 1 lakh. Urban = Over 1 lakh to 10 lakhs. Metropolitan = Over 10 lakhs. Port Towns = Cochin, Kakinada, Mangalore, Nagapattinam, Okha, Paradeep, Port Blair, Pondicherry, Kandla, Visakhapatnam, Tuticorin and Marmagao.

Source: Department of Banking Operations and Development, RBI.

Table VI—23 : State-wise Distribution of Bank Offices and Population per Bank Office as at the end of June 1969, June 1982 and June 1983

State/Union Territory	No. of offices as at the end of			Number of offices				Population per bank office (in thousands) as at the end of		
	June 1969	June 1982	June 1983	Opened during 1981-82@	Of which at unbanked centres	Opened during 1982-83@	Of which at unbanked centres	June 1969	June 1982	June 1983
1	2	3	4	5	6	7	8	9	10	11
Andhra Pradesh	567	2998	3272	236	176	274	220	75	18	16
Assam	74	562	653	55	39	91	85	198	35	30
Bihar	273	2807	3048	413	381	241	217	207	25	23
Gujarat	752	2452	2604	89	40	152	110	34	14	13
Haryana	172	871	947	61	52	76	59	57	15	14
Himachal Pradesh	42	412	461	43	39	49	47	80	10	9
Jammu & Kashmir	35	546	582	87	67	36	27	114	11	10
Karnataka	756	2973	3150	181	136	177	143	38	12	12
Kerala	601	2428	2501	88	49	73	44	35	10	10
Madhya Pradesh	343	2510	2773	333	285	263	220	116	21	19
Maharashtra	1118	3888	4115	257	173	227	154	44	16	15
Manipur	2	39	44	2	—	5	4	497	37	32
Meghalaya	7	67	79	8	3	12	9	147	20	17
Nagaland	2	45	50	5	2	5	5	205	17	15
Orissa	100	1228	1302	260	232	74	57	212	21	20
Punjab	346	1672	1777	80	56	105	83	42	10	9
Rajasthan	364	1785	1899	147	91	114	77	70	19	18
Sikkim	—	7	11	4	3	4	4	—	45	29
Tamil Nadu	1060	3224	3395	208	153	171	111	37	15	14
Tripura	5	86	88	1	1	2	1	276	24	23
Uttar Pradesh	747	4747	5261	619	521	514	434	119	23	21
West Bengal	504	2465	2595	232	182	130	98	87	22	21
Andaman and Nicobar Islands	1	12	12	—	—	—	—	82	16	16
Arunachal Pradesh	—	25	31	3	2	6	5	—	25	20
Chandigarh	20	89	93	9	4	4	2	7	5	5
Dadra and Nagar Haveli	—	6	6	—	—	—	—	—	17	17
Delhi	274	914	940	42	12	26	2	10	7	7
Goa, Daman and Diu	85	246	250	2	2	4	3	8	4	4
Lakshadweep	—	5	5	—	—	—	—	—	8	8
Mizoram	—	13	15	1	1	2	2	—	38	33
Pondicherry	12	55	57	4	3	2	2	31	11	11
TOTAL	8,262	39,177	42,016	3,470	2,705	2,839	2,225	65	17*	16

@ Adjusted for offices closed.

* Works out to 17,500.

Note: The average population per bank office is based on 1981 census in cols. 10 and 11 and on 1961 census in col. 9.

Source: Department of Banking Operations and Development, RBI.

block headquarters, the majority of which are in the north-eastern region is being pursued with concerned banks/State Governments.

Indian Banks' Offices Abroad

During 1982-83, the Indian Overseas Bank opened a branch in Sri Lanka. The State Bank of India established two wholly owned subsidiaries - one in Los Angeles (U.S.A.) and the other in Toronto (Canada). The State Bank of India also set up a joint venture merchant bank in Lagos (Nigeria) with 40 per cent equity participation and management rights. This bank opened a representative office each in Moscow (USSR) and Milan (Italy), but closed its representative offices at Dar-as-salam (Tanzania), Lagos (Nigeria) and Toronto (Canada) during the year. The representative offices of Indian banks abroad at the end of June 1983 numbered 11.

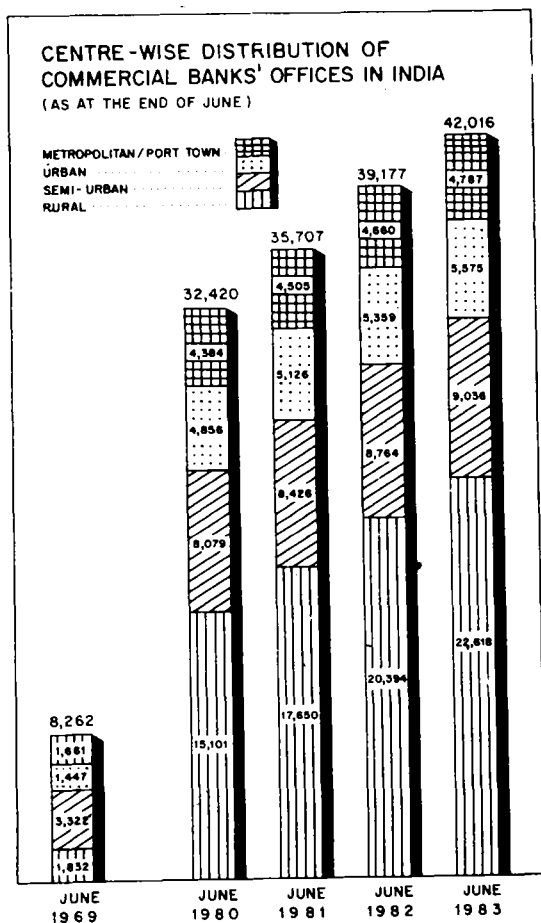
At the end of June 1983, 12 Indian commercial banks had 138 branches (including 2 foreign cur-

rency banking units) functioning in 25 countries (Table VI-24). In addition, three Indian commercial banks had subsidiaries/joint ventures in four countries.

Regional Rural Banks

Setting up of new RRBs

Further progress was made during the year in the setting up of new regional rural banks (RRBs). The Steering Committee on RRBs had identified 91 districts for setting up of RRBs. Twenty one new RRBs were established during the year covering 38 districts, thus bringing the total number of RRBs to 142 and the number of districts covered to 247 spread over 21 states at the end of June 1983. The number of offices in operation of these 142 RRBs totalled 6,413 at the end of June 1983 recording an increase of 1,296 offices over the position at the end of June 1982. The sponsor banks and the number of RRBs sponsored by them so far are as under:



State Bank of India group	30
Central Bank of India	17
Bank of Baroda	14 each
Punjab National Bank	
Bank of India	10 each
United Bank of India	
Syndicate Bank	8 each
United Commercial Bank	
Allahabad Bank	6 each
Canara Bank	
Union Bank of India	4
Dena Bank	3 each
Indian Overseas Bank	
Andhra Bank	2 each
Bank of Maharashtra	
Jammu & Kashmir Bank	
Indian Bank	1 each
Bank of Rajasthan	
U.P. State Co-op. Bank	

Table VI—24 : Offices* of Indian Scheduled Commercial Banks Outside India

(As at the end of June 1983)

Country	State Bank of India	Central Bank of India	Bank of India	Bank of Baroda	United Com- mercial Bank	Indian Over- seas Bank	Indian Bank	Syndi- cate Bank	Punjab National Bank	Bharat Over- seas Bank Ltd.	Punjab & Sind Bank	Union Bank of India	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Bahamas	1	—	—	1	—	—	—	—	—	—	—	—	2
2. Bahrain	1	—	—	1	—	—	—	—	—	—	—	—	2
3. Bangladesh	1	—	—	—	—	—	—	—	—	—	—	—	1
4. Belgium	—	—	—	1	—	—	—	—	—	—	—	—	1
5. Cayman Islands	1	—	1	—	—	—	—	—	—	—	—	—	2
6. Channel Islands	—	—	1	—	—	—	—	—	—	—	—	—	1
7. Fiji Islands	—	—	—	11	—	—	—	—	—	—	—	—	11
8. France	1	—	1	—	—	—	—	—	—	—	—	—	2
9. Guyana	—	—	—	2	—	—	—	—	—	—	—	—	2
10. Hong Kong	1	—	2	—	4	7	—	—	—	—	—	—	14
11. Japan	1	—	2	—	—	—	—	—	—	—	—	—	3
12. Kenya	—	—	2	7	—	—	—	—	—	—	—	—	9
13. Maldivé Islands	1	—	—	—	—	—	—	—	—	—	—	—	1
14. Mauritius	—	—	—	6	—	—	—	—	—	—	—	—	6
15. Oman	—	—	—	3	—	—	—	—	—	—	—	—	3
16. Panama	1	—	—	—	—	—	—	—	—	—	—	—	1
17. Seychelles	—	—	—	1	—	—	—	—	—	—	—	—	1
18. Singapore	1	—	1	—	3	1	1	—	—	—	—	—	7
19. South Korea	—	—	—	—	—	1	—	—	—	—	—	—	1
20. Thailand	—	—	—	—	—	—	—	—	—	1	—	—	1
21. Sri Lanka	2	—	—	—	—	3	2	—	—	—	—	—	7
22. United Arab Emirates	—	—	—	8	—	—	—	—	—	—	—	—	8
23. United Kingdom	6	3	12	15	2	—	—	1	3	—	1	1	44
24. United States of America	4	—	2	1	—	—	—	—	—	—	—	—	7
25. West Germany	1	—	—	—	—	—	—	—	—	—	—	—	1
Total	23	3	24	57	9	12	3	1	3	1	1	1	138

* Excluding Representative Offices and Joint ventures/subsidiaries.

Source: Department of Banking Operations and Development, RBI.

According to available information, U.P. had the highest number of RRB offices (1,310) followed by Bihar (1,225) and Madhya Pradesh (650); the number of offices varied between 200 and 500 in Andhra Pradesh, Karnataka, Kerala, Orissa, Rajasthan and West Bengal. RRB offices in the remaining States were: Jammu and Kashmir 176, Haryana 135, Maharashtra 117, Assam 123, Tamil Nadu 108, Gujarat 80, Himachal Pradesh 64, Tripura 51, Meghalaya 5 and Manipur 4.

Operations of RRBs

As on the last Friday of June 1983, deposits and advances of 132 reporting RRBs amounted to Rs.518 crores and Rs.624 crores, respectively. A year ago the deposits and advances of 114 RRBs had amounted to Rs.381 crores and Rs.466 crores, respectively. A detailed break-up of advances is available upto December 1982 according to which direct advances to small/marginal farmers, landless labourers, rural artisans and other weaker sections amounted to Rs.552 crores at the end of December 1982 as against Rs.263 crores at the end of June 1981. The share of weaker sections in total credit was about 91 per cent. As at the end of December 1982, RRBs had advanced a total of Rs.36.10 crores in 164,338 accounts under the IRD Programme. Such advances had aggregated Rs.7.59 crores in 47,007 accounts a year ago.

Refinance from NABARD

With the formation of the National Bank for Agriculture and Rural Development (NABARD) in July 1982, the refinance facility earlier available to RRBs from the Reserve Bank as per the scheme introduced in October 1976 became available from NABARD. During 1982-83, limits aggregating Rs.227 crores were sanctioned to 97 RRBs. Outstanding refinance at the end of June 1983 amounted to Rs.189 crores. During 1981-82, refinance totalling Rs.177 crores was sanctioned to 82 RRBs of which Rs.162 crores had been availed of. RRBs made further progress in availing of long-term refinance from NABARD (earlier from ARDC) under schematic lending. At the end of June 1983, 458 schemes involving NABARD commitment of Rs.177 crores were sanctioned. Drawals by RRBs amounted to Rs.120 crores as on that date.

Transfer of overseeing functions to NABARD

With its establishment, NABARD assumed the responsibility for laying down policies for RRBs,

overseeing their operations, providing refinance facilities and attending to problems faced by them. All work relating to the establishment of RRBs, administration of refinance scheme, formulation of appropriate operational policies for RRBs, monitoring their performance, liaising with the Reserve Bank in regard to branch expansion and the statutory inspection of RRBs is now undertaken by NABARD.

Steering Committee on RRBs

The Steering Committee on RRBs was reconstituted in September 1982 by NABARD. The Committee in its meeting held in May 1983 considered several important matters including identification of areas for establishing new RRBs, recruitment and promotion policies of RRBs, feasibility of enlarging the scope of lending by RRBs, enhancement of paid-up share capital, etc. The recommendations of the Committee are being followed up.

Assistance from R and D Fund

Owing primarily to their inability to prepare bankable schemes conforming to technical and other norms prescribed for the purpose, RRBs had not been making adequate use of long-term refinance facilities available earlier from ARDC. In order to equip them with essential technical staff, NABARD has decided to provide them with assistance from its R and D funds for a period of 3 years for employment of technical personnel.

Deposits and Credit of Scheduled

Commercial Banks: Area-wise and State-wise

With the opening of more offices of scheduled commercial banks in rural and semi-urban centres, particularly unbanked ones, there has been a distinct quantitative change in the contribution of these offices both to aggregate deposits and advances of the banking system.

The share of rural offices in total deposits and advances as at the end of June 1982 was 13.9 per cent and 12.2 per cent, respectively, as against mere 3.1 per cent and 1.5 per cent in June 1969 i.e. just before the nationalisation of the major banks. While banks' efforts in mobilisation of rural deposits have been remarkable, the progress in deployment of credit to rural areas has been even better. Similar trend was noticed in the case of semi-urban offices the percentage share of their deposits increasing from 22.0 to 23.2 and that of credit from 11.3 to

17.3 during the same period. The shares of urban and metropolitan offices in total deposits, on the other hand declined over the 13 year period. As regards credit deployment, the share of urban offices increased in total credit disbursed by 2.7 percentage points, but that of metropolitan offices declined by as much as 19.5 percentage points (Table VI-25).

The average size of deposits and credit in the case of rural offices rose to three-fold and five-fold respectively, during the 13 year period. The rise in the case of semi-urban offices was also impressive—nearly to four times in deposits and five times in credit. In the case of urban and metropolitan offices whose average size of deposits/advances was already high in the base year (June 1969), the increases were comparatively less marked.

The efforts made by banks in deploying more funds in rural/semi-urban areas during the post-nationalisation period are reflected in the significant

improvement in the credit-deposit ratio over the period. Between June 1969 and June 1982 the credit-deposit ratio of rural offices increased from 37.2 per cent to 58.7 per cent and in the case of semi-urban offices from 39.7 per cent to 50.0 per cent. However, banks were still behind the target ratio of 60 per cent set for rural or semi-urban areas. The ratio for urban offices was 61.0 per cent (59.7 per cent in 1969) and for metropolitan offices 84.3 per cent (106.1 per cent in 1969).

Data on mobilisation of various categories of deposits by banks in the four population group areas are given in Table VI-26. Of the total deposits of Rs.40,413 crores mobilised by scheduled commercial banks through 1,450 lakh accounts as at the end of June 1981, the share of rural and semi-urban offices was 13.0 per cent (Rs.5,261 crores) and 23.2 per cent (Rs.9,368 crores), respectively. Their combined share in the total number of accounts was more than 50 per cent which indicates the retail nature of deposits in these areas. The share of met-

Table VI—25 : Distribution of Deposits and Advances of Scheduled Commercial Banks according to Population Groups

(As on last Friday)

(Rupees crores)

Population Group	June 1969		June 1981		June 1982		Increase (June 1969 to June 1982)	
	Deposits	Advances	Deposits	Advances	Deposits	Advances	Deposits	Advances
1	2	3	4	5	6	7	8	9
1. Rural	145	54	5,261	3,082	6,464	3,792	6,319	3,738
Percentage to total	3.1	1.5	13.0	11.4	13.9	12.2	15.2	13.6
Average amount per office	0.10	0.04	0.31	0.18	0.32	0.19		
2. Semi-Urban	1,024	407	9,368	4,682	10,788	5,391	9,764	4,984
Percentage to total	22.6	11.3	23.2	17.2	23.2	17.3	23.4	18.1
Average amount per office	0.31	0.12	1.07	0.53	1.18	0.59		
3. Urban	1,209	722	9,947	6,123	11,554	7,052	10,345	6,330
Percentage to total	25.9	20.0	24.6	22.6	24.9	22.7	24.7	23.1
Average amount per office	0.63	0.38	1.78	1.08	1.98	1.21		
4. Metropolitan	2,287	2,426	15,837	13,260	17,607	14,847	15,320	12,421
Percentage to total	49.0	67.2	39.2	48.8	37.9	47.7	36.7	45.2
Average amount per office	1.53	1.62	3.73	3.13	4.08	3.44		
Total of 1 to 4	4,665	3,609	40,413	27,147	46,413	31,082	41,748	27,473
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Average amount per office	0.57	0.44	1.13	0.76	1.18	0.79		

Note: The data for June 1982 are provisional.

Source: 1. Based on Basic Statistical Return 1 & 2 for June 1969 and June 1981.

2. Monthly Return on Aggregate Deposits and Gross Bank Credit for June 1982.

Table VI—26 : Distribution of Deposits of Scheduled Commercial Banks according to Population Group and Type of Deposits

(As on the last Friday of June 1981)

(No. of Accounts in thousands)

(Amounts in Rupees lakhs)

Population Groups	Current			Savings			Term			Total		
	No. of Accounts	Amount Outstanding	Average per Account (Rs.)	No. of Accounts	Amount Outstanding	Average per Account (Rs.)	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	8	9	10	11	12	13
RURAL	11,11	395,51	3560	253,33	2277,17	899	88,15	2588,20	2936	352,59	5260,88	1492
Per cent to total deposit category	(13.3)	(6.3)		(27.2)	(19.3)		(20.3)	(11.6)		(24.3)	(13.0)	
Per cent to total deposits	3.1	7.5		71.9	43.3		25.0	49.2		100.0	100.0	
SEMI-URBAN	28,79	1048,97	3644	288,17	3207,93	1113	129,90	5110,94	3935	446,86	9367,84	2096
Per cent to total deposit category	(34.6)	(16.7)		(30.9)	(27.1)		(30.0)	(22.9)		(30.8)	(23.2)	
Per cent to total deposits	6.4	11.2		64.5	34.2		29.1	54.6		100.0	100.0	
URBAN	22,00	1559,85	7090	204,84	2800,44	1367	111,94	5586,82	4991	138,78	9947,11	2936
Per cent to total deposit category	(26.4)	(24.9)		(21.9)	(23.7)		(25.8)	(25.0)		(23.4)	(24.6)	
Per cent to total deposits	6.5	15.7		60.5	28.1		33.0	56.2		100.0	100.0	
METROPOLITAN	21,42	3261,61	15227	186,91	3529,04	1888	103,71	9046,28	8723	312,04	15836,93	5075
Per cent to total deposit category	(25.7)	(52.1)		(20.0)	(29.9)		(23.9)	(40.5)		(21.5)	(39.2)	
Per cent to total deposits	6.9	20.6		59.9	22.3		33.2	57.1		100.0	100.0	
TOTAL	83,32	6265,94	7520	933,25	11814,58	1266	433,70	22332,24	5149	1450,27	40412,76	2787
Per cent to total deposit category	(100.0)	(100.0)		(100.0)	(100.0)		(100.0)	(100.0)		(100.0)	(100.0)	
Per cent to total deposits	5.7	15.5		64.4	29.2		29.9	55.3		100.0	100.0	

Source: Basic Statistical Returns.

ropolitan offices at 39.2 per cent was the highest in deposit amount (Rs. 15,837 crores); the percentage share, however, came down by 0.6 percentage point over the June 1980 level. The all India average of deposit per account worked out to Rs. 2,787 at the end of June 1981 compared with Rs. 2,689 a year ago.

In all the population groups, savings deposit accounts claimed the highest share in total deposit accounts whereas the share of term deposits was the highest in total deposit amount. Savings accounts formed as much as 71.9 per cent of all deposit accounts in the case of rural offices and 60 per cent or more for semi-urban, urban and metropolitan offices. As regards deposit amounts, term deposits claimed the highest share in offices of all population groups in general. In rural areas, however, savings bank deposits were also significant (43.3 per cent). Both in terms of number of accounts and amount outstanding, current deposits were of little significance in rural and semi-urban areas, but in metropolitan offices, they formed about one-fifth of total deposits.

The performance of banks in mobilisation of deposits and in deployment of credit during the 13 years of post-nationalisation period, although quite impressive, shows wide inter-State disparities. Aggregate deposits increased during the period 1969-82 from Rs. 4,665 crores to Rs. 46,413 crores or to nearly ten times. Of the increase in deposits of Rs. 41,748 crores during the period, Rs. 7,285 crores was from Maharashtra, Rs. 4,535 crores from West Bengal, Rs. 4,282 crores in Uttar Pradesh and Rs. 4,004 crores in Delhi; together they accounted for roughly 50 per cent of the incremental deposits. Other States which mobilised substantial deposits are Gujarat (Rs. 2,848 crores), Tamil Nadu (Rs. 2,716 crores), Punjab (Rs. 2,357 crores), Andhra Pradesh (Rs. 2,346 crores), Karnataka (Rs. 2,068 crores) and Bihar (Rs. 1,955 crores). All other States taken together accounted for only about 18 per cent of incremental deposits.

The urban and metropolitan centres accounted for 63 per cent of incremental deposits, semi-urban centres for a little over 23 per cent and rural centres for 15 per cent during the 13-year post-nationalisation period. In terms of growth rate of deposits, however, the performance of rural offices was far more impressive than that of offices in other population groups. Rural deposits rose from Rs. 145 crores to Rs. 6,464 crores or by 44 times, semi-urban deposits from Rs. 1,024 crores to Rs. 10,788

crores or by ten times, and deposits of urban/metropolitan offices from Rs. 3,496 crores to Rs. 29,161 crores or by 7 times. Of the incremental rural deposits of Rs. 6,319 crores, Uttar Pradesh claimed the highest share (Rs. 1,008 crores) followed by Punjab (Rs. 731 crores), Gujarat (Rs. 497 crores), Andhra Pradesh (Rs. 442 crores) and Bihar (Rs. 426 crores). Incremental rural deposits ranged between Rs. 300 crores and Rs. 400 crores in West Bengal, Maharashtra, Karnataka and Tamil Nadu and between Rs. 100 crores and Rs. 300 crores in another 8 States.

Uttar Pradesh again claimed the highest share (Rs. 1,094 crores) in incremental deposits of Rs. 9,764 crores of semi-urban offices, followed by Gujarat (Rs. 921 crores), Kerala (Rs. 889 crores), Punjab (Rs. 834 crores), Maharashtra (Rs. 787 crores) and Bihar (Rs. 749 crores). The increase ranged between Rs. 500 crores and Rs. 700 crores in West Bengal, Andhra Pradesh and Tamil Nadu.

Of the incremental urban/metropolitan deposits, Maharashtra had the highest share of Rs. 6,117 crores. Delhi and West Bengal ranked next with Rs. 3,953 crores and Rs. 3,488 crores, respectively. These three States together accounted for 52.8 per cent of total incremental deposits of urban/metropolitan offices. Uttar Pradesh (Rs. 2,180 crores), Tamil Nadu (Rs. 1,699 crores), Gujarat (Rs. 1,429 crores), Andhra Pradesh (Rs. 1,225 crores) and Karnataka (Rs. 1,221 crores) also recorded handsome increases in deposits during the period.

Credit extended by scheduled commercial banks at Rs. 31,082 crores at the end of June 1982 was more than eight times that in 1969. As in the case of deposits, Maharashtra had the highest share of incremental credit of Rs. 5,272 crores, Delhi with Rs. 3,498 crores, Tamil Nadu with Rs. 2,541 crores, West Bengal with Rs. 2,389 crores and Uttar Pradesh with Rs. 2,090 crores in that order. These five States together claimed 57.5 per cent of total incremental credit over the 13 year period.

Credit extended by rural offices showed a phenomenal rise from Rs. 54 crores in June 1969 to Rs. 3,792 crores by the end of June 1982. Uttar Pradesh claimed the highest share (Rs. 528 crores) in the incremental rural credit of Rs. 3,738 crores followed by Andhra Pradesh (Rs. 400 crores), Karnataka (Rs. 307 crores), Tamil Nadu (Rs. 297 crores), Maharashtra (Rs. 277 crores), Pun-

jab (Rs.261 crores), Gujarat (Rs.228 crores) and Bihar (Rs.205 crores). In the case of rural offices, incremental credit ranged between Rs.100 crores and Rs.200 crores each in Haryana, Rajasthan, Orissa, West Bengal, Madhya Pradesh and Kerala.

In the case of semi-urban offices, the increase in credit was from Rs.407 crores to Rs.5,391 crores. The share of Uttar Pradesh in the incremental credit of Rs.4,984 crores was the highest at Rs.549 crores. It was Rs.477 crores in Tamil Nadu, Rs.461 crores in Gujarat, Rs.446 crores in Kerala, Rs.421 crores in Andhra Pradesh and Rs.410 crores in Maharashtra. These six States together accounted for 55.5 per cent of total incremental credit of semi-urban offices.

Credit extended by urban/metropolitan offices increased six-fold from Rs.3,148 crores to Rs.21,899 crores during the period. Four States, viz., Maharashtra (Rs.4,585 crores), Delhi (Rs.3,481 crores), West Bengal (Rs.2,101 crores) and Tamil Nadu (Rs.1,767 crores), which have a concentration of urban/metropolitan centres, together accounted for over 60 per cent of the incremental credit of Rs.18,750 crores. The other States which showed sizeable increases in credit extension in urban/metropolitan centres are Uttar Pradesh (Rs.1,012 crores), Karnataka (Rs.1,003 crores) and Gujarat (Rs.880 crores).

WORKING OF ECGC AND DICGC

Export Credit and Guarantee Corporation

During 1982-83 (July-June), the Export Credit and Guarantee Corporation (ECGC) issued 7,063 policies and guarantees as against 7,899 issued in 1981-82. The policies and guarantees in force at the end of June 1983 stood at 11,408 as compared with 9,208 at the end of June 1982 (Table VI-27). The value of risk covered during the year amounted to Rs.8,848 crores (Rs.7,297 crores in the previous year). Of this, the value of exports covered under insurance policies and other schemes accounted for Rs.1,539 crores (Rs.1,241 crores in 1981-82) and export advances and other bank facilities covered under the financial guarantees for Rs.7,309 crores (Rs.6,056 crores in 1981-82). The premium income earned during the year was higher at Rs.23.12 crores as against Rs.16.68 crores earned in 1981-82. Ten policies with the maximum liability of Rs.3.43 crores each were issued during the year under the Exchange Fluctuation Risk Cover Scheme.

The total value of gross claims paid during 1982-83 recorded an all time high of Rs.21.87 crores. The value of claims recovered totalled Rs.3.26 crores, thus resulting in net claims of Rs.18.61 crores.

Rationalisation of Premium Structure of ECGC

Premium rates charged by the ECGC for its various insurance policies had remained unchanged since the inception of the Corporation in 1957 except for some modifications and rationalisation in 1966 and 1969, which had resulted in steep reduction in premium rates for semi-manufactured and manufactured goods. While the costs had moved up in all fields of economic activities over these years, the ECGC could offer its services without raising the premium rates by sound management policies and favourable spread of risks. The average premium rate for short term exports covered by the ECGC had been in the vicinity of 20 paise per Rs.100 for the last five years. The rates offered by the ECGC are the second lowest in the world. On the other hand, the cost of servicing a policy had risen by three-fold, from Rs.391 in 1970 to Rs.1,239 in 1980.

The Corporation's outlay on claims under insurance policies issued to exporters for covering short-term exports showed increases as the gross claims and net claims paid during the previous three consecutive years exceeded the premium earnings. In the light of these developments, it became necessary to review and rationalise the basic premium rates, particularly for short-term exports.

With effect from February 1, 1982, ECGC introduced a simplified premium schedule for short-term exports with a five-fold classification of countries as hitherto and three categories of payment terms instead of the six earlier categories. Policies would be issued for two/four years' duration. The premium rates were rationalised and those for covering political risks on first-class markets were reduced considerably. A new scheme of 'Non-claim Bonus' of 5, 10 and 15 per cent replaced the earlier procedure of rebate on premium.

The Corporation has adopted a conscious policy of supporting trade with new markets in Africa on a growing scale. This implies a greater outlay of its funds on account of exchange transfer delay claims. These countries which experience exchange transfer delays are placed by ECGC on the 'Restricted Cover List'. This implies that the exporters have to obtain the Corporation's specific approval for each

Table VI—27 : ECGC's Guarantees and Policies for Exporters (July-June)

Type	No. of Policies and Guarantees				Bank Finance (Guarantees availed of) (Rs. crores)	
	Issued during		In force at the end of		1981-82	1982-83
	1981-82	1982-83	1981-82	1982-83		
	1	2	3	4	5	6
1. Standard Policies	4588	4146	5411	7082	—	—
2. Packing Credit Guarantee	492	527	530	614	4398.46	5199.21
3. Post Shipment Guarantee	688	849	605	789	1268.55	1601.64
4. Export Finance Guarantee	197	135	161	207	9.56	7.98
5. Export Production Finance Guarantee	19	10	10	12	8.20	10.01
6. Export Performance Guarantee	1843	1374	2436	2659	371.15	489.83
7. Special Schemes (Transfer Guarantee, Buyer Credit Insurance and Line of Credit Insurance.)	72	22	55	45	14.49	120.28
Total	7899	7063	9208	11408	6070.41	7428.95

Source: Export Credit and Guarantee Corporation Ltd.

shipment to such countries and have to pay the specific approval fee for obtaining cover on such countries.

In the case of long-term exports, the rebate of 10 per cent in premium was admissible only if the amount of premium due exceeded Rs. 1 lakh and the entire amount was paid in lump sum. This was modified and the revised premium structure was framed with a view to providing the benefit of lower rates to all exporters/contractors.

The structure of rates for medium/long-term exports is projected on the basis of rates applicable to exports on credit terms of six months in the short-term insurance sector. In the new rates structure for term exports, the increase in rates per slab of six months is at a much lower scale than earlier.

Deposit Insurance and Credit Guarantee Corporation

The Deposit Insurance and Credit Guarantee Corporation (DICGC) registered significant progress in the achievement of its two objectives of giving insurance protection to small depositors in banks and guarantee support to credit facilities extended to certain categories of small borrowers, particularly those belonging to the weaker sections of the society. It formulated a new credit guarantee scheme providing cover to select primary agricultural credit societies and primary land development

banks in respect of their lendings for agricultural and allied activities. The extent of guarantee support for certain credit facilities was rationalised to improve pre-lending appraisal and post-lending supervision and recoveries by credit institutions.

Deposit Insurance Function

The number of insured banks increased from 1,661 as at the end of June, 1982 to 1,718 by end-June 1983 comprising 83 commercial banks, 140 regional rural banks and 1,495 co-operative banks. With the extension of deposit insurance scheme to co-operative banks in Himachal Pradesh with effect from October 1, 1982, the scheme now covers deposits of co-operative banks in fourteen States viz., Andhra Pradesh, Gujarat, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh and West Bengal and three Union territories of Delhi, Goa, Daman and Diu, and Pondicherry. The other States/Union territories where the scheme is yet to be extended account for 89 co-operative banks.

The limit of insurance cover per depositor (in the same right and capacity) per bank at Rs.30,000 and the rate of insurance premium at four paise per Rs.100 per annum remained unchanged. Insured deposits of commercial and co-operative banks at the end of June 1982 amounted to Rs.31,774 crores

and constituted 75 per cent of the total assessable deposits of Rs.42,360 crores. Fully protected accounts numbered 1,581 lakhs and formed 98.9 per cent of the total number of deposit accounts.

The total amount of deposit insurance claims paid or provided for since inception of the scheme upto the end of June 1983 in respect of 14 commercial banks and 11 co-operative banks amounted to Rs.113 lakhs and Rs.191 lakhs, respectively. The Corporation received from the commercial banks and co-operative banks Rs.80 lakhs and Rs.15 lakhs, respectively, towards repayment.

Credit Guarantee Function

Schemes for Non-industrial Sector: As at the end of June 1983, 75 commercial banks and 113 RRBs were participating in the Small Loans Guarantee Scheme, 1971. The number of institutions participating in the Small Loans (Financial Corporation) Guarantee Scheme, 1971 remained unchanged at 18, while the number of credit institutions participating in the Service Co-operative Societies Guarantee Scheme, 1971 stood at 149 comprising 61 commercial banks, 51 RRBs and 37 co-operative banks. The total advances covered by these three guarantee schemes relating to non-industrial sector increased from Rs.3,558 crores as at the end of June 1981 to Rs.4,840 crores by the end of June 1982, indicating a rise of 36 per cent (Table VI-28). Advances to farmers and agriculturists continued to constitute a major portion (62.9 per cent) of the guaranteed advances followed by credit to transport operators (15.5 per cent), retail traders (10.6 per cent), business enterprises (4.3 per cent), professional and self-employed persons (4.1 per cent) and residual category of borrowers under the Differential Rate of Interest Scheme (2.6 per cent).

During 1982-83 (July-June), 187,432 claims for Rs.32.5 crores were received by the Corporation. Claims disposed of during the year numbered 101,544 for Rs.15 crores. The total claims disposed of since the inception of the schemes for non-industrial sector upto June 1983 numbered 316,935 for Rs.53.1 crores.

Though RRBs have a special role to play in extending credit to weaker sections of rural and backward areas, some of them are yet to attain a volume of business which would make them fully viable. In view of this, the rate of guarantee fee payable by them was reduced from $\frac{1}{2}$ per cent to $\frac{1}{4}$

per cent for a period of 3 years commencing from July 1, 1979 or the date of their joining the guarantee scheme in the non-industrial sector, whichever date was later. This period has been extended *finally* to a total of 5 years after which such RRBs are required to pay guarantee fee at normal rates prescribed under the relative schemes.

The Scheme for Small-scale Industries: The number of institutions participating in the Corporation's Small Loans (Small-scale Industries) Guarantee Scheme, 1981 introduced with effect from April 1, 1981 rose from 285 as at the end of June 1982 to 339 by the end of June 1983, comprising 71 commercial banks, 88 RRBs, 15 State Financial Corporations (SFCs), 5 other State development agencies and 160 co-operative banks. Besides, 2 SFCs and 4 co-operative banks have expressed their willingness to join the scheme but have yet to execute the agreements. The guaranteed advances to small-scale industries as on June 30, 1982 amounted to Rs.3,904 crores as compared to Rs.3,716 crores as on March 31, 1981 when the Government's credit guarantee scheme for small-scale industries was cancelled.

Under the Corporation's credit guarantee scheme for small-scale industries, 3,225 claims for Rs.5.37 crores were received till the end of June 1982. Further, during 1982-83 (July-June) 5,855 claims for Rs.19.73 crores were preferred on the Corporation. The Corporation had, till June 1983 scrutinised and disposed of 6,122 claims for Rs.5.92 crores.

As on the date of cancellation of the Government's scheme for SSI units (March 31, 1981) 30,826 claims for Rs.98.18 crores were pending with the erstwhile Credit Guarantee Organisation of the Reserve Bank and these were transferred to the Corporation for disposal as agent of Government. Further, all credit facilities covered under that scheme and in respect of which a default had occurred upto the date of its cancellation, continued to be covered under the Government's scheme although the claims could be lodged subsequently. Thus, between April 1, 1981 and June 30, 1983, 28,916 claims for Rs.49.8 crores were received by the Corporation. Of these, 38,603 claims for Rs.48.7 crores were disposed of till the end of June 1983. During the period April 1981 - June 1983, Rs.26.6 crores were paid against such claims on behalf of the Government.

Table VI—28 : Credit Facilities Guaranteed by Deposit Insurance and Credit Guarantee Corporation

(Rupees crores)

Scheme/Category of Borrowers	As on the last Friday of June					
	1972	1978	1979	1980	1981	1982
1	2	3	4	5	6	7
Non-Industrial Sector						
(1) Small Loans Guarantee Scheme, 1971	205.71	1,706.29	2,154.45	2,789.13	3,546.24	4,819.77
i) Farmers and agriculturists	134.67	1,057.04	1,345.80	1,796.10	2,267.52	3,041.59
ii) Transport operators	28.29	282.66	310.54	368.50	477.56	731.31
iii) Retail traders	28.34	178.92	257.39	316.65	398.86	511.83
iv) Professional and self employed persons	9.14	87.96	108.11	127.09	165.66	199.12
v) Business enterprises	5.27	68.07	92.18	116.64	150.08	209.70
vi) Residual category of borrowers under the Differential Rate of Interest Scheme	—	31.64	40.43	64.15	86.56	126.22
(2) Financial Corporations Guarantee Scheme, 1971	2.56	8.66	9.38	10.23	10.89	18.58
i) Transport operators	2.35	7.97	8.69	9.58	10.33	18.35
ii) Business enterprises	0.21	0.69	0.69	0.65	0.56	0.23
(3) Service Co-operative Societies Guarantee Scheme, 1971	0.12	0.22	0.89	0.36	1.32	1.53
Service co-operative societies	0.12	0.22	0.89	0.36	1.32	1.53
Total non-industrial sector (1+2+3)	208.39	1,715.17	2,164.72	2,799.72	3,558.45	4,839.88
Small Loans (small-scale industries) Guarantee Scheme, 1981	—	—	—	—	3,716.43*	3,904.07
TOTAL (all schemes)	208.39	1,715.17	2,164.72	2,799.72	7,274.88	8,743.95

* As on March 31, 1981.

Source: Deposit Insurance and Credit Guarantee Corporation.

The Corporation also reviewed during 1982 the extent of guarantee support provided for certain credit facilities under its schemes and, with a view to inducing the credit institutions to improve their pre-lending appraisal and post-lending supervision and recoveries, reduced the guarantee cover from 90 per cent, wherever it was so provided, to 75 per cent of the amount in default, effective in respect of fresh advances granted from March 1, 1983 onwards.

The Scheme relating to the Co-operative Sector: Another credit guarantee scheme for the co-operative sector, viz., Small Loans (Co-operative Credit Societies) Guarantee Scheme, 1982 was formulated by the Corporation for providing guarantee cover, initially, to certain select primary agricultural credit societies (PACS) and primary land development banks (PLDBs)/branches of State

land development banks (where unitary structure exists) in respect of their lendings for agricultural and allied activities. To begin with, only those PACS who have audit classification 'A' or 'B' continuously for the last 3 years (1978-79 to 1980-81), have full time paid secretaries and are affiliated to central co-operative banks with 'A' class audit classification for a similar period of 3 years and PLDBs with overdues not exceeding 25 per cent of demand and with unrestricted eligibility for fresh lending continuously for the last 3 years (1978-79 to 1980-81) are eligible to join the scheme and have accordingly been invited to do so from January 1, 1983 onwards. As in the case of the Corporation's other credit guarantee schemes, participation in this scheme is voluntary and would cover automatically and in bulk all advances granted on or after January 1, 1983 (or from the date of joining the scheme, whichever is later), for eligible purposes mentioned in the scheme. The guaran-

tee fee payable is 65 paise per hundred rupees per annum. Guarantee cover is to the extent of 75 per cent of the amount in default (90 per cent in the case of consumption credit) with monetary ceilings on Corporation's claim liability per borrower. No ceilings on advances have been prescribed except in the case of consumption credit (which is Rs.500 per borrower) and housing finance (which is Rs.5,000 per borrower).

Outlook and prospects

In view of the large inflow of claims the Corporation has, *inter alia*, embarked upon a phased programme of computerisation of certain select functions. The computerisation is also being designed to improve data retrieval and to provide timely management information.

The Corporation is considering extension of the benefit of guarantee support to urban co-operative banks for their advances to non-agricultural sector. Further, a proposal to extend guarantee cover to advances by PACS ceded to and financed by commercial banks is also under consideration and views of the concerned credit institutions have been invited in this regard.

COMMITTEES/WORKING GROUPS RELATING TO BANKING

Committee to review the working of Credit Authorisation Scheme

In pursuance of the decision taken at the meeting which the RBI Governor had with the Chairmen of major banks on October 25, 1982, the Reserve Bank appointed a Committee to review the working of the Credit Authorisation Scheme (CAS) from the point of view of its operational aspects. The terms of reference of the Committee were:

- i) to examine the objectives, scope and content of the scheme and make suggestions with regard to making modifications therein, if any, having regard to the changing economic situation;
- ii) to examine the adequacy or otherwise of the credit appraisal machinery/procedures in commercial banks and, based thereon, suggest modifications, if any, in the modalities in this behalf;

- iii) to study the existing set-up for compliance with the requirements of the Scheme within the commercial banks both at the head and regional office levels and suggest any modification therein considered necessary to facilitate proper appraisal and expeditious disposal of applications and monitoring thereof;

- iv) to examine the existing data base relevant for making recommendations by banks to the Reserve Bank for authorising a given level of credit for a particular party and suggest modification/simplification, if any, in that behalf;

- v) to examine the existing format for submitting applications by banks to the Reserve Bank in respect of seeking authorisation and suggest modifications therein, if necessary;

- vi) to study the desirability of introducing time bound guidelines to be observed within commercial banks and the Reserve Bank for speeding up the processing and disposal of applications; and

- vii) to make any other recommendations which are germane to the Scheme.

The Committee's report submitted in July 1983 is being processed.

Standing Committees for Selected Industries

The Reserve Bank appointed Standing Committees on Co-ordination of Institutional Finance for four major industries viz. jute, tea, sugar and fertiliser to study their financial problems on an on-going basis. The Standing Committees for jute and tea industries were set up on November 20, 1982 and those for sugar and fertiliser industries on January 8, 1983. The members of the Committees are drawn from the Reserve Bank, term-lending institutions, concerned industries, Central Government and experts/technologists. The main function of each of the Committees is to discuss financial and other problems that may be referred to it relating to the respective industry.

Small Group on National Clearing of Outstation Cheques

The Reserve Bank examined in consultation with the Indian Banks Association (IBA) the feasibility of introducing national clearing of outstation cheques with a view to reducing the overall time involved in the existing system. Accordingly, the

Bank appointed a Small Group of representatives of Government of India (Ministry of Finance)/ Electronics Commission, IBA and the Reserve Bank to consider:

- (i) the feasibility of introducing MICR/OCR technology for cheque writing and recommend a suitable system for the purpose of introducing national clearing of outstation cheques;
- (ii) details regarding standardisation of cheque form with reference to the size, quality of paper, printing specifications, etc.;
- (iii) tentative schedules for introduction of the system; and
- (iv) other connected matters, particularly those relating to the feasibility of introducing the "Bank Giro" system as part of the national clearing for quicker remittance of funds which also requires mechanisation.

The Group has submitted its report which is being processed.

Costing in Commercial Banks

Following the recommendations of the Working Group on Banking Costs, Operational Efficiency and Profitability of Banks, banks were advised in 1978 that it would be desirable for them to undertake studies at periodical intervals to estimate cost of services and profitability of different banking operations with a view to examining the cost structure and relating the same, to the extent possible, to charges levied for services rendered. In this context, a workshop on costing was held in August 1982 in which 27 public sector banks participated. The workshop emphasized the need for public sector banks individually taking steps to introduce in their organisation an ongoing costing system; the modalities of introducing such a costing system were also discussed. As a follow-up of the discussion, a Steering Group was constituted comprising representatives of public sector banks and of the Reserve Bank. The Group took decisions upon the methodology for undertaking costing exercise in banks on the basis of a minimum programme, guidelines for introduction of costing, formats for collection of data and identification of a common agency for clustering of branches, processing the data and providing output information on a uniform basis. Based on these decisions, detailed guidelines were issued to banks to ensure that costing is undertaken by all public sector banks on an on-going basis.

Working Group to review Accounting System at bank branches

The report of the Working Group set up by the Reserve Bank to review the existing accounting systems at bank branches and suggest changes to facilitate generation of data regarding deployment of funds and lending to priority sectors, etc., to which a reference was made in the last year's Report, was processed. Banks were asked to implement the recommendations of the Working Group relating to maintenance of separate subsidiaries for different segments of priority sector advances, separate loan ledgers for different segments of priority sector borrowers, introduction of loose leaf system of maintenance of loan ledgers, etc.

Standing Committee on Export Finance

The Sub-Group on Strategy for Exports to Africa to which a reference was made in last year's Report submitted its recommendations. These were forwarded to the Government of India for their views:

As regards criteria for identification of exporters eligible for extended terms for export to targeted African countries, as per the Sub-Group's recommendations, a Working Group was constituted consisting of representatives of the Reserve Bank, Export Credit Guarantee Corporation, concerned banks and a Government nominee. The Working Group would consider proposals for extension of credit terms beyond six months for targeted African countries as well as other countries for export of selected commodities.

OTHER BANKING DEVELOPMENTS

Banking Laws (Amendment) Bill

The Banking Laws (Amendment) Bill was finalised and introduced in the Lok Sabha on May 10, 1983. The Bill contains important provisions such as, providing nomination facilities in respect of bank accounts, prohibition of acceptance of deposits by individuals, firms, etc., from more than the number of depositors prescribed therein, enabling banks to undertake innovative measures like leasing activities, restricting the tenure of directors of private sector banks who hold office continuously for a period exceeding eight years, empowering the Reserve Bank to vary the SLR from 25 per cent to 40 per cent by issue of a notification, widening the scope of considerations by the Reserve Bank before the issue of a licence to a bank to commence

banking business, providing protection to directors nominated by public sector banks on the Boards of assisted units and laying of rules and regulations framed under the Act/Acts before each House of Parliament.

Internal Controls and Safeguards for Prevention of Frauds and Malpractices

Keeping in view the growing number of complaints about poor service, prevalence of corruption/malpractices in banks and increasing incidence of frauds, the Reserve Bank issued detailed guidelines in April 1983 on the subject. Banks were advised to strengthen their control mechanisms including the internal audit/inspection machinery, take note of the warning signals like non-submission or irregular submission of control returns, arrears in house-keeping, etc. The guidelines issued touched, *inter alia*, upon the following aspects.

Advances: Advances should not ordinarily be granted beyond the discretionary powers of the authorities or by oral/telephonic instructions. If there are unavoidable exigencies necessitating such sanction, proper record of such sanctions/instructions should be maintained and confirmation of the competent authority obtained within a week. There should be proper investigation about the borrowers, grant of credit in accordance with the borrowers' requirement and prevention of frequent excess draws in accounts. There should also be supervision to ensure proper end-use of credit.

Internal Control: Regional/Zonal offices should be made accountable for the lapses on the part of branches under their control. A system of periodical review of the working of controlling offices from the point of view of effectiveness of control over branches, submission of periodical returns and general working of branches should be introduced. The internal inspection/audit machinery should be strengthened. Also the working of branches should be critically examined and deficiencies in the observance of essential safeguards promptly reported by internal inspectors/auditors.

In May 1983 a special investigation cell was set up in the Reserve Bank for looking into the major frauds that come to its notice and thereafter to ensure that suitable follow-up action was taken by the concerned bank.

CONTROL OVER NON-BANKING COMPANIES

Amendments to the Bank's Directions

During the year, the Miscellaneous Non-Banking Companies (Reserve Bank) Directions, 1977 were amended to allow Chit fund companies to submit returns of deposits once a year indicating the position as on March 31, instead of twice a year (March 31 and September 30) as required earlier. Further, to facilitate maturity-wise classification of deposits and to remove certain ambiguity in the wordings, the reporting form was also amended.

Chit Funds Act, 1982

As stated in the last year's Report, the Chit Fund Bill, 1980 as passed by both the Houses of Parliament received the President's assent on August 19, 1982. The Act will, however, come into force on such date/dates as the Central Government may, by notification in the Official Gazette, fix for different States. Efforts are being made to bring the Act into force in the various States/Union territories as early as possible and for that purpose, the Governments concerned have been requested to make requisite arrangements such as framing rules and setting up of administrative machinery at various levels for effective enforcement of the Act. As required under the Act and for the sake of maintaining uniformity, the Reserve Bank had drawn up a set of model rules and forwarded the same to the Chief Secretaries of all States/Union territories in December 1982 for adoption with such changes as they may deem fit. The matter is being actively pursued by the Reserve Bank with the State Governments/Union territories.

Acceptance of deposits by unincorporated bodies

The Banking Laws (Amendment) Bill to which a reference has been made earlier also includes provisions relating to acceptance of deposits by unincorporated bodies. Under the proposed amendments, an individual may accept deposits from not more than ten depositors; in the case of a partnership firm, it is ten depositors per partner subject to a maximum of one hundred depositors and in the case of an unincorporated association of individuals, it is the same as in the case of a partnership firm. The restriction contemplated is in respect of the number of persons from whom deposits may be accepted and not on the quantum thereof, the intention being

to prevent the acceptor of deposits from approaching a large number of unwary, and often illiterate depositors. The penalty prescribed for contravention of the above provisions is imprisonment for a term which may extend to two years or fine which may extend to twice the amount of deposits received or two thousand rupees, whichever is more or both. The officials of the Reserve Bank or the State Governments specially authorised in this behalf will have powers to obtain search warrants from a Court so as to enable them to enter and search any premises suspected to be used for purposes connected with the receipt of deposits in contravention of the relative provisions.

Research and Studies on Non-Banking Financial Intermediaries

During the period, the Reserve Bank completed a study on the working of a cross-section of hire-purchase finance companies. The study, *inter alia*, revealed that hire purchase finance companies in general were operating with deposits far below the statutory ceiling and no change in the provisions governing the acceptance of deposits by such companies was called for at present.

Studies in the growth of deposits with non-banking companies

During the year annual surveys of deposits for four years 1979 to 1982 were completed. The surveys revealed that there was a steady growth in deposits with the non-banking corporate sector inasmuch as aggregate deposits with them had gone up from Rs. 2,636 crores as on March 31, 1979 to Rs. 5,492 crores by the end of March 1982. Of the total aggregate deposits of Rs. 5,492 crores, the shares of 2,750 non-financial companies, 2,129 financial companies and 541 miscellaneous non-banking companies were to the extent of Rs. 3,746 crores, Rs. 1,535 crores and Rs. 211 crores, respectively. Company deposits rose by 31.1 per cent during the year ended March 31, 1982 as against the rate of growth of 15.4 per cent recorded in bank deposits. However, company deposits at Rs. 5,492 crores constituted only 12.5 per cent of bank deposits as on March 31, 1982.

RURAL CREDIT

Institutional Finance for Agriculture

Data on institutional finance made available to the agricultural sector during 1981-82 and 1982-83 are not yet available. NABARD's estimates of direct and indirect finance provided to this sector by co-operative institutions in 1981-82 and 1982-83 together with available data in respect of other financial institutions for the three previous years are furnished in Table VI-29 and Table VI-30.

(a) Direct Finance

Disbursement of direct finance to agriculture by institutional agencies, viz., co-operatives, scheduled commercial banks and State Governments, amounted to Rs. 3,436 crores in 1980-81 and the outstanding amount at the end of June 1981 was Rs. 7,943 crores. Co-operatives accounted for Rs. 2,029 crores or the bulk (59.1 per cent) and commercial banks Rs. 1,263 crores or a little over one-third (36.8 per cent) of total disbursement of direct finance to agriculture in 1980-81. A major part of disbursements comprised of short-term loans (68.3 per cent) in the case of co-operatives and term loans (59.1 per cent) in the case of scheduled commercial banks. According to NABARD's estimates, disbursement of direct finance by co-operatives increased to Rs. 2,254 crores in 1981-82 and further to Rs. 2,508 crores in 1982-83 and the outstanding amount of loans stood at Rs. 5,559 crores and Rs. 6,688 crores at the end of June 1982 and 1983, respectively. Loans issued by State Governments are estimated to have increased from Rs. 153 crores in 1981-82 to Rs. 203 crores in 1982-83.

(b) Indirect Finance

Data on annual disbursement of indirect finance are available only in respect of co-operatives and Rural Electrification Corporation (REC). Indirect finance provided to the agricultural sector by co-operatives amounted to Rs. 1,154 crores in 1980-81 and is estimated by NABARD to have increased to Rs. 1,497 crores in 1981-82 and to Rs. 1,956 crores in 1982-83. The indirect outstanding loans of co-operatives which stood at Rs. 638 crores at the end of June 1981 are estimated to have gone up to Rs. 840 crores and

Table VI—29 : Direct Institutional Finance for Agriculture

(Rupees crores)

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REPORT ON CURRENCY AND FINANCE, 1982-83

Source of Finance	Loans issued during					Loans outstanding as on June 30				
	1978-79	1979-80	1980-81	1981-82	1982-83E	1979	1980	1981	1982	1983
I. Co-operatives*	1,621.0 (40.2)	1,821.1 (45.5)	2,028.5 (30.9)	2,253.7E (34.0)	2,508.4 (37.4)	3,383.1 (69.9)	3,850.1 (84.3)	4,613.0 (73.4)	5,558.5E (80.7)	6,687.8E (88.8)
<i>Of which</i>										
(a) Short-term loans by PACS	1,206.5	1,259.6	1,385.5	1,525.1	1,677.6	1,540.0	1,696.7	2,205.7	2,867.4	3,727.6
(b) Medium and long-term loans by PACS/LDBs**	414.5 (240.6)	561.5 (318.8)	643.0 (363.9)	728.6 (407.6)	830.8 (461.0)	1,843.1 (1,333.7)	2,153.4 (1,476.3)	2,407.3 (1,650.4)	2,691.1 (1,845.0)	2,960.2 (2,062.7)
II. State Governments(a)	119.1	132.5	144.2	153.3	202.6					
III. Scheduled Commercial Banks (excluding RRBs)†	800.1	974.5	1,262.8R	..	..	1,824.6	2,363.8	3,043.3R	..	..
<i>Of which</i>										
(a) Short-term loans	365.1	454.5	517.0	..	..	759.3	949.2	1,161.5	..	..
(b) Term loans	435.0	520.0	745.8	..	..	1,065.3	1,414.6	1,881.8	..	..
IV. Regional Rural Banks‡	100.8	..	..	..	..	..	168.4	286.4	441.2	578.5
V. TOTAL DIRECT FINANCE (I TO IV)	2,641.0	2,928.1	3,435.5	..	..	5,207.7	6,382.3	7,942.7	..	..
<i>Of which</i>										
(a) Short-term loans	1,791.5	1,846.6	2,046.7	..	..	2,299.3	2,814.3	3,653.6	..	..
(b) Medium-term loans	849.5	1,081.5	1,388.8	..	..	2,908.4	3,568.0	4,289.1	..	..

E = Estimates R = Revised .. = Not available.

* Figures in brackets relate to short-term finance provided by RRBs and other commercial banks through PACS.

** Figures in brackets relate to long-term loans by LDBs.

(a) Taken as short-term, and relate to financial year April-March.

† Loans issued relate to financial year April-March while outstandings are as on June 30.

‡ Taken as short-term loans.

Sources: (i) NABARD.

(ii) Reserve Bank of India.

(iii) Annual Budgets of State Governments.

Table VI—30 : Indirect Institutional Finance for Agriculture

(Rupees crores)

Source of Funds	Loans issued during the year					Loans outstanding as on June 30				
	1978-79	1979-80	1980-81	1981-82	1982-83	1979	1980	1981	1982	1983
I. Co-operatives@	834.7	894.9	1,154.0	1,497.4E	1,955.6E	481.2	342.8	638.3	839.7E	1,337.6E
<i>Of which</i>										
(a) State Co-operative Banks*	452.3	445.6	619.8	862.2	1,200.4	281.3	229.8	399.4	555.6	868.9
(b) Central Co-operative Banks*	382.4	449.3	534.2	635.2	755.2	199.9	113.0	238.9	284.1	468.7
II. Scheduled Commercial Banks (excluding RRBs)‡	..	..	..	..	..	633.7	733.4	998.3	..	..
III. Regional Rural Banks@	6.3	..	..	..	..	..	12.7	16.1	21.4	24.4
IV. Rural Electrification Corporation**	154.9+	166.4+	183.2+	191.5+	249.0	637.5+	781.0+	931.5+	1,082.2+	1,283.6E
TOTAL INDIRECT FINANCE (I TO IV)	..	..	..	..	..	1,752.4	1,869.9	2,584.2	..	..

E = Estimates R = Revised .. = Not available @ Taken as short-term loans.

* Loans issued include food procurement finance but these are not included in loans outstanding which mainly cover direct advances given to non-agricultural credit societies operating at apex, regional or primary level.

‡ Break up of these data into short and term loans are not available.

** Taken as long-term loans. + Financial year (April-March) data.

Sources: (i) NABARD.
(ii) Reserve Bank of India.
(iii) State Governments (Annual Budgets).
(iv) Rural Electrification Corporation (Annual Reports).

Rs.1,338 crores at the end of June 1982 and 1983, respectively. In the case of scheduled commercial banks (other than RRBs), data on outstanding indirect loans at the end of June 1982 and 1983 are not yet available; as on June 30, 1981, the amount of their outstanding loans at Rs.998 crores was, however, much higher than that of co-operatives (Rs.638 crores). The outstanding loans of REC are estimated to have increased from Rs.1,082 crores at the end of March 1982 to Rs.1,284 crores at the end of June 1983.

II. NABARD and Rural Credit

With the setting up of the National Bank for Agriculture and Rural Development (NABARD) on July 12, 1982, the major functions of the Agricultural Credit Department of the Reserve Bank and the entire undertaking of the Agricultural Refinance and Development Corporation (ARDC) were taken over by NABARD. The assets and liabilities with the Reserve Bank relating to the National Agricultural Credit (Long term Operations) Fund and the National Agricultural Credit (Stabilisation) Fund were transferred to NABARD. Also NABARD took over from the Rural Planning and Credit Cell and Department of Banking Operations and Development of the Reserve Bank the refinance and developmental functions relating to RRBs besides the inspection of these banks. Thus, in the sphere of rural credit NABARD has emerged as an apex national institution which would provide by way of refinance, loans and advances to State Co-operative Banks (SCBs), Land Development Banks (LDBs), RRBs and other approved financial institutions for financing production, marketing and investment activities relating to agriculture, rural development, small-scale industries, industries in tiny and decentralised sector, cottage and village industries, handicrafts and other rural crafts.

NABARD's Resources

NABARD's share capital of Rs.100 crores was contributed equally by the Central Government and the Reserve Bank. The other resources of NABARD comprise of borrowings from the Reserve Bank, borrowings from the Central Government by way of reimbursements under the various projects supported by external aid, market borrowings, and its National Rural Credit (Long term Operations and Stabilisation) Funds.

The outstanding amounts of Rs.1,205 crores in the National Agricultural Credit (Long term Operations) Fund and Rs.440 crores in the National Agricultural Credit (Stabilisation) Fund of the Reserve Bank were transferred to NABARD and formed part of its National Rural Credit (Long term Operations) Fund and National Rural Credit (Stabilisation) Fund, respectively. The Reserve Bank also transferred out of its profit for the year 1982-83, an amount of Rs.225 crores and Rs.75 crores, respectively, to the said funds of NABARD. In March 1983, NABARD floated bonds of Rs.35 crores which were fully subscribed.

NABARD has been associated with implementation of 45 projects involving external aid. Of these, 42 projects are financed with International Development Association/World Bank assistance inclusive of four general lines of credit for a total of U.S. \$875 million (some of which are co-financed by donor countries/agencies such as UK, USA, Netherlands, Switzerland, West Germany, Canada, EEC, etc.), two projects are financed with assistance from International Fund for Agricultural Development (IFAD) and one with aid from Kreditanstalt für Wiederaufbau (KfW) of Federal Republic of Germany. Total credit routed through NABARD for projects sanctioned by the World Bank Group and donor countries/agencies aggregated U.S. \$ 2,099 million. Specific mention may be made in this context of the fourth ARDC Credit Project, envisaging financial assistance of US \$350 million approved by the World Bank in February 1982, which came into effect from May 25, 1982. This covers NABARD's lending programme for a period of two years from January 1982 to December 1983. Under this project total disbursements by NABARD (including expenditure of Rs.1.0 crore on training programme) aggregated Rs.466 crores till end-March 1983.

After the formation of NABARD, credits from five donor countries, viz., U.K., USA, Netherlands, Switzerland and West Germany were negotiated for a total amount of Rs.133 crores. A salient feature of one of the bilateral credit agreements (viz. with Switzerland) is that it supports financing of rural development operations of small farmers and industries in the tiny and decentralised sector through NABARD. This is the first time that a donor country has extended support

for a non-farm credit activity of NABARD. The first NABARD credit project to be submitted to the World Bank, envisaging credit of U.S. \$400 million, was also prepared:

On the date of establishment of NABARD, loans and advances issued by the Reserve Bank and outstanding against SCBs and RRBs aggregating Rs.759 crores were transferred to NABARD. To enable NABARD to provide short-term loans to SCBs and RRBs, the Reserve Bank has sanctioned to NABARD a general line of credit of Rs.1,200 crores inclusive of the aforesaid transfer of loans outstanding against these banks. Upto June 30, 1983 NABARD sanctioned to SCBs and RRBs aggregate credit limits of Rs.1,574 crores and Rs.222 crores, respectively, for financing agricultural operations, marketing of crops, etc.

Policy Measures

During 1982-83 (July-June), NABARD took a number of measures for strengthening the institutional rural credit structure and augmenting the flow of credit to the rural sector in general and small/marginal farmers and other weaker sections of the rural community in particular. These measures are reviewed below.

Deposit Rates

While the general deposit rate structure of co-operative banks was left untouched, a new category of term deposits of five years and above with a rate of interest of 11 per cent per annum was introduced from October 26, 1982. The SCBs and CCBs have been allowed to pay, at their discretion, additional interest upto $\frac{1}{4}$ and $\frac{1}{2}$ of one per cent per annum, respectively, over and above the stipulated rate. The following concessions were introduced with effect from May 1, 1983: (i) in case of premature withdrawal of deposits, the penal rate of interest will be 1 percentage point lower instead of 2 percentage points earlier, than the rate applicable for the period for which the deposit is held; (ii) the interest to be paid on premature renewal or withdrawal under re-investment plan will be compound interest at the permissible rate instead of simple interest and (iii) relaxation of payment of interest on savings bank accounts of institutions not subject to income-tax.

Lending Rates

In consonance with the downward revision in the lending rates of commercial banks from April 1, 1983, the lending rates of SCBs and CCBs were revised and the maximum lending rate was brought down from 19.50 per cent to 18.00 per cent. The rates of interest to be charged by the financing banks under NABARD - refinanced schemes for different purposes, including term loans for minor irrigation, land development and for small farmers, were revised with effect from April 1, 1983 as follows:

Purpose	NABARD refinance rate (per cent)	Rate of interest for ultimate borrower from April 1, 1983 (per cent)
1	2	3
1. Minor irrigation and land development	6.5	10.0
2. Diversified purposes		
(a) IRDP	6.5	10.0
(b) Small farmers	6.5	10.0
(c) Others	8.0	12.5

The interest rates to be charged by co-operative societies for agricultural loans were revised with effect from April 1, 1983 as under:

Purpose	(per cent) Lending rates	
	Upto March 31, 1983	From April 1, 1983
1	2	3
Short-term agricultural loans		
(a) Small farmers (loans upto Rs.5,000)	Not exceeding 12.5	Not exceeding 11.5
(b) Others	Not exceeding 15.0	Not exceeding 14.0
Medium-term agricultural loans		
(a) Minor irrigation and land development purposes	10.5	10.25
(b) Other purposes		
(i) Small farmers (loans upto Rs.5,000)	11.5	10.25
(ii) Others	11.5-12.5	12.5

With a view to providing relief for fertiliser distribution at the retail level, the lending rates applicable to units distributing fertilisers, were revised with effect from May 1, 1983 as stated below:

Loan Amount	Lending Rates
upto Rs. 5,000/-	11.50 per cent
over Rs. 5,000/- and upto Rs. 25,000/-	Not exceeding 14.00 per cent
over Rs. 25,000/-	Not exceeding 16.50 per cent

Further, a maximum rate of interest of 14.0 per cent was stipulated in respect of units undertaking both production and distribution of seeds.

Agricultural Credit

Short-term Credit

(a) Interest Rates/Seasonality Discipline

NABARD continued to sanction short-term credit limits for financing seasonal agricultural operations at the concessional rate of 3 per cent below the Bank Rate. As in the past, the concessional rate facility was available to the extent of the borrowings of SCBs on behalf of CCBs were within the aggregate levels fixed separately for each CCB under the scheme of linking of borrowing from NABARD with CCBs' efforts at deposit mobilisation. During 1982-83, out of 297 CCBs covered under the scheme, 224 CCBs could avail of the full benefit of concessional rate of interest while 22 CCBs were required to pay additional interest of 1½ per cent as their borrowings exceeded the fixed aggregate levels.

The seasonality discipline, prescribed by the Reserve Bank with a view to linking borrowings of CCBs to recovery of their dues from societies and repayment to SCBs, continued to be enforced by NABARD. Accordingly, drawals on short-term credit limits sanctioned on behalf of CCBs were permitted from July 1, 1982 only if CCBs had recovered and remitted to SCBs at least an amount equal to 40 per cent of the total demand in respect of short-term agricultural loans for the year 1981-82. Similarly, drawals from April 1, 1983 were allowed to CCBs only if they

had recovered and remitted to SCBs at least an amount equivalent to either 40 per cent of the current *kharif* demand under short-term agricultural loans or 30 per cent of the total demand under short-term agricultural loans as on March 31, 1983. To facilitate drawals from SCBs expeditiously, regional offices of NABARD have been delegated powers to allow drawals on behalf of CCBs which comply with the seasonality discipline after the prescribed dates. In cases where genuine hardship was faced in complying with these stipulations, suitable relaxations in the level of minimum recoveries and repayments were granted on merits.

(b) Financing of weaker sections under New 20-Point Programme

NABARD continued to ensure the flow of credit to weaker sections of society under the New 20-Point Programme by making it obligatory for banks to disburse a specified percentage of short-term loans to small and marginal farmers and other economically weaker sections. CCBs were not allowed to draw in excess of 70 per cent of the credit limits sanctioned to them unless advances to small and marginal farmers reached the specified percentage, - usually 20 per cent of total short-term loans. However, banks which could not reach the stipulated percentage but had already utilised the free limits (generally 70 per cent) were allowed to draw to the extent of short-term loans actually issued to small and marginal farmers during the year.

(c) Financing of new and non-defaulting members of Primary Agricultural Credit Societies (PACS) and defaulting small/marginal farmers

New and non-defaulting members of PACS

To enable PACS to meet credit needs of new and non-defaulting members, NABARD agreed to sanction to SCBs on behalf of CCBs additional/supplementary short-term credit limits for seasonal agricultural operations and other approved short-term purposes even in cases where CCBs were not eligible for credit limits.

Small/marginal farmers defaulting for small amount

PACS were allowed to provide fresh finance to defaulting small/marginal farmers out of their own resources and without recourse to refinance from higher financing agencies if the defaulted amount did not exceed 10 per cent of the borrower's eligibility for short-term agricultural loans and the default arose from circumstances beyond his control. In terms of the revised policy CCBs/SCBs can provide refinance to PACS which do not have their own resources to finance such defaulting members subject to the norms earlier stipulated by the Reserve Bank. NABARD also agreed to treat the involvement of CCBs in such financing as a legitimate charge on their resources for the purpose of sanction of short-term credit limits.

(d) Credit Limits for Distribution of Fertilisers

Credit limits to SCBs on behalf of State level marketing federations/marketing societies continued to be sanctioned by NABARD at one per cent above the Bank Rate only in cases where commercial banks were not in a position to provide such accommodation.

Medium-term Credit

During 1982-83, NABARD continued to follow the policy earlier laid down by the Reserve

Bank in regard to sanctioning of medium-term credit limits for approved agricultural purposes.

Conversion Loans

There was no change in the policy in respect of limits sanctioned to SCBs and CCBs for converting short-term loans into medium-term loans in areas affected by natural calamities. However, in cases where banks had granted extensions of due dates for payment of short-term agricultural loans in the affected areas, without determining the amount requiring conversion, such extensions were treated as unauthorised and consequently such loans outstanding against societies were not reckoned for the purpose of non-overdue cover which curtailed CCBs' draws on their credit limits.

Long-term Credit

Lending Programme of LDBs in 1982-83 and 1983-84

The lending programme of State Land Development Banks (SLDBs) for 1982-83 (April-March) was fixed at Rs.419 crores compared with Rs.408 crores in 1981-82. This programme envisaged disbursements of Rs.320 crores for NABARD-refinanced schemes and Rs.99 crores for the ordinary programme. Of the amount earmarked for the ordinary programme, Rs.95 crores were to be raised by floating ordinary debentures

Table VI—31 : Ordinary Debenture Programme of State Land Development Banks

Subscribing Agency	(Rupees crores)		
	1981-82 Subscriptions received	1982-83 Subscriptions received	1983-84 Approved Programme
1	2	3	4
(i) Central and State Governments	8.0	8.0	8.0
(ii) Life Insurance Corporation	35.0	35.0	35.0
(iii) Commercial Banks (through Indian Bank's Association)	10.0	10.0	10.0
(iv) State Bank of India Group	10.0	15.0	15.0
(v) Mutual Support and Self-help	29.7	27.0	27.0
Total	92.7	95.0	95.0

and the balance amount of Rs.4 crores was to be provided from internal resources. The programme of ordinary debenture floatation was achieved fully (Table VI-31). The lending programme of SLDBs for 1983-84 has been tentatively fixed at Rs.490 crores of which Rs.392 crores are earmarked for NABARD-refinanced schemes and Rs.98 crores for the ordinary programme.

SLDBs were advised to orient their lending policies towards raising agricultural production with focus on small farmers and weaker sections especially in regard to relaxation in terms and conditions of loans and simplification of loan procedures, etc.

Schematic Lending

During the year NABARD decided to introduce some changes in the refinance facilities provided by it for schematic lending. These were as follows:

(i) It was decided to extend refinance for *development of farm forestry*. The farm forestry programme involves plantation of trees on bunds/boundaries of farmer's agricultural land, uncultivated land or switch-over of plantation from low yielding land or low income land and degraded land obtained by farmers or farmers' organisations on long lease from State Governments. It aims at increasing production of wood and also, directly or indirectly, that of food.

(ii) In the case of *tractor loans* it was decided to reduce the down payment by loanees from 25 per cent to 15 per cent to enable them to avail of loans upto 85 per cent of the cost of tractor.

(iii) In the interest of improving the efficiency of *pumpset installations*, it was decided to extend refinance facilities for providing supplementary loan for replacement of undersized/defective piping system and foot valve and correcting installation/other defects in electric/diesel pumpsets installed on irrigation wells. This facility would also be available in respect of persons who had installed pumpsets with or without any bank loan.

(iv) Refinance would be provided against loans disbursed to farmers who had not obtained loans for installation of electric pumpsets, but wanted to

install *diesel pumpsets* as a stand-by arrangement, provided the diesel engines did not exceed 5 H.P.

(v) It was decided to lend support to the extent of Rs.50 crores to encourage *export-oriented agricultural projects* during the next 4 to 5 years.

(vi) SCBs in certain States which provide investment credit often find it difficult to obtain security in the form of mortgage of land due to peculiar tenancy laws and, therefore, also face difficulties in floating debentures. Besides, most of them are not fully conversant with the systems and procedures for floatation of debentures. With a view to helping such banks to step up their loaning within the existing framework, it was decided to allow them to raise resources from NABARD by way of long-term loans against Government guarantee and also provide 100 per cent refinance both under special and normal lending. Technical guidance and help would be extended by NABARD to banks for preparing schemes involving large outlay.

(vii) Banks are allowed to claim refinance under *IRDP* at intervals of not less than a month instead of once in a quarter so as to ensure that the release of refinance is not delayed and the time-lag between disbursements of loans by banks and drawal of refinance is reduced.

(viii) In view of the importance attached to minor irrigation programme, following relaxations were made from April 1, 1983 in respect of loans to be issued to *State Electricity Boards* by SLDBs: (a) loans for energisation can be issued without reference to eligibility of LDBs under the norms for regulation of advances; (b) such loans would not be considered for the purpose of ceiling of 25 per cent in respect of loans to corporate bodies. SLDBs are expected to issue such loans within the overall approved lending programme.

(ix) Apart from the guidelines already circulated to banks regarding various types of investments eligible for its assistance, NABARD prepared guidelines/pilot projects in respect of *innovative schemes* relating to dry land farming, production of charcoal by using portable metal kilns, development of farm forestry, breeding of rabbits for meat/fur and high quality wool, exotic (*khaki campbell*) duck farming, quail farming for meat production, cattle breeding for production and rearing of high quality crossbreed cows.

sheep for pelt lamb production, salvage of dry/pregnant buffaloes from cities, cultivation of high yielding fodder crops, salvage of female and male buffalo calves from cities and metropolitan centres and rearing them for milk production and for draft purposes, respectively, brackish water fish and prawn culture, muscle culture, edible and pearl oyster culture, etc.

(x) For promoting development of *non-farm activities* under on-going IRDP projects, it was decided to extend with effect from January 1, 1983, refinance assistance at a concessional rate of interest of 6.5 per cent to financing institutions upto 90 per cent of loans given by them for industries, services and business component under IRDP. The maximum amount of loan (which could be a composite loan), excluding subsidy, eligible for refinance by NABARD would be restricted to Rs.10,000 per beneficiary. Separate individual proposals would be required to be submitted to NABARD in cases involving loan amounts exceeding Rs.10,000 per beneficiary.

(xi) With a view to ensuring that investment credit on concessional terms is provided only to small farmers, NABARD advised banks to appraise loan applications for land-based/non-land based investment after making enquiries regarding income realised by the applicant and his family from different sources. This was intended to preclude rich persons with small holdings (or with small incomes from dairy, poultry and similar activities) being identified as small farmers.

Strengthening and Future Development of Co-operative Structure

(a) Reorganisation of PACS

The programme of reorganisation of PACS aims at building up a strong and viable base level structure in the co-operative credit system. In terms of this programme, to be viable, a PACS should have, among other things, a minimum short-term loan business of Rs.2 lakhs, coverage of villages with a gross cropped area of 2,000 hectares to achieve this level of business, and a suitably trained full-time paid secretary to manage its affairs. This programme, which has been under implementation for the past two decades, was more or less completed on the basis of the

above norms in all the States excepting Gujarat, Jammu and Kashmir, and Maharashtra. The total number of PACS which was 2.10 lakhs at the end of 1963-64 stood at 94,628 at the end of June 1982, although it was expected to come down to 90,000 a year earlier (end-June 1981).

(b) Future Development of Reorganised PACS

The Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) had recommended that there should be a time-bound programme in each State supported by technical/financial assistance from the State Government and the higher financing agencies to further develop the reorganised societies into multi-purpose service institutions on the pattern of Farmers' Service Societies (FSS) by introducing some diversified activities like distribution of agricultural inputs, marketing of produce, financing rural artisans, etc. Based on a consensus reached at official level, NABARD formulated a set of guidelines for planning the future development of reorganised societies in a phased manner. The Registrars of Co-operative Societies were advised to select in each district at least 10 to 15 reorganised societies, subject to a minimum of 10 per cent of the profit earning societies in the State, having a minimum complement of competent staff, good management and infrastructural facilities like building, godown, etc., for intensive development. Under the programme, 5,000 societies were expected to be covered during 1982-83. All the reorganised societies with necessary infrastructural facilities are expected to be brought under this programme by the end of the Sixth Plan.

(c) Integration of Co-operative Credit Institutions

With a view to providing package of credit at one contact point, the State Governments were advised to take effective steps to ensure functional co-ordination between short-term and long-term co-operative credit structure. Their attention was particularly drawn to the suggestions made by the Reserve Bank in this regard such as identification of at least 5 to 10 viable PACS per district equipped with adequate staff and other infrastructure to work as agents of PLDBs, drawing up a programme of training of secretaries of PACS, including orientation in procedure for dispensation of term credit, education of beneficiaries, creation of

a cell at the apex level to monitor implementation of the programme of functional co-ordination, etc.

(d) Rehabilitation of CCBs/SCBs

The number of CCBs identified as weak and requiring rehabilitation increased from 111 at the end of June 1980 to 127 at the end of June 1981. Although SCBs were advised as far back as 1977 of the need to draw up and complete the rehabilitation programme of weak CCBs within a period of five years from July 1, 1977 (or the date on which the concerned CCB was initially notified as weak, whichever was later). 63 CCBs are under rehabilitation for a period exceeding 7 years. In the light of the recommendations made by CRAFTCARD regarding arrangements to be made in areas where credit flow is choked, NABARD is constantly reviewing the position of these 63 weak CCBs.

(e) Rehabilitation of SLDBs/PLDBs

With a view to improving the organisational and managerial efficiency of some weak SLDBs, organisation and management studies were arranged by erstwhile ARDC through the Expert Groups. The recommendations of the Expert Groups were considered by the Committee on Term Lending through Co-operatives (COTELCOOP). Based on the deliberations of this Committee, following measures were initiated; (i) In view of the emphasis on viability of primary units at the base level, all SLDBs were advised to evaluate performance of primary units every year in September/October and report the results to the Co-operation Department of the concerned State under advice to NABARD. Such a review for 1981-82 was required to be completed and the result communicated by end-December 1982 together with the plan for improving the working of identified units; (ii) All SLDBs were advised to undertake a classification of overdue defaulters as at end-June 1982 in prescribed proforma and complete the same by end-December 1982. In future, such classification for every co-operative year is required to be completed within following six months; (iii) All Land Development Banks were advised to introduce a system of recovering banks' dues from the salary of the borrower/co-executant/surety on the basis of an agreement executed by him at the time of obtaining loan if suitable provisions to this effect existed in the Co-operative Societies Act of the

State; (iv) SLDBs were asked to maintain from January 1, 1983 farmer-wise beneficiary profile cards containing details such as status of borrower, periodical cropping conditions and income position of borrower, repayments and reasons for default; (v) SLDBs were also advised to work out unit cost of investment by taking into account pre-investment expenditure to be incurred by the borrower such as fees relating to encumbrance certificates, legal charges, stamp duty, registration fees, evaluation fees, etc., and to provide necessary loan assistance for the same; and (vi) SLDBs were instructed by NABARD to introduce a system of communicating the terms and conditions as also the technical requirements to borrowers in local languages along with loan sanction advices. They were also advised to introduce suitable Staff Incentive Scheme for recovery of loans in consultation with Registrar of Co-operative Societies, and Regional offices of NABARD.

(f) Assistance to RRB's from NABARD Research & Development Fund

One of the objectives of NABARD's R & D Fund is to assist financing banks on a selective basis in project preparation, appraisal monitoring and evaluation. In keeping with this objective it was decided to extend assistance from the Fund to RRBs, in addition to SLDBs and SCBs, for strengthening their technical, monitoring and evaluation cells by way of grants on tapering basis upto 5 years.

NABARD and Non-Agricultural Credit

(a) Financing of Industrial Co-operatives (Other than Weavers' Societies)

On a review of the refinance facilities hitherto provided by the Reserve Bank to industrial co-operative societies (other than weavers' societies) covered by the 22 broad groups of cottage and small-scale industries (including coir societies as also to rural artisan members of PACs, FSS and Large - Sized Multi-purpose Societies (LAMPS)), it was observed that the response of the CCBs in availing of refinance facilities was not very satisfactory. The main reason responsible for this was the high proportion of dormancy among industrial co-operatives. To facilitate a larger flow of refinance, NABARD relaxed in September 1982 the norms for assessing working

capital requirements of industrial co-operative societies as follows:

Working capital requirements of industrial societies (other than coir societies) would be assessed at 40 per cent instead of 25 per cent of the anticipated production (previous year's production plus 10 per cent), provided sales during the previous year were not less than 60 per cent of the production (as against 66⅔ per cent earlier). Where sales were less, credit limits would be reduced proportionately. In the case of primary coir co-operative societies, anticipated production of husk and coir would be assessed separately at 120 per cent of the previous year's production and their credit requirements would be calculated at 75 per cent instead of 50 per cent of the anticipated production of husk and at 33⅓ per cent instead of 25 per cent of anticipated production of coir yarn, less outstandings under short-term borrowings from the Government. In the case of mats and matting societies, credit requirements would be calculated at 33⅓ per cent instead of 25 per cent of anticipated production less outstandings under short-term borrowings from the Government. The maximum credit limits in the case of central coir marketing societies would not exceed three times the owned funds of the societies, i.e., 40 per cent (instead of 25 per cent) of anticipated sales during the year (i.e., sales during the previous year plus 20 per cent), whichever was less.

(b) Handloom Finance

To facilitate larger flow of refinance to the handloom sector in view of the importance attached to it in the New 20-Point Programme, NABARD revised the norms followed hitherto in assessing working capital requirements of primary weavers' societies for their production and marketing activities as also working capital requirements of apex/regional weavers' societies for their procurement and marketing operations.

The working capital requirements of established/running primary weavers' societies for production and marketing activities on their own account would henceforth be assessed at 40 per cent instead of 33⅓ per cent of anticipated production during the year (i.e. production during the

previous year plus 20 per cent towards expected increase), provided sales during the previous years were atleast 66⅔ per cent of production (as against 60 per cent as hitherto). In case sales were less, the limit would be reduced proportionately.

Credit requirements of apex/regional weavers' societies for their procurement and marketing operations (while functioning as federal organisations of primary weavers' societies) in respect of handloom cloth, other than polyester cloth, would henceforth be assessed by NABARD at 40 per cent, instead of the existing norm of 25 per cent of their anticipated sales during the year. Credit requirements of these societies in respect of polyester cloth would be assessed at a higher level, i.e., 50 per cent of their sales.

In the case of newly organised societies or dormant societies to be activated, credit requirements for the first two years would be assessed on the basis of per loom scales of finance as fixed from time to time.

(c) Credit Authorisation Scheme (CAS)

During 1982-83, 10 SCBs approached NABARD for prior authorisation under CAS in respect of 86 proposals for block capital finance on behalf of 73 units. Authorisation was granted to 10 SCBs for an aggregate amount of Rs.72 crores in respect of 36 units, as compared with Rs.59 crores in respect of 33 units in 1981-82. During the year authorisation for working capital finance was granted to 14 SCBs and 48 CCBs for an aggregate amount of Rs.1,347 crores in respect of 521 proposals on behalf of 189 societies/units; such authorisations for Rs.1,093 crores were granted in 1981-82 to 13 SCBs and 57 CCBs in respect of 443 proposals on behalf of 200 societies/units. The working capital limits for 1982-83 and 1981-82 are inclusive of authorisation of Rs.200 crores and Rs.205 crores, respectively granted to the Maharashtra State Co-operative Bank for monopoly cotton procurement scheme in the State.

The Reserve Bank had revised, from July 30, 1982, the cut-off points for sanction of working capital limits to co-operative marketing/processing societies and consumer stores from Rs.2 crores to Rs.3 crores in the case of SCBs and from Rs.1 crore to Rs.1.5 crores in the case of CCBs. These banks were, therefore, advised by NABARD to obtain prior approval for

sanction of working capital limits to the societies in excess of the prescribed limits. Scheduled SCBs were allowed to grant without prior authorisation from NABARD term loans for block capital purposes upto Rs.50 lakhs, as against the earlier limit of Rs.25 lakhs applicable to a manufacturing processing society not covered under CAS, provided the total of such loans availed of by the society from the entire banking sector did not exceed the prescribed cut-off point. In respect of non-scheduled SCBs in Union Territories and CCBs, the cut-off limit was, however, maintained at Rs.25 lakhs. Prior authorisation from NABARD for sanction of term loans in excess of the cut-off limit is necessary. The SCBs/CCBs are also required to obtain prior authorisation for sanction of term loans for block capital purposes to any manufacturing/processing society covered under CAS irrespective of the quantum of loans involved.

Credit Operations

Credit operations of NABARD during 1982-83 (July-June) are reviewed below:

Co-operative Sector

Purpose-wise details of short-term, medium-term and long-term financial assistance provided by NABARD to the co-operative sector are set out in Table VI - 32.

Short-term Credit

Credit limits sanctioned for seasonal agricultural operations at Rs.1,120 crores continued to account for the bulk of total short-term credit limits. Drawals against these limits amounted to Rs.1,938 crores and the outstanding amount at the end of June 1983 stood at Rs.573 crores. As mentioned earlier, finance for this purpose was made available at the concessional rate of interest of 3 per cent below the Bank Rate provided borrowings from NABARD were within the aggregate level fixed for each CCB under the scheme of linking of borrowing with efforts at deposit mobilisation.

Short-term credit limits sanctioned by NABARD for purposes other than seasonal agricultural operations aggregated Rs.342 crores during 1982-83 as against Rs.226 crores in the previous year. These included limits of Rs.29 crores for marketing of

crops (at the Bank Rate), and Rs.145 crores for production and marketing of handloom products and Rs.38 crores for cottage and village industries (at the concessional rate of interest of 2½ per cent below the Bank Rate).

Medium-term Credit

NABARD made an allocation of Rs.45 crores from the National Rural Credit (Long-term Operations) Fund to various SCBs. For the calendar year 1983 (upto June 1983), credit limits sanctioned amounted to Rs.30 crores. During the calendar year 1982, credit limits sanctioned to SCBs and drawals made by them were Rs.28 crores and Rs.17 crores, respectively, compared with Rs.26 crores and Rs.18 crores respectively, in the preceding year.

Widespread natural calamities necessitated provision of much higher order of medium-term conversion facilities by NABARD during the year. Credit limits sanctioned for 1982-83 (July-June) from the National Rural Credit (Stabilisation) Fund to enable SCBs/CCBs to convert short-term agricultural loans of farmers affected by such calamities into medium-term loans aggregated Rs.174 crores as against Rs.85 crores in 1981-82. The drawals were also much higher at Rs.91 crores as against Rs.54 crores in 1981-82.

Long-term Credit

During the financial year 1982-83, NABARD sanctioned loans of Rs.13 crores (same amount as in 1981-82) to State Governments for contribution towards share capital of co-operative credit institutions. Drawals amounted to Rs.13 crores (Rs.12 crores in 1981-82) and the amount outstanding against State Governments was Rs.128 crores at the end of March 1983.

Overdues Position

The performance of SCBs and CCBs showed marginal improvement in the matter of recovery position. The percentage of overdues to outstanding credit declined from 8.8 per cent to 7.2 per cent in the case of SCBs and from 31.5 per cent to 29.7 per cent in the case of CCBs, respectively, between end-June 1981 and end-June 1982. In the case of

Table VI—32 : NABARD Credit to Co-operatives and State Governments during 1981-82 and 1982-83

(Rupees crores)

Section of NABARD Act, 1981	Term and Purpose	Period of limits	1981-82†				1982-83			
			Limits Sanctioned	Drawals	Repay- ments	Out- stand- ings	Limits Sanctioned	Drawals	Repay- ments	Out- stand- ings
1	2	3	4	5	6	7	8	9	10	11
I. Short-term										
21(1)(i)/2(i)	(i) Seasonal agricultural operations	July-June	892	1,422	1,186	528	1,120	1,938	1,892	573
21(1)(i)/3(a)	(at 3% below Bank Rate from									
21(1)(i)/3(b)	March 1978)*									
21(1)(i)/3(b)	(ii) Marketing of crops other than	July-June	24	37	37	1	29	24	20	4
	cotton and kapas (at Bank									
21(1)(ii)/3(b)	Rate from June 1978)	July-June								
	(iii) Marketing of cotton and kapas									
21(1)(ii)/3(b)	including monopoly procurement	July-June								
	of cotton (at Bank Rate from									
21(1)(v)/3(a)	June 1978)	January-December	5	7	5	4	5	12	12	4
	(iv) Purchase and distribution of									
21(1)(v)/3(a)	fertilisers (at 1% above Bank	April-March	97	341	346	57	145	706	647	116
	Rate from June 1978)									
21(1)(v)/3(a)	(v) Production and marketing of	April-March	59	88	58	48	38	78	121	6
	handloom products (at 2½% below Bank Rate from March									
21(1)(iv)/21(4)	1978)	April-March	10	7	7	1	9	9	8	1
	(vi) Financing of other cottage and									
21(1)(iii)/21(3)(a)	small scale industries (at 2½% below Bank Rate)**	July-June	30	—	—	—	108	72	62	10
	(vii) Purchase and sale of yarn (at									
21(1)(iii)/21(2)(i)	Bank Rate)	July-June	1	—	—	—	7	4	—	4
	(viii) Against pledge of sugar (at 3% above Bank Rate)									
21(1)(iii)/21(3)(a)	(ix) Against pledge of securities	July-June	—	—	—	—	1	1	—	1
	earmarked under ACS Fund for									
	meeting SCB share in M.T.	July-June	—	—	—	—	1	1	—	1
	conversion/loans (Bank Rate)									
	(x) Collection and marketing of									
	minor forest produce (Bank									
	Rate)									

— (Contd...) —

BANKING DEVELOPMENTS

Table VI—32 : NABARD Credit to Co-operatives and State Governments during 1981-82 and 1982-83 (Concl'd.)

(Rupees crores)

Section of NABARD Act, 1981	Term and Purpose	Period of limits	1981-82‡				1982-83			
			Limits Sanctioned	Drawals	Repay- ments	Out- stand- ings	Limits Sanctioned	Drawals	Repay- ments	Out- stand- ings
1	2	3	4	5	6	7	8	9	10	11
	II. Medium-term									
24.	(i) Agricultural purposes (at 3% below Bank Rate from January 1, 1979)	January-December	26	18	18	38	28	17	18	36
22.	(ii) Conversion of short-term loans into medium-term loans in scarcity affected areas including rephasing and rescheduling (at 3% below Bank Rate from January 1979)	July-June	85	54	64	85	174	91	52	123
	(iii) Purchase of shares in co-operative sugar factories/processing societies (at Bank Rate)	January-December	—	—	—	—	—	—	—	—
	III. Long-term									
27.	(i) Loans to State Governments for contribution to share capital of co-operative credit institutions (at 6% per annum).	April-March	13	12	16	123	13	13	8	128

* Subject to recovery of an additional interest of 1½ per cent as per linking scheme.

— nil or negligible ‡ Revised.

** Inclusive of CCBs and Urban Co-operative Banks.

Source: NABARD.

PACS, however, the percentage of overdues to outstanding loans increased from 42.1 per cent to 43.9 per cent.

Regional Rural Banks (RRBs)

With the formation of NABARD on July 12, 1982, the RRBs commenced availment of short-term refinance facility (earlier provided by the Reserve Bank) from NABARD. During 1982-83 (July-June), short-term credit limits of Rs.227 crores were sanctioned to 97 RRBs and the amount drawn against these limits and outstanding at the end of June 1983 was Rs.189 crores. In the previous year, short-term credit limits were sanctioned to 82 RRBs for Rs.177 crores, against which availment was Rs.162 crores.

Schematic Lending**

NABARD's schematic lending operations are indicated in Table VI-33. During 1982-83 (July-

June), NABARD sanctioned 4,957 schemes involving commitments of Rs.1,019 crores compared with 3,359 schemes and commitments of Rs.895 crores in 1981-82. Disbursements amounted to Rs.703 crores as against Rs.600 in the previous year. Since the inception of erstwhile ARDC in 1963 upto end-June 1983, 24,410 schemes were sanctioned and the cumulative commitments and disbursements amounted to Rs.5,603 crores and Rs.3,492 crores, respectively, (Table VI-33).

Purpose-wise, minor irrigation continued to occupy an important place in schematic lending of NABARD. Out of total 4,957 schemes sanctioned by it during 1982-83, 1,843 (37 per cent) were minor irrigation schemes involving commitments of Rs.357 crores (35 per cent) out of total commitments of Rs.1,019 crores. The number of schemes sanctioned for diversified purposes (i.e., other than minor irrigation)@ increased from 2,187 in

@ These include land development, farm mechanisation, plantation, poultry, dairying, sheep breeding, fisheries and development of market yards, etc.

** Data for 1981-82 relate to operations of erstwhile ARDC.

Table VI—33 : Schematic Lending by NABARD — Purpose-wise sanctions and disbursements

Purpose	(Rupees crores)								
	During 1981-82 † July-June			During 1982-83 July-June			Cumulative position as on June 30, 1983		
	No. of schemes sanction- ed*	Com- mitments	Disburse- ments	No. of schemes sanction- ed*	Com- mitments	Disburse- ments	No. of schemes sanction- ed*	Com- mitments	Disburse- ments
1	2	3	4	5	6	7	8	9	10
Minor Irrigation	1,172	367	252	1,843	357	244	9,821	2,940	1,891
Land Development/CAD	55	15	11	111	45	21	849	247	110
Farm Mechanisation	599	116	128	1,099	187	147	4,009	768	664
Plantation/Horticulture	473	71	33	445	72	27	2,391	392	145
Poultry/sheep breeding/Piggery	243	17	14	279	17	10	1,606	95	57
Fisheries	184	21	8	209	34	6	1,118	125	55
Dairy Development	352	32	19	351	29	14	2,031	156	75
Storage/Market yards	78	16	9	80	8	12	1,259	179	144
Others	203	240	126	540	270	222	1,326	701	351
Total	3,359	895	600	4,957	1,019	703	24,410	5,603	3,492

* Excludes schemes sanctioned and withdrawn during the same year.

† Relates to erstwhile ARDC.

1981-82 to 3,114 in 1982-83. Among these schemes for diversified purposes, farm mechanisation schemes accounted for the largest number (1,099 or 35 per cent).

Agency-wise Sanctions/Disbursements

Commercial banks continued to maintain their lead in availing of refinance under schematic lending at Rs.423 crores (60 per cent of total availment by all agencies) from NABARD during 1982-83 (July-June), followed by SLDBs Rs.235 crores (34 per cent) and SCBs Rs.45 crores (6 per cent) (Table VI-34). Among commercial banks, RRBs made further progress in availing of refinance from NABARD under schematic lending. At the end of June 1983, drawals by RRBs amounted to Rs.120 crores compared with Rs.59 crores a year ago.

State-wise Distribution

NABARD vigorously continued its efforts in promoting investments in the agricultural sector in less developed/under-banked States; its disbursements under schematic lending in these areas increased to Rs.297 crores in 1982-83 as compared with Rs.260 crores in 1981-82 (Table VI-35). Among these States, Uttar Pradesh maintained the lead by availing Rs.106 crores, followed by Bihar (47 crores), Madhya Pradesh (Rs.45 crores), Rajasthan (Rs.44 crores) and Orissa (Rs.34 crores).

Disbursement of Refinance under IRDP

There was substantial improvement in NABARD's disbursement of refinance to financial institutions for IRDP during 1982-83; disbursements increased sharply from Rs.97.9 crores in 1981-82 to Rs.185.2 crores in 1982-83 (July-June) (Table VI-36).

During 1982-83, the largest amount of refinance for IRDP (Rs.138.8 crores) was availed of by commercial banks (including RRBs), followed by SCBs (Rs.30.7 crores) and SLDBs (Rs.15.8 crores).

State-wise distribution of NABARD refinance for IRDP during 1982-83 indicated that the seven States, viz., Uttar Pradesh (Rs.45.6 crores), Bihar (Rs.28.5 crores), Tamil Nadu (Rs.23.7 crores), Orissa (Rs.19.5 crores), Andhra Pradesh (Rs.15.7 crores), Rajasthan (Rs.12.0 crores) and Karnataka

(Rs.10.6 crores), absorbed 84 per cent of total refinance.

During the year, NABARD started refinance in respect of identified beneficiaries under industries, services and business component (ISB) of the programme. Out of Rs.185 crores of refinance disbursed for IRDP, Rs.14 crores were disbursed for this purpose. Of the total disbursement under ISB component, the RRBs accounted for Rs.10.0 crores, other commercial banks Rs.3.7 crores and SCBs Rs.0.7 crore.

Cumulative disbursements of refinance for IRDP upto end-June 1983 amounted to Rs.300.3 crores.

III. Other Developments

(a) Farmers' Service Societies (FSS)

The scheme of setting up Farmers' Service Societies (FSS) for catering to credit and non-credit requirements of farmers at a single point has been in operation since 1973-74. As on June 30, 1981, there were 1,859 (exclusive of 671 gram panchayat level multi-purpose societies in Assam). Of these as many as, 1,405 societies (or 75 per cent) were in three States, viz., Uttar Pradesh (1,090), Karnataka (214) and Bihar (101).

At the end of June 1981, the FSS membership was 51.98 lakhs of which the weaker sections constituted 57 per cent. The paid up capital of FSS stood at Rs.39.58 crores; of this, Rs.9.55 crores was contributed by State Governments. The FSS had issued loans of Rs.108.71 crores to 12.49 lakhs borrowers during 1980-81. Their overdues at Rs.74.02 crores formed 42 per cent of their outstanding loans of Rs.175.71 crores at the end of June 1981. Credit as well as non-credit business undertaken by these societies was sizable. Total non-credit business handled by these FSS during 1980-81 amounted to Rs.140.08 crores which included value of produce marketed (Rs.5.03 crores), farm requisites supplied (Rs.64.90 crores) and consumer goods distributed (Rs.70.15 crores).

(b) Large-sized Multi-purpose Societies

The Large-sized Multi-purpose Societies (LAMPS) operate mainly in backward regions, viz., hilly and tribal areas. As on June 30, 1981, the

Table VI—34 : Agency-wise Sanctions and Disbursements of NABARD Under Schematic Lending during 1981-82 and 1982-83

(July-June)

(Rupees crores)

Agency	Number of Schemes*		Financial Assistance by Agencies		NABARD Commitments		Disbursements by NABARD		Cumulative position as on June 30, 1983			
	1981-82	1982-83	1981-82	1982-83	1981-82	1982-83	1981-82	1982-83	Number of Schemes	Financial Assistance by Agencies	NABARD Commitments	Disbursements by NABARD
1	2	3	4	5	6	7	8	9	10	11	12	13
1. State Land Development Banks	895	1,816	320	394	287	351	226	235	7,170	2,831	2,488	1,633
2. Scheduled Commercial Banks (including RRBs)	2,348	3,100	720	827	573	626	351	423	16,817	3,765	2,960	1,771
3. State Co-operative Banks	116	41	39	47	35	42	23	45	423	176	155	88
Total (1 to 3)	3,359	4,957	1,079	1,268	895	1,019	600	703	24,410	6,772	5,603	3,492

* Excludes IRDP Banking Plans.

Table VI—35 : Disbursements by NABARD to Under-Banked States Under Schematic Lending

States	(July-June)				
	(Rupees lakhs)				
	1978-79 (1)	1979-80 (2)	1980-81 (3)	1981-82 (4)	1982-83 (5)
1. Uttar Pradesh	48.77	56.60	72.49	90.04	106.30
2. Madhya Pradesh	16.66	36.47	38.01	41.58	44.60
3. Bihar	22.53	24.68	24.46	39.60	47.40
4. Orissa	8.75	13.15	19.79	37.30	33.92
5. West Bengal	10.45	9.81	9.84	12.93	8.31
6. Andaman & Nicobar Islands	—	1	1	—	1
7. Assam & Other North-Eastern States	2.79	3.07	6.30	7.32	8.08
8. Rajasthan	16.16	18.15	18.90	24.92	43.54
9. Jammu & Kashmir	14	12	59	3.15	2.41
10. Himachal Pradesh	50	1.85	1.94	2.72	2.23
Total Disbursements: (1 to 10)	126.75	163.91	192.33	259.56	296.80
Total Disbursements (All-India)	284.87	412.23	498.79	600.23	702.69

Note: Figures in brackets indicate percentage disbursements in the specified states to total disbursements.
(Source: NABARD)

Table VI—36 : NABARD's Refinance Assistance for IRDP

Type of Agency	(Rupees lakhs)			
	Disbursements during 1981-82 ¹	Disbursements during 1982-83 (P)	Disbursements upto end-June 1983 (P)	
1	2	3	4	
SLDBS	6.87	15.76 (—)	24.14 (—)	
Commercial Banks (excluding RRBs)	56.50	88.12 (3.65)	156.49 (3.65)	
RRBs	23.45	50.70 (9.95)	77.83 (9.95)	
SCBs	11.10	30.66 (70)	41.87 (70)	
Total	97.92	185.24 (14.30)	300.33 (14.30)	

1. By erstwhile ARDC P = Provisional.
(Figures in brackets indicate disbursements for ISB component)

number of LAMPS stood at 2,213 with Madhya Pradesh (693), Maharashtra (270), Bihar (474), and Orissa (222) together accounting for over 59 per cent of the total. These societies had a total membership of 28.33 lakhs of which 17.06 lakhs were from scheduled tribes and 3.10 lakhs from scheduled castes. The paid-up share capital of LAMPS stood at Rs.28.45 crores, the Government contribution being Rs.12.01 crores. Overdues of LAMPS at Rs.35.57 crores formed about 44 per cent of their outstandings. As in the case of FSS, non-credit business of LAMPS was mainly restricted to distribution of farm requisites and con-

sumer goods. Total non-credit business handled by the LAMPS during 1980-81 was of the order of Rs.52.66 crores. This included value of produce marketed (Rs.6.16 crores), farm requisites supplied (Rs.16.26 crores) and consumer goods distributed (Rs.30.24 crores).

(c) Crop Insurance

The Pilot Crop Insurance Scheme, operated by the General Insurance Corporation of India (GIC) in collaboration with the State Governments since

1979, was implemented by nine States, viz., Andhra Pradesh, Bihar, Himachal Pradesh, Karnataka, Maharashtra, Orissa, Tamil Nadu, West Bengal and Madhya Pradesh during *kharif* 1982-83 season. The GIC increased the overall limit of sum to be insured (fixed for the whole country) from Rs.6.5 crores to Rs.12 crores per annum. Insurance cover of approximately Rs.4 crores was provided to paddy, jowar, groundnut, cotton and maize crops during *kharif* 1982-83 season. The coverage of the schemes increased from 13,181 hectares in 1979-80 to 52,274 hectares during 1982-83. The scheme was modified so as to raise the per farmer ceiling on insurance from Rs.2,000 to Rs.5,000 per annum and cover medium risk areas (in addition to low risk areas) with a view to making it more popular among farmers. During the three years ended 1981-82, the cumulative amount of premium collected amounted to Rs.20 lakhs and claims settled amounted to Rs.16 lakhs.

(d) *Chit Fund Business of Co-operatives*

A reference was made in the last year's Report to the Chit Funds Bill, 1980. The Bill has since been passed and in terms of the Chit Funds Act 1982, no bank, including a co-operative bank, can start new chits but can only continue such business till the current chits/kuries terminate. The Act will come into force on such date as the Central Government may by notification in the official Gazette appoint, and different dates may be appointed for different States. Although co-operative banks are thus precluded under the Act from undertaking chit fund business, other types of co-operatives (e.g., PACS) can be permitted by State Governments to conduct this business after obtaining advice of the Reserve Bank in this connection.

(e) *Advances by CCBs to individuals against gold/silver ornaments*

On the basis of requests received from CCBs for

raising the individual ceiling limit of Rs.2,000 fixed for issue of jewel loans, NABARD reviewed the position and the amount of loan which could be granted directly to individuals against security of gold and silver was raised to Rs.3,000 per borrower from October 1982.

(f) *Banking Regulation and Inspection*

The work relating to issue of licences to co-operative banks (including primary (urban) co-operative banks) under Sections 22 and 23 of the Banking Regulation Act, 1949 (as applicable to co-operative societies) is being attended to in the Reserve Bank. After the setting up of NABARD, a new sub-section 4A was inserted in Section 23 of the Banking Regulation Act, 1949, in terms of which any co-operative bank requiring permission of the Reserve Bank for opening new offices is required to forward its application to the Reserve Bank through NABARD. The latter is required to give its comments on the merits of the application and send it to the Reserve Bank. The concerned bank may also send an advance copy of its application directly to the Reserve Bank.

Licences to carry on banking business under Section 22(2) of the Banking Regulation Act, 1949 (as applicable to co-operative societies) were issued during 1982-83 (July-June) to one CCB and 30 Primary Co-operative Banks (PCBs). The total number of licenced co-operative banks stood at 376 comprising 8 SCBs, 33 CCBs and 335 PCBs as at end-June 1983.

Licences were issued during 1982-83 (July-June) to 4 SCBs and 52 PCBs for opening new offices under Section 23 of the Banking Regulation Act, 1949 (as against 12 SCBs and 138 PCBs during 1981-82). (Table VI-37).

Table VI—37 : Licences issued to Co-operative during 1981-82 and 1982-83

	1981-82				1982-83			
	SCBs	CCBs	PCBs	Total	SCBs	CCBs	PCBs	Total
	1	2	3	4	1	2	3	4
Licences issued to carry on banking business	1	7	34	42	—	1	30	31
No. of licensed banks at the end of the year	8	32	305	345	8	33	335	376
Licences issued for opening new offices	12	—	138	150	4	—	52	56

The work relating to inspection of SCBs, CCBs, SLDBs, and other apex co-operative institutions together numbering 410, as also 141 RRBs has devolved on NABARD. Since its formation till end-March 1983, 123 institutions (9 SCBs, 82 CCBs, 3 SLDBs, 26 RRBs and 3 others) were inspected and reports issued in respect of 107 banks/institutions.

IV. Commercial Banks and Rural Credit

Besides co-operative credit institutions, whose main responsibility is to finance agriculture and allied activities, commercial banks have been increasingly providing both directly and indirectly, production and developmental finance to the agricultural sector, since the seventies.

The overall priority sector lending target of 40 per cent of total bank credit set by the Reserve Bank is to be achieved by commercial banks by March 1985, and the sub-targets of 15 per cent and 16 per cent of total credit to be extended by way of direct finance to agriculture are to be achieved by March 1985 and March 1987, respectively. Besides, their advances to 'weaker sections' should reach the level of 25 per cent of priority sector advances or 10 per cent of total bank credit by end-March 1985. Commercial banks are also called upon to reinforce their efforts in increasing the flow of assistance under IRDP.

At a meeting of Chief Executives of public sector banks convened by the Governor of the Reserve Bank in February 1983, the operations of the IRDP

were reviewed and the attention of banks was drawn to shortfalls in attainment of targets fixed under the programme. Banks were advised to take all necessary steps to increase their lending to identified beneficiaries of IRDP, according to targets.

(a) *Disbursal of Credit for Agriculture and Allied Activities*

Scheduled commercial banks made further progress in extending direct finance to agriculture and allied activities during 1980-81 (April-March) and disbursed Rs.1,263 crores as against Rs.975 crores in 1979-80, representing a rise of 29.5 per cent over the year. Of the total disbursals, Rs.763 crores (60 per cent) were disbursed by nationalised banks, Rs.431 crores (34 per cent) by the State Bank of India Group and Rs.69 crores (6 per cent) by foreign and other scheduled commercial banks. (Table VI-38)

(b) *Purpose-wise Distribution*

Out of Rs.1,263 crores disbursed by commercial banks during 1980-81, an amount of Rs.517 crores (40.9 per cent) was disbursed as short-term crop loans, Rs.497 crores (39.4 per cent) as term loans for agricultural investment and Rs.248 crores (19.7 per cent) for allied activities. A major portion of term loans (Rs.269 crores) was disbursed for purchase of tractors and agricultural implements and machinery, loans for pump sets/oil engines accounting for Rs.55 crores. Among allied activities, loans for dairy at Rs.99 crores accounted for the bulk, followed by loans for poultry, piggery, and bee-keeping (Rs.28 crores). Loans for fisheries accounted for Rs.22 crores (Table VI-39).

Table VI—38 : Disbursal of Credit for Agriculture and Allied Activities by Commercial Banks

(Year: April — March)		(Rupees crores)	
Category of Banks	1979-80	1980-81	
Nationalised Banks	473 (48.5)	763 (60.0)	
State Bank of India Group	370 (38.0)	431 (34.0)	
Foreign and other Scheduled Commercial Banks	132 (13.5)	69 (6.0)	
Total	975 (100.0)	1,263 (100.0)	

Note: Figures in brackets indicate the share of each category of banks to the total loans disbursed.
Source: Data collected by the RBI under special half-yearly returns.

Table VI—39 : Purpose-wise Distribution of Agricultural Credit by Commercial Banks

(Year: April — March)

(Rupees crores)

Regions	1979-80				1980-81			
	Short-term Loans	Term Loans	Loans for Allied Activities	Total	Short-term Loans	Term Loans	Loans for Allied Activities	Total
	1	2	3	4	1	2	3	4
i) Northern Region	47.5 (23.5)	129.4 (64.1)	25.1 (12.4)	202.0 (100.0)	57.6 (20.9)	184.2 (69.9)	33.6 (12.2)	275.4 (100.0)
ii) North-Eastern Region	0.9 (44.8)	0.7 (30.7)	0.5 (24.5)	2.1 (100.0)	1.0 (37.4)	1.0 (35.6)	0.7 (27.0)	2.7 (100.0)
iii) Eastern Region	27.6 (41.1)	30.3 (45.2)	9.2 (13.7)	67.1 (100.0)	54.5 (43.3)	48.3 (38.5)	22.9 (18.2)	125.7 (100.0)
iv) Central Region	28.1 (20.0)	95.0 (67.6)	17.4 (12.4)	140.5 (100.0)	43.8 (22.7)	125.3 (64.9)	24.0 (12.4)	193.1 (100.0)
v) Western Region	51.3 (37.7)	45.7 (33.6)	39.0 (28.7)	136.0 (100.0)	54.3 (34.2)	64.6 (40.7)	39.9 (25.1)	158.8 (100.0)
vi) Southern Region	299.1 (70.0)	60.0 (14.1)	67.7 (15.9)	426.8 (100.0)	305.8 (60.3)	74.0 (14.6)	127.2 (25.1)	507.0 (100.0)
Total (i to vi)	454.5 (46.6)	361.1 (37.1)	158.9 (16.3)	974.5 (100.0)	517.0 (40.9)	497.4 (39.4)	248.3 (19.7)	1,262.7 (100.0)

Note: 1. Data collected by RBI under special half-yearly return, relates to financial year ended March.

2. Figure in bracket indicates the share of each category of loan disbursed to the regional grand total.

Source: Rural Planning & Credit Department, R.B.I.

Table VI—40 : Region-wise Distribution of Agricultural Credit by Commercial Banks

		(Rupees crores)		
Regions		1978-79	1979-80	1980-81
1		2	3	4
i) Northern Region	.. ..	148.5 (18.6)	202.0 (20.7)	275.4 (21.8)
ii) North-Eastern Region	.. ..	2.5 (0.3)	2.1 (0.2)	2.7 (0.2)
iii) Eastern Region	.. ..	75.9 (9.5)	67.1 (6.9)	125.7 (10.0)
iv) Central Region	.. ..	115.1 (14.4)	140.5 (14.4)	193.1 (15.3)
v) Western Region	.. ..	103.1 (12.9)	136.0 (14.0)	158.9 (12.6)
vi) Southern Region	.. ..	355.0 (44.3)	426.8 (43.8)	507.0 (40.1)
Total (i to vi)	.. ..	800.1 (100.0)	974.5 (100.0)	1,262.7 (100.0)

Note: Figures in bracket indicate the share of each region to the total loans disbursed.

(c) Region-wise Distribution

Region-wise, although the Southern region accounted for a major share (40 per cent) in total direct credit disbursed for agriculture and allied activities, during 1980-81, it showed a decline of roughly 4 percentage points as compared with the position in the previous year. The share of the Eastern region improved by 3 percentage points to 10 per cent. In the case of the Northern and Central regions, their shares increased by one percentage point each to 22 per cent and 15 per cent, respectively, whereas that of the Western region declined by about 1 percentage point to 13 per cent (Table VI-40).

(d) Bank Credit for Bio-gas Plants

Banks were advised not to ask for security by way of mortgage of land on their advances upto Rs. 5,000 for setting up of bio-gas plants. In view of the importance of the programme of installation of bio-gas plants, banks were advised to take effective steps to ensure that all pending applications were disposed of expeditiously.

(e) Financing of PACS by Commercial Banks

The scheme of financing PACS by commercial banks has been in operation since June 1970. The scheme was introduced with a view to ensure that well conducted PACS under jurisdiction of weak CCBs do not suffer for want of adequate support from higher financing agencies and the flow of credit for agriculture is not impeded.

As at the end of June 1982, 696 branches of 25 commercial banks had taken over financing of 2,710 societies in 142 districts of 13 States.

Table VI—41 : Financing of PACS by Commercial Banks

	(Rupees crores)	
	1980-81	1981-82
	(1)	(2)
Number of PACS financed	2,020	2,069
Short-term loans	21	23
Medium-term loans	5	5
Overdues	39.0	39.3

Commercial banks financed 2,069 societies or 76 per cent of total societies adopted by them for financing compared with 77 per cent in the preceding year. Total short-term loans provided by commercial banks during 1981-82 to the societies ceded to them amounted to Rs.23 crores as against Rs.21 crores in 1980-81; total amount of medium term loans issued to these societies during 1981-82 at Rs.5 crores was, however, the same as in the previous year (Table VI-41). Overdues of these societies increased marginally from Rs.39.0 crores as on June 30, 1981 to Rs.39.3 crores as on June 30, 1982. The ceded societies' percentage of overdues to demand was more than 70 per cent in Assam, Jammu & Kashmir, Karnataka, Madhya Pradesh, Orissa and Uttar Pradesh. Of the 17.5 lakh members of the societies ceded to commercial banks, 6.8 lakhs members or 39 per cent were borrowing members as on June 30, 1982.

The ceded societies were allowed to opt either for continuation of their link with commercial banks or for retransfer to CCBs to which they were affiliated. Accordingly, 145 societies exercised their option for retransfer to CCBs. In 8 out of 13 States, where the scheme is in operation, no society has been retransferred so far to CCBs.

V. Central/State Governments and Co-operative Credit

Central Sector and Centrally sponsored Schemes

(a) *Agricultural Credit Stabilisation Fund*

The Agricultural Credit Stabilisation Fund is maintained by SCBs and CCBs to meet their share in conversion of short-term loans of farmers into medium-term loans at the time of natural calamities. The Government of India is providing assistance by way of 75 per cent as grant and 25 per cent as loan for building up the stabilisation fund maintained at the apex (SCB) level. This Central assistance is intended to meet a part of the gap in the fund required for conversion. The scheme has proved to be of considerable help to the co-operative credit structure in providing relief to farmers by way of conversion of short-term loans and enables them to get fresh loans in times of natural calamities. Since the inception of the scheme in 1966-67 upto 1982-83 an amount of Rs.100.1 crores was released to various State Governments. A budgetary provision of Rs.7.6 crores has been

made for 1983-84, in the as against Rs.8.3 crores for 1982-83.

(b) *Risk fund for Consumption Credit*

The scheme for provision of assistance towards Risk Fund for consumption credit has been in operation as a non-plan scheme since 1977-78. It is intended to enable commercial banks, co-operative banks and regional rural banks to provide consumption credit to weaker sections who have been defined as cultivators with land holdings upto 0.5 acres, either as owners or tenants, landless labourers, rural artisans, and other people of very small means. The expenditure on the Risk Fund assistance is shared on 50 : 50 basis by Central and State Governments. During 1982-83 (April-March), the Central Government released a sum of Rs.18.7 lakhs under the scheme; a budgetary provision of Rs.20 lakhs has been made for 1983-84.

(c) *Assistance to Cadre Fund of Reorganised Base level Credit Institutions*

This scheme of Central assistance introduced in 1979 envisages Central support by way of reimbursement of 50 per cent of the assistance provided by State Governments during the preceding year to meet the deficit in the Cadre Fund of reorganised base level credit institutions, viz., FSS, LAMPS and PACS. Assistance provided to various State Governments since the inception of the scheme upto 1982-83 aggregated Rs.6.3 crores.

(d) *Assistance to Co-operative Credit Institutions in Co-operatively Underdeveloped States*

This Central sector scheme in operation from the beginning of the Fifth Plan provides financial assistance in conjunction with State Governments to CCBs located in co-operatively underdeveloped States, viz., Assam, Bihar, Meghalaya, Manipur, West Bengal, Tripura, Rajasthan, Nagaland and Orissa. The objective of the scheme is to enable CCBs in these States to overcome difficulties in providing non-overdue cover for obtaining cash credit limits from NABARD/Reserve Bank for their lending programmes. The scheme also covers CCBs in tribal areas of other States, as well as co-operative institutions in areas with concentration of scheduled caste population and in the drought prone areas. A sum of Rs.26.25 crores was sanctioned under the scheme to various State Governments till 1982-83 in respect of 107 CCBs/SCBs.

For 1983-84, the budgetary provision is Rs.3 crores.

VI. Other Institutions in the field of Rural Credit

National Co-operative Development Corporation

Apart from planning and promoting through co-operative societies various programmes of production, processing, marketing, storage, and export and import in the field of agriculture and allied activities such as poultry, fisheries, minor forest products, handlooms, coir, sericulture and dairy farming, the National Co-operative Development Corporation (NCDC) also provides financial assistance for these activities.

The financial assistance rendered by the Corporation during 1982-83 aggregated Rs.96 crores, showing an increase of 4.4 per cent over the assistance rendered in the previous year (Rs.92 crores) (Table VI-42). Disbursements under the Central

schemes and the Corporation sponsored schemes amounted to Rs.48 crores each as compared with Rs.52 crores and Rs.40 crores, respectively, in 1981-82. State wise, six States accounted for nearly two-thirds of NCDC's total disbursements during 1982-83. They are Uttar Pradesh (21.6 per cent), Maharashtra (10.5 per cent), Madhya Pradesh (10.4 per cent), Punjab (9.0 per cent), Tamil Nadu (7.4 per cent) and Orissa (6.4 per cent).

Total assistance provided by NCDC to State Governments and other agencies since its inception in March 1963 amounted to Rs.588 crores, of which Rs.369 crores were outstanding at the end of March 1983.

Rural Electrification Corporation

The Rural Electrification Corporation (REC) was set up in 1969 with the main objective of accelerating the pace of rural electrification especially in backward areas in collaboration with State Electricity Boards. The rural electrification programme has been assigned much importance under the New

Table VI—42 : NCDC's Financial Assistance

1	(Rupees crores)	
	Amount disbursed 1981-82 (April-March)	1982-83 (April-March)
2	3	
I. Central Schemes	52	48
(a) Co-operative storage programme with international aid	18	21
(b) Co-operative marketing, processing and storage programmes in under-developed States	9	8
(c) Margin money assistance to village societies for distribution of consumer articles in rural areas	4	4
(d) Finance for Co-operative sugar factories, co-operative spinning mills, NAFED etc.	21	15
II. Corporation Sponsored Schemes	40	48
(a) Storage	16	16
(b) Agro-processing	9	14
(c) Weaker sections	5	7
(d) Agricultural marketing	4	5
(e) Rural consumers activity	5	4
(f) Agro-services and promotional and development programmes	1	2
III. Total (I+II)	92	96

Table VI—43 : Schemes Sanctioned and Loans Disbursed by REC

	(Rupees crores)			
	1980-81	1981-82	1982-83	Cumulative position as at end-June 1983
	(July-June)			
1	2	3	4	5
1. No. of Schemes Sanctioned	993	788	983	6487
2. Villages Electrified	29877	19046	24322	275161
3. Total Cost of Schemes	400	326	477	2716
4. Amount Sanctioned	250	194	324	2032
5. Total Amount Disbursed	188	189	249	1372
	(5)	(4)	(5)	(21)

Note: Figures in brackets pertain to harijan *bastis*.

20-Point Programme with the objective of increasing irrigation potential through pumpset energisation and electrification of all villages in the country. Financial assistance sanctioned and disbursed by REC during 1982-83 (July-June) was Rs.324 crores and Rs.249 crores, respectively, as compared with Rs.194 crores and Rs.189 crores, respectively, during the preceding year (Table VI-43). The number of new schemes sanctioned by REC was 983 as against 788 in the previous year. Cumulative financial assistance sanctioned and disbursed by REC upto end-June 1983 aggregated Rs.2,032 crores and Rs.1,372 crores, respectively.

Of the 983 schemes sanctioned by the Corporation during 1982-83, 142 schemes involving financial assistance of Rs.10 crores were in Harijan *bastis*. Out of total disbursements of Rs.1,372 crores made by the Corporation since its inception, Rs.21 crores were disbursed on schemes in Harijan *bastis* covering 19,359 villages.

Agricultural Finance Corporation

The Agricultural Finance Corporation (AFC) set up in April 1968 has built up considerable expertise as a consultancy organisation in a wide range of agricultural activities. The Corporation which so far used to formulate projects at the instance of member banks, for State and Central Governments, development corporations set up by State Governments and private entrepreneurs, has now also been assigned consultancy role for assisting NABARD. The Corporation's major activities include consultancy service for identification and appraisal of agricultural projects, project formulation in various

disciplines such as command area development, block level planning, integrated tribal development, watershed management and animal husbandry in areas where weaker sections are concentrated. During 1982-83 (July-June), AFC undertook 46 assignments for project preparation/appraisal involving a total outlay of Rs.893 crores. The number of schemes formulated/appraised by AFC since its inception till June 1983 was 1,157 involving loan requirements of Rs.2,704 crores.

As regards international assignments, AFC has been a consultant to some developing countries as well as to international organisations such as International Fund for Agricultural Development (IFAD), World Bank, Asian Development Bank (ADB), African Development Bank, Islamic Development Bank, for mounting Missions and formulating projects. Besides, AFC has been providing experts to IFAD, World Bank and ADB for project identification, appraisal and formulation of projects, supervising implementation of projects and conducting special studies in developing countries like Indonesia, Bangladesh, Sri Lanka, Nepal, Uganda, etc. In addition, AFC was also assigned the task of conducting a study of fertilizer price decontrol in Bangladesh.

VII. Study Teams/Committees

(a) *Standing Committee on Term Lending through Co-operatives*

Reference was made in the last year's Report about the appointment by the Reserve Bank in November 1981 of the *Standing Committee on Term Lending through Co-operatives (COTELCOOP)*. With the establishment of NABARD, the Committee functions as if it was constituted by NABARD. Its terms of reference also continue unchanged, but they are subject to such modifications/additions as may be considered necessary by NABARD.

(b) *Study Team on Agricultural Credit Institutions in Karnataka*

The Study Team on *Agricultural Credit Institutions in Karnataka* appointed by the Reserve Bank to study, *inter alia*, factors inhibiting the growth of co-operative credit institutions in the State and suggest measures to bring about desired improvement in their working, submitted its report in May 1983. The report reveals that 11 out of 19 DCCBs are under rehabilitation following high level of overdues. The Committee has recommended several measures like adoption of organisational and staffing pattern suggested by the Reserve Bank, setting up of a technical cell, suitable delegation of powers at the branch level, tightening of supervisory machinery, etc. The Committee has also identified areas of special development like financing of sericulture industry, handloom co-operatives, fisheries co-operatives, etc., and made certain recommendations to increase credit support by co-operatives. For overseeing implementation of its various recommendations, it has suggested setting up of a High Power Committee.

(c) *Committee on Agricultural Productivity in Eastern India*

The Reserve Bank and NABARD have jointly constituted a *committee on Agricultural Productivity in Eastern India* in March 1983 to study the problems in agricultural development of the Eastern region and suggest, *inter alia*, measures particularly in regard to agricultural credit for realising maximum possible production potential before close of the decade of eighties. The terms of reference of the Committee are: (i) to review the trends of agricultural production and productivity in Bihar, West Bengal, Orissa and Eastern U.P. in

recent years and compare them with the potential of the area; (ii) to identify the various constraints in achieving the potential levels of production in these States; and (iii) to suggest measures, with particular reference to credit and investment, necessary for achieving as much of the potential as possible by the end of the decade, viz., 1990.

(d) *Standing Advisory Committee for Urban Co-operative Banks*

The Reserve Bank constituted a *Standing Advisory Committee for Urban Co-operative Banks* to advise the Bank on matters of policy and functions relating to urban co-operative banks (UCBs) on a continuing basis. In particular, the Committee will consider organisational matters relating to licensing of new banks, opening of branches, area of operations, coverage, matters pertaining to capital structure, membership, priority sector advances of urban banks, refinance facilities from the Reserve Bank, regulatory measures such as maintenance of liquid assets, interest rates on deposits and advances and maximum limits on advances, extension of facilities by other organisations such as IDBI and DICGC, rehabilitation or merger/liquidation of weak and non-viable UCBs, review of urban banking movement in underdeveloped States; professionalisation of management, and training of personnel, etc.

In its first meeting held in May 1983, the Committee made following recommendations:

(i) *Priority sector lendings*

As in the case of commercial banks, UCBs should also be required to provide a certain proportion of their advances to the priority sectors. UCBs may be required to advance a higher percentage of their advances than the one applicable to commercial banks (viz., 40 per cent) to such sectors by June 30, 1983, i.e., upto 60 per cent of total loans and advances or 10 per cent increase every year, where the existing level is less than 40 per cent.

(ii) *Housing finance*

An upward revision of the ceiling was suggested for long-term loans for housing and block capital loans to small-scale industries, etc.; from 15 per cent to 25 per cent of the net disposable long-term resources or from 5 to 10 per cent of total deposit resources of an urban bank, whichever is more.

Further, liberalisation of rules governing housing loans enabling grant of larger quantum of finance to the middle income group was contemplated.

(iii) *Share-linking to borrowings : Maximum borrowing power*

The Committee also considered the existing norms of share linking to borrowings of members of urban banks, viz., at 5 per cent of unsecured bor-

rowings or 2½ per cent of secured borrowing of a member, as reasonable, but suggested that a reduction could be considered in the case of banks with large owned funds for which suitable norms should be evolved. It also stressed the need for acceptance by the State Governments of the recommendation of the Committee on Urban Co-operative Banks for fixation of the maximum borrowing power of an urban bank at 25 times its owned funds.

ANNEXURE I
INTEREST RATE STRUCTURE EFFECTIVE FROM APRIL 1, 1983

Category of advances	Rate of interest (Inclusive of interest tax) per cent per annum	
	Prior to April 1, 1983	Effective April 1, 1983
1	2	3
I. Public Procurement and Distribution Agencies		
1. FCI, State Governments/agencies acting as agencies of FCI for procurement of foodgrains under full price support scheme, where the sales are at fixed prices through Government approved outlets.	12.50	12.50
2. Advances to Central and State Government agencies entrusted with procurement/distribution of specified essential consumer commodities for sale at fixed price through Government approved outlets, the commodities being pulses, edible oils, kerosene, salt and sugar.	15.00	15.00
3. (i) Advances to Central and State Government agencies entrusted with the procurement and distribution of essential consumer commodities other than those specified in category 2 above	17.50	16.50
(ii) Advances to Central and State Government agencies entrusted with the procurement of cash crops where there is an element of price support.	17.50	16.50
(iii) Advances to Central and State Government agencies entrusted with the procurement and distribution of fertilisers, pesticides and seeds.	17.50	16.50
4. Advances to Central and State Government agencies entrusted with the procurement and distribution of commodities for sale on a commercial basis.	Not exceeding 19.50	Not exceeding 18.00
II. Minimum Lending Rate (for commodities coming within the purview of selective credit control)		
(i) Loans/advances/cash credit/overdrafts against commodities subject to selective credit control	19.50	18.00
(ii) Sugar mills in respect of all stocks	17.50	16.50
III. Exports		
1. <i>Pre-shipment Credit</i>		
(a) Specified medium and heavy engineering goods and construction contracts -		
(i) upto 180 days	12.50	12.00
(ii) beyond 180 days and upto 270 days	15.00	14.50
(b) Other specified goods (e.g. carpets, leather manufactures, coir, cashew, tobacco, etc.) upto 180 days.	12.50	12.00
(c) Other goods and consultancy services		
(i) upto 90 days	12.50	12.00
(ii) beyond 90 days & upto 135 days	15.00	14.50
(d) Against cash incentives etc. covered by ECGC guarantee (upto 90 days)	12.50	12.00
2. <i>Post-shipment Credit</i>		
(i) Demand bills - for transit period (as specified by FEDAI)	12.50	12.00
(ii) Usance bills - upto 180 days comprising usance period of the export bills, transit period as specified by FEDAI and grace period wherever applicable	12.50	12.00
(iii) Cash incentives, duty draw-back, etc. receivable, covered by export production finance guarantee of ECGC (upto 90 days)	12.50	12.00
(iv) Undrawn balances (upto 90 days)	12.50	12.00
(v) Against retention money (for supplies portion only) payable within one year from the date of shipment (upto 90 days)	12.50	12.00

Category of advances	Rate of interest	
	Prior to April 1, 1983	Effective April 1, 1983
1	2	3
3. <i>Deferred Credit</i>		
Deferred credit for period beyond one year	8.65	8.65
4. <i>Duty Draw-back Credit Scheme, 1976</i>		
Against duty draw-back as provisionally certified by the Customs Authorities (upto 90 days)	Free of interest	Free of interest
5. <i>Export credit not otherwise specified</i>	(Not exceeding) 17.50	(Not exceeding) 16.50
IV. Agriculture (Direct finance)		
A1 Short-term loans to farmers		
(a) Upto Rs.5,000/-	12.50	11.50
(b) Over Rs.5,000/- and upto Rs.25,000/-	Not exceeding 15.00	Not exceeding 14.00
(c) Above Rs.25,000/-	Not exceeding 17.50	Not exceeding 16.50
A2 Units engaged in both production and distribution of seeds	—	14.00 ^(a)
B1 Agriculture (Indirect finance) £ (given through PACS/FSS/LAMPS)		
(a) upto Rs.5,000/-	Not exceeding 10.00	Not exceeding 9.00
(b) Over Rs.5,000/- and upto Rs.25,000/-	Not exceeding 12.50	Not exceeding 11.50
(c) Above Rs.25,000/-	Not exceeding 15.00	Not exceeding 14.00
B2 Retail traders engaged in distribution of fertilisers		
(a) Upto Rs.5,000/-	12.50	11.50 ^(a)
(b) Over Rs.5,000/- and upto Rs.25,000/-	Not exceeding 15.00	Not exceeding 14.00 ^(a)
(c) Over Rs.25,000/-	Not exceeding 16.50	Not exceeding 16.50
V. Small-scale Industry		
1. Composite loans upto Rs.25,000/-		
(a) Backward areas	10.25	10.00
(b) Other areas	12.50	12.00
2. Short-term advances, limits of:		
(a) Upto and inclusive of Rs.2 lakhs	Not exceeding 15.00	Not exceeding 14.00
(b) Over Rs.2 lakhs and upto Rs.25 lakhs	Not exceeding 17.50	Not exceeding 16.50
(c) Above Rs.25 lakhs	Not exceeding 19.50	Not exceeding 18.00
3. Advances to State-level corporations for assisting artisans, village and cottage industries (for the purpose of purchase and supply of inputs to and/or the marketing of the outputs of the beneficiaries)	13.50	12.50
4. Advances to State-sponsored scheduled castes/scheduled tribes development corporations (for the purpose of purchase and supply of inputs to and/or the marketing of the outputs of the beneficiaries)	13.50	12.50

^(a) Effective May 1, 1983.

£ Applicable for loans from banks to societies. The rates to be charged by the Societies to the ultimate borrower in the same order are (previous rates in brackets): (a) Not exceeding 11.50(12.50); (b) Same rate as charged by co-operatives in the area but not exceeding 14.00(15.00); (c) Same rate as charged by co-operatives in the area but not exceeding 16.50(17.50).

Category of advances	Rate of interest	
	Prior to April 1, 1983	Effective April 1, 1983
1	2	3
VI. Other categories		
1. DRI advances	4.00	4.00
2. Professionals and self-employed persons belonging to SC/ST and professional and self-employed women (other than term loans)	14.00- 16.50	14.00 ^(a)
3. Retail trade advances*		
(a) Limits upto and inclusive of Rs.5,000/-	12.50	12.50
(b) Over Rs.5,000/- and upto Rs.25,000/-	Not exceeding 15.00	Not exceeding 15.00
(c) Above Rs.25,000/-	Not exceeding 19.50	Not exceeding 18.00
4. Educational advances		
(a) Indigent students for purpose of higher education in India	Not less than Bank Rate 15.00-17.50	Not less than Bank Rate 14.00-16.50
(b) Other educational advances		
5. Priority sector not otherwise specified	Not exceeding 17.50	Not exceeding 16.50
6. All other advances	Not exceeding 19.50	Not exceeding 18.00
VII. Term Loans		
1. <i>Small-scale Industry</i> (Units as in the new definition of SSI)		
(a) Backward areas	12.50	12.50
(b) Other areas	13.50	13.50
2. A. <i>Agriculture (Direct finance)</i>		
(i) Minor irrigation and land development	10.25	10.00
(ii) Other purposes		
(a) Small farmers	10.25	10.00
(b) Other farmers	12.50	12.50
B. <i>Agriculture (Indirect finance)*</i> (given through PACS/LAMPS/FSS)		
(i) Minor irrigation & land development	8.75	8.50
(ii) Diversified purposes (as defined by NABARD)		
(a) To small farmers	8.75	8.50
(b) To other farmers	11.00	11.00
3. <i>Housing</i>		
(i) SC/ST upto and inclusive of Rs.5,000/-	4.00	4.00
(ii) Others upto and inclusive of Rs.5,000/-	12.50	12.50
(iii) Over Rs.5,000/- and upto Rs.50,000/-	13.50	13.50
(iv) Above Rs.50,000/-	15.00	15.00
4. <i>Road Transport Operators</i>		
(i) Single vehicle	12.50	12.50
(ii) Two or more vehicles	15.00	15.00
5. <i>Professionals and self-employed persons belonging to SC/ST and professional and self-employed women (Term loans)</i>	15.00	13.50 ^(a)
6. <i>All other term loans</i>	15.00	15.00

^(a) Effective May 1, 1983

Applicable for loans from banks to societies. The rates to be charged to the ultimate borrower are the same as in the case of VII. 2A, i.e. Agriculture (Direct finance)

ANNEXURE II
SELECTIVE CREDIT CONTROL

SUMMARY OF THE PROVISIONS OF THE DIRECTIVES TO SCHEDULED COMMERCIAL BANKS ON ADVANCES AGAINST SELECTED COMMODITIES

(Position as on August 5, 1983)

A. FOODGRAINS

Rate of interest: (i) 13.50% per annum for advances against rural warehouse receipts up to Rs. 5,000
(ii) 18.00% per annum for all other loans/advances/cash credit/overdrafts.

No. and Date of Directive	Minimum Margin	Level of Credit*	Complete Exemption●
(1)	(2)	(3)	(4)
(i) DBOD No. Dir. BC. 85/C. 218-74 dated 11th September 1974.	Paddy/Rice (1) 45% on advances against stocks of paddy to processing units/mills. (2) 50% on advances against warehouse receipts covering stocks. (3) 60% on all other advances.	(A) In respect of each party, 100% of the peak level of credit maintained by the party in any of the 3 years (November-October) 1975-76, 1974-75 and 1973-74 (separately in respect of advances against (i) paddy & rice and (ii) 'other foodgrains' i.e., wheat and foodgrains other than paddy and rice but including coarse grains and pulses).	States (i) Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura.
(ii) DBOD No. Dir. BC. 102/C. 218-75 dated 11th November 1975.			
(iii) DBOD No. Dir. BC. 106/C. 218-77 dated 20th August 1977.	Pulses (1) 45% on advances against stocks of pulses to processing units. (2) 60% on advances against stocks of pulses to parties other than processing units/mills. (3) 40% on advances to processing units/mills against warehouse receipts covering stocks of pulses. (4) 50% on advances to parties other than processing units/mills against warehouse receipts covering stocks of pulses.	Note: Credit limits granted to any party against wheat at any time during the three years, viz., 1975-76, 1974-75 & 1973-74 shall not be utilised by banks for granting credit against 'other foodgrains' (other than wheat) and banks shall strictly enforce this stipulation.	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 Governments to the extent of the stock held by them as such agents.
(iv) DBOD No. Dir. BC. 98/C. 218-79 dated 29th June 1979.			
(v) D.O. No. CPC-250/C. 279-79 dated 7th August 1979.			
(vi) DBOD No. Dir. BC. 58/C. 218(a)-80 dated 11th June 1980.	Other Foodgrains (1) 45% on advances against stocks of foodgrains (used as raw materials) other than paddy and rice to foodgrain processing units/mills (other than rice mills) for stocks equivalent to 4 weeks' consumption of such units. (2) 25% on advances against wheat to roller flour mills. (3) 50% on advances against warehouse receipts covering stocks. (4) 60% on all other advances.	(B) 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 up to Rs. 1 lakh per branch to new parties.	(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.
(vii) DBOD No. Dir. BC. 92/C. 218(a)-80 dated 6th August 1980.		Exemptions (i) Advances against wheat granted to roller flour mills. (ii) Advances to traders wholly or partly against the security of foodgrains which	(vi) Advances granted to Wholesale Consumers' Co-operative Stores and

No. and Date of Directive (1)	Minimum Margin (2)	Level of Credit (3)	Complete Exemption (4)
(viii) DBOD No. Dir. BC. 50/C. 96-81 dated 2nd May 1981.	Small Advances up to Rs. 5,000 against Rural Warehouse Receipts Fixed margin of 30% covering stocks of paddy/rice, pulses and other foodgrains.	are covered by a guarantee scheme of the DICGC, subject to a maximum of Rs. 50,000, for each such trader, provided he undertakes to borrow against foodgrains from only one bank.	State and National Federations of Consumers' Co-operatives.
(ix) DBOD No. Dir. BC. 59/C. 96-81 dated 19th May 1981.			
(x) DBOD No. Dir. BC. 60/C. 96-81 dated 19th May 1981.			
(xi) DBOD No. Dir. BC. 88/C. 218(a)-81 dated 13th July 1981.	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 Deposit Insurance and Credit Guarantee Corporation (DICGC) subject to a maximum of Rs. 50,000 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 DICGC, subject to a maximum of Rs. 50,000 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 DICGC subject to a maximum of Rs. 50,000 for each such manufacturing unit/borrower, provided it/he undertakes to borrow against foodgrains from only one bank.	Others (vii) Advances against the security of maize and barley to manufacturing units (i.e., industrial users) and against the security of <i>seji (rawa)</i> , flour (<i>atta</i>) and <i>maida</i> to biscuit manufacturers.
(xii) DBOD No. Dir. BC. 98/C. 218(a)-81 dated 10th August 1981.		(iv) Advances against foodgrains to foodgrain processing units.	(viii) Advances granted to processing/manufacturing units covered under the Rural Industries Projects up to Rs. 50,000 per unit.
(xiii) DBOD No. Dir. BC. 100/C. 218-81 dated 10th August 1981.		(v) Advances granted against the security of warehouse receipts, provided that the amount does not exceed Rs. 25,000 per borrower.	(ix) Advances against the security of, or by way of purchase of, demand documentary bills drawn in connection with the movement of foodgrains.
(xiv) DBOD No. Dir. BC. 100/C. 218-82 dated 26th October 1982.			(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.
(xv) DBOD No. Dir. BC. 16/C. 96-83 dated February 28, 1983.			(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. 5,000 per farmer or the amount of the crop loan outstanding, whichever is lower.
(xvi) DBOD No. Dir. BC. 54/C. 96-83 dated 4th July 1983.			(xii) Advances granted to Khadi and Village Industries Commission (KVIC) and all its associate institutions.

No. and Date of Directive	Minimum Margin	Level of Credit	Complete Exemption
(1)	(2)	(3)	(4)

Exports

(xiii) 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 thereagainst in respect of export of rice and other foodgrains.

- Note:*
- (i) No new/additional credit limits should be given to traders/manufacturers against sensitive commodities, particularly foodgrains, sugar, oilseeds, vegetable oils and other similar commodities where speculative tendencies are clearly in evidence.
 - (ii) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks except in such cases and to such extent as may be specifically permitted by the Reserve Bank.
 - (iii) No bank shall issue, either to a Court or to Government, or any other person, a guarantee on behalf of, or on account of, any importers guaranteeing payment of customs duty and/or import duty, or other levies, payable in respect of import of essential commodities without taking, as security for issue of such guarantees, a cash margin equivalent to at least **one half of the amount payable** under the guarantee.
 - (iv) The term essential commodities shall mean and include all vegetable oils (whether edible or not), sugar and such other commodities as may be specified by the Reserve Bank from time to time.
 - (v) Banks are advised not to allow customers dealing in commodities covered by Selective Credit Control any credit facilities which would directly or indirectly defeat the purpose of the directives.
- * 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 Governments.
 - Complete exemption refers to exemption from all the stipulations of Selective Credit Control.
 - 5 Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns set up under a Government Scheme. The concessional treatment accorded to small advances against rural warehouse receipts is subject to the rural godowns being staffed with trained personnel and maintained to the standards of the godowns of the Central/State Warehousing Corporations.

B. OILSEEDS (INDIGENOUS AND IMPORTED GROUNDNUT, RAPESEED/MUSTARDSEED, COTTONSEED, CASTORSEED AND LINSEED AND OTHER IMPORTED OILSEEDS)

Rate of interest: (i) 13.50% per annum for advances against rural warehouse receipts up to Rs. 5,000
(ii) 18.00% per annum for all other loans/advances/cash credits/overdrafts

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No. and Date of Directive (1)	Minimum Margin (2)	Level of Credit (3)	Complete Exemption (4)
(i) DBOD No. Dir. BC. 85/C. 218-74 dated 11th September 1974.	Indigenous and imported Oilseeds, i.e., Groundnut, Cottonseed, Rapeseed/Mustard Seed, Castorseed and Linseed and all other imported oilseeds (other than groundnut, cottonseed, rapeseed/mustard seed, castorseed and linseed).	In respect of each party, separate ceiling for each of (i) Groundnut, (ii) Cottonseed, (iii) Linseed and Castorseed together; 100% of the peak level of credit maintained by the party in any of the 3 years (November-October), viz., 1975-76, 1974-75 and 1973-74.	States (i) Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura.
(ii) DBOD No. Dir. BC. 63/C. 218(H)-76/77 dated 31st May 1977.			
(iii) D.O. No. CPC. 250/C. 279-79 dated 7th August 1979.		Exemptions (i) Advances against the security of oilseeds grown in India to registered oil mills* and vanaspati manufacturers.	Public Procurement, Storage and Distribution Agencies (ii) Advances to the Food Corporation of India and the State Trading Corporation against stocks of oilseeds.
(iv) DBOD No. Dir. BC. 58/C. 218(a)-80 dated 11th June 1980.		(ii) Advances to traders wholly or partly against the security of oilseeds which are covered by a guarantee scheme of the DICGC; subject to a maximum of Rs. 25,000 for each trader, provided he undertakes to borrow against oilseeds from only one bank.	(iii) Wholesale and retail dealers appointed/licensed by the 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.
(v) DBOD No. Dir. BC. 92/C. 218(a)-80 dated 6th August 1980.		(iii) Advances to manufacturing units and other borrowers, wholly or partly against the security of oilseeds, which are covered by a guarantee scheme of DICGC subject to a maximum of Rs. 25,000 for each unit/borrower, provided it/he undertakes to borrow against oilseeds from only one bank.	(iv) Advances to the Wholesale Consumers' Co-operative Stores and the State and National Federations of Consumers' Co-operatives.
(vi) DBOD No. Dir. BC. 50/C. 96-81 dated 22nd May 1981.		(iv) 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.	Exports (v) Credit limits in favour of exporters, against oilseeds, all varieties of cakes in respect of oilseeds meant for exports and extractions of oilseeds in respect of specific firm export contracts and/or against export bills.
(vii) DBOD No. Dir. BC. 59/C. 96-81 dated 19th May 1981.			(vi) Packing credit advances to the exporters of HPS groundnut against the security of groundnut to the extent of the value of raw materials required (which should be reasonably assessed) for selecting HPS
(viii) DBOD No. Dir. BC. 60/C. 218-81 dated 19th May 1981.			
(ix) DBOD No. Dir. BC. 100/C. 218-81 dated 10th August 1981.			
(x) DBOD No. Dir. BC. 113/C. 218(H)-81 dated 9th September 1981.			

(xi) DBOD No. Dir. BC. 100/C. 218-82 dated 26th October 1982.

Small Advances up to Rs.5,000 against Rural Warehouse Receipts
Fixed margin of 40% covering stocks of oilseeds.

(xii) DBOD No. Dir. BC. 16/C. 96-83 dated February 28, 1983.

Exemptions

(xiii) DBOD No. Dir. BC. 54/C. 96-83 dated 4th July 1983.

- (i) Advances to traders wholly or partly against the security of oilseeds which are covered by a guarantee scheme of the DiCGC, subject to a maximum of Rs.25,000 for each trader provided he undertakes to borrow against oilseeds from only one bank.
- (ii) Advances to manufacturing units and other borrowers, wholly or partly against the security of oilseeds, which are covered by a guarantee scheme of the DiCGC subject to a maximum of Rs.25,000 for each unit/borrower, provided it/he undertakes to borrow against oilseeds from only one bank.
- (iii) 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.

Letter DBOD No. Dir. BC. 97/C. 218-79 dated 29th June 1979.

- (iv) Advances against all imported oilseeds for a period not exceeding 8 weeks after arrival of the goods in India.

Banks should refrain from granting additional limits against oilseeds to parties other than Government and Government-supported organisations; even in the case of such organisations, a strict scrutiny on drawals should be maintained.

(v) Advances against warehouse receipts provided that the amount does not exceed Rs.25,000 per borrower.

(vi) Advances against imported oilseeds.

groundnut covered by the export order even though the value of the raw materials 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 in cash, as soon as the selection of the HPS groundnut is completed, within 15 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 bill.

(vii) Advances granted to processing/manufacturing units covered under the Rural Industries Projects up to Rs.25,000 per unit.

Others

(viii) Advances granted by way of purchase of demand documentary bills drawn in connection with the movement of commodities covered by the directive.

(ix) Advances granted to KVIC and all its associate institutions.

* All mills registered under the Factories Act, 1948 or licensed under the Industries (Development and Regulation) Act, 1951, or registered with the State Departments of Industries and Commerce or any other Governmental authority.

C. VEGETABLE OILS (INDIGENOUS AND IMPORTED GROUNDNUT OIL, COTTONSEED OIL, RAPESEED OIL/MUSTARD OIL, CASTOR OIL, LINSEED OIL AND VANASPATI AND OTHER IMPORTED OILS)

Rate of interest: 18.00% per annum for all loans/advances/cash credits/overdrafts

No. and Date of Directive	Minimum Margin	Level of Credit	Complete Exemption
(1)	(2)	(3)	(4)
j) DBOD No. Dir. BC. 85/C. 218-74 dated 11th September 1974.	Indigenous and imported Oils 1. (a) 85% on advances against stocks of groundnut oil, cottonseed oil, rapeseed oil/mustard oil, vanaspati, castor oil and linseed oil.	In respect of each party, 100% of the peak level of the credit maintained by the party in any of the 3 years (November-October) viz., 1975-76, 1974-75 and 1973-74.	States (i) Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura.
i) DBOD No. Dir. BC. 63/C. 218(H)-77 dated 31st May 1977.	Other Imported Oils (b) 60% on advances against imported oils (other than those mentioned at 1(a)) after a period of 4 weeks from the arrival of the goods in India.	Exemptions (i) Advances against vegetable oils and vanaspati (manufactured in India) to vanaspati manufacturers and registered oil mills. (ii) Advances to consumers' co-operatives in respect of stocks held under the Centrally-sponsored Scheme for distribution of essential consumer articles.	Public Procurement, Storage and Distribution Agencies (ii) Advances to the Food Corporation of India & the State Trading Corporation against the stocks of vegetable oils and vanaspati.
i) DBOD No. Dir. BC. 42/C. 218(H)-78 dated 15th March 1978.	2. 75% on advances against warehouse receipts covering stocks of groundnut oil, cottonseed oil, rapeseed oil/mustard oil, vanaspati, castor oil and linseed oil.	(iii) Advances to traders wholly or partly against the security of vegetable oils (including vanaspati) which are covered by a guarantee scheme of the DICGC 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.	(iii) 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.
v) D.O. No. CPC. 250/C. 279-79 dated 7th August 1979.	3. On Advances against Vanaspati to Vanaspati Manufacturers (a) 70% in all the States and Union Territories other than Gujarat and Maharashtra.	(iv) 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 DICGC 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.	(iv) Advances against stocks of oil processed from linseed oil and castor oil for use as industrial raw material by factories.
v) DBOD No. Dir. BC. 59/C. 96-81 dated 19th May 1981.	(b) 85% in the States of Gujarat and Maharashtra.	(v) Advances against warehouse receipts provided the amount does not exceed Rs. 25,000 per borrower.	(v) 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 Organisation in the Ministry of Food and Agriculture, Government of India, New Delhi and with the prior approval of the RBI, other agencies designated for the 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.
vi) DBOD No. Dir. BC. 60/C. 218-81 dated 19th May 1981.	4. On Advances to Vanaspati Manufacturers against Warehouse Receipts covering Stocks of Vanaspati (a) 60% in all the States and Union Territories other than Gujarat and Maharashtra.	(vi) Advances against all imported vegetable oils.	
vii) DBOD No. Dir. BC. 100/C. 218-81 dated 10th August 1981.	(b) 75% in the States of Gujarat and Maharashtra.		
iii) DBOD No. Dir. BC. 117/C. 218-81 dated 17th September 1981.	5. On Advances to Vanaspati Manufacturers against controlled Vegetable Oils mentioned in 1 above (a) 50% on advances against stocks of such oils used as raw material equivalent to 6 weeks' consumption of each factory located in Eastern Zone.		
(ix) DBOD No. Dir. BC. 23/C. 218-82 dated 1st March 1982.			
(x) DBOD No. Dir. BC. 100/C. 218-82 dated 26th October 1982.			

(xi) DBOD No. Dir. BC. 16/C.
96-83 dated February
28, 1983.

(xii) IECD No. EFD. BC. 59/C.
297P-83 dated 20th June
1983.

(b) 60% on advances against stocks of
such oil used as raw material
equivalent to 6 weeks' consumption
of each factory located in Northern
Zone and

(c) 60% on advances against stocks of
such oil used as raw materials
equivalent to 4 weeks' consumption
of each factory in Southern and
Western Zones.

The stocks of oils mentioned in 5(a)
to 5(c) have to be worked out on the
basis of average of weekly
consumption during the period from
October 1976 to March 1977.

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**

The margin is to be related to 4 to 6
weeks' requirement (as stipulated)
depending upon the location of the
factory, based on one-third of the
average weekly production capacity
of the units for the first 6 months and
thereafter based on the average actual
weekly consumption during the
preceding 6 months.

6. On advances to registered oil mills (other
than vanaspati manufacturers) against
stocks of groundnut oil, cottonseed oil,
rapeseed oil/mustard oil, castor oil and
linseed oil — 75% of the value of stocks;
65% for advances against warehouse
receipts of Central or State Warehousing
Corporations covering these commodities.

(vi) Advances to Wholesale Consumers'
Co-operative Stores and State and
National Federations of Consumers'
Co-operatives.

Exports

(vii) Packing credit advances to the exporters
of deoiled 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 order.

Provided

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 but within a period not
exceeding 30 days from the date of advance and
the balance in the packing credit account shall
be adjusted by the proceeds of the relative
export bills, and advances, if any, against the
by-product oil granted in a separate account are
exempted for a period of 30 days from the date
of such advances.

(viii) Pre-shipment credit granted to exporters
against the security of linseed oil 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 thereagainst in respect of
export of linseed oil.

Others

(ix) Advances granted to
processing/manufacturing units covered
under the Rural Industries Projects up to
Rs. 25,000 per unit.

No. and Date of Directive	Minimum Margin	Level of Credit	Complete Exemption
(1)	(2)	(3)	(4)
	Exemptions (i) Advances to consumers' co-operatives in respect of stocks held under the Centrally Sponsored Scheme for the distribution of essential consumer articles. (ii) Advances to traders wholly or partly against the security of vegetable oils (including vanaspati) which are covered by a guarantee scheme of the DICGC 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. (iii) 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 DICGC 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. (iv) Advances to vanaspati manufacturers against cottonseed oil. (v) Advances against all imported vegetable oils for a period not exceeding 4 weeks after arrival of the goods in India. (vi) Advances granted to vanaspati manufacturers against the security of imported oils used as raw materials by them in the manufacture of vanaspati.		
DBOD No. Dir. BC. 73/C. 218(H)-77 dated 15th June 1977.	Banks should not establish letters of credit on more than 45 days' D/A basis for import of edible oils, as far as possible. In case banks establish letters of credit on more than 45 days' D/A basis, they should stipulate that, after 30 days from the date of arrival of the goods in the port, the importer will deposit with them an amount equivalent to the margin amount which he would have provided under the directives had he availed himself of advances against the commodity.		
Letter DBOD No. Dir. BC. 97/C. 218-79 dated 29th June 1979.	Banks should refrain from granting additional limits against vegetable oils to parties other than Government and Government-supported Organisations; even in the case of such organisations a strict scrutiny on drawals should be maintained.		

(x) Advances by way of purchase of demand documentary bills drawn in connection with the movement of vegetable oils and vanaspati.

(xi) Advances granted to KVIC and all its associate institutions.

D. COTTON AND KAPAS

Rate of interest: (i) 13.50% per annum for advances against rural warehouse receipts up to Rs. 5,000
(ii) 18.00% per annum for all other loans/advances/cash credits/overdrafts

No. and Date of Directive	Minimum Margin	Level of Credit	Complete Exemption
(1)	(2)	(3)	(4)
(i) DBOD No. Dir. BC. 85/C. 218-74 dated 11th September 1974.	(1) Mills under National Textile Corporation (a) 20% for stocks of 4 months' consumption. (b) 35% for stocks in excess of 4 months' consumption.	In respect of each party other than a cotton mill: 100% of the peak level of credit maintained by that party with the bank in any of the 3 years (November-October) viz., 1977-78, 1976-77 and 1975-76.	States (i) Advances to all parties in the states of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura.
(ii) DBOD No. Dir. BC. 47/C. 218(F)-79 dated 29th March 1979.	(2) For Mills in Bombay and Ahmedabad (a) 25% for stocks of 3 months' consumption. (b) 45% for stocks in excess of 3 months' consumption.	Exemptions (i) Advances against cotton and <i>kapas</i> 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.	Exports (ii) Advances in respect of pre-shipment credit for cotton exports, provided the advances are made in respect of firm export order and repaid on negotiation of the relevant export bills on shipment.
(iii) DBOD No. Dir. BC. 48/C. 218(F)-79 dated 29th March 1979.	(3) For Mills in Bihar and West Bengal (a) 20% for stocks of 4½ months' consumption. (b) 40% for stocks in excess of 4½ months' consumption.	(ii) 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, 5 and 8, Sujatha, Sea Island Andrews, Hampi, Varalaxmi, Maljhari, Narmada A. 51/9, Khandwa 1 and 2, Suvin, Vishnu and Badnavar-1, 320-F, Bengal Deshi, J-34, 205 and H-14, Bikaneri-Narma, R. S. 89, Jawahar Kapas, Sujay, SRT 1, Jyoti, Mahalaxmi, NH-12, Bhagya (GS-23), CBS-156 and Giza-7.	(iii) Advances to cotton mills in respect of pre-shipment credit against such stocks of indigenous cotton and <i>kapas</i> 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 merchant exporters through whom the mills are exporting cotton textiles (including yarn) provided the contracts with the merchant exporters are registered with Cotton Textiles Export Promotion Council and other requirements of the pre-shipment finance are complied with.
(iv) D.O. No. CPC. 250/C. 279-79 dated 7th August 1979.	(4) Other Mills For mills other than those in Bombay/Ahmedabad and in States of Bihar and West Bengal. (a) 25% for stocks of 4 months' consumption. (b) 45% for stocks in excess of 4 months' consumption.	(iii) Advances against warehouse receipts, provided that the amount does not exceed Rs. 25,000 per borrower.	(iv) Advances against the security of, or by way of purchase or discount of, export bills relating to export of cotton from India.
(v) DBOD No. Dir. BC. 58/C. 218(a)-80 dated 11th June 1980.			
(vi) DBOD No. Dir. BC. 92/C. 218(a)-80 dated 6th August 1980.			
(vii) DBOD No. Dir. BC. 50/C. 96-81 dated 2nd May 1981.			
(viii) DBOD No. Dir. BC. 59/C. 96-81 dated 19th May 1981.			
(ix) DBOD No. Dir. BC. 60/C. 218-81 dated 19th May 1981.			
(x) DBOD No. Dir. BC. 96/C. 218(F)-81 dated 29th July 1981.			Others (v) Advances granted by way of purchase of demand documentary bills drawn in connection with the movement of cotton and <i>kapas</i> .

No. and Date of Directive (1)	Minimum Margin (2)	Level of Credit (3)	Complete Exemption (4)
(xi) DBOD No. Dir. BC. 100/C. 218-81 dated 10th August 1981.	(5) For Mills solely engaged in spinning Yarn (a) 20% for stocks of 4 months' consumption. (b) 35% for stocks in excess of 4 months' consumption.		(vi) Advances granted to processing/manufacturing units covered under the Rural Industries Projects, up to Rs. 25,000 per unit.
(xii) DBOD No. Dir. BC. 100/C. 218-82 dated 26th October 1982.	(6) To Others (Parties other than cotton mills) (a) 45% for stocks of 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, 5 & 8, Sujatha, Sea Island Andrews, Hampi, Varalaxmi, Maljhari, Narmada A-51/9, Khandwa-1 and 2, Suvin, Vishnu and Badnavar-1, 320 F, Bengal Deshi, J-34, 205 and H-14, Bikaneri-Narma, R. S. 89, Jawahar Kapas, Sujay, SRT-1, Jyoti, Mahalaxmi, NH-12, Bhagya (GS-23), CBS-156 and Giza 7. (b) 25% for stocks of imported cotton. (c) 60% for stocks of other varieties of cotton. (d) 50% for stocks covered by warehouse receipts.		(vii) Advances granted to KVIC and all its associate institutions.
(xiii) DBOD No. Dir. BC. 16/C. 96-83 dated February 28, 1983.			
(xiv) DBOD No. Dir. BC. 54/C. 96-83 dated 4th July 1983.	(7) Small Advances up to Rs.5,000 against Rural Warehouse Receipts Fixed margin of 30% covering stocks of cotton and <i>kapas</i> . Exemptions (i) Advances against cotton and <i>kapas</i> 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. (ii) Advances to mills in West Bengal under the National Textile Corporation or its authorised agencies, against stocks equivalent to 4½ months' consumption of each mill. (iii) Advances granted to mills against the security of imported cotton.		

E. SUGAR, GUR AND KHANDSARI

Rate of interest on loans/advances/cash credits/overdrafts :

- (A) Sugar (i) 16.50% per annum to 18.00% per annum for sugar factories in respect of all stocks
(ii) 18.00% per annum for parties other than sugar factories
(B) *Gur and Khandsari*: 18.00% per annum

No. and Date of Directive (1)	Minimum Margin (2)	Complete Exemption (3)
(i) DBOD No. Dir. BC. 101/C. 218(F)-82 dated 18th November 1982.	1. To Sugar Factories (a) 75% on advances to parties manufacturing sugar in respect of such stocks of sugar as have been released for sale by the Government and have left the factory or mill premises and on which excise duty has been paid. (b) 17.5% on advances to parties manufacturing sugar against stocks of sugar other than those referred to in (a) above.	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.
(ii) DBOD No. Dir. BC. 16/C. 96-83 dated February 28, 1983.	2. Manufacturers of <i>Gur</i> and <i>Khandsari</i> 50% on advances against stocks of <i>gur/khandsari</i> .	Exports (iii) Advances granted in respect of stocks of sugar pledged/hypothecated with banks which are intended for export out of India.
(iii) DBOD No. Dir. BC. 67/C. 218(J)-83 dated August 5, 1983.	3. To Others 75% on advances against stocks of sugar, <i>gur</i> and <i>khandsari</i> . 4. Warehouse Receipts (a) 65% on advances against warehouse receipts covering stocks of sugar. (b) 55% on advances against warehouse receipts covering stocks of <i>gur</i> and <i>khandsari</i> .	Others (iv) Advances granted by way of purchase of demand documentary bills drawn in connection with movement of commodities. (v) Advances granted to processing/manufacturing units covered under the Rural Industries Projects, up to Rs. 25,000 per unit. (vi) Advances granted to industrial users such as confectioneries, bakeries, biscuit manufacturers, etc., against stocks of sugar, <i>gur</i> and <i>khandsari</i> pledged/hypothecated with 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. (viii) Advances granted to KVIC and all its associate institutions.
	Exemption (i) Advances to consumers' co-operatives in respect of stocks held under schemes of public distribution organised by Government. (ii) Advances granted to sugar mills manufacturing sugar in respect of stocks of sugar required to be held by them as sequestered stocks on a pro-rata basis out of stocks of free-sale sugar in accordance with the scheme approved in that regard by Government.	

F. COTTON TEXTILES INCLUDING COTTON YARN, MAN-MADE FIBRES AND YARN AND FABRICS MADE OUT OF MAN-MADE FIBRES OR PARTLY OUT OF COTTON YARN AND PARTLY OUT OF MAN-MADE FIBRES (INCLUDING STOCKS IN PROCESS)*

Rate of interest: 18.00% per annum for loans/advances/cash credits/overdrafts

No. and Date of Directive	Minimum Margin	Complete Exemption
(1)	(2)	(3)
(i) DBOD No. Dir. BC. 85/C. 218-74 dated 11th September 1974.	30%	Exports (i) Advances in respect of pre-shipment credit for exports of cotton textiles including cotton yarn, man-made fibres and yarn and fabrics made out of man-made fibres 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.
(ii) DBOD No. Dir. BC. 106/C. 218(T)-75 dated 11th November 1975.		
(iii) DBOD No. Dir. BC. 32/C. 218(T)-76 dated 15th March 1976.		
(iv) DBOD No. Dir. BC. 33/C. 218(T)-76 dated 15th March 1976.		
(v) D.O. No. CPC. 250/C. 279-79 dated 7th August 1979.		
(vi) DBOD No. Dir. BC. 59/C. 96-81 dated 19th May 1981.		
(vii) DBOD No. Dir. BC. 60/C. 218-81 dated 19th May 1981.		
(viii) DBOD No. Dir. BC. 100/C. 218-81 dated 10th August 1981.		
(ix) DBOD No. Dir. BC. 100/C. 218-82 dated 26th October 1982.		
(x) DBOD No. Dir. BC. 16/C. 96-83 dated 28th February 1983.		
		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 DICGC 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. (viii) Industrial users such as those manufacturing ready-made garments, sewing threads, umbrella cloth, etc. (ix) Advances granted to KVIC and all its associate institutions.

* The stipulations are applicable only to traders, dealers and agents.

Banks may discount bills of exchange arising out of sale of cotton textiles having a usance not in excess of 60 days. These usance bills may be drawn by textile mills, powerloom units and other manufacturers like master weavers as well as by dealers and traders.

Chapter VII

Fiscal Developments*

The first two Sections of this Chapter review the budgetary position of the Central and State Governments. Finances of the Railways and Posts and Telegraphs Departments are reviewed in Sections III and IV, respectively. The last Section analyses Public Debt and other liabilities of the Government.

1 COMBINED POSITION OF CENTRAL AND STATE GOVERNMENTS, 1982-83

The Central Government's budget for 1982-83 was presented against the background of a distinctly improved but still difficult economic situation. The fiscal policy of the Central Government for 1982-83, therefore, was devised to provide adequate incentives for increasing production and savings that would generate resources for development in the economy and help to moderate inflationary pressures. The other objective of the fiscal policy was to keep the budgetary deficit as low as possible so as to reduce pressure on general price level.

With a view to providing a further thrust in achieving the goal of the Sixth Plan, the total Annual Plan outlay of the Centre, States and Union Territories in 1982-83 was stepped up to Rs. 21,137 crores¹ as against Rs. 17,479 crores in 1981-82, a rise of Rs. 3,658 crores or 20.9 per cent. Emphasis was laid on the core sectors of the economy. The 1982-83 Plan constituted 21.7 per cent of the Sixth Plan outlay as against 17.9 per cent in 1981-82. The sectoral allocations emphasize the programmes for the upliftment of the weaker sections enumerated in the 20-Point Programme. During the year, however, the resources position of the Government came under severe strain. The growth in tax revenues were lower on account of decline in agricultural production and deceleration in the growth of industrial output. At the same time, larger assistance had to be provided to States to mitigate the impact of drought and floods as well as to clear their deficits as on March 31, 1982.

According to the revised estimates for 1982-83 the combined budgetary deficit² of the Central and State Governments is placed at Rs. 2,714 crores³ as against a deficit of Rs. 2,412 crores in 1981-82 (Accounts). Net Reserve Bank Credit to Government (Central and States) declined from Rs. 3,996 crores in 1981-82 to Rs. 2,508 crores in 1982-83, a fall of Rs. 1,488 crores. While net R.B.I. credit to the Central Government increased by Rs. 161 crores, credit to the State Governments on the other hand showed a precipitate fall of Rs. 1,649 crores (Table VII-1). This was mainly due to special loans given by the Centre to States to clear their deficits as on March 31, 1982.

The combined aggregate receipts of the Central and State Governments amounted to Rs. 49,411 crores in 1982-83 as compared with Rs. 42,067 crores in 1981-82, indicating a rise of Rs. 7,344 crores or 17.5 per cent (Table VII-2). In 1982-83, major portion of the rise in receipts i.e. Rs. 4,497 crores or 61.2 per cent was recorded under revenue receipts while the balance of Rs. 2,847 crores or 38.8 per cent came from capital receipts. The ratio of the receipts (revenue plus capital) to Gross Domestic Product (GDP) (at current market prices) went up to 32.0 per cent from 28.5 per cent in the preceding year.

Tax receipts at Rs. 27,484 crores in 1982-83 were higher by Rs. 3,417 crores over the preceding year

* Figures in this Chapter relate to fiscal year (April-March).

1. Finally approved outlay aggregated to Rs. 20,989 crores.

2. Budgetary deficit or surplus is measured (A) in case of the Central Government by (i) net increase/decrease in outstanding treasury bills and (ii) withdrawals from/addition to cash balances and (B) in the case of States by the State Budget figures of (i) net increase/decrease in R.B.I. credit in the form of ways and means advances and overdrafts (repayable within 7 working days); (ii) decline in/addition to cash balances, (iii) net sales/purchases of securities held by States in their cash balance investment accounts and (iv) encashment or investment in securities held in revenue reserve fund.

3. According to the books of the R.B.I., the combined deficit for 1982-83 amounted to Rs. 2,331 crores, deficit of Rs. 3,380 crores on Centre's account and surplus of Rs. 1,049 crores on account of the States. Data on receipts and disbursements conforming to this figure are not available.

Table VII—1: Trends in Budgetary Deficits and Net RBI Credit to Governments

(Rupees crores)

Year	Budgetary Surplus (+) or Deficit (—) (a)			Net RBI Credit to Governments (b)		
	Centre	States ^(c)	Total	Centre	States	Total
1	2	3	4	5	6	7
1971-72	 - 519	- 289	- 808	583	287	870
1972-73	 - 869	- 7	- 876	1211	-386	825
1973-74	 - 328	- 226	- 554	630	134	764
1974-75	 - 721	- 31	- 752	533	134	667
1975-76	 - 366	+ 75	- 291	- 288	91	- 197
1976-77	 - 131	+ 50	- 81	816	22	838
1977-78	 - 933	- 229	- 1162	- 260	142	- 118
1978-79	 - 1506	+ 1010	- 496	2191	-419	1772
1979-80	 - 2433	- 187	- 2620	2650	339	2989
1980-81	 - 2577	- 897	- 3474	3551	487	4038
1981-82	 - 1392	- 1020	- 2412	3207	789	3996
1982-83 (Revised Estimates)	 - 1935	- 779	- 2714	3368	-860*	2508*

(a) For definition see footnote No. 1 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 adjustments made at the time of final closure of Government accounts.

@ Figures for Sikkim and Assam for 1980-81 and 1981-82, respectively, relate to Revised Estimates.

* These disregard changes in components of sources on July 12, 1982, following reclassification of aggregate necessitated by the establishment of NABARD.

Source: Central and State Budget Documents for budgetary data.

and accounted for 17.8 per cent of the GDP (at current market prices) as compared with 16.3 per cent in the preceding year. Receipts from taxes on commodities and services constituted the bulk of the rise and were higher by 15.2 per cent as compared to the preceding year while revenue from taxes on income and property rose by 10.1 per cent.

Capital receipts at Rs.14,482 crores in 1982-83 were higher by Rs.2,847 crores (or 24.5 per cent) over 1981-82. The main items that contributed towards the rise were: market borrowings (net) higher by Rs.941 crores, State Provident Funds (net) - Rs.413 crores and small savings - Rs.433 crores. For the fiscal 1983-84 the combined aggregate receipts at Rs.53,557 crores are anticipated to rise by Rs.4,146

crores or 8.4 per cent over the likely realisation of Rs.49,411 crores in 1982-83. While revenue receipts are estimated to rise by 12.1 per cent, capital receipts would be marginally lower by 0.7 per cent over 1982-83.

The combined aggregate disbursements of the Centre and States in 1982-83 are estimated at Rs.52,125 crores, a rise of Rs.7,646 crores or 17.2 per cent as compared with Rs.44,479 crores in the preceding year. Developmental expenditure is estimated to have gone up by 19.0 per cent while non-developmental expenditure is estimated to have increased by 21.8 per cent. The combined aggregate disbursements in 1983-84 are budgeted higher at Rs.55,707 crores, a rise of Rs.3,582

Table VII—2: Combined Receipts and Disbursements of Central and State Governments (Rupees crores)

Items	1980-81 (Accounts)	1981-82 (Accounts)	1982-83 (Revised Estimates)		1983-84 (Budget Estimates)@	
	Amount	Amount	Amount	Percent variation over the previous year	Amount	Percent variation over the previous year
1	2	3	4	5	6	7
I. Total Disbursements	39,160	44,479	52,125	+ 17.2	55,707	+ 6.9
<i>Of which:</i>						
1. Developmental (a+b+c)	25,845	28,796	34,281	+ 19.0	35,327	+ 3.1
(a) Revenue	13,931	16,357	19,906	+ 21.7	21,247	+ 6.7
(b) Capital	6,179	7,284	7,883	+ 8.2	8,058	+ 2.2
(c) Loans	5,735	5,155	6,492	+ 25.9	6,022	- 7.2
2. Non-Developmental (a+b+c)	11,977	13,609	16,576	+ 21.8	19,526	+ 17.8
(a) Revenue	10,746†	12,777	15,454	+ 21.0	18,350	+ 18.7
(b) Capital	1,004§	603	811	+ 34.5	876	+ 8.0
(c) Loans	227	229	311	+ 35.8	300	- 3.5
II. Total Receipts (A+B)	35,686	42,067	49,411	+ 17.5	53,557	+ 8.4
A. Revenue Receipts	25,591	30,432	34,929	+ 14.8	39,172	+ 12.1
<i>Of which:</i>						
Tax Receipts (a+b)	19,793	24,067	27,484	+ 14.2	31,677	+ 15.3
(a) Taxes on Commodities and Services	16,102	19,426	22,373	+ 15.2	26,326	+ 17.7
(b) Taxes on Income and Property	3,691	4,641	5,111	+ 10.1	5,351	+ 4.7
B. Capital Receipts	10,095§	11,635	14,482	+ 24.5	14,385	- 0.7
<i>Of which:</i>						
(i) Market Borrowings (Gross)	3,167	3,706	4,721	+ 27.4	5,100	+ 8.0
(ii) Market Borrowings (net)	2,777	3,252	4,193	+ 28.9	4,573	+ 9.1
(iii) Small Savings	1,121	1,861	2,294	+ 23.3	2,426	+ 5.8
(iv) State Provident Funds (Net)	503	606	1,019	+ 68.2	849	- 16.7
III. Overall Surplus(+) or Deficit(-) (II-I)	- 3,474	- 2,412	- 2,714		- 2,150	
Financing of Surplus(+) or Deficit(-)						
(i) Increase (+) or Decrease (-) in Cash balances of Centre and States	- 139	- 515	- 1,631		- 617	
(ii) Increase (-) or Decrease (+) in Treasury Bills of Centre	- 2,754	- 922	- 1,718		- 1,555	
(iii) Withdrawals from (-) or additions to (+) Cash balance investment accounts of States (net)	- 271	- 280	—		—	
(iv) Increase (-) or Decrease (+) in ways and means advances and overdrafts from the RBI to States (net)	- 310	- 695	+ 635		+ 22	

Notes: 1. Data do not cover Union Territories with legislatures. Data in respect of States relate to 22 States. Data for Sikkim and Assam for 1980-81 and 1981-82, respectively, relate to Revised Estimates.

2. Figures are adjusted for inter-governmental transfers on the basis of the data available in Central Government Budget.

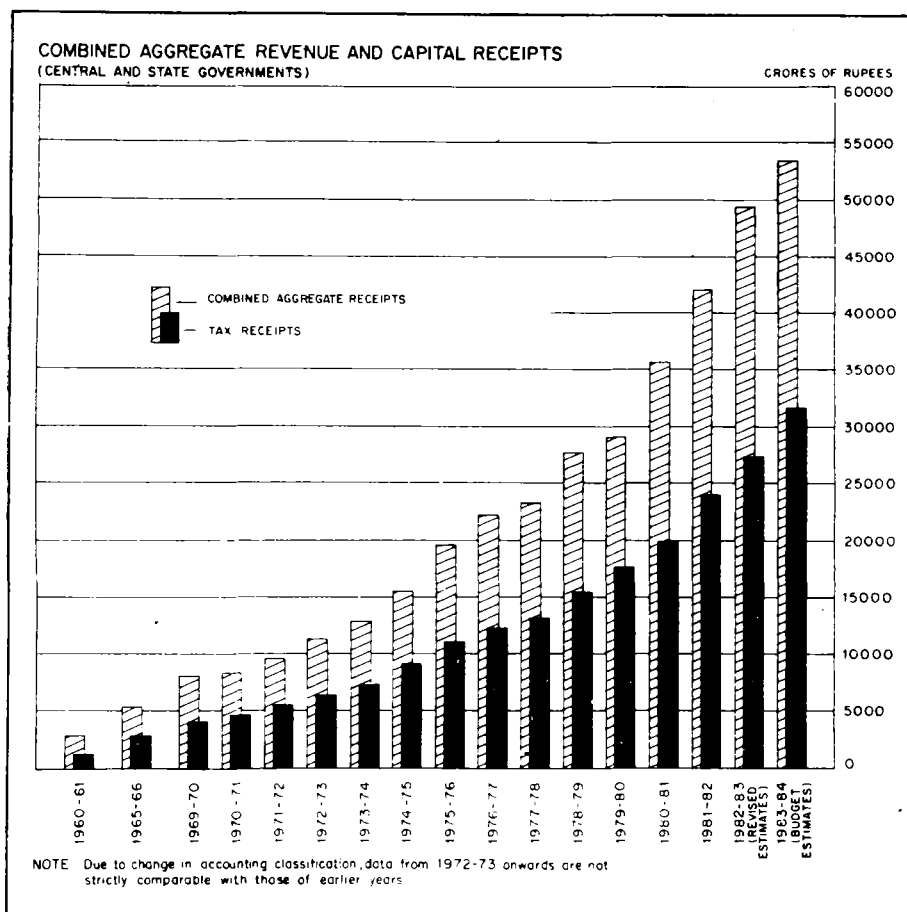
3. Figures of Developmental and Non-Developmental expenditure do not add up to total disbursements since the latter include besides Developmental and Non-Developmental expenditure, items like discharge of debt of Central and State Governments, compensation and assignments to local bodies and panchayati raj institutions, appropriations to contingency funds, remittances (net) and adjusted for difference in the figures of repayment of loans by State Governments to the Central Government given in their respective budgets.

@ Including effects of budget proposals and excluding post budget tax concessions in respect of Government of India Budget.

† Excludes accounting adjustments relating to the write-off of Rs.938 crores of loans advanced to State Governments prior to 1979-80. These loans were written off by way of debt relief to the States in pursuance of the recommendations of the Seventh Finance Commission.

§ Includes contra-entries relating to notional receipt/expenditure of Rs.588 crores on account of subscription payable to International Monetary Fund in the form of securities and Special Drawing Rights.

Source: Budgets of Central and State Governments.



crores or 6.9 per cent. Developmental expenditure is budgeted to be higher by 3.1 per cent while non-developmental expenditure is anticipated to rise by 17.8 per cent.

BUDGETARY OPERATIONS OF THE CENTRAL GOVERNMENT

Central Finances: 1982-83

According to the revised estimates for 1982-83 the budgetary deficit of the Central Government is placed at Rs. 1,935 crores, Rs. 560 crores more than original anticipation of Rs. 1,375 crores. Over the year, the deficit would be higher by Rs. 543 crores. Aggregate disbursements during 1982-83 at Rs. 33,305 crores were higher by Rs. 6,183 crores (or 22.8 per cent) than in the previous year. Expenditure on revenue account recorded a rise of Rs. 3,547 crores (or 22.4 per cent) and that on capital account by Rs. 2,636 crores (or 23.4 per cent.)

The rise in expenditure on revenue account was primarily due to considerable increase in non-developmental expenditure amounting to Rs. 2,056 crores which in turn was due to higher provision for interest payments - Rs. 755 crores and for defence expenditure Rs. 639 crores.

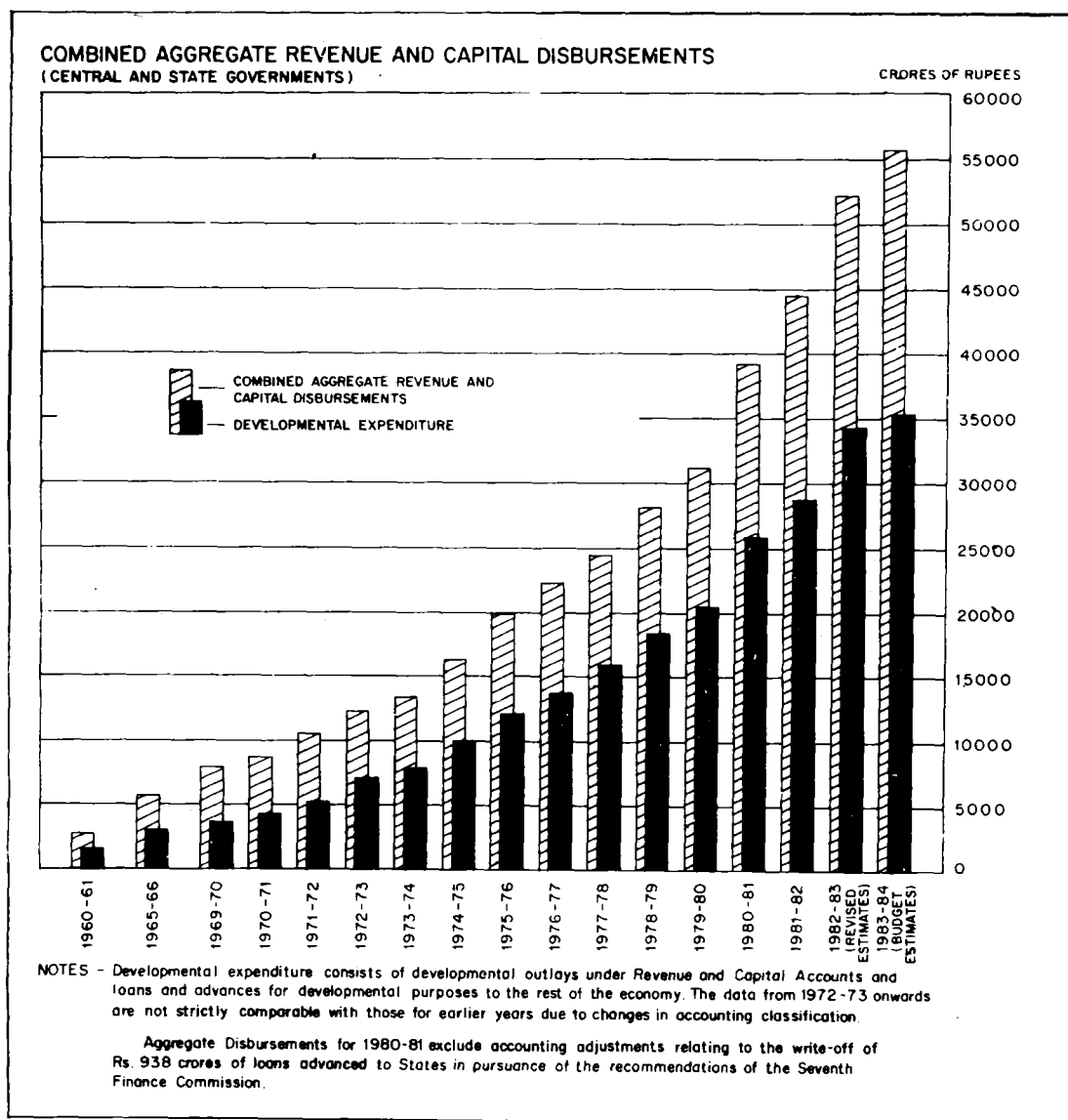
Under developmental expenditure on revenue account while expenditure under 'Economic Services' showed a rise of Rs. 667 crores, that on 'Social and Community Services' went up by Rs. 285 crores. Grants to State and Union Territory Governments were higher by Rs. 537 crores.

The substantial increase in expenditure under capital account was mainly due to loans and advances extended to State and Union Territory Governments - higher by Rs. 988 crores, followed by higher developmental capital outlay on economic services - Rs. 309 crores and increased non-developmental capital outlay of Rs. 202 crores for defence and other 'General Services'.

Aggregate receipts at Rs.31,370 crores in 1982-83 showed a rise of Rs.5,640 crores or 21.9 per cent over 1981-82. While capital receipts showed a rise of Rs.3,097 crores, revenue receipts increased by Rs.2,543 crores, of which tax receipts alone increased by Rs.1,698 crores. On the other hand, the revenue from non-tax receipts recorded a comparatively smaller rise of Rs.845 crores. The rise in tax revenue was mainly due to higher receipts from taxes on commodities and services - Rs.1,342 crores and on income and property - Rs.356 crores. Customs duties (net) rose by Rs.690 crores while Union excise duties (net) were up by Rs.630 crores.

The larger collections under Corporation tax (Rs.369 crores) was partly offset by decline in Income-tax receipts (Rs.28 crores). Under non-tax revenues, interest receipts - (Rs.449 crores) accounted for a major portion of the increase followed by the increased revenue of Rs.76 crores from dividends and profits from the public sector.

Under capital receipts, internal market borrowings (net) were more by Rs.888 crores while external loans (net) were higher by Rs.365 crores. Small savings (net) fetched Rs.151 crores more over the preceding year. Receipts from State Provident



Funds (net) were larger by Rs.166 crores. Recoveries of loans and advances were higher by Rs.1,397 crores while special borrowings from the Reserve Bank against compulsory deposits increased by Rs.75 crores. There were no receipts from Special Bearer Bonds as the sales of such bonds were discontinued with effect from January 10, 1982.

PATTERN OF EXPENDITURE FOR 1983-84- BUDGET ESTIMATES

The 1983-84 budget aims at providing for a large increase in the Plan outlay, so that, the pace of development, which has been so assiduously built up, is not retarded. The primary concern, therefore, has been to provide maximum support to those projects and programmes that would benefit the weaker sections of the society. The outlays for the revised 20-Point Programme have been enhanced and a special thrust is being given to programmes that would benefit the poor directly. Accordingly, the total Plan outlay of the Centre, States and Union Territories for 1983-84 is stepped up to Rs.25,495 crores, representing an increase of 21.5 per cent over the finally approved outlay of Rs.20,989 crores in 1982-83. The major allocations are: Energy (Rs.8,446 crores or 33.1 per cent), Social Services (Rs.3,604 crores or 14.1 per cent), Transport (Rs.3,057 crores or 12.0 per cent), Agricultural and Rural Development (Rs.2,664 crores or 10.4 per cent) and Irrigation and Flood Control (Rs.2,521 crores or 9.9 per cent). The Central Plan Outlay for 1983-84 has been raised from Rs.11,000 crores in 1982-83 to Rs.13,870 crores indicating a step-up of 26.1 per cent on top of an increase of 27.6 per cent provided in 1982-83. The Central Plan would be financed by a budgetary support of Rs.8,390 crores and internal and extra-budgetary resources of Rs.5,480 crores. The total provision for 20-Point Programme in 1983-84 is placed at Rs.10,079 crores. The total Plan outlay of States and Union Territories is placed at Rs.11,625 crores, showing a step-up of 16.4 per cent over the finally approved outlay of Rs.9,989 crores in 1982-83. Central assistance for their Plan would be Rs.4,462 crores.

Aggregate disbursements of the Centre in 1983-84 are anticipated to rise by Rs.2,327 crores or 7.0 per cent to Rs.35,632^(a) crores from Rs.33,305 crores in 1982-83 (revised estimates). Aggregate receipts, on the other hand, are estimated to be higher by Rs.2,707 crores or 8.6 per cent at Rs.34,077 crores as compared with Rs.31,370 crores in the

preceding year. Thus, the budgetary deficit is anticipated at Rs.1,555 crores in 1983-84 as compared with Rs.1,935 crores⁴ in the preceding year.

The revenue expenditure is anticipated to increase by Rs.3,004 crores or 15.5 per cent to Rs.22,419 crores from Rs.19,415 crores in the preceding year. The major portion of the increase in revenue expenditure, i.e. nearly two-third will be on account of non-developmental expenditure which is estimated at Rs.13,353 crores in 1983-84 as against Rs.11,400 crores in the preceding year, a rise of Rs.1,953 crores or 17.1 per cent. The outgo due to interest payments is estimated higher by Rs.750 crores at Rs.4,765 crores. Defence expenditure (net) is estimated to rise by Rs.558 crores to Rs.5,364 crores. The provision for administrative services is also placed higher by Rs.293 crores at Rs.1,035 crores.

Developmental expenditure on revenue account is stepped up by Rs.1,051 crores or 13.1 per cent at Rs.9,066 crores in 1983-84 as against Rs.8,015 crores in the preceding year. Expenditure on social and community services is estimated to rise by Rs.91 crores to Rs.1,444 crores, while on economic services it is anticipated to increase by Rs.400 crores to Rs.4,193 crores. Under the latter, the major rise, i.e. Rs.196 crores is accounted for by agriculture and allied services. The provision for industries and minerals is estimated higher by Rs.45 crores at Rs.1,299 crores. Expenditure on account of foreign trade and export promotion is estimated higher by Rs.110 crores at Rs.652 crores. Grants-in-aid to State and Union Territory Governments are placed higher at Rs.3,420 crores, a rise of Rs.558 crores over the previous year.

Capital disbursements in 1983-84 are anticipated to be lower by Rs.677 crores or 4.9 per cent at Rs.13,213 crores as compared with Rs.13,890 crores in the preceding year. Capital outlay on economic services is estimated lower at Rs.3,718

4. This excludes a loan assistance of Rs.1,743 crores provided to States to clear their deficits as at the end of March, 1982.

(a) As a result of the first Supplementary Demands for Grants presented to the Lok Sabha in August 1983, the net additional expenditure (after taking into account related receipts and recoveries) would amount to Rs.299.7 crores.

crores as compared with Rs.3,920 crores in the preceding year, a decline of Rs.202 crores. Loans and advances are estimated at Rs.7,634 crores as against Rs.8,230 crores in the preceding year, a decline of Rs.596 crores. Expenditure on social and community services is estimated higher at Rs.224 crores as compared with Rs.161 crores, a rise of Rs.63 crores. Non-developmental capital outlay at Rs.764 crores is expected to be marginally higher by Rs.50 crores.

Revenue receipts are estimated at Rs.20,625 crores as compared with Rs.18,117 crores in the preceding year, a rise of Rs.2,508 crores or 13.8 per cent. While tax receipts at Rs.15,491 crores are estimated higher by Rs.2,220 crores or 16.7 per cent; non-tax receipts at Rs.5,134 crores are anticipated to be more by Rs.288 crores or 5.9 per cent. Among the tax receipts, contribution of direct tax receipts is estimated to increase by Rs.68 crores or 2.2 per cent to Rs.3,187 crores as compared with Rs.3,119 crores in the preceding year, while that of indirect taxes is anticipated to go up sharply by Rs.2,152 crores or 21.2 per cent to Rs.12,304 crores as against Rs.10,152 crores in the preceding year. Revenue receipts are estimated to contribute 60.5 per cent of the aggregate receipts of the Centre in 1983-84 as against 57.8 per cent in the revised estimates for the previous year.

Capital receipts are placed at Rs.13,452 crores, higher by Rs.199 crores or 1.5 per cent and would account for 39.5 per cent of the aggregate receipts in 1983-84 as compared with 42.2 per cent in the preceding year. Net receipts from market borrowings are estimated to rise by Rs.200 crores to Rs.4,000 crores while net receipts from external loans at Rs.1,605 crores would be higher by Rs.210 crores. Receipts from small savings (net) are estimated to increase by Rs.150 crores to Rs.1,700 crores as compared with Rs.1,550 crores in the preceding year. There will be a decline of Rs.160 crores in net receipts from State Provident Funds which are budgeted at Rs.238 crores in 1983-84 as against Rs.398 crores in the preceding year. Recoveries of loans and advances are also budgeted to be lower at Rs.3,267 crores as compared with Rs.3,570 crores in the preceding year, a fall of Rs.303 crores. Recoveries of loans and advances from State and Union Territory Governments are budgeted to increase by Rs.85 crores to Rs.1,762 crores whereas recoveries from other parties are budgeted to be lower by Rs.387 crores at Rs.1,505 crores. Special borrowings from the Reserve Bank against compulsory deposits are

budgeted lower by Rs.10 crores at Rs.90 crores as compared with Rs.100 crores in the previous year.

ECONOMIC AND FUNCTIONAL CLASSIFICATION OF THE CENTRAL GOVERNMENT BUDGET

1982-83 (Revised Estimates)

The total expenditure⁵, according to the Economic and Functional classification of the Central Government Budget, is estimated at Rs.30,523 crores which is higher by Rs.5,122 crores or 20.2 per cent than Rs.25,401 crores in 1981-82 (Table VII-3).

Economic Classification

The financial resources provided to the rest of the economy accounted for the major portion of the increase in total expenditure in 1982-83. Such expenditure was estimated to have increased from Rs.16,753 crores in 1981-82 to Rs.20,662 crores in 1982-83, an increase of Rs.3,909 crores or 23.3 per cent. The share of this expenditure in total expenditure also went up from 66.0 per cent in 1981-82 to 67.7 per cent in 1982-83. Final outlays of the Central Government accounted for 32.3 per cent of the total expenditure as against 34.0 per cent in the preceding year. In absolute terms, however, final outlays in 1982-83 amounted to Rs.9,861 crores, showing a rise of Rs.1,213 crores or 14.0 per cent over Rs.8,648 crores in the preceding year. Financial resources provided to the rest of the economy for capital formation increased by Rs.1,326 crores or 16.2 per cent to Rs.9,583 crores forming 31.4 per cent of the total expenditure as against 32.5 per cent in the preceding year. Resources provided to the rest of the economy for purposes other than capital formation, on the other hand, increased by Rs.2,573 crores (or 30.2 per cent) to Rs.11,079 crores, accounting for 36.3 per cent of total expenditure as against 33.5 per cent in 1981-82.

5. The total expenditure given in the Economic and Functional Classification is lower than the budgetary expenditure given in the earlier paragraphs mainly because the former does not include (a) discharge of debt and (b) current expenditure of the departmental commercial undertakings, their interest payments and net transfer of funds. Figures given in the earlier paragraphs relating to budgetary expenditure exclude only the current expenditure of Railways and Posts and Telegraphs and their interest payments but include discharge of debt and current expenditure of other departmental commercial undertakings.

Table VII—3: Economic Classification of Total Budgetary Expenditure of the Central Government

(Rupees crores)

Items	1981-82 (Accounts)	Percent variation over the previous year	1982-83 (Budget Estimates)	Percent variation over the previous year	1982-83 (Revised Estimates)	Percent variation over the previous year	1983-84 (Budget Estimates)	Percent variation over the previous year
1	2	3	4	5	6	7	8	9
I. Total Expenditure	25401 (100.0)	+ 12.9	28369 (100.0)	+ 11.7	30523 (100.0)	+ 20.2	33284 (100.0)	+ 9.0
A. Final Outlays	8648 (34.0)	+ 22.1	9632 (34.0)	+ 11.4	9861 (32.3)	+ 14.0	11067 (33.3)	+ 12.2
(a) Consumption Expenditure	6096 (24.0)	+ 17.8	7035 (24.8)	+ 15.4	7055 (23.1)	+ 15.7	7976 (24.0)	+ 13.1
(b) Gross Capital Formation	2552 (10.0)	+ 33.8	2597 (9.2)	+ 1.8	2806 (9.2)	+ 10.0	3091 (9.3)	+ 10.2
B. Financial Resources Provided to the Rest of the Economy	16753 (66.0)	+ 8.7	18737 (66.0)	+ 11.8	20662 (67.7)	+ 23.3	22217 (66.7)	+ 7.5
(a) For Capital Formation	8247 (32.5)	+ 16.1	9002 (31.7)	+ 9.2	9583 (31.4)	+ 16.2	9980 (30.0)	+ 4.1
(i) To States and Union Territories	3928 (15.5)	+ 7.1	4375 (15.4)	+ 11.4	4874 (16.0)	+ 24.1	5222 (15.7)	+ 7.1
(ii) To Others*	4319 (17.0)	+ 25.6	4627 (16.3)	+ 7.1	4709 (15.4)	+ 9.0	4758 (14.3)	+ 1.0
(b) For Purposes other than Capital Formation	8506 (33.5)	+ 2.4	9735 (34.3)	+ 14.4	11079 (36.3)	+ 30.2	12237 (36.7)	+ 10.5
(i) To States and Union Territories	1997 (7.9)	- 4.2	2269 (8.0)	+ 13.6	2643 (8.7)	+ 32.3	2592 (7.7)	- 1.9
(ii) To Others*	6509 (25.6)	+ 4.6	7466 (26.3)	+ 14.7	8436 (27.6)	+ 29.6	9645 (29.0)	+ 14.3
II. Total Capital Formation Expenditure	10799 (42.5)	+ 19.8	11599 (40.9)	+ 7.4	12389 (40.6)	+ 14.7	13071 (39.3)	+ 5.5
III. Total Expenditure for purposes other than Capital Formation	14602 (57.5)	+ 8.3	16770 (59.1)	+ 14.8	18134 (59.4)	+ 24.2	20213 (60.7)	+ 11.5

Note: Figures in brackets represent percentages to total expenditure.

* Comprises non-departmental commercial undertakings, local authorities, foreign investments, etc.

Source: Economic and Functional Classification of the Central Government Budget.

Of the total increase in final outlays amounting to Rs.1,213 crores (or 14.0 per cent in) 1982-83, consumption expenditure (i.e. Government's direct demand for goods and services for consumption) at Rs.7,055 crores showed an increase of Rs.959 crores (or 15.7 per cent) over the previous year. The amount spent on gross capital formation out of final outlays rose by only Rs.254 crores or 10.0 per cent to Rs.2,806 crores in 1982-83 as compared with Rs.2,552 crores in the previous year.

Total capital formation expenditure (inclusive of final outlays and financial resources provided to the rest of the economy) was thus estimated at Rs.12,389 crores in 1982-83 as against Rs.10,799 crores in the preceding year, indicating a rise of Rs.1,590 crores or 14.7 per cent. The proportion of this expenditure to total expenditure, however, declined from 42.5 per cent in 1981-82 to 40.6 per cent in 1982-83.

On the other hand, the proportion of expenditure for purposes other than capital formation to total expenditure rose from 57.5 per cent in 1981-82 to 59.4 per cent in 1982-83 at Rs.18,134 crores, indicating a rise of Rs.3,532 crores or 24.2 per cent over the previous year.

Functional Classification

In 1982-83, developmental expenditure on social and economic services including block grants and loans is estimated to have gone up by Rs.3,088 crores or 20.4 per cent to Rs.18,236 crores forming 59.7 per cent of the total expenditure as compared with Rs.15,148 crores in the preceding year which formed 59.6 per cent of the total expenditure (Table VII-4). The share of non-developmental expenditure in total expenditure in 1982-83 was marginally lower at Rs.12,287 crores or 40.3 per cent as compared with Rs.10,253 crores or 40.4 per cent in the preceding year. However, in absolute terms, non-developmental expenditure was higher by Rs.2,034 crores - an increase of 19.8 per cent.

Table VII-4: Functional Classification of Central Government's Total Expenditure

Items	(Rupees crores)							
	1981-82 (Accounts)		1982-83 (Budget Estimates)		1982-83 (Revised Estimates)		1983-84 (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	Amount	Per cent variation over the previous year
1	2	3	4	5	6	7	8	9
Total Expenditure (A + B)	25,401 (100.0)	+ 12.9	28,369 (100.0)	+ 11.7	30,523 (100.0)	+ 20.2	33,284 (100.0)	+ 9.0
A. Developmental Expenditure (i+ii)	15,148 (59.6)	+ 13.5	16,643 (58.7)	+ 9.9	18,236 (59.7)	+ 20.4	19,078 (57.3)	+ 4.6
(i) Social Services	1,545 (6.1)	+ 7.1	1,964 (6.9)	+ 27.1	2,121 (6.9)	+ 37.3	2,309 (6.9)	+ 8.9
(ii) Economic Services*	13,603 (53.5)	+ 14.2	14,679 (51.8)	+ 7.9	16,115 (52.8)	+ 18.5	16,769 (50.4)	+ 4.1
B. Non-Developmental Expenditure (i+ii)	10,253 (40.4)	+ 12.1	11,726 (41.3)	+ 14.4	12,287 (40.3)	+ 19.8	14,206 (42.7)	+ 15.6
(i) General Services	5,584 (22.0)	+ 8.1	6,454 (22.7)	+ 15.6	6,520 (21.4)	+ 16.8	7,316 (22.0)	+ 12.2
(ii) Unallocable	4,669 (18.4)	+ 17.3	5,272 (18.6)	+ 12.9	5,767 (18.9)	+ 23.5	6,890 (20.7)	+ 19.5

Note: Figures in brackets are percentages to total expenditure.

* Include block grants and loans.

Source: Economic and Functional Classification of the Central Government Budget.

The expenditure on social services was stepped up by Rs.576 crores or 37.3 per cent at Rs.2,121 crores as against Rs.1,545 crores in the preceding year. Expenditure on economic services at Rs.16,115 crores was higher by 18.5 per cent and accounted for 52.8 per cent of developmental expenditure in 1982-83 compared to 53.5 per cent in the preceding year.

Under non-developmental expenditure the amount spent on general services in 1982-83 is estimated to have gone up by Rs.936 crores or 16.8 per cent to Rs.6,520 crores as compared with Rs.5,584 crores in the preceding year. Expenditure on unallocable items consisting consumption subsidies, interest payments, pensions, statutory grants-in-aid and special loans to State Governments was higher by Rs.1,098 crores or 23.5 per cent at Rs.5,767 crores as compared with Rs.4,669 crores in the preceding year.

Of the total developmental expenditure of the Central Government, provision for expenditure on capital formation at Rs.12,389 crores was higher by Rs.1,590 crores (or 14.7 per cent) accounting for 67.2 per cent of the total expenditure, a shade lower than 70.6 per cent in 1981-82 (Table VII-5).

1983-84 (Budget Estimates)

Economic Classification

According to the Economic and Functional Classification the Central Government's total expenditure is budgeted at Rs.33,284 crores, an increase of Rs.2,761 crores (or 9.0 per cent) over the likely increase of 20.2 per cent in 1982-83 over the preceding year. Of the budgeted total expenditure, financial resources provided to the rest of the economy (for capital formation and other purposes) at Rs.22,217 crores are placed higher by Rs.1,555

Table VII—5 : Provision for Capital Formation

Items	(Rupees crores)					
	1981-82 (Accounts)	1982-83 (Budget Estimates)	1982-83 (Revised Estimates)	1983-84 (Budget Estimates)	Per cent Variation of	
					Column 4 over Col. 2	Column 5 over Col. 4
1	2	3	4	5	6	7
I. Total Provision for Capital Formation (A + B)	10,799	11,599	12,389	13,071	+ 14.7	+ 5.5
A. Developmental (1 to 3)	10,695	11,460	12,248	12,915	+ 14.5	+ 5.4
1. Social Services	369	461	447	631	+ 21.1	+ 41.2
2. Economic Services (a to d)	7,816	8,137	8,644	9,154	+ 10.6	+ 5.9
(a) Agriculture	700	629	719	903	+ 2.7	+ 25.6
(b) Industry	3,725	4,160	4,236	4,469	+ 13.7	+ 5.5
(c) Transport and Communication	2,319	2,282	2,379	2,466	+ 2.6	+ 3.7
(d) Other Economic Services	1,072	1,066	1,310	1,316	+ 22.2	+ 0.5
3. Block Grants and Loans	2,510	2,862	3,157	3,130	+ 25.8	- 0.9
B. Non-Developmental (1 + 2)	104	139	141	156	+ 35.6	+ 10.6
1. General Services	104	139	141	156	+ 35.6	+ 10.6
2. Unallocable	—	—	—	—	—	—
II. Total Developmental Expenditure	15,148	16,643	18,236	19,078	+ 20.4	+ 4.6
III. IA as per cent of II	70.6	68.9	67.2	67.7		

Source: Economic and Functional Classification of the Central Government Budget.

crores or 7.5 per cent and these would be still considerably lower than the anticipated increase of Rs.3,909 crores or 23.3 per cent in the preceding year. Of the resources provided to the rest of the economy, provision for capital formation is placed at Rs.9,980 crores indicating a rise of Rs.397 crores or 4.1 per cent as against a rise of Rs.1,336 crores or 16.2 per cent in the preceding year. Expenditure for purposes other than capital formation at Rs.12,237 crores is budgeted to rise at a comparatively lower rate of 10.5 per cent as compared with 30.2 per cent in 1982-83.

The provision for final outlays comprising Government's consumption expenditure as well as direct capital formation undertaken by it is placed at Rs.11,067 crores as compared with Rs.9,861 crores in the preceding year - an increase of Rs.1,206 crores or 12.2 per cent as compared with a rise of Rs.1,213 crores or 14.0 per cent in 1982-83. Out of this, Government's consumption expenditure is budgeted at Rs.7,976 crores - higher by Rs.921 crores or 13.1 per cent as compared with a rise of Rs.959 crores or 15.7 per cent in the preceding year. The proportion of such expenditure to total expenditure of the Government is estimated to be 24.0 per cent as compared with 23.1 per cent in 1982-83. Government's direct capital formation expenditure is budgeted to be higher by Rs.285 crores and would account for 9.3 per cent of total expenditure - same as in 1982-83.

During 1983-84, the total provision for capital formation including resources provided to the rest of the economy for this purpose is placed at Rs.13,071 crores indicating a rise of Rs.682 crores or 5.5 per cent compared to an increase of Rs.1,590 crores or 14.7 per cent in 1982-83. Expenditure on capital formation as a proportion to total expenditure is estimated to decline to 39.3 per cent as against 40.6 per cent in 1982-83, correspondingly, the proportion of non-capital formation expenditure to total expenditure is budgeted to move up from 59.4 per cent in 1982-83 to 60.7 per cent in 1983-84.

Functional Classification

The developmental expenditure of the Central Government for 1983-84 is estimated to show a rise of Rs.842 crores (or 4.6 per cent) to Rs.19,078 crores.

This rate of growth in developmental expenditure is expected to show a sharp deceleration from 20.4 per cent recorded in 1982-83. About half of the total expenditure (Rs.16,769 crores) in 1983-84 is earmarked for economic services - rise of Rs.654 crores or 4.1 per cent as compared to an increase of Rs.2,512 crores or 18.5 per cent in 1982-83 over the preceding year. Expenditure on social services at Rs.2,309 crores would be higher by Rs.188 crores (or 8.9 per cent) as compared with a substantial increase of Rs.576 crores or 37.3 per cent in 1982-83.

Non-developmental expenditure is budgeted to grow at a slightly lower rate and is placed at Rs.14,206 crores in 1983-84, indicating a rise of Rs.1,919 crores or 15.6 per cent as compared with increase of Rs.2,034 crores or 19.8 per cent in 1982-83 over the preceding year. Despite this, the share of non-developmental expenditure in total expenditure shows a rise to 42.7 per cent in 1983-84 from 40.3 per cent in 1982-83. Consequently, the share of developmental expenditure is expected to decline from 59.7 per cent in 1982-83 to 57.3 per cent in 1983-84.

Provision for expenditure on capital formation in 1983-84, (Table VII-5) is budgeted at Rs.13,071 crores showing a rise of Rs.682 crores or 5.5 per cent as against a rise of Rs.1,590 crores or 14.7 per cent in the preceding year. Capital formation for developmental purposes which constitutes 98.8 per cent of the total capital formation expenditure is expected to grow at much slower pace of 5.4 per cent than that of 14.5 per cent in the preceding year. The share of expenditure for capital formation for developmental purposes in total developmental expenditure is expected to improve from 67.2 per cent in 1982-83 to 67.7 per cent in 1983-84.

MAJOR TAX PROPOSALS, 1983-84

The measures for mobilisation of additional resources proposed in the 1983-84 budget emphasize inter-alia at (i) keeping the budgetary deficit relatively low by raising additional revenues in non-inflationary way, (ii) encouraging savings both in the individual and corporate sectors and (iii) promoting exports and effecting economies in imports through judicious use of fiscal instruments and thus attaining as speedily as possible a viable external payments situation.

The budget proposals are expected to yield an additional revenue of Rs.796.0 crores⁶ during 1983-84, comprising Rs.716.0 crores from tax receipts and Rs.80 crores from net receipts of National Rural Development Bonds (IIInd Issue) (Table VII-6). Of the additional tax receipts, revenue from customs duties is estimated at Rs.393.0 crores and that from Union excise duties Rs.325.4 crores, of which Rs.128.7 crores would accrue to the States. As regards direct taxes, the budget takes into account the loss in revenue of Rs.106.4 crores from adjustment in Income-tax slabs (Rs.2.4 crores) as well as halving of the interest tax (Rs.104 crores) which will be recouped in case of latter by additional tax revenue as a consequence of lower deductible cost of borrowing to business and industry. The net additional revenues that would accrue to the Centre in 1983-84 are likely to be Rs.695.3 crores after adjusting States' share of Rs.100.7 crores.⁶ Some of the important tax measures proposed in the 1983-84 budget under Direct and Indirect taxes are briefly summarised below:

Direct Taxes

In the field of direct taxes the aim is to provide some relief at the lower ends of the slabs and espe-

cially to salaried tax payers. The endeavour would be to promote savings at the expense of consumption.

With a view to providing relief to the salaried tax payers, the ceiling of standard deduction is raised from Rs.5,000 to Rs.6,000. Further, the initial slab of Rs.15,001 to Rs.25,000 has been split into two. Income in the new slab of Rs.15,001 to Rs.20,000 will be charged to tax at the rate of 25 per cent instead of 30 per cent. Income in the slab of Rs.20,001 to Rs.25,000 will continue to be charged at the existing rate of 30 per cent. Further, the rate of tax in the existing slab of Rs.25,001 to Rs.30,000 is raised by one percentage point to 35 per cent. The rates of tax in the remaining slabs remain unchanged.

The rate of surcharge on income tax in the case of all categories of non-corporate tax payers is raised from 10 per cent to 12.5 per cent of the income-tax.

With a view to providing further incentive for effecting long-term savings, the ceiling of 30 per

6. Excludes post-budget concessions amounting to Rs.42.2 crores of which Rs.10.7 crores will be the share of the State Governments.

Table VII—6: Additional Resource Mobilisation by the Centre during 1983-84

(Rupees crores)			
Items	Centre's Share	States' Share	Total
1	2	3	4
I. Taxes (a + b)	615.3*	100.7*	716.0*
(a) Direct Taxes (i + ii + iii)	25.6	— 28.0	— 2.4
(i) Income Tax	25.6	— 28.0	— 2.4
(ii) Corporation Tax	104.0	—	104.0
(iii) Interest Tax	— 104.0	—	— 104.0
(b) Indirect Taxes (i + ii)	589.7	128.7	718.4
(i) Customs	393.0	—	393.0
(ii) Union Excise Duties	196.7	128.7	325.4
II. Receipts from New Bonds	80.0	—	80.0
III. Revision in Railways Fares and Freights	488.9@	—	488.9@
IV. Revision in Postal Tariffs	12.0	—	12.0
V. Total (I to IV)	1196.2	100.7	1296.9

* Excludes post-budget tax concessions announced on April 27, 1983.

@ The post-budget concessions announced by the Railway Minister in the Lok Sabha on March 4, 1983, amount to Rs.57.5 crores.

cent of gross total income in respect of savings in specified forms like Life Insurance, Provident Fund, Unit-linked Insurance Plan, 10-Year and 15-Year Cumulative Time Deposits, etc., has been removed while the absolute monetary limit of Rs.40,000 in case of individuals and Hindu undivided families and Rs.60,000 in case of authors, playwrights, artists, actors, etc. is retained. The available savings media qualifying for deduction have been widened to include the National Savings Certificates VI and VII issues.

As a measure of simplification the separate exemption for income derived from specified long-term investment upto Rs.4,000 with an additional exemption of Rs.2,000 for interest on securities and bank deposits exceeding one year are merged together and the total exemption limit under Section 80-L is raised from Rs.6,000 to Rs.7,000. The existing separate exemption of Rs.3,000 in respect of income derived from units of the UTI, however, remains unchanged. As a result of these proposals, the aggregate of specified investment income which would be exempt from tax, would go up from Rs.9,000 to Rs.10,000.

The operation of the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974 is extended by a period of two years, i.e. upto 1985-86. The age limit for persons required to make these deposits is reduced from 70 to 65 years.

With a view to encouraging the flow of foreign exchange remittances into India as well as investments in India by non-resident Indian citizens and foreign nationals of Indian origin, income derived from any specified 'Foreign Exchange Asset' such as shares, debentures and deposits of Indian public limited companies, units of the Unit Trust of India and securities of the Central Government will be charged to tax at a flat rate of 20 per cent plus surcharge thereon. Long-term capital gains arising on transfer of such assets, if not re-invested/deposited within six months in any other specified asset or in a Non-resident (External) Account in any bank in India or in any savings certificates notified by the Central Government will also be subject to tax at the proposed flat rate. These non-residents will also have the option of paying tax at the normal rates applicable to resident taxpayers. However, in computing the incomes of a non-

resident Indian from any foreign exchange asset, no deduction will be allowed in respect of any expenditure or allowance under provision of the Income-tax Act. The income from foreign exchange assets and long-term capital gains would be treated as a separate block. Such investments will also be exempt from Wealth tax. Gifts of such assets made by Indian citizens and persons of Indian origin settled abroad to their relatives in India will also be exempt from gift-tax. The surcharge payable by companies on income-tax is raised from 2.5 per cent to 5 per cent. However, in lieu of the additional surcharge, companies which keep deposits with the IDBI will earn simple interest at the rate of 7 per cent per annum. With a view to securing that the various deductions in respect of the tax concessions do not result in reducing the taxable income of companies to the extent of no tax liability or only a negligible tax liability by the profit making companies, the new amendment provides that all fiscal incentives and concessions shall not exceed 70 per cent of the taxable income of a company. This would ensure that companies pay a minimum tax, on at least 30 per cent of their profits. With a view to providing adequate funds to industries in meeting the rising cost of replacement and modernisation the general rate of depreciation in respect of plant and machinery is enhanced from 10 per cent to 15 per cent. The monetary limit for 100 per cent write-off has been raised from the present level of Rs.750 to Rs.5,000 in respect of small items of plant and machinery.

Business profits derived by all religious or charitable trusts and institutions will come within the ambit of taxation according to the amendments made in the existing provisions of the Income-tax Act. This will prevent the use of such trusts as medium for purposes of tax evasion, accumulation of wealth, etc. However, the following categories of trusts and institutions have been exempted from the new provision: (i) profits derived by an institution (blind, handicapped, orphans, widows, etc.) would be exempt in cases where the work in connection with the business is mainly carried on by the beneficiaries of the institutions; (ii) profits of the charitable or religious trust or institution which has been notified by the Central Government under Section 10(23) of the Income-tax Act; (iii) profits derived from the publication and sale of books by trusts and institutions engaged wholly in public religious purposes provided separate books of accounts are maintained in respect of such business; (iv) donations would continue to be exempt from income-tax provided the trust or institution main-

tains separate books of accounts in such manner as would show that donations received by it are not used for business purposes.

The rate of tax charged under the Interest Tax Act on the gross amount of interest received by scheduled commercial banks including specified industrial financial institutions on loans and advances made in India is reduced from 7 per cent to 3½ per cent in respect of chargeable interest arising after 31st March 1983.

Under the existing provisions of the Income-tax Act, capital gains arising on the transfer of a 'long-term capital asset' are exempted from income-tax if the net consideration received or accruing as a result of the transfer is invested in 7-Year National Rural Development Bonds within a period of six months from the date of the transfer. It is proposed to widen the choice of financial assets in which the taxpayer can now invest the net consideration received after 28th February, 1983 in a new Central Government Bonds of 3 years' maturity, i.e., National Rural Development Bonds (IInd issue), Central Government securities, a special series of units of the Unit Trust of India and debentures issued by the Housing and Urban Development Finance Corporation with maturity periods adjusted appropriately for the interest they carry.

Indirect Taxes

In the field of indirect taxes, the budget proposals aim at providing adequate protection to the indigenous manufacturers from cheap imports through the instrument of customs duties as also to raise resources in a non-inflationary manner by plugging the loopholes in tax evasion and avoidance in excise duties.

Customs Duties

The auxiliary duties of customs imposed since 1973 have been continued further in 1983-84. With certain exceptions the effective rates are raised by 5 percentage points. The statutory rate of auxiliary duty is kept at 50 per cent and the maximum effective rate at only 35 per cent. Newsprint and crude petroleum would not be subjected to the increase in auxiliary duty. Essential items like fertilisers, kerosene and high speed diesel oil will continue to get full exemption from auxiliary duties.

With the significant fall in the international prices of chemicals, the tariff rate is raised to 100 per cent *ad valorem* and the general effective rate to 70 per cent *ad valorem*. This group of commodities was in general subject to a basic rate of customs duty at 60 per cent *ad valorem*. However, pharmaceutical chemicals and drugs, insecticide, pesticide and fungicide chemicals, fertilisers, tanning substances, etc. have by and large been kept out of the purview of this increase.

For the benefit of electronic industry, the existing concessional basic import duty of 45 per cent *ad valorem* is extended to cover four more items of raw materials and components. Further, the concessional basic import duty of 35 per cent *ad valorem* on capital goods is extended to cover 14 more items.

The effective basic import duty on zinc metal is raised from 45 per cent to 55 per cent *ad valorem* and that on lead metal from 40 per cent to 55 per cent *ad valorem*.

Excise duties

In respect of excise duties the budget proposals primarily aim at mopping up of windfall gains wherever they exist and to limit the incidence of additional levies on individual items to relatively small proportions. Another important objective of excise duties relates to promoting the small scale sector which has been a nursery for entrepreneurship in the country and has also helped to diffuse the concentration of economic power.

In order to mop up undue profits, the basic excise duty on cement is raised from Rs. 135 to Rs. 205 per tonne for the commonly used variety of cement. The basic excise duty on cement produced in 'mini' cement plants is also raised from Rs. 100 to Rs. 170.

Central Excise Tariff Item 68 covers a miscellany of goods not elsewhere specified in the Tariff. The rate on such goods has been raised from 8 to 10 per cent *ad valorem*.

The duty on both 'levy' and 'non-levy' sugar is reduced. The present *ad valorem* rates are replaced by specific rates, that is 38 paise per kilogram on 'levy' sugar and 50 paise per kilogram on 'non-levy' sugar.

The existing scheme of concession in excise duty for the small scale sector is liberalised. Under the general scheme applicable to 70 specified groups of commodities at present, manufacturers are eligible to get full duty exemption upto clearances of Rs.7.5 lakhs and the concessional rate of 75 per cent of the duty payable on clearances in excess of Rs.7.5 lakhs but upto Rs.15 lakhs. In this respect, the upper limit is raised from Rs.15 lakhs to Rs.25 lakhs.

An excise duty relief scheme for encouraging higher production in respect of certain commodity groups announced in the earlier years has been continued and the relief in duty for excess clearance has been enhanced. Under the previous scheme, for excess clearance, a relief of 20 per cent of duty was given for items falling in certain duty rate groups and 10 per cent for those falling in other such groups. Incentives have been provided in two slabs instead of the earlier single slab. The incentive of 20 per cent and 10 per cent are raised respectively to 30 per cent and 15 per cent for the first slab of excess clearance and to 40 per cent and 20 per cent for the subsequent slab. The industry is expected to take advantage of this liberalisation and step up production.

II BUDGETARY OPERATIONS OF STATE GOVERNMENTS

Revised Estimates: 1982-83

The combined budgetary operations of the State Governments according to the revised estimates for 1982-83 shows an overall deficit of Rs.779 crores on top of a deficit of Rs.1,020 crores incurred in 1981-82 (accounts). During the year, the finances of the State governments came under severe strain and a number of States had substantial recourse to the Reserve Bank's ways and means advances, the operational limits for which were doubled effective July 1, 1982. Besides, some States also resorted to unauthorised overdrafts to finance their growing expenditure. The strain imposed on their finances was reflected in the widening of the budgetary deficit to Rs.779 crores in the revised estimates as compared to a small deficit of only Rs.21 crores at the time of the presentation of their budgets (Table VII-7).

Receipts

According to the revised estimates, the combined aggregate receipts of the States at Rs.28,537 crores* are expected to be higher by Rs.3,986 crores (16.2 per cent). This improvement in aggregate receipts was shared by both the revenue and capital receipts. Revenue receipts totalled Rs.21,321 crores showing a rise of Rs.2,866 crores or 15.5 per cent. Capital receipts increased by Rs.1,120 crores (or 18.4 per cent) to Rs.7,216 crores**. In the total receipts, the share of revenue receipts was 74.7 per cent. Tax receipts rose by Rs.1,718 crores to Rs.14,212 crores and non-tax receipts by Rs.1,148 crores to Rs.7,109 crores. The share of tax and non-tax receipts in the revenue receipts remained unchanged at 1981-82 level of 68 per cent and 32 per cent, respectively. Though revenues from States' own taxes increased from Rs.8,234 crores in 1981-82 to Rs.9,474 crores in 1982-83, the growth rate declined from 24.5 per cent to 15.1 per cent. The proportion of States' own taxes to aggregate receipts, which had moved upto 33.5 per cent in 1981-82 from 30.2 per cent in 1980-81, declined to 33.2 per cent in 1982-83. Taxes on commodities and services rose by Rs.1,221 crores to Rs.8,617 crores in 1982-83; the major contribution came from sales tax (Rs.671 crores), followed by state excise duties (Rs.215 crores), taxes on passengers and goods (Rs.133 crores), taxes on vehicles (Rs.83 crores), electricity duties (Rs.79 crores) and entertainment tax (Rs.42 crores). Revenue from agricultural income-tax in 1982-83 moved upto Rs.38.4 crores from Rs.37.6 crores in 1981-82. Collections under profession tax increased to Rs.84 crores in 1982-83 from Rs.76 crores in 1981-82. Land revenue receipts declined by Rs.34 crores to Rs.171 crores in 1982-83. The States' share in central taxes increased by Rs.478 crores to Rs.4,738 crores in 1982-83. Of this amount, the union excise duties constituted the major portion of the increase (Rs.384 crores) while the share in income tax was higher by Rs.97 crores. Share of estate duties, however, declined by Rs.2 crores to Rs.15 crores. The proportion of the States' share in Central taxes in the States' tax receipts by way of income tax, estate duty and union excise duties declined from 34.1 per cent in 1981-82 to

* All references to 1982-83 relate to the revised estimates unless stated otherwise.

** This excludes a loan assistance of Rs.1,743.46 crores given by the Centre to the States to clear their deficit (as per RBI records) as at the end of March 1982.

Table VII—7 : Overall Budgetary position of State Governments

(Rupees crores)

Items	1981-82 (Accounts)†	1982-83 (Budget Estimates)		1982-83 (Revised Estimates)		1983-84 (Budget Estimates)	
	Amount	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year
	1	2	3	4	5	6	7
I. Aggregate Receipts (A + B)	24551	26459	+ 7.8	28537	+ 16.2	30506	+ 6.9
A. Revenue Receipts (1 + 2)	18455	20569	+ 11.5	21321	+ 15.5	(30127)	(+ 5.6)
1. Tax Receipts (a + b)	12494	14136	+ 13.1	14212	+ 13.8	23669	+ 11.0
(a) States' Taxes	8234	9424	+ 14.5	9474	+ 15.1	(23290)	(+ 9.2)
(b) Share in Central Taxes	4260	4712	+ 10.6	4738	+ 11.2	16186	+ 13.9
2. Non-Tax Receipts (c + d)	5961	6433	+ 7.9	7109	+ 19.3	(15915)	(+ 12.0)
(c) Grants from the Centre	2727	3030	+ 11.1	3580	+ 31.3	10876	+ 14.8
(d) Other Non-Tax Receipts	3234	3403	+ 5.2	3529	+ 9.1	(10706)	(+ 13.0)
B. Capital Receipts (1 + 2)	6096	5890	- 3.4	7216	+ 18.4	5310	+ 12.1
1. States Capital Receipts	2724	2427	- 10.9	3172	+ 16.4	(5209)	(+ 9.9)
of which :						7483	+ 5.3
(a) Market Borrowings (Gross)	508	555	+ 9.3	555	+ 9.3	(7375)	(+ 3.7)
(b) Recovery of Loans and Advances	651	613	- 5.8	679	+ 4.3	3446	- 3.7
2. Loans from the Centre (Gross)	3372	3463	+ 2.7	4044	+ 19.9	4637	+ 14.4
						(3929)	(+ 11.3)
						6837	- 5.3

((Contd.))

Table VII—7 : Overall Budgetary position of State Governments (Concl'd.)

(Rupees crores)

Items	1981-82 (Accounts)†	1982-83 (Budget Estimates)		1982-83 (Revised Estimates)		1983-84 (Budget Estimates)	
	Amount	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year
	1	2	3	4	5	6	7
II. Aggregate Disbursements (A to E)	25571	26480	+ 3.6	29316	+ 14.6	31101	+ 6.1
A. Developmental Expenditure* (1+ 2)	17960	18942	+ 5.5	21156	+ 17.8	22226	+ 5.1
1. Social and Community Services	7657	8206	+ 7.2	9560	+ 24.9	10010	+ 4.7
of which :							
Expenditure on Natural Calamities	226	120	- 46.9	481	+ 112.8	140	- 70.9
2. Economic Services	10303	10736	+ 4.2	11596	+ 12.5	12216	+ 5.3
B. Non-Developmental Expenditure*	4996	5955	+ 19.2	6044	+ 21.0	7077	+ 17.1
C. Repayment of Loans to the Centre	1373	1083	- 21.1	1405	+ 2.3	1256	- 10.6
D. Discharge of Internal Debt	294	229	- 22.1	229	- 22.1	259	+ 13.1
of which :							
Market Loans	168	163	- 3.0	163	- 3.0	183	+ 12.3
E. Others@	948	271	- 71.5	482	- 49.2	283	- 41.3
III. Overall Surplus (+) or Deficit (-) (I - II)	- 1020	- 21		- 779		- 595** (- 974)	

- Notes: 1. Budget Estimates for 1983-84 include the estimated yield of Rs. 278 crores from additional resource mobilisation measures introduced through the State Budgets and the States' share of Rs. 101 crores in the Centre's additional taxation measures introduced through the Central Budget for 1983-84.
2. Budget Estimates for 1982-83 include estimated yield of Rs. 306 crores from additional resource mobilisation measures introduced through the State Budgets and the States' share of Rs. 53 crores in Centre's additional taxation measures introduced through the Central Budget for 1982-83.
3. Figures given here differ from those given in the Bank's Annual Report for 1982-83 due to updating of data.
4. States' capital receipts as well as aggregate receipts for 1982-83 (R.E) exclude the medium term loan of Rs. 1743.46 crores given by the Centre in July 1982 to the States to clear their overdrafts outstanding with Reserve Bank as at the end March 1982.
5. Figures in brackets are at 1982-83 rates of taxation.
6. Figures for Assam are from vote on account budget.

* Comprise expenditure on Revenue and Capital account and loans and advances extended by states.

@ Comprise compensation and assignment to local bodies, revenue reserve fund appropriation for contingency fund and remittances (net)

† Figures for Assam relate to revised estimates.

** However after taking into account Supplementary demands for grants for additional expenditure amounting to Rs. 64 crores and Rs. 88 crores in respect of Gujarat and Maharashtra respectively and the reduction in the States' Share in the Centre's additional taxation to the extent of Rs. 11 crores due to concessions announced subsequent to the presentation of Central Budget, this deficit is likely to rise to Rs. 758 crores.

33.3 per cent in 1982-83, while the share of States' own taxes in total tax receipts accounted for 66.7 per cent from 65.9 per cent during the same period.

The non-tax receipts of the States increased by 19.3 per cent over 1981-82 as against a marginal increase of 1.2 per cent in the previous year. In absolute terms, non-tax revenue moved up from Rs.5,888 crores in 1980-81 to Rs.5,961 crores in 1981-82 and rose further to Rs.7,109 crores in 1982-83. The increase in non-tax receipts was brought about by both increases in grants-in-aid and other non-tax receipts. Grants from the Centre, which had increased by Rs.105 crores (or 4.0 per cent) to Rs.2,727 crores in 1981-82, increased substantially by Rs.853 crores (or 31.3 per cent) to Rs.3,580 crores in 1982-83. The increase in grants was mainly attributed to larger grants for natural calamities, State plan schemes and Centrally sponsored schemes. Other non-tax receipts which had declined by Rs.32 crores (or 1.0 per cent) to Rs.3,234 crores in 1981-82, increased by Rs.295 crores to Rs.3,529 crores. With the substantial increase in Central grants, their share in the total non-tax receipts rose to 50.4 per cent in 1982-83 from 45.7 per cent in the previous year while that of other non-tax receipts declined to 49.6 per cent from 54.3 per cent. The increase in the States' own non-tax revenue was brought about by increase in interest receipts (Rs.148 crores) as well as in receipts from economic services (Rs.144 crores), social and community services (Rs.40 crores) and dividends (Rs.12 crores). Receipts under general services declined by Rs.49 crores to Rs.389 crores in 1982-83. Dividends from public undertakings recorded almost a three-fold rise from Rs.6 crores in 1981-82 to Rs.17 crores in 1982-83. Under the economic services, receipts from forests, multi-purpose river projects, agriculture, royalty on minerals and mineral concession fees, irrigation, navigation and flood control, road and water transport services, dairy development and animal husbandry were higher during the year. Likewise, collections from the State lotteries moved up from Rs.66 crores in 1981-82 to Rs.98 crores in 1982-83.

Capital Receipts

Capital receipts increased by Rs.1,120 crores to Rs.7,216 crores in 1982-83 from Rs.6,096 crores in 1981-82. The major portion of the increase was on account of loans from the Centre; which were sizeably higher by Rs.672 crores or by 19.9 per cent to

Rs.4,044 crores. States' own capital receipts increased by Rs.448 crores or 16.4 per cent to Rs.3,172 crores in 1982-83. Market borrowings (gross) as per the budget documents amounted to Rs.555 crores in 1982-83 as against Rs.508 crores in 1981-82. As per the Reserve Bank of India records, gross market borrowings of States, aggregated Rs.557 crores in 1982-83 as against Rs.507 crores in the preceding year. Net market borrowings also increased from Rs.334 crores in 1981-82 to Rs.399 crores in 1982-83. Although in absolute terms, there was increase in States' market borrowings, the share in the total market borrowings (Centre as well as States) declined; the States' share in gross and net market borrowings declined to 11.8 per cent and 9.5 per cent in 1982-83 from 13.7 per cent and 10.3 per cent, respectively, in 1981-82. Recovery of loans and advances granted by the States improved by Rs.28 crores to Rs.679 crores in 1982-83.

Transfer of Resources from the Centre

There was a sizeable increase both in gross and net transfer of resources, comprising States' share in Central taxes, grants and loans from the Centre to the States, in 1982-83. Gross transfers were higher by Rs.2,003 crores or 19.3 per cent as compared with an increase of Rs.926 crores or 9.8 per cent in 1981-82. Of the gross amount of Rs.12,362 crores transferred, 38.3 per cent or Rs.4,738 crores represented States' share in Central taxes, 29.0 per cent or Rs.3,580 crores by way of grants and the balance of 32.7 per cent or Rs.4,044 crores on account of loans from the Centre. With the increase in gross transfers, States' share in aggregate receipts moved up marginally to 45.6 per cent in 1982-83 from 44.7 per cent in 1981-82. After providing for interest payments to the Centre (Rs.1,021 crores) and repayment of loan instalment (Rs.1,405 crores), the net devolution totalled Rs.9,936 crores as against Rs.8,110 crores in the previous year. The proportion of net resources (share in Central taxes, grants and net loans) transferred to aggregate receipts (adjusted to loans from the Centre on a net basis) was higher at 36.6 per cent in 1982-83 against 35.0 per cent in 1981-82. Devolution of resources from the Centre, excluding States' share in Central taxes, increased by Rs.1,348 crores to Rs.5,198 crores and formed 19.2 per cent of aggregate receipts.

Plan loans (gross) increased from Rs.1,907 crores in 1981-82 to Rs.2,334 crores in 1982-83. Non-plan loans also moved up to Rs.1,710 crores from Rs.1,465 crores. Share of the small savings in

non-plan loans increased by Rs.131 crores to Rs.975 crores in 1982-83. Grants for the State Plan Schemes and Centrally Sponsored Schemes increased from Rs.1,320 crores and Rs.489 crores in 1981-82, to Rs.1,591 crores and Rs.956 crores, respectively, in 1982-83; while grants for Central Plan Schemes declined to Rs.221 crores from Rs.431 crores.

Disbursements

The combined aggregate disbursements of all States at Rs.29,316 crores in 1982-83 were higher by Rs.3,745 crores (14.6 per cent) as against an increase of Rs.2,801 crores (or 12.3 per cent) in the previous year. Nearly 85 per cent of the increase or Rs.3,196 crores was in respect of the developmental outlay. The developmental expenditure amounted to Rs.21,156 crores in 1982-83 and was higher by 17.8 per cent over its level in the preceding year. As the rate of growth in developmental expenditure was higher than that of aggregate disbursements, the proportion of developmental expenditure to the aggregate disbursements moved up to 72.2 per cent in 1982-83 from 70.2 per cent in 1981-82. The distribution of developmental expenditure between the two components, viz. economic services and social and community services showed that the former accounted for Rs.11,596 crores (54.8 per cent) and the latter for Rs.9,560 crores (45.2 per cent) in 1982-83. The share of the economic services in the incremental developmental expenditure declined to 40.5 per cent in 1982-83 from 47.2 per cent in 1981-82. Developmental expenditure under social and community services rose sharply by 24.9 per cent to Rs.9,560 crores as against an increase of 16.0 per cent in the previous year. Expenditure on natural calamities rose to Rs.481 crores from Rs.226 crores in the preceding year. Non-developmental expenditure at Rs.6,044 crores in 1982-83 formed 20.6 per cent of aggregate disbursements as against 19.5 per cent in the last year. About 4.8 per cent of aggregate disbursements or Rs.1,405 crores in 1982-83 was on account of repayment of loans to the Centre. Discharge of internal debt aggregated Rs.229 crores of which 71.2 per cent or Rs.163 crores was on account of repayment of market loans.

Budget Estimates: 1983-84

At the 1982-83 rates of taxation, the combined budgetary position of the States reveals an overall

deficit of Rs.974 crores during 1983-84 as against a deficit of Rs.779 crores in 1982-83. However, after taking into account the yield from the new tax measures proposed by the States (Rs.278 crores) as well as the States' share in Centre's fresh tax efforts (Rs.101 crores) during 1983-84, the overall deficit is likely to be reduced to Rs.595 crores.

Receipts

Aggregate receipts of all the States are estimated to increase by Rs.1,969 crores or 6.9 per cent to Rs.30,506 crores in 1983-84 as against an increase of Rs.3,986 crores or 16.2 per cent in the previous year. The pattern of the States' aggregate receipts reveals that the revenue receipts are estimated higher by Rs.2,348 crores or 11.0 per cent which is off-set to some extent by a decline of Rs.379 crores or 5.3 per cent in capital receipts. In absolute terms both tax and non-tax receipts are estimated higher by Rs.1,974 crores and Rs.374 crores, respectively, in 1983-84 over the likely realisation in 1982-83. While the growth rate in the States own taxes would however decelerate by 0.3 percentage point to 14.8 per cent in 1983-84, even after taking into account the impact of new tax measures proposed by States in their budgets, States' own non-tax revenues are expected to be substantially higher by 5.3 per cent compared to an increase of 9.1 per cent on a comparable basis. The major part of the increase in the States' own taxes is expected from taxes on commodities and services (Rs.1,282 crores). Of this, as much as Rs.874 crores would be on account of sales tax reflecting largely the revision and restructuring of the rates as well as widening the coverage of commodities subject to sales tax. States' share in the Central taxes is expected to be higher by Rs.572 crores or 12.1 per cent to Rs.5,310 crores. Grants from the Centre are estimated to be lower by Rs.134 crores or 3.8 per cent in 1983-84 to Rs.3,446 crores in contrast to an increase of Rs.853 crores or 31.3 per cent in the previous year. Non-plan grants would be reduced by Rs.193 crores at Rs.619 crores in 1983-84, while plan grants are estimated marginally higher by Rs.59 crores at Rs.2,826 crores. Other non-tax receipts are estimated higher by Rs.508 crores at Rs.4,037 crores reflecting largely non-tax measures yielding an additional Rs.108 crores proposed by the States in their 1983-84 budgets. Estimated increase in the interest receipts (Rs.158 crores) and economic services (Rs.287 crores) are mainly responsible for the rise in the States' own non-tax revenues.

Under capital receipts, gross loans from the Centre at Rs.3,800 crores in 1983-84 are anticipated to be Rs.244 crores lower (6.0 per cent) as compared to an increase of Rs.672 crores or 19.9 per cent in 1982-83. Repayment of loan instalments to the Centre is estimated at Rs.1,256 crores in 1983-84 from Rs.1,405 crores in 1982-83. Net loans (gross loans adjusted to repayment of loans instalments to the Centre) are anticipated lower at Rs.2,544 crores in 1983-84 from Rs.2,639 crores in 1982-83. Gross market loans of States as per the budget documents are estimated higher at Rs.756 crores in 1983-84 from Rs.555 crores in 1982-83. Receipts from small savings, provident funds, etc. (net) deposits and advances (net) and recovery of loans and advances are estimated lower at Rs.726 crores, Rs.195 crores and Rs.660 crores, respectively in 1983-84 from Rs.744 crores, Rs.339 crores and Rs.680 crores in 1982-83.

Additional Resource Mobilization

In their budgets for 1983-84, 15 States have announced measures for additional resource mobilization that would yield an estimated revenues of Rs.291[†] crores. Seven states viz., Madhya Pradesh, West Bengal, Tamil Nadu, Gujarat, Maharashtra, Bihar and Karnataka have announced concessions on existing taxes resulting in a loss of revenue amounting to Rs.13 crores. Thus, the additional resource mobilization measures, less the tax concessions proposed by the States would yield a net additional revenue of Rs.278 crores as compared to resource mobilization measures amounting to Rs.305 crores in 1982-83. Of the net revenue of Rs.278 crores estimated from additional levies in 1983-84, Rs.170 crores are accounted for by tax measures and the balance of Rs.108 crores by non-tax levies. The additional yield is estimated mainly from conventional measures e.g. sales tax (Rs.127 crores), land revenue (Rs.13 crores), stamps and registration fees (Rs.7 crores), tax on passengers and goods (Rs.5 crores), tax on vehicles (Rs.12 crores) and state excise (Rs.3 crores). Yield from entertainment and profession taxes are estimated to decline marginally by Rs.75 lakhs. Among the States, Bihar leads in resource mobilization followed by Kerala, Andhra Pradesh, West Bengal, Haryana, Tamil Nadu, Orissa, Gujarat, Madhya Pradesh, Karnataka, Jammu and Kashmir, Himachal Pradesh, Meghalaya and Sikkim (Table VII-8).

[†] This excludes measures taken by the State Electricity Boards and Road Transport Corporations by way of revision in power tariff and passenger fares, respectively.

Table VII—8 : Estimated additional yield from Budget Proposals (Rupees crores)

States	Net additional yield 1983-84
1. Bihar	54.75
2. Kerala	52.53
3. Andhra Pradesh	33.96
4. West Bengal	28.16
5. Haryana	25.50
6. Tamil Nadu	25.00
7. Orissa	21.69
8. Gujarat	12.69
9. Madhya Pradesh	12.45
10. Karnataka	11.10
11. Jammu and Kashmir	3.00
12. Himachal Pradesh	0.90
13. Meghalaya	0.35
14. Sikkim	0.25
15. Maharashtra	-4.50
Total	277.83
By Major Heads	
1. Sales tax	127.39
2. Land Revenue	12.75
3. Stamps and Registration Fees	7.40
4. Tax on passengers and goods	4.95
5. Tax on Vehicles	12.00
6. State Excise	3.26
7. Entertainment Tax	-0.50
8. Profession Tax	-0.25
9. Other Taxes and Duties	3.00*
10. Non-Tax Revenue	107.83
Total	277.83
States' Share in Centre's additional taxation	
1. Income-tax	-28.00
2. Estate Duty	—
3. Union Excise Duty	128.74
Total	100.74

* This represents the yield from budget proposals by Jammu and Kashmir.

Disbursements

Aggregate disbursements are estimated to increase by Rs.1,785 crores (or 6.1 per cent) to Rs.31,101 crores as compared to a rise of Rs.3,745 crores (or 14.6 per cent) in 1982-83. While the growth rate in developmental expenditure is expected to sharply decelerate to 5.1 per cent as against 17.8 per cent recorded in 1982-83, the growth rate in non-developmental expenditure is expected to be marginally lower at 17.1 per cent compared to 21.0 per cent recorded in 1982-83. States' developmental expenditure would increase by Rs.1,070 crores to Rs.22,226 crores in 1983-84 as compared with an increase of Rs.3,196 crores in the previous year. Consequently, the share of developmental expenditure in aggregate disbursements is estimated to go down to 71.5 per cent in 1983-84 from 72.2 per cent in 1982-83. The deceleration in developmental expenditure is reflected more in social and community services and to a lesser extent in economic services. Expenditure on social and community services is estimated to increase by Rs.450 crores or 4.7 per cent to Rs.10,010 crores in 1983-84 as against an increase of Rs.1,903 crores or 24.9 per cent in 1982-83. Expenditure on economic services is also estimated to increase by only Rs.620 crores or 5.3 per cent as compared to an increase of Rs.1,293 crores or 12.5 per cent in the previous year.

Non-developmental expenditure is anticipated to increase by Rs.1,033 crores or 17.1 per cent to Rs.7,077 crores during 1983-84 as compared to an increase of Rs.1,048 crores or 21.0 per cent in 1982-83. The share of non-developmental expenditure in aggregate disbursements is estimated higher at 22.8 per cent in 1983-84 from 20.6 per cent in 1982-83. Interest payments and expenditure on administrative services would account for Rs.751 crores or 72.7 per cent of the increase in 1983-84.

Repayments of loans to the Centre are estimated lower by Rs.149 crores to Rs.1,256 crores in 1983-84 while discharge of internal debt is anticipated higher by Rs.30 crores to Rs.259 crores — a major portion (Rs.183 crores) would be on account of market loans. Other disbursements are estimated lower by Rs.199 crores to Rs.283 crores in 1983-84.

Gross devolution of resources from the Centre to the States by way of share in the central taxes, grants and loans net of loan repayments and interest payments at Rs.12,555 crores are estimated lower by Rs.193 crores over 1982-83. As a result, the net

transfer of resources from the Centre as a proportion to States' aggregate receipts (excluding repayment of loans to the Centre) would be lower at 34.6 per cent in 1983-84 as against 36.6 per cent in 1982-83.

States' Plan Outlay

For 1983-84, the fourth year of Sixth Five Year Plan, the States' Plan Outlay is estimated at Rs.11,735 crores which represents an increase of 18.9 per cent over the revised outlay of Rs.9,871 crores for 1982-83. The outlays include those for special area programmes for hill and tribal areas and schemes for North-Eastern Council. The approved outlay for 22 States for 1983-84 has been fixed higher by Rs.1,749 crores or 19.3 per cent to Rs.10,789 crores from Rs.9,040 crores as per revised outlay for 1982-83. The State-wise distribution of the Plan outlay is shown in Table VII-9.

In the sectoral allocations, power continues to get the priority with 30.1 per cent (Rs.3,246 crores) of the plan outlay. The outlay of the other sectors are: agriculture and allied programmes including co-operation 17.7 per cent (Rs.1,910 crores), irrigation and flood control, 16.9 per cent (Rs.1,828 crores), transport and communications 7.2 per cent (Rs.774 crores), industry and minerals 3.1 per cent (Rs.329 crores), village and small industries 1.7 per cent (Rs.184 crores) and others 23.3 per cent (Rs.2,518 crores). Table VII-10 shows States' Plan Outlay by Heads of Developments.

III RAILWAY FINANCES

The Railway Budget for the fiscal 1983-84 presented to the Lok Sabha on 24th February 1983 envisages a gross surplus of Rs.205.7 crores¹ as against a surplus of Rs.75.2 crores in the revised estimates for 1982-83 (Table VII-11). Total receipts are anticipated to rise by Rs.773.5 crores or 17.3 per cent to Rs.5,253.5 crores⁷ while total expenditure is estimated to increase by Rs.635.7

Note: All references to 1982-83 relate to the revised estimates unless stated otherwise.

7. This does not take into account the loss in revenue due to post-budget concessions announced on March 4, 1983 aggregating to Rs.57.5 crores. The loss is expected to be made up by stricter control over expenditure and through carriage of larger volume of traffic.

Table VII—9: Plan Outlay of States and Union Territories

States/Union Territories	(Rupees crores)							
	Actual Expenditure for 4th Plan (1969-70 to 1973-74)	Actual Expenditure for 5th Plan (1974-75 to 1978-79)	1979-80 Actual Expenditure	6th Plan Approved Outlay (1980-81 to 1984-85)	1980-81 Actual Expenditure	1981-82 Actual Expenditure	1982-83 Revised Approved Outlay	1983-84 Approved Outlay
1	2	3	4	5	6	7	8	9
Andhra Pradesh	426	1,449	450	3,100	471	512	605	826
Assam	198	433	160	1,115	193	209	238	291
Bihar	479	1,185	321	3,225	465	560	610	681
Gujarat	545	1,374	456	3,680	584	674	724	900
Haryana	358	671	203	1,800	246	289	320	407
Himachal Pradesh	113	236	79	560	94	119	120	140
Jammu and Kashmir	162	376	124	900	149	165	175	185
Karnataka	374	1,039	318	2,265	397	444	475	575
Kerala	333	661	224	1,550	299	303	275	320
Madhya Pradesh	476	1,396	515	3,800	566	655	742	855
Maharashtra	1,005	2,612	813	6,175	896	1,110	1,290	1,500
Manipur	31	93	32	240	40	42	48	53
Meghalaya	36	99	31	235	41	45	53	56
Nagaland	39	97	28	210	35	38	43	51
Orissa	249	640	195	1,500	248	274	300	345
Punjab	428	940	269	1,957	299	342	385	440
Rajasthan	309	872	290	2,025	339	352	332	401
Sikkim	—	41	18	122	20	24	25	30
Tamil Nadu	552*	1,143	370	3,150	434	606	711	845
Tripura	35	75	30	245	40	48	50	58
Uttar Pradesh	1,163	2,909	825	5,850	972	1,118	1,029	1,290
West Bengal	364	1,230	383	3,500	451	499	490	540
A. Total—All States	7,675	19,571	6,134	47,204	7,279	8,428	9,040	10,789
B. Hill Areas	—	174	54	560	69	89	112	135
C. Tribal Areas**	—	167	70	470	70	85+	95	110
D. Total Union Territories	278	655	190	1,650	255	348	413	481
E. North Eastern Council	—	91	32	340	51	64	91**	95(a)
F. Scheduled Caste Component Plan@@	—	—	5(a)	—	—	110+	120+	125
G. Other Unclassified	—	—	—	26	—	—	—	—
Total (A to G)	7,953	20,658	6,485	50,250	7,724	9,124	9,871	11,735

* Excludes Rs. 19 crores on Power as outside the plan.

(a) Allocations only.

† Outlay figure repeated, expenditure not available.

** Includes Rs. 10.86 crores LIC loan.

@@ Includes Rs. 10.00 crores LIC loan.

Table VII—10: States' Plan outlay by Heads of Developments

(Rupees crores)			
Sectors	1982-83 (Revised approved outlay)	1983-84 (Approved outlay)	Variation over the previous year
1	2	3	4
1. Agriculture and Allied services including Co-operation	1691 (18.7)	1910 (17.7)	+ 219 (+ 13.0)
2. Irrigation and Flood Control	1597 (17.7)	1828 (16.9)	+ 231 (+ 14.5)
3. Power	2732 (30.2)	3246 (30.1)	+ 514 (+ 18.8)
4. Village and Small Industries	147 (1.6)	184 (1.7)	+ 37 (+ 25.2)
5. Industry and Minerals	275 (3.1)	329 (3.1)	+ 54 (+ 19.6)
6. Transport and Communications	670 (7.4)	774 (7.2)	+ 104 (+ 15.5)
7. Others	1928 (21.3)	2518 (23.3)	+ 590 (+ 30.6)
8. Total (1 to 7)	9040 (100.0)	10789 (100.0)	+ 1749 (+ 19.3)

Note: Figures in brackets in columns 2 and 3 are percentages to totals while those in column 4 indicate percentage variation over the previous year i.e. column 3 over column 2.

Source: Annual Plan document.

crores or 16.1 per cent to Rs.4,582.3 crores.⁸ Originating revenue earning freight traffic is expected to reach a level of 241 million tonnes in 1983-84 as compared with 227 million tonnes likely to be achieved during 1982-83, a rise of 14 million tonnes or 6.2 per cent. Suburban and non-suburban traffic is expected to grow by 5 per cent and 3 per cent respectively during the year. Upward revision in passenger fares and freight rates proposed in the budget are expected to yield an additional revenue of Rs.488.9 crores in 1983-84.

Revised Estimates: 1982-83

The revised estimates for 1982-83, place total

8. An additional expenditure of Rs.174.6 crores was sanctioned as per the First Supplementary Demands for Grants presented to the Lok Sabha in August 1983. After taking into account related credits/recoveries the net additional expenditure would amount to Rs.160.0 crores.

receipts of the Railways at Rs.4,480.0 crores as compared with Rs.3,627.8 crores in 1981-82, i.e., higher by Rs. 852.2 crores or 23.5 per cent. The increase in earnings is attributable to revision in freight rates and passenger fares introduced in the course of 1982-83. The major portion of the increase i.e. about 86.1 per cent or Rs. 734.0 crores is accounted for by 'goods earnings'. The originating revenue earning freight traffic during 1982-83 is likely to reach a level of 227.0 million tonnes i.e. more by 5.8 million tonnes or 2.6 per cent over the actual realisation of 221.2 million tonnes attained in 1981-82. In total transportation effort, the Indian Railways would be reaching a record level of 166 billion net tonne-kilometres⁹ of revenue earning freight traffic as compared with 164.3 billions net tonne-kilometres in the preceding year. Goods earnings have been estimated at Rs.2,957.2 crores in 1982-83 as against Rs.2,357.1 crores in the preceding year, a rise of Rs.600.1 crores or 25.5 per cent.

Passenger traffic is estimated to reach a peak level of 226.0 billion passenger-kilometres¹⁰ in 1982-83 as against 220.8 billion passenger-kilometres in the preceding year.

Total expenditure is expected to rise by Rs.721.9 crores or 22.4 per cent to Rs.3,946.6 crores in 1982-83 as compared with Rs.3,224.7 crores in 1981-82.

The higher expenditure is mainly due to post-budgetary rise in dearness allowance, increase in cost of materials and stores, including steel and cement, increase in the price of coal from May 1982, revisions in electricity tariffs announced by various State Electricity Boards and incremental cost for meeting additional traffic.

Expenditure on 'general superintendence and services' which was Rs.158.0 crores in 1981-82 is estimated to have gone up by Rs.28.5 crores or 18.0 per cent to Rs.186.5 crores in 1982-83. Operating expenses on 'rolling stock and equipment' is estimated at Rs.331.6 crores as compared with Rs.293.6 crores in the preceding year, a rise of Rs.38.0 crores or 12.9 per cent. Expenditure on 'fuel' which was Rs.673.4 crores in 1981-82 is expected to be more by Rs.78.3 crores or 11.6 per cent

9. Transportation of one tonne of goods over one kilometre.

10. Transportation of one passenger over one kilometre.

at Rs.751.7 crores in 1982-83. Appropriation to Depreciation Reserve Fund at Rs.556.0 crores is considerably higher by Rs.206.0 crores or 58.9 per cent over the preceding year. This is to provide for the huge arrears in the rehabilitation of assets. Appropriation to Pension Fund is estimated at Rs.148.0 crores, which is higher by Rs.49.5 crores or 50.3 per cent over the preceding year. Additional provision is required for payment of pension due to larger number of pensionable employees retiring as also due to grant of additional reliefs to pensioners.

With total receipts of the Railways at Rs.4,480.0 crores and expenditure at Rs.3,946.6 crores, the ratio of total expenditure to total receipts is estimated at 88.1 per cent in 1982-83, marginally lower than 88.9 per cent in the preceding year. Net revenue is estimated at Rs.533.4 crores in 1982-83 which is higher by Rs.130.3 crores or 32.3 per cent as compared with Rs.403.1 crores in 1981-82. After providing Rs.458.2 crores¹¹ as dividend liability to the General Revenues, a gross surplus of Rs.75.2 crores is likely to emerge for the year 1982-83 against Rs.46.6 crores in the preceding year. Net revenue as percentage of Capital-at-Charge is anticipated to show improvement from 6.0 per cent in 1981-82 to 7.3 per cent in 1982-83.

Developmental Expenditure: 1982-83

The Railway's developmental outlay for 1982-83 is placed at Rs.1,331.7 crores as against Rs.1,209.0 crores in the preceding year i.e. higher by Rs.122.7 crores or 10.1 per cent (Table VII-12). Nearly 41.0 per cent of the total outlay i.e. Rs.546.2 crores was on account of rolling stock. This is more by Rs.101.4 crores or 22.8 per cent than Rs.444.8 crores in the preceding year, indicating the accelerated repairs and maintenance of locomotives, wagons, coaches etc. Expenditure on 'track renewals' is estimated at Rs.191.3 crores or 14.4 per cent of the total outlay while 'electrification' expenses amounted to Rs.118.4 crores or 8.9 per cent of the total outlay. The latter is higher by Rs.46.2 crores or 64.0 per cent than Rs.72.2 crores in 1981-82 showing the impending need to give priority to electrification of tracks. The expenditure on Metropolitan Transport Projects estimated at Rs.50.0 crores, was marginally lower by Rs.50 lakhs over the preceding year.

11. This amount is based on the revised rates of dividend i.e. 6.5 per cent as recommended by the Railway Convention Committee, 1980 and takes into account latest available estimates of Capital-at-Charge and liability for deferred dividend/payment on new lines and arrears of dividend payment for 1980-81 and 1981-82.

Cost of Social Obligations: 1982-83

As a matter of national policy, the Railways are required to provide at concessional rates transport of certain essential commodities required for consumption by the weaker sections of the society and which have a direct bearing on their cost of living. Further, in case of natural calamities like floods, drought and cyclones, relief supplies to affected areas are carried free of charge. These are the social obligations (social costs) which the Railways are called upon to bear as a public utility undertaking. The financial cost on account of such social obligations is estimated at Rs.593.6 crores in 1982-83, which is higher by Rs.108.6 crores or 22.4 per cent as compared with Rs.485.0 crores in the preceding year. The ratio of the financial cost of these social obligations to Railways total receipts is estimated to have declined to 13.3 per cent in 1982-83 from 13.4 per cent in the preceding year.

Budget Estimates: 1983-84

During the fiscal year 1983-84, the Railways are expected to carry 241 million tonnes of originating revenue earning freight traffic, i.e. additional 14 million tonnes over the level of 227 million tonnes attained in 1982-83. This is based on the belief that performance in the other sectors of the economy will show considerable improvement over 1982-83 and that the Railways will face the problem of shortfalls in traffic offering. Over three-fourth i.e. 79.3 per cent of the anticipated increase in freight traffic will be accounted for by coal (52.1 per cent) raw materials to steel plants (14.3 per cent) and pig iron and finished steel (12.9 per cent). As regards passenger traffic, a growth of 5 per cent is assumed under suburban traffic and 3 per cent in non-suburban traffic.

Based on these assumptions total receipts of the Railways, after taking into account the revision in fare and freight rate structure are placed at Rs.5,253.5 crores in 1983-84, which is an increase of Rs.773.5 crores or 17.3 per cent over the likely realisation of Rs.4,480.0 crores in 1982-83. The major portion of the increase will be on account of the rise in goods earnings (Rs.547.0 crores), followed by passenger receipts (Rs.214.4 crores). The balance - Rs.12.1 crores - will be accounted for by other receipts.

Table VII—11 : Financial Results of Railways

(Rupees crores)						
Items	1979-80 (Actuals)	1980-81 (Actuals)	1981-82 (Actuals)	1982-83 (Budget Estimates)	1982-83 (Revised Estimates)	1983-84 (Budget Estimates)
1	2	3	4	5	6	7
I. Total Receipts	2,404.4	2,703.5	3,627.8	4,268.5	4,480.0	5,253.5
II. Total Expenditure	2,177.1	2,576.0	3,224.7	3,757.6	3,946.6	4,582.3
III. Ratio of Total Expenditure to Total Receipts	90.5	95.3	88.9	88.0	88.1	87.2
IV. Net Revenue (I - II)	227.3	127.5	403.1	510.9	533.4	671.2
V. Capital-at-Charge*	5,484.6	6,096.3	6,698.0	7,144.4	7,307.3	7,790.3
VI. Net Revenue as percentage of Capital-at-Charge*	4.1	2.1	6.0	7.2	7.3	8.6
VII. Dividend to General Revenues	293.5 (227.3)@	325.4 (127.5)@	356.5	405.1	458.2	465.5
VIII. Gross Surplus(+) /Deficit(-) (IV-VII)	-66.2	-197.9	+46.6	+105.8	+75.2	+205.7
IX. Appropriation from Gross Surplus to:						
(a) Development Fund	—	—	+44.1	+ 45.0	+46.3	+ 48.6
(b) Revenue Reserve Fund	—	—	—	—	—	—
(c) Deferred Dividend Liability Account	—	—	+ 2.5	+ 60.8	+28.9	+157.1

* Excludes Capital-at-Charge on Metropolitan Transport Projects.

@ Figures in brackets represent actual payment to General Revenues, the balance being transferred to Deferred Dividend Liability Account.

Note: The post-budget concessions announced by the Railway Minister in the Lok-Sabha on March 4, 1983 amounts to Rs.57.5 crores (Rs.27.5 crores in passenger receipts and Rs.30.0 crores in freight receipts).

Source: Explanatory Memorandum on the Railway Budget 1983-84.

The budget for 1983-84 has provided for a total expenditure of Rs.4,582.3 crores which is more by Rs.635.7 crores or 16.1 per cent than the revised estimates of Rs.3,946.6 crores for 1982-83. Some of the major items accounting for the increase in expenditure are:

- appropriation to the Depreciation Reserve Fund (Rs.294.0 crores);
- expenditure on repairs and maintenance (Rs.174.2 crores);
- increases in staff costs (Rs.116.7 crores);
- operating expenses on fuel (Rs.38.3 crores) and
- appropriation to the Pension Fund (Rs.34.5 crores).

Considering the need for progressive rehabilitation of operating assets of Railways as in 1982-83 appropriation to Depreciation Reserve Fund has been stepped up from Rs.556.0 crores in 1982-83 to Rs.850.0 crores, an increase of 52.9 per cent. Expenditure on 'repairs and maintenance' is budgeted higher at Rs.1,411.5 crores in 1983-84 as compared with Rs.1,237.3 crores in the preceding year, a rise of Rs.174.2 crores or 14.1 per cent. Operating expenses on 'fuel' at Rs.790.0 crores are anticipated to be more by Rs.38.3 crores or 5.1 per cent over the preceding year.

With total receipts budgeted at Rs.5,253.5 crores and total expenditure at Rs.4,582.3 crores, the ratio

Table VII—12: Developmental Expenditure of Railways

Items	(Rupees crores)					
	1979-80 (Actuals)	1980-81 (Actuals)	1981-82 (Actuals)	1982-83 (Modified Budget Estimates)	1982-83 (Revised Estimates)	1983-84 (Budget Estimates)●
	1	2	3	4	5	6
1. Rolling Stock	273.5	348.7	444.8	527.3	546.2	496.5
2. Traffic Facilities	104.5	142.5	160.0	92.5	97.3	114.3
3. Track Renewals	88.5	124.4	193.0	190.5	191.3	268.7
4. Electrification	28.5	34.3	72.2	119.1	118.4	100.1
5. New Lines	41.2	41.5	46.3	65.5	66.6	69.9
6. Signalling & Telecommunication Works	18.1	22.7	28.0	25.2	30.6	35.3
7. Staff Quarters	8.8	10.2	11.0	10.0	10.1	14.0
8. Plant & Machinery	8.8	18.1	31.4	70.0	63.9	64.0
9. Investment in Government Commercial Undertakings - Road Services	9.8	22.0	18.0	45.0	45.0	*
10. Workshops - including Production Units	25.2	49.5	83.4	120.1	116.9	120.1
11. Others@	107.4	159.6	120.9	61.8	45.4	59.1
Of which: Metropolitan Transport Projects	21.4	34.0	50.5	50.0	50.0	67.0
Total (1 to 11)	714.3	973.5	1,209.0	1,327.0	1,331.7	1,342.0●

* From 1983-84 onwards this item is excluded from the Railways budget and will be shown in the budget of the Ministry of Shipping and Transport.

@ Includes suspense and credits for released materials.

● Excludes Supplementary Demands for Grants for Rs.174.6 crores sanctioned in August, 1983.

Sources: 1. Explanatory Memorandum on Railway Budget 1983-84.
2. Works, Machinery and Rolling Stock Programme of Railways for 1983-84 Part I (Summary).

of total expenditure to total receipts is estimated at 87.2 per cent, marginally lower than 88.1 per cent in the preceding year. The net revenue of the Railways for 1983-84 is estimated at Rs. 671.2 crores as compared with Rs. 533.4 crores in the preceding year, a rise of Rs. 137.8 crores or 25.8 per cent. Net revenue as percentage of Capital-at-Charge is anticipated to improve from 7.3 per cent in 1982-83 to 8.6 per cent in 1983-84. The dividend liability to General Revenues is estimated at Rs. 465.5 crores, higher by Rs. 7.3 crores over 1982-83, reflecting the anticipated increase in Capital-at-Charge of the Railways during the year. After meeting the dividend liability to the General Revenues, the Railways are expected to show a gross surplus of Rs. 205.7 crores as compared with a surplus of Rs. 75.2 crores in 1982-83. This surplus is to be appropriated between the Railways Development Fund (Rs. 48.6 crores) and Deferred Dividend Liability Account (Rs. 157.1 crores). Total indebtedness of the Railways to General Revenues as at the end of March 1984 is estimated at Rs. 414.9 crores as against Rs. 572.1 crores a year ago, indicating a reduction in total indebtedness by Rs. 157.2 crores or 27.5 per cent over the previous year.

Developmental Expenditure: 1983-84

During the first three years of the Railways' Sixth Plan, total expenditure is estimated at Rs. 3,514 crores leaving a balance of Rs. 1,586 crores to be spent in 1983-84 and 1984-85. During the mid-term review of the Plan it was estimated that an additional outlay of at least Rs. 1,920 crores would be needed to achieve even the reduced physical target envisaged in the Plan. Keeping this in view, the Planning Commission was approached for an allocation of Rs. 1,878.5 crores for 1983-84. Due to constraint of resources the Planning Commission approved a total Plan allocation of Rs. 1,342.0 crores, exclusive of the Central Government's contribution to the State Road Transport Corporations. Budgetary support from the Central Exchequer would be Rs. 550.0 crores, while the balance of Rs. 792.0 crores will be met from the Railways' internal resources. In keeping with the objective of the Sixth Five Year Plan which has essentially been termed as a 'Rehabilitation and Consolidation Plan', major share, i.e. about Rs. 725.0 crores, will be spent on replacement of worn-out assets like locomotives, wagons, coaches, track, plant and machinery, signalling and telecommunication equipment, etc. On account of the heavy backlog in

track renewals and steep escalation in the prices of inputs, especially steel products, the requirements of funds for 'track renewals' are placed higher and hence the budget provides for an enhanced expenditure of Rs. 268.7 crores as against Rs. 191.3 crores in the preceding year. The total arrears of track renewals would be over 18,000 kilometres by April 1985. Due to paucity of funds the outlay on new lines has been raised only by Rs. 3.3 crores to Rs. 69.9 crores. During 1983-84, 137 kilometres of new lines will be completed and opened to traffic. As regards electrification, though the strategy is to give priority to the electrification of all important trunk routes and eliminate multitrack thereon as early as possible, the allocation for 1983-84 at Rs. 100.1 crores is lower by Rs. 18.3 crores or 15.5 per cent than Rs. 118.4 crores in the preceding year.

Budget Proposals: 1983-84

In order to cover the gap in the receipts and expenditure (Rs. 283.2 crores at the pre-budget tariff structure), provide for the works chargeable to the Development Fund (Rs. 35.0 crores) and to liquidate partially the indebtedness to General Revenues (Rs. 170.7 crores), the Railways propose to mobilise additional resources of Rs. 488.9 crores through revision in fares and freight rates. These efforts were considered necessary for rehabilitation assets of the Railways and improving the Railway services.

Rationale of Budget Proposals

In the past, ad-hoc increases were made from time to time in fares and freight rate structures. To remove the consequent distortions and imbalances, an attempt has been made in the 1983-84 budget to rationalise the fare and freight structure, by taking into consideration the recommendations of the Rail Tariff Enquiry Committee, the National Transport Policy Committee and the Railway Reforms Committee.

The salient features of the revised fare and freight rate structure (effective April 1, 1983) are as follows:

Revision in Fares and Freight Rate Structure: 1983-84

A. (i) Passenger Fares

The base scale of passenger fares is the one applicable to a second class (ordinary) ticket and the

fare structure for all other classes has been fixed at appropriate higher percentages. Taking the Second class ordinary fare as base of 100, the fares for the other classes are: Second Class Mail and Express 140, A.C. chair car 300, First Class 550 and Air-conditioned class 1100, with marginal adjustments in a few distance zones.

The telescopic principle of fare rate declining with longer distances has been retained.

The base fares for Second Class Ordinary tickets will be as follows:

Distance in Kilometre	Paise per km.	Degree of Taper
zero km.	50 (fixed charge)	—
plus 1 - 150 kms.	6 paise	100 per cent
plus 151 - 400 kms.	5 paise	80 per cent
plus 401 - 750 kms.	4 paise	65 per cent
plus 751 - 1200 kms.	3.5 paise	55 per cent
plus over 1200 kms.	3 paise	50 per cent

The minimum fare for Second Class Ordinary ticket will be 80 paise and for Second Class (Mail or Express) Rs. 2.00.

The minimum single journey ticket fare has been fixed at Re.1 on suburban sections.

All other charges like surcharge on A.C. II-tier sleeper, sleeper surcharge, surcharge on Super-fast trains, reservation charges and charge of platform ticket have been kept unchanged.

(ii) Rajdhani Fares

On the basis of the proposed fare structure for other classes of travel, the fares applicable to Rajdhani Trains have also been revised.

(iii) Monthly Season Tickets

Monthly season tickets fares were last revised in 1980. The monthly season tickets fare covered the actual cost of the journey in very few cases. The estimated loss to the Railways on suburban services was Rs.44.89 crores in 1981-82. Various High Power Committees had commented adversely on the heavy subsidy allowed to this class of passengers, and had unanimously suggested that these rates should be stepped up progressively and be based on an appropriate number of single journey fares.

The revision of monthly season tickets fares is done on the basis of the existing single journey fares, that is without taking into account the impact of revised passenger fare structure effective April 1, 1983. The number of single journeys covered by the revised monthly season tickets fares range between 12 and 24. First-class monthly season tickets fares are revised to more than four times for corresponding distances in Second Class.

The revisions in passenger fares are expected to yield an additional revenue of Rs.178.9 crores. The post-budget concessions amounts to Rs.27.5 crores.

B. Freight Rates

Taking into account the recommendations of the Rail Tariff Enquiry Committee, National Transport Policy Committee and the Railway Reforms Committee, modifications have been made in the freight rate structure, the salient features of which are as follows:

All the existing supplementary charges based on percentages have been merged in the revised freight structures; a basic class 100 freight rates scale has been prescribed for various distances on the basis of the telescopic principle and rates for goods falling in other classes are determined as percentages above or below the base class 100 rate. The various classes range from 65 to 300.

The base class 100 wagon load rate with the degree of taper is as follows:

Distance legs in kilometres	Paise per quintal per km.	Taper
Zero km.	75 fixed charge for all classes	
Plus 1 - 100	2.35	100 per cent
Plus 101 - 250	1.65	70 per cent
Plus 251 - 500	1.53	65 per cent
Plus 501 - 1000	1.41	60 per cent
Plus 1001 - 1500	1.18	50 per cent
Plus 1501 - 2000	0.94	40 per cent
Plus 2001 - 2500	0.82	35 per cent
Plus 2501 and over	0.71	30 per cent

There will be an additional transshipment charge of Rs. 15 per tonne where the destination point or the booking point is less than 200 kilometres from the break of gauge transshipment point.

Traffic to and from stations in Assam and other North Eastern States is allowed a freight concession of 6 per cent to promote the development of the area and the welfare of the people in these states.

The revisions in freight rates are expected to yield an additional revenue of Rs.310.0 crores. The post-budget concessions amounts to Rs.30.0 crores.

Post-Budget Concessions in Rail Fare and Freight Structure:

A. Passenger Fares

i) Twenty-five per cent reduction has been made in the increase originally proposed for Second Class Monthly Season Tickets. This will be subject to the rounding-off rule:

ii) The base fare for Second Class Ordinary ticket for distance upto 150 kilometres is reduced from 6 paise per kilometre to 5.7 paise per kilometre. Corresponding reduction is done for Mail/Express trains subject to existing fares being retained wherever there is a drop.

These concessions would amount to Rs.27.5 crores.

B. Freight Rates

Freight rates have been reduced in respect of certain essential commodities like foodgrains (wheat, rice, paddy, pulses etc.), salt for human consumption, edible oil, cotton raw and manufactured, handloom products, agricultural implements, tea, coffee, safety matches, medicines, soap, milk, books, exercise books, ink, toilet requisites and footwear etc. These concessions would amount to Rs.30.0 crores.

IV FINANCES OF THE INDIAN POSTS AND TELEGRAPHS DEPARTMENT

Revised Estimates 1982-83

The Finances of the Indian Posts and Telegraphs Department showed some improvement in 1982-83. The surplus on revenue account, before making contributions towards capital expenditure and paying dividend to General Revenues, at

Rs.235.2 crores in 1982-83 (revised estimates) was higher by Rs.36.8 crores compared to the surplus of Rs.198.4 crores in 1981-82 (accounts). While the revenue receipts went up by Rs.267.4 crores (or 25.0 per cent) to Rs.1,338.0 crores, the net working expenses at Rs.1102.8 crores rose by Rs.230.6 crores (or 26.4 per cent) (Table VII-13).

Successive rate-revisions contributed to the increase in revenue receipts. The pre-1982-83 Budget revision in the postal and telecommunications tariffs effective from March 1, 1982, was expected to yield an additional revenue of Rs.8 crores in March 1982 and Rs.100 crores in a full year. Further revisions proposed in the 1982-83 Budget which were made effective from June 1, 1982 were expected to yield an additional revenue of Rs.26.0 crores in the rest of 1982-83 and Rs.35.3 crores in a full year. Postage rates on air parcels to foreign countries were revised from January 1, 1983. Substantial pre- 1983-84 Budget revision which was expected to yield Rs.70 crores in a full year was made effective from March 1, 1983.

'Postal Services' accounted for a slightly higher share of 29.4 per cent in total revenue receipts in 1982-83 (revised estimates) compared to 28.9 per cent in 1981-82 (accounts). There was a corresponding decline in the share of 'telecommunications services' from 71.1 per cent in 1981-82 to 70.6 per cent in 1982-83.

Upward revisions in rates were made in order to meet the rising working expenses on account of (a) additional instalments of dearness allowance to Posts and Telegraphs employees, (b) 'Pensionary charges' including grant of further instalment of relief to pensioners, (c) increase in the printing cost of stamps and other postal stationery supplied by the India Security Press and (d) arrear payments of printing charges to the Central Government presses and increase in the maintenance expenses and payment of house rent and city compensatory allowances at increased rates consequent to a merger of a part of dearness allowance in pay.

Of the total expenditure of Rs.1,206.0 crores in 1982-83, those on 'Operation' came to Rs.541.6 crores, higher by Rs.89.2 crores (or 19.7 per cent). Engineering expenses rose by Rs.68.6 crores (or 30.1 per cent) to Rs.296.3 crores. Expenditure on account of payment of Pension rose by Rs.25.9 crores (or 67.0 per cent) to Rs.64.5 crores. General Administration expenses were higher by Rs.19.2

Table VII—13: Financial Working of Posts and Telegraphs Department

(Rupees crores)

Items	1980-81	1981-82	1982-83		1983-84
	(Accounts)	(Accounts)	(Budget Estimates)	(Revised Estimates)	(Budget Estimates)
1	2	3	4	5	6
1. Revenue Receipts	910.0	1,070.6	1,298.0	1,338.0	1,581.0
2. Working Expenses (net)	749.6	872.2	995.1	1,102.8	1,257.7
3. Dividend to General Revenues	36.5	49.8	58.2	66.8	81.0
4. Surplus (+)/Deficit (-) before making contributions towards Capital Expenditure [1-(2+3)]	+ 123.9	+ 148.6	+ 244.7	+ 168.4	+ 242.3
<i>Of which: On account of</i>					
(i) Postal Services	- 68.5	- 89.5	- 69.8	- 103.9	- 117.8
(ii) Telecommunications Services	+ 192.4	+ 238.1	+ 314.5	+ 272.3	+ 360.1
5. Contributions towards Capital Expenditure	71.5	81.1	—	—	—
6. Surplus (+)/Deficit (-) after making Contributions towards Capital Expenditure (4-5)	+ 52.4	+ 67.5	+ 244.7	+ 168.4	+ 242.3
7. Appropriations to (+) or withdrawals from (-)					
(a) Revenue Reserve Fund	+ 0.4	+ 1.5	+ 1.7	+ 1.4	+ 1.3
(b) Capital Reserve Fund	- 52.0	+ 66.0	+ 243.0	+ 167.0	+ 241.0

Sources: 1. Explanatory Memoranda on the Budgets of the Central Government.
2. Annual Reports of Indian Posts and Telegraphs Department.

crores (or 27.0 per cent) at Rs.90.4 crores. Stationery and printing expenses went up by Rs.16.7 crores (or 42.2 per cent) to Rs.56.3 crores. Provision for depreciation was stepped up by Rs.15.2 crores (or 19.8 per cent) to Rs.92.0 crores. The dividend payable to General Revenues was up at Rs.66.7 crores in 1982-83 as against Rs.49.8 crores in the previous year. As there were no contributions to capital expenditure in 1982-83, the surplus after paying dividend to General Revenues was higher at Rs.168.4 crores by Rs.100.9 crores than the surplus of Rs.67.5 crores in 1981-82, during which the contribution towards capital expenditure amounted to Rs.81.1 crores.

The deficit on account of 'Postal Services', which had risen from Rs.72.2 crores in 1980-81 to Rs.93.7 crores in 1981-82, increased further to

Rs.103.9 crores in 1982-83. The surplus of 'Telecommunications Services' which had increased from Rs.124.6 crores in 1980-81 to Rs.161.2 crores in 1981-82, rose further to Rs.272.3 crores in 1982-83.

Out of the total surplus of the Posts and Telegraphs Department for the year 1982-83, Rs.167.0 crores were appropriated towards the Capital Reserve Fund and Rs.1.4 crores towards the Revenue Reserve Fund.

The capital outlay of the Posts and Telegraphs Department increased by Rs.35.1 crores (or 6.9 per cent) from Rs.511.9 crores in 1981-82 to Rs.547.0 crores in 1982-83. (Table VII-14). Of the increase, 'Stores and Manufacture Suspense' accounted for Rs.41.4 crores and 'Postal Services' for Rs.5.7

Table VII—14 : Capital Outlay of Posts and Telegraphs Department

Items	(Rupees crores)														
	1980-81			1981-82			1982-83						1983-84		
	(Accounts)			(Accounts)			(Budget Estimates)			(Revised Estimates)			(Budget Estimates)		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Expenditure:															
(a) Postal	15.5	—	15.5	18.7	—	18.7	24.8	—	24.8	24.4	—	24.4	28.7	—	28.7
(b) Telecommunications	259.6	—	259.6	454.2	—	454.2	442.0	0.2	442.2	442.0	0.2	442.2	475.0	—	475.0
(c) Stores & Manufacture Suspense	—	39.7	39.7	—	39.0	39.0	—	80.4	80.4	—	80.4	80.4	—	105.7	105.7
Total Expenditure (a to c)	275.1	39.7	314.8	472.9	39.0	511.9	466.8	80.6	547.4	466.4	80.6	547.0	503.7	105.7	609.4
2. Financed from:															
(i) Receipts and Recoveries on															
(a) Capital Account	0.5	—	0.5	0.6	—	0.6	1.0	—	1.0	1.0	—	1.0	1.0	—	1.0
(b) Under Store Suspense							—	72.4	72.4	—	72.4	72.4	—	85.8	85.8
(ii) Advance Rentals received under O.Y.T. and other Schemes	12.5	—	12.5	11.6	—	11.6	20.0	—	20.0	20.0	—	20.0	20.0	—	20.0
(iii) Capital Reserve Fund	13.3	39.7	53.0	34.0	39.0	73.0	241.8	8.2	250.0	165.8	8.2	174.0	228.1	19.9	248.0
(iv) Depreciation on Historical Costs Transferred from Revenue	69.8	—	69.8	77.2	—	77.2	91.2	—	91.2	91.6	—	91.6	109.5	—	109.5
(v) Contribution towards Capital Expenditure from Revenue	71.5	—	71.5	81.1	—	81.1	—	—	—	—	—	—	—	—	—
(vi) Capital advanced from the General Revenues	107.5	—	107.5	268.4	—	268.4	112.8	—	112.8	187.9	—	187.9	145.1	—	145.1
Total (i to vi)	275.1	39.7	314.8	472.9	39.0	511.9	466.8	80.6	547.4	466.4	80.6	547.0	503.7	105.7	609.4

Sources: (1) Explanatory Memoranda on budgets of Central Government.
(2) Annual Reports of Indian Posts & Telegraphs Department.
(3) Director General, Indian Posts & Telegraphs Department.
(4) The Ministry of Communications, Government of India.

crores. 'Telecommunications' showed a decline of Rs.12.0 crores in a capital outlay.

Of the total capital outlay of Rs.547.0 crores, the Plan outlay was Rs.466.4 crores (or 85.3 per cent), the balance of Rs.80.6 crores being the non-Plan outlay. Almost the whole of the non-Plan outlay was on 'Stores & Manufacture Suspense'. Rs.247.4 crores (or 45.2 per cent) of the funds for capital outlay, came out of Capital Reserve Fund and receipts and recoveries on capital account and Under Stores Suspense. Capital advanced from General Revenues was reduced from Rs.268.4 crores in 1981-82 to Rs.187.9 crores in 1982-83.

Budget Estimates 1983-84

The Central Budget for 1983-84 envisages a larger surplus (before paying dividend to General Revenues) of Rs.323.3 crores on revenue account of the Posts and Telegraphs Department, reflecting an improvement of Rs.88.1 crores (or 37.5 per cent). Revenue receipts are budgeted to rise over the year by Rs.243.0 crores (or 18.2 per cent) to Rs.1,581.0 crores, based on the pre-budget revision effective from March 1, 1983 referred to earlier and the second rise in tariff in respect of parcels effective from June 1, 1983 expected to yield an additional revenue of Rs.10 crores in 1983-84 and Rs.12 crores in a full year. The rate revisions were undertaken to meet a part of the increasing operating cost.

Net working expenses are budgeted to go up by Rs.154.9 crores (or 14.0 per cent) from Rs.1,102.8 crores in 1982-83 to Rs.1,257.7 crores in 1983-84 mainly due to higher operational and general administration costs, larger expenditure on engineering and increased provision for depreciation and pension.

The surplus after paying dividend to General Revenues is expected to go up to Rs.242.3 crores in 1983-84 as compared to Rs.168.4 crores in 1982-83. As in 1982-83, there would be no contributions towards capital expenditure in 1983-84.

The capital outlay on the 'Postal and Telecommunication Services' and 'Stores and Manufacture Suspense' during 1983-84 would go up by Rs.62.4 crores (or 11.4 per cent) to Rs.609.4 crores. The capital outlay on 'Telecommunications Services' would be raised by Rs.32.8 crores to Rs.475.0 crores, that on 'Stores and Manufacture Suspense'

would be raised by Rs.25.3 crores and that on Postal Services by Rs.4.3 crores. Of the total capital outlay of Rs.609.4 crores, the Plan outlay would account for Rs.503.7 crores (or 82.7 per cent) and the balance for the non-Plan outlay. The capital outlay would be financed from the internal resources of the Posts and Telegraphs Department to the extent of Rs.464.3 crores (or 76.2 per cent) and the remaining Rs.145.1 crores by advances from the General Revenues.

The capital outlay during 1980-81 to 1983-84 would amount to Rs.1,983.1 crores, accounting for 79.1 per cent of the Post and Telegraphs Department's total outlay (including outlay on Indian National Satellite) of Rs.2,508.0 crores provided in the Sixth Five Year Plan (1980-85).

V. PUBLIC DEBT AND OTHER LIABILITIES

The aggregate liabilities of the Government of India, including the outstanding public debt and other liabilities* at Rs.81,025 crores at the end of March 1983 (revised estimates) showed a larger rise of Rs.12,839 crores (or 18.8 per cent) compared to the rise of Rs.8,437 crores (or 14.1 per cent) during 1981-82 (Table VII-15). Internal debt increased substantially by Rs.7,724 crores as compared to the increase of Rs.4,789 crores in the preceding year. The share of public debt in the total liabilities showed virtually no change at 70.5 per cent at the end of March 1983 as against 70.4 per cent at the end of March 1982.

Public Debt

The outstanding public debt at Rs.57,100 crores at the end of March 1983 registered a larger rise of Rs.9,119 crores (or 19.0 per cent) compared to an increase of Rs.5,819 crores (or 13.8 per cent) in the previous year. The proportion of Central public debt to Gross Domestic Product at current market prices is estimated higher at 37.0 per cent in 1982-83 than 32.6 per cent in 1981-82. Internal debt accounted for 84.7 per cent of the increase in public debt in 1982-83 compared with 82.3 per cent in 1981-82.

* Including the amount due from Pakistan on account of pre-partition debt.

Table VII—15 : Public Debt and Other Liabilities of Government of India

(Rupees crores)

Items	As at the end of March						
	1978	1979	1980	1981	1982	1983 (Revised Estimates)	1984 (Budget Estimates)
1	2	3	4	5	6	7	8
A. Public Debt (1+2+3)	27,980 (31.1)	29,227 (30.0)	34,283 (32.0)	42,162 (32.9)	47,981 (32.6)	57,100 (37.0)	65,377
1. Internal Debt (i to vi)	18,995	19,854	24,319	30,864	35,653	43,377	50,049
i) Current Market Loans	9,202	10,864	12,867	15,549	18,534	22,259	26,260
ii) Others@	155	147	196	251	237	537	792
iii) Special Bearer Bonds	—	—	—	88	964	965	965
iv) Treasury Bills	8,619	7,608	10,196	12,851	10,272	13,733	15,983
v) Special Floating and other Loans†	1,019	1,235	1,140	1,540	1,536	1,673	1,749
vi) Special Securities issued to R.B.I.	—	—	—80	585	4,110	4,210	4,300
2. External Debt	8,985	9,373	9,964	10,760	11,790	13,185	14,790
3. Loans from I.M.F. Trust Fund	—	—	—	538	538	538	538
B. Other Liabilities (1+2)	12,193 (13.5)	14,255 (14.6)	15,932 (14.9)	17,587 (13.7)	20,205 (13.5)	23,925 (15.5)	27,858
1. Unfunded Debt (a to c)	9,131	10,757	12,487	13,953	16,578	19,681	23,026
a) Small Savings	4,904	5,751	6,856	7,976	9,375	10,925	12,625
b) State Provident Funds	1,844	2,079	2,268	2,456	2,670	3,087	3,324
c) Other Unfunded Debt*	2,383	2,927	3,363	3,521	4,533	5,669	7,077
2. Reserve Funds and Deposits**	3,062	3,498	3,445	3,634	3,627	4,244	4,832
C. Aggregate Liabilities (A+B)	40,173 (44.6)	43,482 (44.6)	50,215 (46.9)	59,749 (46.6)	68,186 (46.3)	81,025 (52.5)	93,235
D. Amount due from Pakistan on account of pre-partition debt	300	300	300	300	300	300	300
E. Net Aggregate Liabilities (C-D) (Net of pre-partition debt)	39,873	43,182	49,915	59,449	67,886	80,725	92,935

Note: Figures in the brackets represent percentages to the CSO estimates of Gross Domestic Product at current market prices. For 1982-83 such percentages have been worked out on the basis of the Reserve Bank of India. Estimates of Product at current market prices. Gross Domestic

@ Comprises mainly balances of expired loans, prize bonds, premium prize bonds, compensation bonds, etc. Annuity Certificates are excluded from here and shown under small savings.

† These represent mainly non-negotiable, non-interest bearing securities issued to International Financial Institutions like the International Monetary Fund, International Bank for Reconstruction and Development, International Development Association, International Fund for Agricultural Development and Asian Development Bank.

* Includes mainly Postal Insurance and Life Annuity Fund, Hindu Family Annuity Fund, borrowings against Compulsory Deposits, Income-tax Annuity Deposits, etc.

** Includes depreciation and Reserve Funds of Railways and Posts and Telegraphs, deposits of local funds, departmental and judicial deposits, civil deposits, etc.

Source: Finance Accounts of the Union Government for end-March 1978 to 1981, Ministry of Finance, Government of India for end-March 1982 and Explanatory Memorandum on the Budget of the Central Government for 1983-84 for end-March 1983 and 1984.

External Debt

The external debt of the Government of India (excluding loans from the IMF Trust Fund) recorded a rise of Rs.1,395 crores (or 11.8 per cent) compared with an increase of Rs.1,030 crores (or 9.6 per cent) in the previous year. Loans from the IMF Trust Fund remained unchanged at the previous year's level of Rs.538 crores. Gross receipts under external loans are budgeted to reach Rs.2,057.4 crores during 1983-84 as against Rs.1,837.0 crores during 1982-83 (Revised Estimates).

Internal Debt

The internal debt of the Government of India at Rs.43,377 crores at the end of March 1983 registered a larger rise of Rs.7,724 crores (or 21.7 per cent) as against an increase of Rs.4,789 crores (or 15.5 per cent). All the constituents of the internal debt (excluding Special Bearer Bonds which remained unchanged) recorded increases during the year.

The estimates for 1983-84 place the internal debt at Rs.50,049 crores reflecting a rise of Rs.6,672 crores (or 15.4 per cent) mainly on account of market loans and treasury bills.

Market Borrowings^a in 1982-83

The net receipts from the market borrowings of the Central Government at Rs.3,800 crores recorded considerably larger increase of Rs.896 crores in 1982-83 and exceeded the budget estimates of Rs.3,200 crores (net) as against an increase of Rs.298 crores in the previous year (Table VII-16). The Centre approached the market six times directly and also sold securities to the Reserve Bank for subsequent release to investors.

In the first tranche of borrowing the Centre entered the market on May 24, 1982 with three loans, viz., 7.25 per cent Loan 1992, 7.75 per cent Loan 2002 and 9.00 per cent Loan 2013, issued entirely on cash basis and raised an aggregate amount of Rs.498.1 crores.

In the second tranche of July 26, 1982, three loans, viz., 6.25 per cent Loan 1986, 7.25 per cent Loan 1992 (second issue) and 9.00 per cent Loan 2013 (second issue) were issued on a cash-cum-conversion basis which netted an aggregate amount of Rs.605.3 crores, of which Rs.365.5 crores were by way of cash and the remainder by way of conversion.

On October 11, 1982, the Government of India entered the market for the third time with the issue of four loans, viz., 6.75 per cent Loan 1989, 7.25 per cent Loan 1992 (third issue), 8.25 per cent Loan 2005 and 9.00 per cent Loan 2013 (third issue), entirely on a cash basis and raised an aggregate amount of Rs.826.4 crores.

In the fourth tranche of borrowing on December 13, 1982 the Central Government entered the market with the floatation of three loans, viz., 6.25 per cent Loan 1986 (second issue), 7.25 per cent Loan 1992 (fourth issue) and 8.75 per cent Loan 2010, entirely on a cash basis and raised an aggregate amount of Rs.660.5 crores.

In its fifth market floatation on February 1, 1983 the Government reissued three of its loans, viz., 6.25 per cent Loan 1986 (third issue), 7.25 per cent Loan 1992 (fifth issue) and 9.00 per cent Loan 2013 (fourth issue) entirely on a cash basis and realised Rs.561.4 crores.

On March 14, 1983, the Central Government entered the market for the sixth time with two loans, viz., 6.75 per cent Loan 1989 (second issue) and 9.00 per cent Loan 2013 (fifth issue), entirely on a cash basis and raised an aggregate amount of Rs.424.0 crores.

On March 30, 1983, the Central Government issued two loans, viz., 8.25 per cent Loan 2005 (second issue) and 8.75 per cent Loan 2010 (second issue), entirely on a cash basis privately in favour of the Reserve Bank of India for subsequent sale to the investors.

There was a sharp increase of one per cent in the coupon rate on 2013 Loan having a maturity of 31 years compared with the coupon rate of 8 per cent on the Loan of 30 years' maturity issued in the previous year. The coupon rates on the 10 year and the 20 year loans are higher by 0.50 per cent and 0.25 per cent respectively than those on the loans issued in the preceding year. The monthly average

^a Subscription figures are compiled from the Reserve Bank of India records.

Table VII—16 : Market Borrowings of Government of India during 1982-83

(Rupees crores)

Date	Loans Floated	Issue price (Rupees Per cent)	Offered	Amount Subscribed			Repay- ment in Cash for uncon- verted maturing securities	Net Market Bor- row- ings (Col. 5-8)
				Cash	Con- ver- sion	Total (Col. 5+6)		
1	2	3	4	5	6	7	8	9
24- 5-1982*	7.25 Per Cent Loan, 1992	100.00	450	103.67	—	103.67		
	7.75 Per Cent Loan, 2002	100.00		64.56	—	64.56		
	9.00 Per Cent Loan, 2013	100.00		329.84	—	329.84		
				498.07	—	498.07		498.07
26- 7-1982(a)	6.25 Per Cent Loan, 1986	100.00	550	82.10	0.74	82.84		
	7.25 Per Cent Loan, 1992 (2nd Issue)	100.00		111.11	1.04	112.15		
	9.00 Per Cent Loan, 2013 (2nd Issue)	100.00		172.30	237.97	410.27		
				365.51	239.75	605.26	125.79	239.72
11-10-1982*	6.75 Per Cent Loan, 1989	100.00	750	97.27	—	97.27		
	7.25 Per Cent Loan, 1992 (3rd Issue)	100.00		108.01	—	108.01		
	8.25 Per Cent Loan, 2005	100.00		164.79	—	164.79		
	9.00 Per Cent Loan, 2013 (3rd Issue)	100.00		456.36	—	456.36		
				826.43	—	826.43		826.43
13-12-1982*	6.25 Per Cent Loan, 1986 (2nd Issue)	100.00	600	100.30	—	100.30		
	7.25 Per Cent Loan, 1992 (4th Issue)	100.00		160.00	—	160.00		
	8.75 Per Cent Loan, 2010	100.00		400.21	—	400.21		
				660.51	—	660.51		660.51
1- 2-1983*	6.25 Per Cent Loan, 1986 (3rd Issue)	100.00	500	50.12	—	50.12		
	7.25 Per Cent Loan, 1992 (5th Issue)	100.00		76.09	—	76.09		
	9.00 Per Cent Loan, 2013 (4th Issue)	100.00		425.21	—	425.21		
				551.42	—	551.42		551.42
14- 3-1983*	6.75 Per Cent Loan, 1989 (2nd Issue)	100.00	385	47.19	—	47.19		
	9.00 Per Cent Loan, 2013 (5th Issue)	100.00		376.79	—	376.79		
				423.98	—	423.98		423.98
30- 3-1983*	8.25 Per Cent Loan, 2005 (2nd Issue)	100.00	600	500.00	—	500.00		
	8.75 Per Cent Loan, 2010 (2nd Issue)	100.00		100.00	—	100.00		
				600.00	—	600.00		600.00
Total during 1982-83			3835	3925.92	239.75	4165.67	125.79	3800.13

* Offered for cash subscription only.

(a) Offered on cash-cum-conversion basis.

Source: Reserve Bank of India records.

of gross redemption yield on Government securities was higher at 7.34 per cent during 1982-83 as against 6.76 per cent during the previous year.

1983-84

The Central Budget for 1983-84 envisages the gross market borrowings of Rs.4,344.0 crores (gross) or Rs.4,000.4 crores (net). The Centre has raised Rs.2,695.0 crores (gross) or Rs.2,351.4 crores (net) through market borrowings by November 7, 1983. The Centre entered the market on May 30, 1983, with a new 10.00 per cent Loan 2014, entirely on cash basis and raised an aggregate amount of Rs.550.0 crores. There is a sharp increase of one per cent in the coupon rate on this loan with maturity of 31 years as compared with the coupon rate of 9.00 per cent on the loan of 31 years' maturity issued in the previous year. The Central Government approached the market for the second time on July 15, 1983 with two loans viz., 7.75 per cent Loan 1991 and 10.00 per cent Loan 2014 (second issue) on a cash-cum-conversion basis and raised an aggregate amount of Rs.825.0 crores, of which Rs.602.0 crores were by way of cash and remaining by way of conversion.

The Government of India entered the market for the third time on September 30, 1983, with three loans viz., 7.75 per cent Loan 1991 (second issue), 8.25 per cent Loan 1995 and 10.00 per cent Loan 2014 (third issue) entirely on a cash basis and raised an aggregate amount of Rs.660.0 crores.

The Government of India entered the market for the fourth time on November 7, 1983 with the issue of three loans, viz., 7.75 per cent loan 1991 (third issue), 8.25 per cent loan 1995 (second issue) and 10.00 per cent loan 2014 (fourth issue), entirely on a cash basis and raised an aggregate amount of Rs. 660.0 crores.

National Rural Development Bonds

The 7-year National Rural Development Bonds introduced on July 9, 1979, to provide investment facility to persons desirous of availing of the exemption from capital gains tax on transfer/sale of a capital asset, continued to be on tap during the year. The total subscription to these bonds since inception amounted to Rs.180.5 crores as on July 31, 1983. The revised estimates for 1982-83 as well as the budget estimates for 1983-84 take credit for Rs.55

crores in each of these years on this account.

The maturity period of seven years and the interest rate of 7.5 per cent per annum on the National Rural Development Bonds were considered to be rather low. The Central Government decided to introduce a new 3 years National Rural Development Bonds (Second Issue), which carry an interest rate of 7.5 per cent per annum. These new bonds are on tap from July 7, 1983. The budget for 1983-84 has taken a net accrual of Rs.80 crores from the sale of these bonds after setting off Rs.55 crores. Subscriptions received so far, amounted to Rs.5.1 crores as on August 25, 1983. Investment of the net consideration in respect of long-term capital gains arising after February 28, 1983 in these bonds will entitle the investor to avail of the exemption from capital gains tax. Thus, both 7-year and 3-year National Rural Development Bonds continue to be on tap.

Special Bearer Bonds

The amount outstanding against Special Bearer Bonds 1991, remained unchanged at Rs.965 crores as on March 31, 1983 and are expected to remain at that level, as the scheme has been discontinued after January 9, 1982.

Social Security Certificates

Social Security Certificates introduced on June 1, 1982, collected subscriptions to the extent of Rs.12.55 crores as at end-June 1983.

Capital Investment Bonds

Capital Investment Bonds introduced on June 28, 1982 netted an amount of Rs.88.93 crores as on June 30, 1983, as against the original estimates of Rs.250 crores for 1982-83, revised subsequently downward to Rs.170 crores. For 1983-84, the budget estimates a subscription of Rs.200 crores.

Market Borrowings by Local authorities and the institutions sponsored by Central and State Governments

The net market borrowings by local authorities and the institutions sponsored by Central and State Governments at Rs.1,499.2 crores registered a smaller rise of Rs.140.6 crores (or 10.3 per cent)

during 1982-83 as against a rise of Rs.358.9 crores (or 35.9 per cent) during 1981-82 (Table VII-17). The net market borrowings of the institutions sponsored by the State Governments were higher by Rs.78.9 crores (or 16.3 per cent) at Rs.563.9 crores during 1982-83, while those of the institutions sponsored by the Central Government were higher by only Rs.64.0 crores (or 7.6 per cent) at Rs.907.9 crores. The net market borrowings of the Municipal Corporations and Metropolitan Development Authorities were lower by Rs.2.4 crores at Rs.27.4 crores.

Table VII—17: Net Market Borrowings of Local Authorities and Institutions Sponsored by Central and State Governments

Institutions	(Rupees crores)	
	Year	
	1981-82	1982-83
1	2	3
Local Authorities	29.84	27.45
Municipal Corporations	29.84	27.45
Institutions Sponsored by the Central Government	843.83	907.87
Industrial Finance Corporation of India	95.00	105.00
National Bank for Agriculture & Rural Development	55.06	29.97
Industrial Credit & Investment Corporation of India	125.13	137.50
Industrial Development Bank of India	480.15	528.00
Industrial Reconstruction Corporation of India	5.00	5.50
Rural Electrification Corporation	10.00	29.98
Damodar Valley Corporation	15.00	7.57
Housing Urban Development Corporation	30.00	33.00
National Cooperative Development Corporation	28.49	31.35
Chandigarh Housing Board	—	—
Institutions Sponsored by State Governments	485.01	563.91
State Electricity Boards	389.31	443.83
Housing Boards	11.17	8.81
Industrial Investment Corporations & Industrial Development Corporations	11.70	12.13
State Financial Corporations	64.10	70.68
Land Development Banks	0.52	15.74
Other Institutions	8.21	12.72
GRAND TOTAL	1358.68	1499.23

Source: Reserve Bank of India Records

Maturity Pattern of Rupee Debt

The maturity pattern of the Government of India rupee loans underwent some changes during the year (*vide* Statement No. 95 in Volume II of the Report). While the proportion of short-dated securities

(maturing within 5 years) improved from 13.2 per cent as at the end-March 1982 to 14.0 per cent as at the end-March 1983, that of long-dated securities (maturing after 10 years and undated) improved from 70.3 per cent as at the end-March 1982 to 72.4 per cent as at the end-March 1983. However, the proportion of medium-dated securities (maturing between 5 and 10 years) declined from 16.4 per cent as at the end-March 1982 to 13.8 per cent as at the end-March 1983.

Treasury Bills

The Government of India's outstanding treasury bills at Rs. 17,431 crores showed a larger increase of Rs.7,158 crores (or 69.7 per cent) during 1982-83 as against a decline of Rs.2,578 crores (or 20.1 per cent) in the preceding year (*vide* Statement No.85 in Volume II of the Report). Of the increase of Rs.7,481 crores, as much as Rs.5,950 crores were on account of the Reserve Bank and Rs.1,004 crores were on account of Commercial Banks. Outstandings of Treasury Bills by State Governments were up by Rs.188 crores and those of others by Rs.16 crores.

Special Floating and Other Loans

Special floating and other loans, representing mainly India's contribution towards share capital of international financial institutions, at Rs.1,673 crores at end-March 1983 showed a rise of Rs.127 crores (or 0.9 per cent). These had shown a small decline of Rs.4 crores (or 0.3 per cent) in the previous year.

Special Securities issued to the Reserve Bank

Special securities issued to the Reserve Bank against Compulsory Deposits and those in lieu of *ad-hoc* treasury bills amounted to Rs.4,210 crores as at end-March 1983. These special securities which had shown a six-fold rise (Rs.3,525 crores) in 1981-82, mainly on account of securities issued in lieu of *ad-hoc* treasury bills, showed only a nominal rise of Rs.100 crores (or 2.4 per cent) in 1982-83. These are expected to be higher by Rs.90 crores (or 2.1 per cent) in 1983-84.

Other Liabilities

The non-marketable debt liabilities of the Gov-

ernment of India rose from Rs.20,205 crores in 1981-82 to Rs.23,925 crores in 1982-83 — up by Rs.3,720 crores (or 18.4 per cent) during the year. During the preceding year these liabilities had increased by Rs.2,618 crores (or 14.9 per cent).

Small Savings

Small Savings outstandings at the end March 1983 aggregated Rs.11,643 crores as against Rs.9,936 crores at the end March 1982, showing a rise of 17.2 per cent as against 17.1 per cent in 1981-82. (vide Statement 97 in volume II of the Report). Small Savings collections (net) during the year 1982-83 were higher at Rs.1,707 crores as compared with Rs.1,450 crores in the preceding year. The bulk of the rise (Rs.913 crores) during the year was due to investments in National Savings Certificates. Within this group, 6 year National Savings Certificates (VI and VII issues) and 7 year National Savings Certificates (II issue) showed sizeable increases of Rs.840 crores, Rs.116 crores and Rs.79 crores respectively, while 7 years National Savings Certificates (III, IV and V issues) showed a decline of Rs.122 crores. The net increase in small savings through the Post Office Time Deposits was much lower at Rs.478 crores as compared to Rs.710 crores of the previous year mainly due to much smaller increase of Rs.432 crores as against that of Rs.690 crores of the previous year in the 5 year Time Deposits of Post Office. The net rise in the case of Post Office Savings Bank Deposits, Cumulative Time Deposits and Post Office Recurring Deposits was higher at Rs.202 crores than that in the preceding year (Rs.127 crores). Public Provident Fund Scheme collections (net) showed an increase of Rs.112 crores in 1982-83 as against that of Rs.82 crores in 1981-82.

Promotional Measures

The Government raised the rate of interest from 10.5 per cent per annum to 11.5 per cent per annum for 5 year Post Office Time Deposits and Recurring Deposits accounts opened on or after March 1, 1983. The rate of interest was increased by one per cent from 12 per cent to 13 per cent per annum for 6 Year National Savings Certificates VI & VII issue subscribed to in foreign exchange or from their non-resident accounts in India by non-residents of Indian origin, on or after March 1, 1983. Subscriptions to 6 Year National Savings Certificates VI & VII issues were made eligible for income-tax con-

cession along with investment in other special financial assets under Section 80C of the Income-tax Act from the assessment year 1984-85.

The number of post-office savings banks enrolled as sub-members of the local clearing houses remained unchanged at 221.

State Governments' Debt Position

The outstanding debt liabilities of the State Governments at Rs.32,925 crores as at the end of March 1983, showed an increase of Rs.4,972 crores (or 17.7 per cent) as against a rise of Rs.3,650 crores (or 15.0 per cent), in the previous year. The proportion of these liabilities to Gross Domestic Product at current market prices was higher at 21.3 per cent during 1982-83 as against that of 19.0 per cent during 1981-82. According to the State budgets, States' debt liabilities are expected to move up by Rs.3,984 crores (or 12.1 per cent) to reach Rs.36,909 crores as at the end of March 1984.⁹⁴

Loans and Advances from the Centre

The Loans and Advances from the Central Government for Plan and non-Plan purposes and loans against small savings which constitute a major part of the States' debt, increased by Rs.4,382 crores (or 22.7 per cent) to Rs.23,702 crores during 1982-83 as against the rise of Rs.2,000 crores (or 11.5 per cent) in the previous year. The share of loans and advances in the States' debt increased from 69.1 per cent at the end of March 1982 to 72.0 per cent at the end of March 1983. The States' indebtedness to the Centre is expected to increase further by Rs.2,544 crores (or 10.7 per cent) during 1982-83 to Rs.26,246 crores at the end of March 1984.

Market Loans and Bonds

Loans and Bonds comprising loans floated in the market and bonds issued by the State Governments such as Zamindari/Jagirdari abolition bonds, housing bonds, etc., at Rs.3,762 crores as at the end of March 1983 recorded a rise of Rs.391 crores (or 11.6 per cent) as compared to a rise of Rs.336 crores

⁹⁴ For State-wise break-up, please refer to Statement No.94 in volume II of this Report.

(or 11.1 per cent) in the previous year. These are expected to rise further by Rs.583 crores (or 15.5 per cent) to Rs.4,345 crores at the end of March 1984.

Market Borrowings in 1982-83

Twenty-one State Governments entered the market on July 14, 1982 with a notified amount of Rs.504.3 crores. The total subscriptions accepted for State loans amounted to Rs.556.7 crores, of which cash subscriptions were Rs.490.4 crores and the remaining were conversions. All these loan floatations were on a cash-cum-conversion basis, with a maturity period of 15 years, bearing interest at 7.50 per cent. After taking into account the maturing loans amounting to Rs. 158.4 crores, the net amount raised by the states aggregated Rs. 398.3 crores. The yield on the loans at issue price in 1982-83 was higher at 7.50 per cent as against 7.00 per cent in 1981-82 and 6.75 per cent in 1980-81. The monthly gross redemption yield was higher at 6.26 per cent during 1982-83 as compared with 6.04 per cent in the preceding year.

1983-84

Twenty-one State Governments (excluding Sikkim) entered the market on August 16, 1983, with a notified amount of Rs.691.3 crores. All the loans were issued at par. Seven States, viz., Andhra Pradesh, Himachal Pradesh, Jammu and Kashmir, Karnataka, Meghalaya, Orissa and Uttar Pradesh floated 12 year loans at 8.25 per cent. The remaining 14 State Governments floated 17 year loans at 8.75 per cent. Maturing 5.75 per cent Loans 1983 of 15 State Governments amounting to Rs.175.5 crores were eligible for conversion into the respective new loans of the State Governments.

The total subscriptions retained for State loans amounted to Rs.762.0 crores out of which cash subscriptions were Rs. 674.4 crores and the remaining were conversions. The net amount raised by the State Governments aggregated Rs.586.5 crores after taking into account repayment of maturing loans.

Ways and Means Advances from the Reserve Bank

According to the data presented in the State budgets for 1983-84, the ways and means advances from the Reserve Bank including the temporary overdrafts repayable within 7 working days declined from Rs.1,235 crores at the end of March 1982 to Rs.600 crores at the end of March 1983 showing a reduction of Rs.635 crores. Ways and Means advances are expected to be of the order of Rs.578 crores by the end of March 1984.

Overdrafts

Mention was made in last year's Report about the package of measures evolved by the Centre to help the States to clear their outstanding overdrafts with the Reserve Bank at the close of March 1982. 18 States were granted medium-term loans totalling to Rs.1,743.46 crores to clear their closing deficits at the end of March 1982. Deficits incurred during the first quarter of 1982-83 were also cleared through additional short-term assistance of Rs.787 crores. Also, the ways and means limits enjoyed by the State Governments with the Reserve Bank were doubled, effective July 1, 1982. Despite these efforts, overdrafts re-emerged even in July 1982. As on March 25, 1983, 11 State Governments had overdrafts totalling Rs.212.27 crores as compared to Rs.1,450.88 crores by 18 States as on March 26, 1982. The position subsequently deteriorated in regard to the magnitude of overdrafts, the number of States having overdrafts as well as number of days for which overdrafts remained outstanding. As on June 24, 1983, 11 out of 20 States keeping accounts with the Reserve Bank had overdrafts totalling Rs.579.22 crores. The overdrafts were cleared by the concerned State Governments with the help of assistance released by the Central Government and there were no outstanding overdrafts as at the end of June 1983.

Loans from Banks and Other Institutions

Loans from banks and other institutions include, *inter alia*, loans and cash credits from the State Bank of India and other commercial banks (mainly for food procurement) and loan from the National Rural Credit (Long-term Operations) Fund of the NABARD, National Cooperative Development Corporation and the Life Insurance Corporation of

India. These loans to State Governments at Rs. 1,174 crores at end March 1982 registered a rise of Rs. 89 crores (or 8.2 per cent) during 1982-83 which is lower than that of Rs. 157 crores (or 16.9 per cent) in the previous year. These loans are expected to rise further by Rs. 154 crores (or 13.1 per cent) during 1983-84.

Provident Funds and Other Funds

'Provident Funds and Other Funds' mainly represent balances in State Provident Funds. These funds increased by Rs. 745 crores (or 25.3 per cent) during 1982-83 as against a rise of Rs. 462 crores (or 18.6 per cent) in the previous year. A further rise of Rs. 725 crores (or 19.7 per cent) in these funds is envisaged during 1983-84.

Chapter VIII

Industrial Finance

The general improvement noticed in the activity on the capital market during the calendar years 1980 and 1981 was sustained during 1982 and the first half of 1983.

There was a substantial rise of 55.3 per cent in the aggregate value of consents/acknowledgements granted by the Controller of Capital Issues to non-Government public limited companies, from Rs. 719.1 crores in 1981 to Rs. 1,116.9 crores during 1982. The value of consents/acknowledgements granted during January-June 1983 was, however, lower at Rs. 444.0 crores than Rs. 566.8 crores during January-June 1982. New capital issues by public limited companies (other than term-lending institutions) increased by 39.2 per cent to Rs. 666.4 crores in 1982 from Rs. 478.7 crores in 1981. During the first half of 1983, new capital issues amounted to Rs. 392.9 crores compared with Rs. 332.7 crores in the corresponding period of 1982.

Assistance sanctioned by all-India and State-level financial institutions during 1982-83 (April-March) aggregated Rs. 3,283.3 crores, 17.7 per cent higher than Rs. 2,789.9 crores in 1981-82. Aggregate disbursements by these institutions at Rs. 2,399.7 crores during 1982-83 recorded a rise of 17.6 per cent over the year.

Equity prices on the major stock markets ruled generally buoyant during July 1982 to June 1983. The Reserve Bank's all-India index number of ordinary share prices (Base: 1970-71 = 100) at 200.7 for the week ended June 25, 1983 recorded an increase of 16.0 per cent over the index a year ago.

I. Capital Market

(i) Industrial Securities Market

During the period July 1982 - June 1983, industrial security prices* ruled generally buoyant. The downtrend in equities witnessed since mid-January 1982 was reversed by mid-July 1982. The subsequent improvement in prices, though interrupted for

short spells in August and October, was maintained till early January 1983. After remaining distinctly subdued during January-April 1983, industrials again turned buoyant in May and June 1983.

The Reserve Bank's all-India weekly index number of ordinary share prices (1970-71 = 100) declined from 173.0 for the week ended June 26, 1982 to 170.8 for the week ended July 17, 1982. Thereafter, the index improved, but for short-spells of downward movement in August and October, to 190.0 by the week ended December 25, 1982. With the new year, however, a downswing set in, the index falling to 176.8 by the week ended April 23, 1983. Thereafter, it again rose and touched the highest level of the year under review at 202.8 for the week ended June 18, 1983. The index at 200.7 for the week ended June 25, 1983 recorded an increase of 27.7 points or 16.0 per cent over the year. The average index for 1982-83 at 182.5 was, however, 3.6 per cent below that for 1981-82 (Table VIII-1).

The easiness in equity prices at the beginning of 1982-83 was attributed to reports of cut-back in production by some industries such as steel, engineering, chemicals, dyes, fertilisers, tractors, commercial vehicles, etc., the prolonged strike in textile mills of Bombay, power-cuts in various States and upward revision in coal prices. Equity prices started recovering by mid-July on expectations of enlarged investment in industrial securities by the Unit Trust of India (UTI), as also by non-residents of Indian origin following the removal of monetary ceiling of Rs. 1 lakh on their investments. The imposition of special deposit margin on some volatile scrips by the Bombay Stock Exchange (BSE) authorities gave a mild setback to equity prices towards end of August. The market sentiment, however, soon brightened on account of

* The analysis of security prices and yields is restricted to ordinary shares only. On account of very limited transactions in preference shares and debentures on the market it is not possible to present any meaningful analysis of trends in the prices and yields of these securities.

Equity prices started looking up again in November 1982, aided by certain favourable developments. The credit policy for the 1982-83 busy season was welcomed as it provided for expansion of bank credit to meet genuine requirements of vital sectors. The Reserve Bank's relaxations in the conditions for repatriation of sale proceeds of shares

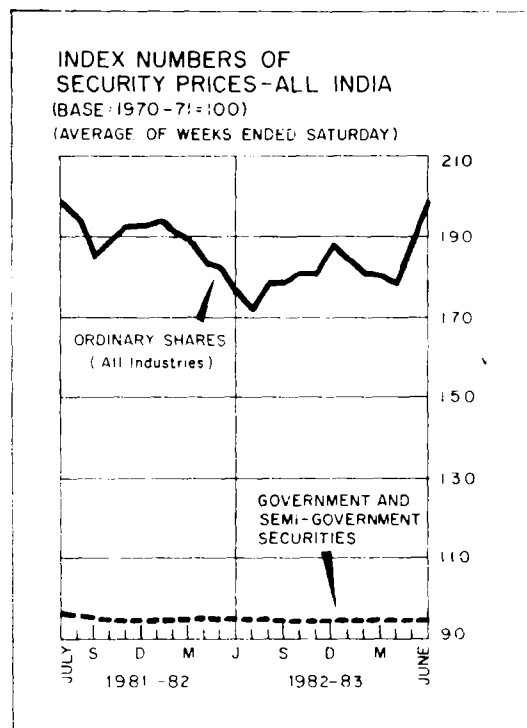


Table VIII—1: Index Number of and Yield on Ordinary Shares

Year (July-June)	Index Number of Ordinary Shares (1970-71 = 100)				Average Gross Yield (per cent per annum)
	End of the year (Last week ended Saturday)	Highest	Lowest	Annual Average of Weekly Index	
1	2	3	4	5	6
1979-80	149.4	150.6	135.3	143.0 (+ 4.4)	6.0
1980-81	199.6	199.6	148.7	170.3 (+ 19.1)	5.7
1981-82	173.0	200.3	173.0	189.4 (+ 11.2)	5.5
1982-83	200.7	202.8	170.8	182.5 (+ 3.6)	5.7

Notes: Figures in brackets are percentage variations over the previous year.

held by non-resident investors of Indian nationality/origin raised the hopes of an increased inflow of funds from abroad. The hike in import duty on polyester filament yarn, acrylic fibre and polyester staple fibre, as also the upward revision of customs duty on PVC resins to protect domestic producers, helped recovery in equities of companies affected by liberal imports of these items. Reports of institutional buying and the encouraging response to new capital issues also lent optimism to the market. Consequently equity prices continued to move up till the end of December 1982.

A bearish sentiment set in from the beginning of January 1983 on reports of the Central Government's deficit for 1982-83 exceeding the budget estimates, and fears of heavy imposts in the then forthcoming Union Budget for 1983-84. Further, the measures taken by the Government to regulate working of stock exchanges were resented by share brokers. While the extension of time from 14 days to three months for performance of hand delivery contracts in active scrips was welcomed, the other measures, such as the annual auditing of account books and other documents of share brokers by qualified chartered accountants, irked them. The market sentiment was also affected by the hike announced in petroleum prices, coupled with the increase in passenger fare and freight rates proposed in the Railway Budget for 1983-84.

The market, although steady on the eve of the Union Budget for 1983-84, turned bearish on presentation of the budget as the proposals fell short of its expectations. The market sentiment was depressed mainly on account of the proposal to limit the tax incentives and concessions available to companies to 70 per cent of their current profits. However, some investment buying was induced by the proposals for (a) reducing the ceiling rate of interest on commercial banks' advances; (b) stepping up the general rate of depreciation to 15 per cent from 10 per cent; and (c) charging a flat rate of 20 per cent tax plus surcharge on income derived by non-resident Indians on their specified investments in India as well as the capital gains on transfer of such assets and exemption from gift tax of gifts of such assets to their relatives in India.

The protest by share brokers against compulsory auditing of their account books effective from April 1, 1983 and the go-slow tactics adopted by employees of sharebroking firms depressed the market

sentiment further. In order to avoid payment problems arising out of the agitation of staff of sharebroking firms, the BSE authorities introduced restrictions on trading on March 26, 1983 and the same were in force till May 9, 1983. As fresh business was permitted only on spot delivery basis, activity on the market declined and equity prices remained subdued.

In contrast to the general downtrend, a few scrips at the Delhi Stock Exchange experienced a boom after the presentation of the Union Budget for 1983-84. This was due to the purchase of large blocks of these shares by non-residents of Indian origin who were enthused by the further liberalisation of tax concessions provided in the Union Budget for 1983-84. Such purchases led to fears of attempt by the non-residents to wrest the management of established Indian companies. The Government announced on May 2, 1983 an overall ceiling of 5 per cent of the paid-up value on portfolio investment in equity shares and in each series of convertible debentures of any Indian company by non-resident Indians. (Purchases in excess of 5 per cent could be made with prior permission of the Reserve Bank). Government also assured the support of financial institutions to existing company managements having a good track record against takeover bids. However, purchases by non-resident investors in many well-established companies, coupled with defensive buying by managements having thin holding in their companies, provided buoyancy to select scrips. The buoyancy persisted till middle of June 1983. Subsequently the sentiment turned easy owing to restrictions on trading imposed by the BSE authorities following agitation by brokers' staff.

New Stock Exchanges

During the year two new stock exchanges, viz., the Uttar Pradesh Stock Exchange Association Ltd., Kanpur, and the Pune Stock Exchange Ltd., Pune, which were granted recognition on June 3, 1982 and September 2, 1982, respectively, under the Securities Contracts (Regulation) Act 1956, started functioning. With these, the number of recognised stock exchanges in the country has risen to eleven.

Yield on Industrial Securities

The average gross yield on ordinary shares which had declined to 5.5 per cent in 1981-82 from 5.7 per

cent in 1980-81, recovered again to 5.7 per cent in 1982-83.

(ii) Open Market Operations

During 1982-83 (July-June), both sales and purchases of Central Government securities under the Reserve Bank's open market operations were

Table VIII—2 : The Reserve Bank's Open Market Operations

(Rupees crores)				
Year (July-June)	Purchases	Sales	Net Sales	
1	2	3	4	
1970-71	207.2 (276.5)	312.9 (374.7)	105.7 (98.2)	
1971-72	188.8 (258.6)	245.0 (315.0)	56.2 (56.4)	
1972-73	317.1 (437.1)	459.7 (584.6)	142.6 (147.5)	
1973-74	225.5 (358.8)	304.9 (426.3)	79.4 (67.5)	
1974-75	371.2 (514.7)	645.4 (778.6)	274.2 (263.9)	
1975-76	680.2 (868.3)	1186.5 (1379.6)	506.3 (511.3)	
1976-77	412.3 (732.2)	942.9 (1263.3)	530.6 (531.1)	
1977-78	559.0 (926.7)	1189.7 (1595.4)	630.7 (668.7)	
1978-79	363.7 (911.4)	1037.5 (1562.3)	673.8 (650.9)	
1979-80	776.1 (1630.8)	1119.4 (2014.1)	343.3 (383.3)	
1980-81	453.8 (1454.8)	795.6 (1852.6)	341.8 (397.8)	
1981-82	1007.2 (2440.3)	1078.2 (2589.5)	71.0 (149.2)	
1982-83	1038.8 (3477.9)	1828.4 (4461.6)	789.6 (983.7)	

Notes: 1. Figures shown in brackets are inclusive of purchases and sales effected from time to time out of the surplus funds of IDBI, EXIM Bank and NABARD under a special arrangement.

2. Figures are inclusive of purchases and sales on behalf of the State Governments.

larger than in any of the preceding 12 years; the net annual absorption of securities by the market through these operations (i.e., net sales) was the highest in 1982-83 as compared with that in the preceding 12 years.

The sales of securities during 1982-83 amounted to Rs.1,828.4 crores, i.e., about 70 per cent larger than the quantum of sales in 1981-82 (Rs.1,078.2 crores). The purchases of securities at Rs.1,038.8 crores in 1982-83 recorded a marginal rise of 3 per cent over the purchases in 1981-82 (Rs.1,007.2 crores). As a result of a much larger increase in sales than in purchases, the net sales of securities increased substantially from Rs.71.0 crores in 1981-82 to Rs.789.6 crores in 1982-83.

Table VIII-2 presents the data on the Reserve Bank's purchases and sales of securities for each of the years 1970-71 to 1982-83, i.e., the figures of open market operations proper and also the figures relating to the aggregate purchases and sales inclusive of those effected from time to time out of the surplus funds of the IDBI, EXIM Bank and NABARD under a special arrangement.

Gilt-edged Market

In the gilt-edged market, the subdued trends, which had prevailed since 1979-80, persisted during 1982-83. The increase in the coupon rate of some Government securities issued during the year contributed to the sluggish conditions. Among the Central Government securities, while the short-dated securities registered marginal increases in prices over the year, some of the medium-dated and long-dated securities recorded sizeable declines. Among the State Government securities, securities of only a few State Governments showed variations over the year.

The Reserve Bank's all-India (combined) weekly price index (base : 1970-71 = 100) for Government and Semi-Government securities declined by 1.1 points from 95.5 in the last week of June 1982 to 94.4 by the last week of June 1983. The decline in the index was brought about almost entirely by Central Government securities, the index in respect of which receded over the year by 1.4 points from 93.8 to 92.4. The price index for State Government securities declined over the year only marginally from 100.1 to 99.9, while that for Semi-Government securities at 102.0 remained more or less steady throughout the year.

The all-India index for Government and Semi-Government securities, which stood at 95.5 in the last week of June 1982, remained unchanged till the first week of August. Thereafter till December-end, the index declined by 0.2 point to 95.3. This could be attributed to the floatation of bonds by the IDBI in August 1982 and also the announcement on September 30, 1982 of floatation by the Central Government of four loans for a total amount of Rs.750 crores. After rising marginally to 95.4 in the first week of January 1983, the index moved both ways in the range of 94.4 to 95.4 and stood at 94.4 at end-June 1983.

The price index of Central Government securities which stood at 93.8 at the end of June 1982 declined steadily after an initial increase of 0.1 point to 93.9 in the first week of July 1982, to 92.8 by March 5, 1983. It improved by 0.1 point in the subsequent week and after moving in the range of 92.4 to 92.9, stood at 92.4 at the end of June 1983.

The price index of State Government securities showed an initial decline of 0.1 point to 100.0, from the end-June 1982 level of 100.1 but moved up again to 100.1 and remained steady at that level till end-September 1982. It receded to 99.9 in early

October and the downtrend continued till end-December 1982, when the index fell to 99.7. However, it improved to 100.1 in the first week of January 1983 and after moving between 99.9 and 100.1, stood at 99.9 in the last week of June 1983. The price index of Semi-Government securities, which was 102.0 in the last week of June 1982, moved narrowly between 101.8 and 102.0 and stood at 102.0 in the last week of June 1983.

As regards price variations, among Central Government securities, some of the short-dated securities registered increases over the year, ranging from Re.0.25 to Rs.4.20. Most of the medium-dated and long-dated securities registered depreciation in value over the year with consequent increases in yields. The losses ranged between Re.0.25 to Rs.1.60 in the case of loans maturing in 5-10 years, between Re.1.00 to Rs.12.25 in respect of loans maturing in 10-15 years and ranged from Re.0.30 to Rs.9.90 in the case of loans maturing after 15 years. A notable exception was, however, the 7¼ per cent loan 2002 which appreciated by Re.0.25 over the year. Both the non-terminables showed appreciation in value over the year; their yield, however, declined by 0.12 and 0.16 percentage point, respectively (Table VIII - 3).

Table VIII—3 : Price and Yield Variations of the Central Government Securities

Loans	Price as on		Variation Rs.	Yield as on		Variation %
	July 2, 1982 Rs.	June 29, 1983 Rs.		July 2, 1982 %	June 29, 1983 %	
	1	2	3	4	5	6
Terminable less than 5 years						
5 % 1983	99.85	—	—	5.15	—	—
5 % 1984	98.70	100.50	+1.80	5.72	4.43	-1.29
5½% 1984	99.00	100.75	+1.75	6.04	4.72	-1.32
5¾% 1984	100.55	100.55	—	5.49	5.31	-0.18
4½% 1985	93.60	97.80	+4.20	6.88	5.66	-1.22
5½% 1985	99.00	99.25	+0.25	5.87	5.89	+0.02
6 % 1985	99.75	100.25	+0.50	6.09	5.87	-0.22
6 % 1985 (II)	\$100.00	\$100.00	—	6.00	6.00	—
4½% 1986	93.05	94.00	+0.95	6.57	6.84	+0.27
6 % 1986	100.05	99.40	-0.65	5.98	6.23	+0.25
5¼% 1986	96.70	96.00	-0.70	6.19	6.75	+0.56
5¼% 1986 (N.D.L.)	97.50	97.25	-0.25	5.89	6.14	+0.25
6¼% 1986	—	\$100.00	—	—	6.25	—
6¼% 1986 (II)	—	\$100.00	—	—	6.25	—
6¼% 1986 (III)	—	\$100.00	—	—	6.25	—
5¼% 1987	94.50	94.50	—	6.55	6.83	+0.28
6 % 1987	100.10	98.25	-1.85	5.98	6.50	+0.52
6¼% 1987	\$100.00	99.55	-0.45	6.25	6.38	+0.13
6¼% 1987 (II)	\$100.00	—	—	6.25	—	—

(Contd.)

Table VIII—3—(Contd.)

Loans	Price as on		Variation Rs.	Yield as on		Variation %
	July 2, 1982 Rs.	June 29, 1983 Rs.		July 2, 1982 %	June 29, 1983 %	
	1	2	3	4	5	6
5 to 10 years						
5¼% 1988	94.50	93.20	-1.30	6.38	6.90	+0.52
6 % 1988	96.85	96.85	—	6.61	6.70	+0.09
4¾% 1989	89.25	89.00	-0.25	6.75	7.09	+0.34
6 % 1989	96.25	96.25	—	6.65	6.73	+0.08
6¼% 1989	97.35	97.35	—	6.73	6.80	+0.07
6¾% 1989	—	\$100.00	—	—	6.75	—
6¾% 1989 (II)	—	\$100.00	—	—	6.75	—
5½% 1990	92.65	92.65	—	6.70	6.84	+0.14
6½% 1990	97.45	97.45	—	6.92	6.96	+0.04
6½% 1990 (II)	\$100.00	—	—	6.50	—	—
5½% 1991	84.55	84.55	—	7.92	8.15	+0.23
6¾% 1991	100.05	100.05	—	6.74	6.74	—
6¾% 1991 (II)	\$100.00	\$100.00	—	6.75	6.75	—
6¾% 1991	98.50	97.40	-1.10	6.46	6.66	+0.20
5½% 1992	87.60	86.00	-1.60	7.25	7.67	+0.42
7¼% 1992	\$100.00	99.90	-0.10	7.25	7.26	+0.01
7¼% 1992 (II)	—	\$100.00	—	—	7.25	—
7½% 1992 (III)	—	\$100.00	—	—	7.25	—
7¼% 1992 (IV)	—	\$100.00	—	—	7.25	—
7¼% 1992 (V)	—	\$100.00	—	—	7.25	—
10 to 15 years						
6¼% 1993	94.40	94.40	—	6.99	7.04	+0.05
6 % 1993	94.15	94.15	—	6.76	6.81	+0.05
6 % 1994	91.50	91.50	—	7.06	7.13	+0.07
6¾% 1994	95.60	95.60	—	7.32	7.35	+0.03
7 % 1994	100.10	97.40	-2.70	6.99	7.34	+0.35
5½% 1995	85.90	85.90	—	7.20	7.30	+0.10
6¼% 1995	93.50	93.50	—	7.02	7.06	+0.04
6½% 1995	92.75	92.75	—	7.38	7.43	+0.05
6¾% 1996	94.00	94.00	—	6.91	6.94	+0.03
7¼% 1997	\$100.00	98.15	-1.85	7.25	7.47	+0.22
6½% 1997	91.20	90.20	-1.00	7.49	7.65	+0.16
6¼% 1997	92.25	80.00	-12.25	7.00	8.71	+1.71
15 years and above						
6 % 1998	91.00	91.00	—	6.94	6.97	+0.03
6¼% 1998	97.95	97.95	—	6.45	6.46	+0.01
7 % 1998	95.30	95.00	-0.30	7.51	7.57	+0.06
5½% 1999	80.35	79.85	-0.50	7.59	7.73	+0.14
5½% 1999*	80.20	79.85	-0.35	7.59	7.71	+0.12
5½% 2000	79.55	77.00	-2.55	7.62	8.02	+0.40
6½% 2000	89.05	80.40	-8.65	7.63	8.73	+1.10
5¾% 2001	80.70	72.00	-8.70	7.70	8.53	+0.83

(Contd.)

Table VIII—3— (Concl'd.)

Loans	Price as on			Yield as on		
	July 2, 1982 Rs.	June 29, 1983 Rs.	Variation Rs.	July 2, 1982 %	June 29, 1983 %	Variation %
	1	2	3	4	5	6
5¼% 2001 (N.D.L.)	90.25	90.25	—	6.65	6.68	+0.03
6½% 2001	90.85	86.50	-4.35	7.41	7.92	+0.51
7½% 2001	100.10	96.05	-4.05	7.49	7.91	+0.42
7½% 2001 (II)	\$100.00	—	—	7.50	—	—
5¾% 2002	81.00	81.00	—	7.62	7.66	+0.04
6½% 2002	88.00	86.00	-2.00	7.68	7.93	+0.25
7¾% 2002	\$100.00	100.25	+0.25	7.75	7.72	-0.03
5¾% 2003	83.90	76.00	-7.90	7.26	8.22	+0.96
6½% 2003	86.15	83.30	-2.85	7.86	8.21	+0.35
6½% 2004	85.30	85.30	—	7.92	7.95	+0.03
6½% 2005	84.35	82.50	-1.85	7.99	8.22	+0.23
8¾% 2005	—	\$100.00	—	—	8.25	—
6¾% 2006	85.65	75.75	-9.90	8.12	9.33	+1.21
6¾% 2007	84.30	82.45	-1.85	8.23	8.46	+0.23
7 % 2009	84.40	75.35	-8.55	8.40	9.05	+0.57
7½% 2010	88.40	79.75	-8.65	8.60	9.20	+0.60
7½% 2010 (II)	100.20	—	—	7.48	—	—
7½% 2010 (III)	100.20	—	—	7.48	—	—
7½% 2010 (IV)	100.20	—	—	7.48	—	—
8¾% 2010	—	100.10	—	—	8.74	—
8 % 2011	92.45	83.75	-8.70	8.72	9.36	+0.64
8 % 2011 (II)	100.10	—	—	7.99	—	—
8 % 2011 (III)	\$100.00	—	—	8.00	—	—
8 % 2011 (IV)	\$100.00	—	—	8.00	—	—
8 % 2011 (V)	\$100.00	—	—	8.00	—	—
9 % 2013	100.15	91.50	-8.65	8.99	9.70	+0.71
10 % 2014	—	\$100.00	—	—	10.00	—
Non-Terminable						
3 % 1986 or later	71.00	73.00	+2.00	4.23 F	4.11 F	-0.12
3 % (Govt. Rupee Paper)	66.50	69.00	+2.50	4.51 F	4.35 F	-0.16

N.D.L. : National Defence Loans.

* : Banks (Acquisition of Transfer) Compensation Bonds.

F : Flat Yield

\$: Issue Price

Among State Government securities, the trend was mixed. Most of the securities of the Andhra Pradesh, Gujarat, Tamil Nadu, Maharashtra, Madhya Pradesh and Uttar Pradesh State Governments showed increases ranging upto Rs.1.75, while a few securities showed fractional declines. The 7 per cent loan 1993 of many States showed declines over the year. In the case of Karnataka, Haryana and Rajasthan State Government securities, only three scrips showed marginal variations. As against this, in Assam, Bihar, Kerala, Orissa, Jammu & Kashmir, Himachal Pradesh and Manipur State Government securities, variations were confined to one or two scrips. In the case of other States, prices did not show any variation over the year.

(iii) New Issue Activity

The upward trend in new issue activity witnessed in 1981 was sustained in 1982 with new capital issues by public limited companies (other than term-lending institutions) aggregating Rs.666.4 crores (through 538 issues) — 39.2 per cent higher than Rs.478.7 crores (through 381 issues) in 1981 (Table VIII-4). The amount of issues on rights basis increased from Rs.83.5 crores in 1981 to Rs.209.2 crores during the year while that of prospectus issues increased to Rs.457.2 crores from Rs.395.2 crores.

Security-wise, the issue of debentures has more than doubled during the year from Rs.196.1 crores in 1981 to Rs.402.4 crores, indicating increasing recourse by companies to mobilise funds through debentures for their long-term working capital and for modernisation and expansion programmes. Some recent policy changes with regard to interest ceiling in the case of non-convertible debentures and introduction of the buy-back scheme for these debentures to induce the investors provided the major impetus to debenture issues. Out of the total amount of debenture issues of Rs.402.4 crores, Rs.295.5 crores was for convertible and Rs.106.9 crores for non-convertible debentures. The amount of equity shares issued during 1982 at Rs.261.1 crores was, however, lower than Rs.280.5 crores in 1981. The issues of preference shares, which accounted for a negligible part of the total issues, increased from Rs.2.1 crores in 1981 to Rs.2.9 crores in 1982. The classification of total issues according to new companies and existing com-

panies shows a considerable rise in the latter. The issues by existing companies increased from Rs.271.5 crores in 1981 to Rs.445.2 crores in 1982 mainly on account of increase of Rs.206.3 crores in debentures, while the issues by new companies increased from Rs.207.2 crores to Rs.221.2 crores.

The amount offered for public subscription out of the prospectus issues during 1982 was higher at Rs.291.5 crores (out of Rs.457.2 crores) than Rs.253.8 crores (out of Rs.395.2 crores) during 1981. However, it formed 63.8 per cent of the total prospectus issues in 1982 as against 64.2 per cent in 1981. As regards public response, the data available in respect of 284 issues during 1982 show that 230 issues were over-subscribed, 17 were fully subscribed and 37 were under-subscribed.

During the first half of 1983, there were 483 issues for raising an aggregate capital of Rs.392.9 crores as against 236 issues for Rs.332.7 crores in the corresponding period last year. The amount issued through prospectus declined to Rs.143.2 crores from Rs.207.6 crores while that through rights issue increased to Rs.249.7 crores from Rs.125.1 crores. Security-wise, the amount of equity shares increased from Rs.114.0 crores to Rs.133.0 crores and of debentures from Rs.216.2 crores to Rs.259.6 crores.

(iv) Consents for Capital Issues

The aggregate value of consents/acknowledgements granted during the year 1982 by the Controller of Capital Issues to non-Government public limited companies for raising capital at Rs.1,116.9 crores registered a substantial rise of 55.3 per cent over Rs.719.1 crores during 1981 (Table VIII-5). Of the total amount approved, Rs.771.3 crores (69.0 per cent) was in respect of new issues of shares and debentures, Rs.150.5 crores (13.5 per cent) for capitalisation of reserves (bonus issues) and Rs.195.1 crores (17.5 per cent) for miscellaneous issues. Security-wise, in the approvals for new issues, debentures accounted for the bulk (Rs.519.9 crores), showing a rise of 58.1 per cent over Rs.328.9 crores in 1981.

The prominence of debentures in the consents for new issues for the second year in succession was largely on account of the policy changes during the year under review. These were: raising the ceiling

Table VIII—4 : Fresh Capital Issues through Prospectus and Rights by Public Limited Companies*

(Amount in Rupees crores)

Year	Issues through Prospectus					Issues through Rights					Grand Total		Distribution between			
	No. of Issues	Equity Shares	Preference Shares	Debentures	Total (3+4+5)	No. of Issues	Equity Shares	Preference Shares	Debentures	Total (8+9+10)	No. of Issues	Amount	No. of Issues of New Companies ^(a)	Amount	No. of Issues of Existing Companies	Amount
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
I. Non-Government Companies																
(January-December)																
1979	116	86.9	0.4	7.0	94.3	71	21.9	—	59.8	81.7	187	176.0	68	49.1	119	126.9
1980	167	66.1	1.9	34.1	102.1	70	23.0	0.2	38.6	61.8	237	163.9	141	57.5	96	106.4
1981**	306	256.1	2.0	137.1	395.2	74	24.3	0.1	59.0	83.4	380	478.6	242	207.2	138	271.4
1982**	450	239.8	2.2	215.2	457.2	87	18.6	0.7	187.2	206.5	537	663.7	377	221.2	160	442.5
(January-June)																
1982**	187	100.7	2.0	104.9	207.6	48	10.6	0.5	111.3	122.4	235	330.0	146	94.1	89	235.9
1983**	414	119.1	0.1	24.0	143.2	69	13.9	0.2	235.6	249.7	483	392.9	401	109.3	82	283.6
II. Government Companies																
(January-December)																
1979	2	3.9	—	—	3.9	—	—	—	—	—	2	3.9	2	3.9	—	—
1980	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1981**	—	—	—	—	—	1	0.1	—	—	0.1	1	0.1	—	—	1	0.1
1982**	—	—	—	—	—	1	2.7	—	—	2.7	1	2.7	—	—	1	2.7
(January-June)																
1982**	—	—	—	—	—	1	2.7	—	—	2.7	1	2.7	—	—	1	2.7
1983**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
III. Grand Total (I + II)																
(January-December)																
1979	118	90.8	0.4	7.0	98.2	71	21.9	—	59.8	81.7	189	179.9	70	53.0	119	126.9
1980	167	66.1	1.9	34.1	102.1	70	23.0	0.2	38.6	61.8	237	163.9	141	57.5	96	106.4
1981**	306	256.1	2.0	137.1	395.2	75	24.4	0.1	59.0	83.5	381	478.7	242	207.2	139	271.5
1982**	450	239.8	2.2	215.2	457.2	88	21.3	0.7	187.2	209.2	538	666.4	377	221.2	168	453.9
(January-June)																
1982**	187	100.7	2.0	104.9	207.6	49	13.3	0.5	111.3	125.1	236	332.7	146	94.1	90	238.6
1983**	414	119.1	0.1	24.0	143.2	69	13.9	0.2	235.6	249.7	483	392.9	401	109.3	82	283.6

* Other than term-lending institutions.

** Provisional.

^(a) Companies which had not gone in for commercial production/business at the time of the public issue. Total amount of issues of these companies also includes amount subscribed by the promoters, directors etc., before the public issue.

Source: Prospectuses/Circulars and replies to our questionnaires received from the companies.

Table VIII—5 : Consents/Acknowledgements of Proposals Granted by the Controller of Capital Issues to Non-Government Public Limited Companies

Year	(Rupees crores)								
	Shares (Other than Bonus) and Debentures				Approval for		Bonus Shares	Miscellaneous Issues* (Loans, etc.)	Grand Total (5+8+9)
	Equity Shares	Preference Shares	Debentures	Total (2+3+4) or (6+7)	Initial issues	Further issues			
1	2	3	4	5	6	7	8	9	10
January-December 1978	98.7 (63.7)	7.5 (4.8)	48.8 (31.5)	155.0 (100.0)	56.8 (36.6)	98.2 (63.4)	90.9	13.0	258.9
1979	110.8 (42.8)	9.1 (3.5)	138.8 (53.7)	258.7 (100.0)	58.4 (22.6)	200.3 (77.4)	78.8	138.5	476.0
1980	261.3 (77.4)	8.4 (2.5)	67.7 (20.1)	337.4 (100.0)	121.1 (35.9)	216.3 (64.1)	125.4	310.9	773.7
1981	193.2 (36.8)	2.8 (0.5)	328.9 (62.7)	524.9 (100.0)	127.7 (24.3)	397.2 (75.7)	101.8	92.4	719.1
1982	240.3 (31.2)	11.1 (1.4)	519.9 (67.4)	771.3 (100.0)	141.4 (18.3)	629.9 (81.7)	150.5	195.1	1116.9
January-June 1982	108.4 (30.1)	6.4 (1.8)	245.4 (68.1)	360.2 (100.0)	57.4 (15.9)	302.8 (84.1)	86.4	120.2	566.8
1983	107.3 (27.1)	4.0 (1.0)	285.3 (71.9)	396.6 (100.0)	76.7 (19.3)	319.9 (80.7)	23.4	24.0	444.0

* Other than loans granted by public financial institutions, banks, etc., which are exempted from control of capital issues.

Note: Figures in brackets in columns 2, 3, 4, 6 and 7 are percentages to the totals in column 5.

Source: Office of the Controller of Capital Issues, Government of India.

rate of interest on non-convertible debentures to 15 per cent, shorter redemption period of seven years, allowing a redemption premium upto 5 per cent of the face value and allowing the companies issuing non-convertible debentures to have a buy-back arrangement of these debentures at par from any debenture holder whose total holding does not exceed Rs.40,000 and who has held the debentures for a period of atleast one year. Moreover, the public financial institutions were allowed to participate/underwrite debenture issues of MRTP/FERA companies upto 50 per cent of each issue of debentures.

Consents for equity and preference shares also increased during 1982. The former rose from Rs.193.2 crores in 1981 to Rs.240.3 crores in 1982 while the latter moved up from Rs.2.8 crores to Rs.11.1 crores. Similarly, marked growth was also recorded in consents for capitalisation of reserves (bonus shares) which rose from Rs.101.8 crores to Rs.150.5 crores and for miscellaneous

issues which went up from Rs.92.4 crores to Rs.195.1 crores.

The value of consents during the first half of 1983, however, at Rs.444.0 crores showed a decline of 21.7 per cent compared with Rs.566.8 crores in the corresponding period of 1982, mainly due to the fall in the consents for bonus and miscellaneous issues to Rs.23.4 crores and Rs.24.0 crores, respectively from Rs.86.4 crores and Rs.120.2 crores.

(v) Capital Raised

Total capital raised (paid-up)@ by non-

@ While discussing funds mobilised by the private corporate sector from the capital market the data presented in the Bank's Annual Report—1982-83 (vide page 23, para 61) for the years 1981-82 and 1982-83 relate to capital issues [including partly, capital issues under Capital Issues (Exemption) Order 1969] and not capital raised.

Table VIII-6 : Capital Raised (Paid-up) under Consents/Acknowledgements of Proposals

(Rupees crores)

Item	1981	1982@	January-June	
			1982@	1983@
1	2	3	4	5
A. Non-Government Companies (i to v)	330.6	457.7	278.0	241.3
i) Equity	157.2	113.9	60.8	57.3
ii) Preference	—	2.5	0.3	—
iii) Debentures	130.5	277.9	181.0	139.6
Total (i to iii)	287.7	394.3	242.1	196.9
iv) Bonus	34.6	56.7	29.2	19.5
v) Loans,* etc.	8.3	6.7	6.7	24.9
B. Government Companies	N.A	N.A	N.A	N.A

* Other than loans granted by public financial institutions, banks, etc., which are exempted from control of capital issues.
N.A. Not Available

@ Provisional.

Note: Data relate to capital raised against consents/acknowledgements of proposals granted during the respective years as well as earlier years and are based on capital raised by the companies from which reports were received by the Controller of Capital Issues.

Source: Office of the Controller of Capital Issues, Government of India.

Government companies (under consents acknowledgements of proposals granted by the Controller of Capital Issues) at Rs.457.7 crores during 1982 showed a significant rise of 38.4 per cent over Rs.330.6 crores raised during 1981 (Table VIII-6). The increase in capital raised was on account of debentures, the amount of which showed substantial rise from Rs.130.5 crores in 1981 to Rs.277.9 crores in 1982 while that of shares (equity and preference) declined from Rs.157.2 crores to Rs.116.4 crores. Capitalisation of reserves (bonus shares) increased from Rs.34.6 crores to Rs.56.7 crores, but capital raised in the form of loans, etc., declined from Rs.8.3 crores to Rs.6.7 crores.

During the period January-June 1983, total capital raised by non-Government companies was lower at Rs.241.3 crores than Rs.278.0 crores raised during the corresponding period of 1982.

(vi) Developments in Policy

During 1982-83 (July-June), following important policy measures concerning the corporate sector were adopted.

In order to provide liquidity to investment in non-convertible debentures, the Government permitted on recommendation by the Working Group

on Secondary Market for Debentures appointed by the Reserve Bank, companies issuing non-convertible debentures to provide a limited facility of buy-back arrangement to individual debenture holders. Under the scheme, companies issuing non-convertible debentures undertake to repurchase them at par from small holders (holdings upto Rs.40,000) who have held them for at least one year. In turn, the company can place these debentures with LIC, GIC and UTI, the participating institutions in the scheme. The institutions would take up these debentures at a discount of 2.5 per cent which would be levied as commitment charge. Besides, the Government has also permitted the financial institutions to subscribe or underwrite, amongst themselves, upto 50 per cent of any single issue of debentures made by MRTP/FERA companies.

According to the Government decision of August 24, 1982, companies which are allowed foreign equity share-holding at a level of 51 per cent or below can maintain it at the same level even when there is likelihood of reduction therein as a result of exercising the convertibility clause option by financial institutions. This is subject to the condition that the foreign shareholders bring in the required foreign exchange in cash to acquire the shares at about the market price to enable them to maintain the said level of foreign equity holding.

With a view to ensuring orderly management of the stock exchanges, the Government issued certain directives in January 1983 to all stock exchanges. Accordingly, the time for performance of hand delivery contracts in active scrips traded on the Bombay, Calcutta, Delhi, Madras and Ahmedabad stock exchanges has been extended to three months from 14 days. Moreover, the stock exchange authorities are required to: (a) have the accounts of active members audited every year by qualified chartered accountants and forward a copy each of these accounts to the Stock Exchange Division of the Ministry of Finance; (b) amend suitably their bye-laws to extend suitable regulatory measures to non-cleared securities so that speculative activities in such securities are brought under control; and (c) inspect periodically the books of accounts and other documents of at least 10 per cent of active members a year and institute necessary disciplinary action against members whose books of accounts reveal malpractices like excessive trading, under-reporting of transactions, trading in securities prior to listing, etc., and submit to the Stock Exchange Division of the Ministry of Finance a quarterly report giving full details of such inspections and the disciplinary action taken.

The Governing Board of the Bombay Stock Exchange has been broad based to provide for the nomination of a representative of the Reserve Bank and three public representatives of public eminence not directly connected with the securities business.

In his budget speech for 1983-84, the Union Finance Minister announced following important decisions of the Government.

(1) As a measure of tax incentives to non-resident Indians (individuals, being citizens of India or persons of Indian origin who are not resident in India) investing in India, incomes derived by such persons from specified investments in India made through foreign exchange remittances would attract tax at a flat rate of 20 per cent plus surcharge instead of the normal rate applicable to resident Indians. These investments include shares and debentures of Indian companies, units of UTI, deposits with Indian public limited companies, Government securities and other assets which the Central Government may specify in this behalf. Long-term capital gains arising on transfer of such assets would also attract tax at the same flat rate. The income from these investments and long-term capital gains therefrom would also not be taken into account in computing their other Indian incomes. They would not have to go

through the procedures involved in submission of tax returns provided they have no other income in India and tax at the flat rate as indicated above has been deducted at source from their income. The non-resident Indians would also have the option of paying tax at the normal rates applicable to resident tax payers. Such investments are also exempt from wealth tax. Gifts of such assets made by the non-resident Indians to their relatives in India are also exempt from gift tax.

(2) To help the corporate sector augment generation of internal resources in the face of rising cost of replacement and modernisation, the general rate of depreciation in respect of plant and machinery has been raised from 10 per cent to 15 per cent. Also, the monetary limit for 100 per cent write-off in respect of small items of plant and machinery has been raised from Rs. 750 to Rs. 5,000.

(3) The differential rate of tax in the case of domestic companies depending upon the total income of the company has been removed.

(4) The rate of depreciation on devices and systems for energy saving is stepped up from 30 per cent to 100 per cent. In the case of devices and systems for minimising environmental pollution and for conservation of natural resources, the investment allowance has been stepped up from 25 per cent to 35 per cent.

(5) To encourage shifting of industries from urban areas, exemption from tax is extended to capital gain arising from transfer of machinery and plant, similar to the existing provision in case of transfer of land and building.

(6) With a view to stimulating savings, the separate exemption limits of Rs. 4,000 on income derived from specified long-term investments and Rs. 2,000 for interest on securities and bank deposits for a period exceeding one year have been merged, and raised to Rs. 7,000 from Rs. 6,000. The separate exemption of Rs. 3,000 in respect of income from units of the Unit Trust of India is retained.

(7) To ensure that every profitable company pays some tax in the year in which profits accrue, the fiscal incentives and concessions available under the Income-tax Act shall not absorb more than 70 per cent of the profits of companies, thus ensuring that companies pay a minimum tax on at least 30 per

cent of their profits.

(8). The surcharge on income-tax payable by companies has been raised from 2.5 per cent to 5 per cent. Companies have, however, been given an option to make a deposit in lieu of one-half of the surcharge on income-tax with the Industrial Development Bank of India under a scheme, viz., The Companies Deposits (Surcharge on Income-tax) Scheme 1983. Deposits made under the scheme shall carry simple interest at the rate of 7.5 per cent per annum which shall be paid along with the deposit amount after the expiry of five years from the end of the financial year 1983-84.

On May 2, 1983, the Government announced an overall ceiling of five per cent of the paid up equity capital and five per cent of the total paid up value of each series of convertible debentures of any company on portfolio investment by non-residents of Indian nationality/origin (including overseas bodies owned to the extent of at least 60 per cent by such non-residents) on repatriable as well as non-repatriable basis. To exceed the ceiling, prior permission of the Reserve Bank would be necessary.

II. Term-Lending Institutions

Assistance sanctioned and disbursed by term-financing institutions (i.e., the IDBI, IFCI, ICICI, IRCI, UTI, LIC, GIC and its subsidiaries, SFCs and SIDCs/SIICs) during 1982-83 (April-March) aggregated Rs.3,283.3 crores and Rs.2,399.7 crores, respectively, compared with Rs.2,789.9 crores and Rs.2,041.1 crores, respectively, in 1981-82. Sanctions and disbursements during 1982-83 were respectively, 17.7 per cent and 17.6 per cent higher than those in 1981-82 (Table VIII-7). Sanctions and disbursements of loans (both rupee and foreign currency loans) at Rs.3,010.4 crores and Rs.2,217.6 crores, respectively, during the year were higher by Rs.452.0 crores and Rs.301.6 crores, respectively, than in 1981-82. Assistance by way of underwriting and direct subscriptions to shares and debentures was significantly higher than that in 1981-82 which indicates the increasing role of these institutions in providing support to new capital issues of the corporate sector. Under this head, sanctions during 1982-83 rose by Rs.41.4 crores to Rs.272.9 crores and disbursements by Rs.57.0 crores to Rs.182.1 crores.

Institution-wise, the IDBI provided the highest amount of assistance, accounting for 40.5 per cent of total sanctions and for 45.9 per cent of total disbursements by all institutions. All other institutions excepting LIC and SIDCs recorded rise in both sanctions and disbursements of assistance. While sanctions and disbursements by LIC declined by 17.5 per cent and 36.3 per cent, respectively, sanctions by SIDCs declined by 1.1 per cent (Table VIII-8).

Soft Loan Scheme

Assistance under the soft loan scheme operated by the IDBI in collaboration with the ICICI and IFCI for financing modernisation of units in cotton textiles, jute, cement, sugar and certain specified engineering industries was lower during 1982-83 than in 1981-82. Assistance sanctioned and disbursed under the scheme during 1982-83 (July-June) amounted to Rs.105.5 crores and Rs.103.3 crores, respectively, as against Rs.223.6 crores sanctioned and Rs.147.3 crores disbursed in 1981-82. The cumulative sanctions and disbursements upto June 30, 1983 amounted to Rs.1,024.5 crores and Rs.574.1 crores, respectively (Table VIII-9). At these levels, the percentage of amount disbursed to amount sanctioned improved from 51.2 as at the end of June 1982 to 56.0. As in the past, the largest share in total assistance, both sanctioned and disbursed, upto June 30, 1983 was claimed by the textile industry, followed by engineering, cement, sugar and jute in that order.

Assistance to Small-Scale Industries/Backward Areas

Institutional assistance to small-scale industries is available in the form of (i) direct assistance mainly from the SFCs, (ii) indirect assistance from the IDBI under its schemes of refinance of industrial loans and bills rediscounting and (iii) credit guarantee cover provided by the DICGC to participating institutions under its credit guarantee scheme for small-scale industries.

The IDBI's assistance to small-scale industries under the schemes of refinance and bills rediscounting during 1982-83 (April-March) was significantly higher than in 1981-82. Sanctions under the schemes aggregated Rs.789.8 crores, 33.9 per cent higher than in 1981-82. Disbursements amounted to

Table VIII—7 : Assistance Sanctioned and Disbursed by Financial Institutions[@]

(Rupees crores)

Year (April-March)	Underwriting and Direct Subscriptions										Total	
	Rupee Loans		Foreign Currency Loans		Ordinary and Preference Shares		Debentures					
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements		
1	2	3	4	5	6	7	8	9	10	11		
1980-81	2,004.2 (+25.0)	1,399.1 (+29.3)	138.8 (+62.9)	81.6 (+81.7)	86.4 (-17.1)	32.4 (-18.2)	35.7 (-64.0)	46.4 (-21.0)	2,265.1 (+19.7)	1,559.5 (+27.2)		
1981-82*	2,405.6 (+20.0)	1,793.4 (+28.2)	152.8 (+10.1)	122.6 (+50.2)	123.3 (+42.7)	48.1 (+48.5)	108.2 (+203.1)	77.0 (+65.9)	2,789.9 (+23.2)	2,041.1 (+30.9)		
1982-83* (Provisional),	2,879.9 (+19.7)	2,098.9 (+17.0)	130.5 (-14.6)	118.7 (-3.2)	103.1 (-16.4)	90.1 (+87.3)	169.8 (+56.9)	92.0 (+19.5)	3,283.3 (+17.7)	2,399.7 (+17.6)		

[@] Covers IDBI, IFCI, ICICI, IRCI, LIC, GIC and its four subsidiaries, SFCs and SIDCs/SIICs.

* Covers data in respect of 19 SIDCs/SIICs.

Notes: 1) Assistance by IDBI excludes refinance to SFCs and SIDCs/SIICs, subscriptions to shares and bonds of financial institutions and seed capital assistance through SIDCs/SIICs to avoid double counting. IDBI's assistance under export finance schemes (which since March 1, 1982 has been taken over by the Exim Bank) is also excluded from 1980-81 and 1981-82 data to facilitate comparison with 1982-83 data.

2) In the case of LIC assistance excludes sanctions and disbursements of short-term loans.

3) Assistance by GIC and its subsidiaries relates to project finance only.

4) Figures in brackets are percentage variations over the previous year.

Source: Data received from respective institutions.

Table VIII—8 : Institution-wise Details of Financial Assistance

(Year: April-March)			(Rupees crores)					
Institutions			1981-82		1982-83 (Provisional)		Percentage change in 1982-83 over 1981-82	
			Sanctions	Disburse- ments	Sanctions	Disburse- ments	Sanctions	Disburse- ments
1			2	3	4	5	6	7
IDBI@ ●	..	..	1,144.0 (41.0)	853.0 (41.8)	1,329.4 (40.5)	1,100.5 (45.9)	+ 16.2	+ 29.0
IFCI@	..	..	218.1 (7.8)	169.4 (8.3)	238.3 (7.3)	198.2 (8.3)	+ 9.3	+ 17.0
ICICI@	..	..	302.4 (10.8)	264.7 (13.0)	405.6 (12.4)	276.4 (11.5)	+ 34.1	+ 4.4
IRCI	..	..	46.9 (1.7)	28.0 (1.4)	57.9 (1.8)	36.0 (1.5)	+ 23.5	+ 28.6
UTI	..	..	86.1 (3.1)	67.2 (3.3)	126.3 (3.8)	68.7 (2.9)	+ 46.7	+ 2.2
LIC**	..	..	165.5 (5.9)	135.9 (6.6)	136.5 (4.1)	86.6 (3.6)	- 17.5	- 36.3
GIC and its Subsidiaries	..	..	50.0 (1.8)	33.7 (1.6)	92.7 (2.8)	44.7 (1.8)	+ 85.4	+ 32.6
SFCs	..	..	514.3 (18.5)	316.0 (15.5)	636.8 (19.4)	405.6 (16.9)	+ 23.8	+ 28.4
SIDCs†	..	..	262.6 (9.4)	173.2 (8.5)	259.8 (7.9)	183.0 (7.6)	- 1.1	+ 5.7
Total	..	..	2,789.9 (100.0)	2,041.1 (100.0)	3,283.3 (100.0)	2,399.7 (100.0)	+ 17.7	+ 17.6

@ Including guarantees. ** Excluding short-term loans.

• IDBI's data excludes refinance to SFCs and SIDCs, subscriptions to shares and bonds of financial institutions and seed capital assistance through SIDCs to avoid double counting.

† Relates to 19 SIDCs.

Note: Figures in brackets indicate percentage share of each institution.

Source: Data received from respective institutions.

Table VIII—9 : Progress of Soft Loan Scheme
(upto end of June 1983)

Industry	Applications* received		Sanctions		Disbursements		Column (7) as per cent of Column (5)
	No. of applications	Amount (Rs. crores)	No. of applications	Amount (Rs. crores)	No. of applications	Amount (Rs. crores)	
1	2	3	4	5	6	7	8
Textiles	389 (336)	794.0 (684.5)	364 (324)	516.9 (472.9)	427 (247)	325.8 (266.9)	63.0 (56.4)
Cement	26 (21)	245.3 (179.4)	23 (21)	144.2 (137.1)	22 (17)	69.9 (60.2)	48.5 (43.9)
Sugar	39 (38)	90.4 (85.9)	37 (37)	62.7 (62.7)	48 (30)	48.4 (37.3)	77.2 (59.5)
Jute	27 (27)	85.1 (85.1)	26 (26)	51.4 (51.3)	13 (9)	14.5 (12.3)	28.2 (24.0)
Engineering	144 (125)	321.8 (280.5)	142 (120)	249.3 (195.0)	130 (98)	115.5 (94.1)	46.3 (48.3)
Total	625 (547)	1,536.6 (1,315.4)	592 (528)	1,024.5 (919.0)	640 (401)	574.1 (470.8)	56.0 (51.2)

* After adjusting proposals rejected/withdrawn/closed.

Note: Figures in brackets indicate the progress upto end of June 1982.

Source: Industrial Development Bank of India.

Rs.504.6 crores, showing a rise of 26.3 per cent over the year. During 1982-83, the SFCs sanctioned and disbursed assistance of Rs.490.5 crores and Rs.335.7 crores, respectively, compared with Rs.409.3 crores and Rs.243.1 crores, respectively, in 1981-82 (Table VIII-10).

The number of institutions participating in the DICGC's credit guarantee scheme for small-scale industries rose from 285 as at the end of June 1982 to 318 as at the end of March 1983. The guaranteed advances to small-scale industries rose from Rs.3,716 crores at the end of March 1981 to Rs.3,904 crores at the end of June 1982.

Table VIII—10 : Financial Assistance Sanctioned and Disbursed by Term-Lending Institutions to Projects in the Small-Scale Industries Sector

Institutions	(Year: April-March)		(Rupees crores)	
	1981-82		1982-83 (Provisional)	
	Sanctioned	Disbursed	Sanctioned	Disbursed
IDBI*	589.9	399.5	789.8	504.6
IRCI	1.9	0.3	0.9	0.5
SFCs	409.3	243.1	490.5	335.7
SIDCs/SIICS@	7.4	3.1	8.7	5.5

* Comprising assistance under refinance and bills rediscounting schemes.

@ Relates to 12 SIDCs.

Source: Data received from respective institutions.

Assistance sanctioned and disbursed by all financial institutions to units located in backward districts/areas rose during 1982-83 to Rs.1,497.2 crores and Rs.1,240.1 crores, respectively, from Rs.1,417.8 crores and Rs.979.9 crores, respectively, in 1981-82. The assistance sanctioned and disbursed to new/small entrepreneurs during 1982-83 at Rs.167.9 crores and Rs.103.7 crores, respectively, was however, lower by Rs.4.7 crores and Rs.1.8 crores, respectively, than in 1981-82 (Table VIII-11).

Assistance sanctioned and disbursed during 1982-83 by financial institutions to co-operative sector showed substantial increase. In the case of public sector, sanctions declined over the year but disbursements increased considerably (Table VIII-12).

(i) Industrial Development Bank of India

The Industrial Development Bank of India (IDBI) recorded sizeable growth in its operations during the year 1982-83 (July-June). Total sanctions under all the schemes (excluding guarantees) went up by 27.4 per cent to Rs.2,174.8 crores in

respect of 80,698 applications and disbursements (excluding guarantees) by 18.3 per cent to Rs.1,580.8 crores (Table VIII-13). The cumulative assistance sanctioned and disbursed by the IDBI till June 30, 1983 aggregated Rs.10,315.8 crores and Rs.7,386.9 crores, respectively. The total amount outstanding as on June 30, 1983 stood at Rs.5,091.6 crores as against Rs.4,019.4 crores a year ago.

Direct Industrial Assistance

Direct assistance, comprising project loans, soft loans, Technical Development Fund loans and underwriting and direct subscriptions to shares and debentures, sanctioned during 1982-83 at Rs.526.6 crores to 421 applicants was 3.7 per cent higher than Rs.507.6 crores sanctioned to 411 applicants in 1981-82. Direct assistance disbursed during 1982-83 at Rs.461.3 crores also showed a rise of 3.5 per cent over Rs.445.8 crores in 1981-82. Assistance sanctioned and disbursed during 1982-83 under the Soft Loan Scheme at Rs.36.0 crores and Rs.60.9 crores, respectively, was lower by 57.9 per cent and 24.3 per cent, respectively, than that in 1981-82. The decline was mainly on account of prolonged strike in textile mills of Bombay.

Industry-wise, cement industry was the major beneficiary accounting for 23.7 per cent (Rs.125 crores for 20 projects) of the direct assistance sanctioned during 1982-83. Assistance sanctioned to textile industry declined from Rs.114 crores in 1981-82 to Rs.85 crores in 1982-83. Other industries with relatively large share were basic metals (9.4 per cent or Rs.49.5 crores), sugar (8.4 per cent or Rs.44.2 crores), miscellaneous chemicals (6.4 per cent or Rs.33.9 crores) and rubber (6.2 per cent or Rs.32.8 crores).

Sector-wise, assistance sanctioned to joint sector projects more than doubled from Rs.56 crores in 1981-82 to Rs.119 crores in 1982-83. This sharp increase was mainly due to large sanctions to two cement projects, viz., Cement Corporation of Gujarat Ltd. (Rs.42.3 crores) and Ambuja Cements Ltd. (Rs.23.5 crores). On the other hand, assistance sanctioned to public, co-operative and private sectors declined during the year.

Table VIII—11 : Assistance Sanctioned and Disbursed by Financial Institutions to Backward Areas and New/Small Entrepreneurs
(Year: April-March) (Rupees crores)

Institutions	Backward Districts/Areas						New/Small Entrepreneurs					
	1980-81		1981-82		1982-83 (Provisional)		1980-81		1981-82		1982-83 (Provisional)	
	Sanctions	Disburse- ments	Sanctions	Disburse- ments	Sanctions	Disburse- ments	Sanctions	Disburse- ments	Sanctions	Disburse- ments	Sanctions	Disburse- ments
1	2	3	4	5	6	7	8	9	10	11	12	13
IDBI*(a)	583.5	416.3	720.7	510.0	756.0	684.7	15.9	2.3	21.4	12.3	8.8	4.3
IFCI(a)	102.2	53.7	118.7	73.0	115.5	102.9	9.1	7.2	11.9	7.5	15.6	10.4
ICICI(a)	115.6	65.7	121.4	110.8	144.4	112.7	16.1	7.8	36.9	10.2	53.0	35.7
IRCI	2.8	1.1	12.1	4.9	11.4	9.2	—	—	—	—	—	—
SFCs	193.8	124.2	232.6	150.9	286.9	209.3	78.8 †	40.7 †	71.7 ●●	41.6 ●●	26.5 ●●	16.3 ●●
SIDCs/SIICs	124.3 **	74.9 **	177.2 ●	112.7 ●	158.9 ●	96.7 ●	29.1 ††	22.0 ††	21.0 ●●	10.9 ●●	19.8 ●●	19.3 ●●
Total	1,122.2	735.9	1,382.7	962.3	1,473.1	1,215.5	149.0	80.0	162.9	82.5	123.7	86.0
LIC(a) (a)	13.9	16.1	26.4	13.6	22.7	19.7	36.6	23.8	9.7	23.0	44.2	17.7
GIC and its Subsidiaries	2.5	2.9	8.7	4.0	1.4	4.9	—	—	—	—	—	—
Grand Total	1,138.6	754.9	1,417.8	979.9	1,497.2	1,240.1	185.6	103.8	172.6	105.5	167.9	103.7

* Data on assistance to backward areas relate to concessional finance and those to new and small entrepreneurs cover assistance to technician entrepreneurs only.

(a) Including guarantees.

(a) (a) Including short-term loans for 1981-82 and 1982-83.

** Relates to 21 SIDCs/SIICs.

† Relates to 12 SFCs.

†† Relates to 10 SIDCs/SIICs.

● Data for the year 1981-82 and 1982-83 relate to 19 SIDCs.

●● Relates to 13 SFCs and 12 SIDCs.

Source: Data received from respective institutions.

Table VIII—12 : Assistance Sanctioned and Disbursed by Financial Institutions to the Industrial Companies in the Co-operative and Public Sectors

(Year: April-March)

(Rupees crores)

Institutions	Co-operative Sector						Public Sector					
	1980-81		1981-82		1982-83 (Provisional)		1980-81		1981-82		1982-83 (Provisional)	
	Sanctions	Disburse- ments	Sanctions	Disburse- ments	Sanctions	Disburse- ments	Sanctions	Disburse- ments	Sanctions	Disburse- ments	Sanctions	Disburse- ments
1	2	3	4	5	6	7	8	9	10	11	12	13
IDBI*	28.0	12.2	46.7	9.4	119.4	37.2	162.0	71.3	264.2	107.8	205.7	198.5
IFCI(a)	11.6	2.9	20.8	6.0	41.5	14.7	44.2	9.1	34.6	29.2	42.2	45.0
ICICI(a)	5.4	3.6	21.0	4.0	42.9	13.6	9.0	3.5	12.6	4.4	9.4	12.2
IRCI	—	—	—	—	—	—	0.5	0.6	9.7	7.3	7.4	5.4
SFCs	1.2	0.8	0.2	0.6	0.4	0.7	1.2	0.7	5.1	6.6	7.7	5.0
SIDCs/SIICs**	0.5(a (a	0.4(a (a	0.7	0.2	1.2	0.4	18.4	10.6	24.7	22.8	12.7	12.6
Total	46.7	19.9	89.4	20.2	205.4	66.6	235.3	95.8	350.9	178.1	285.1	278.7
LIC•	—	0.4	17.5	18.2	25.0	0.2	10.4	10.5	34.1	37.3	30.4	29.2
GIC & its Subsidiaries	—	—	—	—	—	—	9.2	18.0	0.5	0.5	3.6	4.5
Grand Total	46.7	20.3	106.9	38.4	230.4	66.8	254.9	124.3	385.5	215.9	319.1	312.4

* Total assistance under all schemes of IDBI (excluding guarantees and assistance to financial institutions).

(a) Including guarantees.

(a (a) Data relate to 21 SIDCs/SIICs.

** Data for 1981-82 and 1982-83 relate to 19 SIDCs.

• Includes short-term loans for 1981-82 and 1982-83.

Source: Data received from respective institutions.

INDUSTRIAL FINANCE

Table VIII—13 : Summary of Operations of Industrial Development Bank of India

(Year: July-June)

(Amount in Rupees crores)

Type of Assistance	Sanctions				Cumulative sanctions since inception upto end of June 1983(a)		Disbursements		Cumulative disbursements since inception upto end of June 1983(a)	Amount outstanding as on June 30, 1983(a)
	1981-82		1982-83(a)				1981-82	1982-83(a)		
	No. of Applications	Amount	No. of Applications	Amount	No. of Applications	Amount	Amount	Amount		
1	2	3	4	5	6	7	8	9	10	11
1. Direct loans to industrial concerns	348	473.1	352	484.9	2,179	3,075.0	421.3	436.9	2,186.7	1,911.2
2. Underwriting of and direct subscriptions to shares and debentures of industrial concerns	63	34.5	69	41.7	663	306.4	24.5	24.4	126.4	118.0
3. Refinance of industrial loans	64,150	772.4	77,185	1,084.0	3,30,249	4,356.5	553.7	690.1	3,028.9	1,769.5
4. Rediscounting of bills	1,710	331.6	2,959	514.1	7,461	2,175.8	244.3	382.8	1,656.6	937.4
5. Seed capital through SIDCs	74	5.0	110	7.9	326	18.6	1.3	4.6	8.8	8.8
6. Subscriptions to shares and bonds of financial institutions	23	89.9	23	42.2	37	383.4	90.9	42.0	379.5	346.7
Total (1 to 6)	66,368	1,706.5	80,698	2,174.8	3,40,915	10,315.8	1,336.0	1,580.8	7,386.9	5,091.6
7. Guarantees for loans and deferred payments	7	35.6	7	9.0	31	74.5	4.2 *	0.1 *	23.9 *	—

* Guarantees executed.

(a) Provisional.

Notes: (i) The number of applications in respect of rediscounting of bills (item 4) relates to the number of purchaser-users and in the case of subscriptions to shares and bonds of financial institutions (item 6) to the numbers of financial institutions.

(ii) In the case of bills rediscounting scheme amount sanctioned represents face value of bills rediscounted while amount disbursed indicates the net disbursements after deduction of discount charges from the face value of the bills.

Refinance and Bills Rediscounting

The IDBI's indirect assistance to industrial units is routed through SFCs, SIDCs and commercial banks mainly under its schemes of refinance of industrial loans, rediscounting of bills relating to sale of indigenous machinery/capital equipment and seed capital assistance to entrepreneurs by way of risk capital, operated in association with SFCs and SIDCs. Sanctions and disbursements during 1982-83 under the refinance of industrial loans scheme substantially increased over the year by Rs.311.6 crores (or 40.3 per cent) and Rs.136.4 crores (or 24.6 per cent) to Rs.1,084.0 crores and Rs.690.1 crores, respectively.

Nearly Rs.775 crores constituting 71.5 per cent of the total refinance assistance was sanctioned to small-scale sector (including small road transport operators). During the year the IDBI also sanctioned assistance of Rs.11 crores to 14,943 units under the composite loan scheme to meet both fixed and working capital requirements of the decentralised sector comprising village, cottage and tiny units.

Assistance under the bills rediscounting scheme also showed considerable increase during 1982-83. The face value of bills rediscounted during 1982-83 at Rs.514.1 crores was higher by 55.0 per cent than that in the previous year. Disbursements at Rs.382.8 crores were also higher by 56.7 per cent. The high growth was largely due to additional limits granted to State Electricity Boards (SEBs) and State Road Transport Corporations (SRTC's). Thus, assistance to public sector units went up from Rs.53 crores in 1981-82 to Rs.160 crores in 1982-83. The scope of the bills rediscounting scheme was widened during the year to cover marginal expansion and diversification programmes of existing units. Effective October 5, 1982 annual purchaser-wise limit was raised from Rs.100 lakhs to Rs.150 lakhs (face value).

Assistance to Backward Areas

Assistance sanctioned and disbursed to units located in the backward districts/areas rose to Rs.852.4 crores and Rs.674.8 crores, respectively, in 1982-83 from Rs.644.7 crores and Rs.593.4

crores, respectively, in 1981-82. Of this, sanctions and disbursements on concessional terms during 1982-83 amounted to Rs.535.8 crores and Rs.423.9 crores, respectively, compared with Rs.398.6 crores and Rs.330.3 crores, respectively, in 1981-82.

Assistance to Small-Scale Industries

Assistance to small-scale industries and small road transport operators by the IDBI under the refinance of industrial loans scheme showed a further rise during 1982-83. Assistance sanctioned and disbursed increased from Rs.521.1 crores and Rs.363.7 crores in 1981-82, respectively, to Rs.774.7 crores and Rs.475.6 crores, respectively, in 1982-83. Since 1981-82 the IDBI has also been assisting the National Small Industries Corporation (NSIC) for augmenting its resources for extending hire-purchase facilities to small-scale industrial units. Sanctions to NSIC during 1982-83 amounted to Rs.3 crores as against Rs.4 crores in 1981-82.

Subscriptions to Shares and Bonds of Financial Institutions

During 1982-83, the IDBI sanctioned Rs.42.2 crores for subscription to shares and bond issues of all-India and State-level financial institutions and disbursed Rs.42.0 crores on this account. In 1981-82, sanctions and disbursements of financial support to other institutions had amounted to Rs.89.9 crores and Rs.90.9 crores, respectively.

Seed Capital Assistance

During 1982-83 an assistance of Rs.7.9 crores was sanctioned in respect of 110 proposals as against Rs.5.0 crores for 74 proposals in 1981-82. The assistance disbursed went up substantially from Rs.1.3 crores to Rs.4.6 crores.

Interest Rates

While the rates of interest charged by the IDBI on assistance extended under various schemes generally remained unchanged following the reduction of tax on interest income announced in the Union Budget for 1983-84, the IDBI revised the discount/rediscount rates with effect from April 1,

1983 so as to reduce the effective cost to the borrower by about one percentage point. The discount/rediscout rates in respect of bills drawn

by SEBs and SRTCs were further reduced to bring down their effective cost of borrowing to 15 per cent with effect from July 1, 1983 (Table VIII-14).

Table VIII—14 : Structure of IDBI's Interest Rates

(Per cent per annum)				
Scheme	Direct lending	Indirect lending		Ceiling on primary lenders' rate
		Banks	SFCs/SIDCs	
1	2	3	4	5
A. Direct Loans				
1. Basic lending rate	14.00	—	—	—
2. Concessional rates—				
(a) to new units in specified backward areas upto Rs.2 crores to a unit in the aggregate*	12.50	—	—	—
(b) on soft component under the soft loan scheme	12.50	—	—	—
(c) assistance for manufacture and installation of renewable energy systems by industrial units	12.50	—	—	—
3. Bridging loans—				
(a) normal loans	15.00	—	—	—
(b) to new units in specified backward areas upto Rs.2 crores to a unit in the aggregate*	13.50	—	—	—
(c) on soft component under the soft loan scheme	13.50	—	—	—
4. Foreign currency loans—				
(a) normal	14.00	—	—	—
(b) to new units in specified backward areas upto Rs.2 crores to a unit in the aggregate*	12.50	—	—	—
B. Rates under IDBI's Refinance Scheme				
1. Basic lending rate	—	10.00	10.50	14.00
2. Concessional rates for units located in specified backward areas—				
(a) composite loans upto Rs.25,000/- per unit	—	6.00	6.75	10.00
(b) small scale units	—	8.50	9.00	12.50
(c) other units (excluding road transport operators)	—	8.50	9.00	12.50
3. Concessional rates in non-backward areas—				
(a) composite loans upto Rs.25,000/- per unit	—	8.25	9.00	12.00
(b) small scale units	—	9.50	10.00	13.50
4. Rates for road transport operators—				
(a) single vehicle owners	—	8.50	9.00	12.50
(b) others	—	11.00	11.50	15.00
5. Concessional rate for units promoted by persons belonging to SC/ST (upto Rs.25,000/- per unit)	—	6.00	6.75	10.25
6. Foreign currency loans (IBRD/IDA credit)—				
(a) loans to small scale units—				
(i) in specified backward areas	—	—	9.00	12.50
(ii) other areas	—	—	10.00	13.50
(b) others—				
(i) in specified backward areas	—	—	9.00	12.50
(ii) other areas	—	—	10.50	14.00

—(Contd.)

Table VIII—14 : Structure of IDBI's Interest Rates —(Concl'd.)

(Per cent per annum)

Scheme	Direct lending	Indirect lending		Ceiling on primary lenders' rate
		Banks	SFCs/SIDCs	
1	2	3	4	5
7. Mini-steel units	—	8.50	9.00	12.50
8. Assistance for manufacture and installation of renewable energy systems by industrial units	—	8.50	9.00	12.50
C. IDBI's Machinery Bills Rediscounting Scheme				
Unexpired usance of bills/promissory notes				
(a) normal—				
(i) 6 months to 36 months	—	10.75	—	12.00
(ii) over 36 months and upto 84 months	—	10.25	—	11.50
(b) small-scale sector (seller and/or purchaser)				
(i) 6 months to 36 months	—	9.50	—	10.90
(ii) over 36 months and upto 84 months	—	9.00	—	10.40
(c) SEBs and SRTCs in North Eastern and Himalayan Hill Regions** and SEB in the State of West Bengal for use in hill district of Darjeeling—				
(i) 6 months to 36 months	—	7.75	—	9.00
(ii) over 36 months and upto 84 months	—	7.25	—	8.50
(d) Assistance for manufacture and installa- tion of renewable energy systems by industrial units—				
(i) 6 months to 36 months	—	8.25	—	9.60
(ii) over 36 months and upto 84 months	—	7.75	—	9.10

* Inclusive of new units set up by existing companies but excludes expansion/diversification projects in their existing units.

** Comprises States of Assam, Manipur, Meghalaya, Nagaland, Tripura, Jammu & Kashmir, Sikkim and Himachal Pradesh and Union Territories of Arunachal Pradesh and Mizoram. These rates will also apply to the Uttar Pradesh SRTC in respect of purchases of chassis/machinery for the operation in the districts of Almora, Chamoli, Dehradun, Nainital, Pithoragarh, Pauri-Garhwal, Tehri-Garhwal and Uttar Kashi.

(ii) The Industrial Finance Corporation of India

The financial assistance sanctioned and disbursed by the Industrial Finance Corporation of India (IFCI) during 1982-83 (April-March) aggregated Rs.238.3 crores and Rs.198.2 crores as against Rs.218.1 crores and Rs.169.4 crores, respectively, during 1981-82 (Table VIII-15). Sanctions increased by 9.3 per cent and disbursements by 17.0 per cent over the year. The cumulative

sanctions and disbursements by the IFCI till the end of March 1983 aggregated Rs.1,678.7 crores and Rs.1,258.3 crores, respectively.

Loans (excluding guarantees) sanctioned during the year increased by 11.0 per cent from Rs.194.8 crores to Rs.216.2 crores and disbursements by 13.2 per cent from Rs.167.3 crores to Rs.189.3 crores. Out of the total term-loans of Rs.216.2 crores, Rs.99.5 crores were sanctioned to newly established companies and the rest (Rs.116.7

Table VIII—15 : Financial Assistance Sanctioned and Disbursed by the IFCI

(Year: April-March)		(Rupees crores)				
Type of Assistance	1981-82		1982-83		Cumulative Assistance as at the end of March 1983	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7
1. Rupee Loans	179.5*	146.6*	215.7*	169.8*	1349.7*	1018.3*
2. Foreign Currency Loan:	21.8	20.7	6.6	20.8	207.0●	186.7●
3. Underwriting and Direct Subscriptions (i+ii)	16.8	2.1	16.0	7.6	122.0	53.3
(i) Ordinary & Preference Shares	12.7	1.8	13.6	6.4	100.9	41.1
(ii) Debentures	4.1	0.3	2.4	1.2	21.1	12.2
Total	218.1	169.4	238.3	198.2	1678.7	1258.3

* Includes deferred payment guarantees.

● Including guarantees for foreign loans.

crores) to existing companies; of the latter, Rs.11.2 crores were for new projects and Rs.105.5 crores for expansion and modernisation of existing projects. In the disbursements of term-loans of Rs.189.3 crores (excluding guarantees), newly established companies accounted for Rs.74.5 crores and existing companies for Rs.114.8 crores.

During 1982-83, under the head underwriting and direct subscriptions, while sanctions declined by Rs.0.8 crore to Rs.16.0 crores, disbursements at Rs.7.6 crores showed a rise of Rs.5.5 crores. During 1982-83, the IFCI had underwritten shares and debentures to the extent of Rs.10.6 crores of which Rs.5.0 crores had devolved on it. The amount underwritten and devolved since its inception upto March 1983 aggregated Rs.79.2 crores and Rs.44.6 crores, respectively.

Almost two-thirds of the total assistance sanctioned during 1982-83 was for industries of high national priority, such as fertiliser, cement, power generation, paper, industrial machinery, etc. During the year the IFCI sanctioned Rs.115.5 crores for 139 projects in specified backward districts. This constituted 48.5 per cent of total assistance sanctioned by the IFCI during the year. Of the total amount disbursed by the IFCI during 1982-83, Rs.102.9 crores or 51.9 per cent was in respect of projects in such areas.

The IFCI sanctioned assistance of Rs.8.6 crores for 19 projects of 13 concerns under the Soft Loan Scheme. Thus, on March 31, 1983 the IFCI had assisted 297 projects of 200 concerns to the extent of Rs.169.4 crores under the Scheme.

The Risk Capital Foundation (RCF) sponsored by the IFCI with a view to assisting new and technocrat entrepreneurs in meeting a part of the promoters' contribution to the equity capital, sanctioned Rs.65 lakhs to 10 promoters of seven projects. The cumulative assistance by RCF upto March 31, 1983 amounted to Rs.3.6 crores to 76 promoters of 48 projects and disbursements to Rs.3.0 crores benefiting 67 promoters of 41 projects.

During 1982-83, the IFCI raised funds to the extent of Rs.110.0 crores by issue of bonds in two tranches, one each in June and December 1982 for Rs.50.0 crores and Rs.60.0 crores, respectively. The total outstanding borrowings by way of bonds as on March 31, 1983 amounted to Rs.609.6 crores.

The IFCI arranged for a loan of DM 15 million from Kreditanstalt für Wiederaufbau (KfW) being the XX1st line of credit, thus bringing the total credit from KfW as on March 31, 1983 to DM 257.5 million. Assistance in Deutsche Marks sanctioned by IFCI to industrial concerns during the year amounted to DM 13.7 million while disbursements aggregated DM 29.2 million. The Government has also allowed IFCI from October 1, 1977 to convert

the amount recovered from borrower concerns, who were sanctioned assistance under KFW loans, immediately into foreign exchange and use the same for re-lending operations till the amounts became payable to KFW. Such recoveries converted, amounted to DM 42.5 million and loans disbursed out of these funds amounted to DM 29.5 million as on March 31, 1983.

There was no change in the lending rates charged by the IFCI during 1982-83 (April-March). Its basic lending rate continued to remain at 14.0 per cent.

(iii) The Industrial Credit and Investment Corporation of India Ltd.

The Industrial Credit and Investment Corporation of India Ltd. (ICICI) sanctioned and disbursed financial assistance of Rs.405.6 crores and

Rs.276.4 crores, respectively, during 1982-83 (April-March). The sanctions were higher by 34.1 per cent and disbursements by 4.4 per cent than those in the preceding year (Table VIII-16). The increase was largely on account of rupee loans, sanctions rising by Rs.125.6 crores to Rs.275.6 crores and disbursements by Rs.8.4 crores to Rs.165.7 crores. On the other hand, sanctions of foreign currency loans declined by Rs.29.1 crores to Rs.101.9 crores and disbursements by Rs.4.0 crores to Rs.97.9 crores. Sanctions and disbursements under the head underwriting and direct subscriptions to shares and debentures at Rs.28.1 crores and Rs.12.8 crores, respectively, were higher by Rs.6.7 crores and Rs.7.3 crores, respectively, than in the previous year. Cumulative sanctions and disbursements by the ICICI at the end of March 1983 aggregated Rs.2,327.5 crores and Rs.1,702.6 crores, respectively.

Table VIII—16 : Financial Assistance Sanctioned and Disbursed by the ICICI

Type of Assistance	(Year: April-March)		(Rupees crores)			
	1981-82		1982-83		Cumulative Assistance as at the end of March 1983	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7
1. Rupee Loans	150.0*	157.3	275.6*	165.7	1100.8*	762.9
2. Foreign Currency Loans	131.0	101.9	101.9	97.9	1017.3	831.6
3. Underwriting and Direct Subscriptions (a+b)	21.4	5.5	28.1	12.8	209.4	108.1
a) Ordinary and Preference Shares	13.6	2.7	16.2	6.3	142.2	65.3
b) Debentures	7.8	2.8	11.9	6.5	67.2	42.8
Total	302.4	264.7	405.6	276.4	2327.5	1702.6

* Including guarantees.

Assistance sanctioned and disbursed by the ICICI to projects located in specified backward districts/ areas increased from Rs.121.4 crores and Rs.110.8 crores, respectively, in 1981-82 to Rs.144.4 crores and Rs.112.7 crores, respectively, in 1982-83.

Loans (excluding guarantees) sanctioned to new companies amounted to Rs.107.4 crores and to existing companies Rs.252.1 crores which formed 29.9 per cent and 70.1 per cent, respectively, of total loans sanctioned. A major portion (Rs.236.4 crores) of loans to existing companies was earmarked for expansion and modernisation programmes and Rs.15.7 crores for new projects. The share of new companies in disbursement of loans was Rs.79.9 crores or 30.3 per cent and that of existing companies Rs.183.7 crores or 69.7 per cent - 59.8 per cent for expansion and/or modernisation programmes and 9.9 per cent for new projects.

Total resources (net of cancellations and repayments) of ICICI at the end of March 1983 amounted to Rs.1,496.6 crores comprising Rs.858.2 crores or 57.3 per cent in rupees and the rest (42.7 per cent) in foreign currencies equivalent of Rs.638.4 crores. The rupee resources of the ICICI during 1982-83 were augmented by a bond issue of Rs.82.5 crores in June 1982. To augment its foreign currency resources, the ICICI entered into an agreement for a syndicated loan of \$12 million in September 1982. The ICICI also signed an agreement for the twenty-first line of credit from Kreditanstalt für Wiederaufbau for DM 25 million in May 1982 and an agreement for the twenty-second line of credit for DM 20 million in December 1982.

(iv) Housing Development Finance Corporation Ltd.

The Housing Development Finance Corporation Ltd. (HDFC) was promoted in 1977 by the ICICI with the primary objective of providing long-term finance to individuals in middle and lower income groups, associations of individuals and other corporate bodies for construction and purchase on ownership basis residential houses in urban and rural areas all over the country.

During the year 1982-83 (April-March), loans amounting to Rs.64.2 crores were sanctioned by the HDFC for over 16,400 dwelling units spread over 253 towns and cities, an increase of 61.3 per cent over the sanctions in 1981-82. Disburse-

ments at Rs.44.0 crores also recorded an increase of 57.7 per cent. The cumulative sanctions as at the end of March 1983 aggregated Rs.156.1 crores for more than 48,500 units while cumulative disbursements amounted to Rs.95.8 crores.

During the year 1982-83 (April-March), the HDFC raised Rs.13.9 crores by way of term-loans from commercial banks. There was also a net increase of Rs.19.3 crores in the HDFC's deposits mobilised through its various deposit schemes. As on March 31, 1983 its outstanding term-loans and deposits were Rs.27.6 crores and Rs.52.8 crores, respectively. The Corporation arranged to raise a loan of \$20 million in the US capital market under the Housing Guarantee Programme of the United States Agency for International Development with the approval of the Reserve Bank and the Central Government. The HDFC entered into a swap transaction with the State Bank of India and obtained a term-loan of Rs.20 crores against this arrangement.

(v) Life Insurance Corporation of India

Financial assistance^(a) sanctioned and disbursed by the Life Insurance Corporation of India (LIC) during 1982-83 (April-March) at Rs.203.5 crores and Rs.145.3 crores, respectively, was lower than Rs.222.8 crores and Rs.201.2 crores, respectively, in 1981-82 (Table VIII-17). The sanctions declined by 8.7 per cent and disbursements by 27.8 per cent mainly on account of decline in loans (including short-term loans); loan sanctions at Rs.154.7 crores were lower by Rs.29.3 crores and loan disbursements at Rs.110.9 crores were lower by Rs.56.6 crores compared with the previous year. On the other hand, assistance sanctioned and disbursed by way of underwriting and direct subscriptions to shares and debentures increased from Rs.38.8 crores and Rs.33.7 crores, respectively, in 1981-82 to Rs.48.8 crores and Rs.34.4 crores, respectively, in 1982-83.

(a) Sanctions and disbursements relate to investments made by way of term-loans (including short-term loans) to companies, industrial co-operatives and sugar co-operative societies and underwriting of and direct subscriptions to shares and debentures of companies (including subscriptions to rights shares and debentures).

Table VIII—17 : Assistance Sanctioned and Disbursed by the LIC

(Year: April-March)

(Rupees crores)

Type of Assistance	1981-82		1982-83		Amount out-standing as on March 31, 1983
	Sanctions	Disbursements	Sanctions	Disbursements	
1	2	3	4	5	6
1. Loans (i+ii)	184.0	167.5	154.7	110.9	421.7
i) Term-Loans	126.7	102.2	87.7	52.2	296.1
a) Public sector	14.1	16.8	9.1	8.0	N.A.
b) Private Sector (including Joint-Sector)	95.1	67.2	53.6	44.0	N.A.
c) Co-operative Sector	17.5	18.2	25.0	0.2	N.A.
ii) Short-term Loans	57.3	65.3	67.0	58.7	125.6
a) Public Sector	20.0	20.5	20.3	20.3	N.A.
b) Private Sector (including Joint-Sector)	37.3	44.8	46.7	38.4	N.A.
2. Underwriting and Direct Subscriptions (i+ii)	38.8	33.7	48.8	34.4	394.5@
i) Ordinary and Preference Shares	2.2	4.2	5.9	4.1	235.8
ii) Debentures	36.6	29.5	42.9	30.3	158.7
Total (1+2)	222.8	201.2	203.5	145.3	816.2

@ Includes market purchases also.

N.A. = Not Available.

Investments by LIC

The investments by LIC increased from Rs.6,894.4 crores at the end of March 1982 to Rs.7,835.0 crores as at the end of March 1983, a rise of 13.6 per cent or Rs.940.6 crores (Table VIII-18).

Sector-wise, the investments on end-March, 1983 was as follows: Rs.6,189.7 crores (or 79.0 per cent) in public sector, Rs.787.4 crores (or 10.1 per

cent) in private sector, Rs.32.7 crores (or 0.4 per cent) in joint sector and Rs.825.2 crores (or 10.5 per cent) in co-operative sector.

There was no change in the rate of interest charged by the LIC to companies and industrial co-operatives, viz., 14 per cent on consortium loans for projects assisted alongwith other public financial institutions, 16 per cent on non-consortium loans and 17 per cent on short-term loans.

Table VIII—18 : Investments by Life Insurance Corporation of India

(Rupees crores)

Sector	As at the end of March		Net during (April-March)	
	1982	1983	1981-82	1982-83
1	2	3	4	5
1. Public Sector ^(a)	5410.7	6189.7	702.8	779.0
2. Private Sector	698.7	787.4	81.1	88.7
i) Equity Shares	181.3	193.3	6.9	12.0
ii) Preference Shares	39.4	37.4	-1.1	-2.0
iii) Debentures	151.7	185.0	29.1	33.3
iv) Loans	323.6	371.7	43.5	48.1
v) Others	2.7	—	2.7	-2.7
3. Joint Sector	32.0	32.7	2.5	0.7
i) Shares and debentures	8.5	8.7	0.3	0.2
ii) Loans	23.5	24.0	2.2	0.5
4. Cooperative Sector	753.0	825.2	87.5	72.2
i) Shares and debentures	292.1	316.4	24.3	24.3
ii) Loans	460.9	508.8	63.2	47.9
Total	6894.4	7835.0	873.9	940.6

^(a) Government and other approved securities, loans, investment in government companies and other statutory bodies, etc.

Source: Life Insurance Corporation of India.

(vi) The General Insurance Corporation of India and its subsidiaries

Aggregate assistance in the form of project finance sanctioned and disbursed by the General Insurance Corporation of India (GIC) and its subsidiaries* during 1982-83 (April-March) increased to Rs.92.7 crores and Rs.44.7 crores, respectively, from Rs.50.0 crores and Rs.33.7 crores, respectively, in 1981-82 (Table VIII-19). Sanctions were higher by 85.4 per cent and disbursements by 32.6 per cent than in the previous year. Loans sanctioned and disbursed increased marginally by Rs.4.4 crores and Rs.1.9 crores, respectively, to Rs. 30.2 crores and Rs. 15.3 crores, respectively. On the other hand, there was a substantial rise in the assistance sanctioned in the form of underwriting and direct subscriptions to shares

and debentures which increased significantly by Rs.38.3 crores from Rs.24.2 crores to Rs.62.5 crores. Disbursements under this head also increased by Rs.9.1 crores from Rs.20.3 crores to Rs.29.4 crores. This phenomenal rise was mainly due to increased underwriting and/or direct subscriptions to debentures, sanctions and disbursements under this head increasing from Rs.13.6 crores and Rs.13.3 crores, respectively, in 1981-82 to Rs.52.6 crores and Rs.20.8 crores, respectively, in 1982-83.

* The United India Insurance Co. Ltd., the Oriental Fire and General Insurance Co. Ltd., the National Insurance Co. Ltd., and the New India Assurance Co. Ltd.

Table VIII—19 : Assistance@ Sanctioned and Disbursed by GIC and its Subsidiaries

(Year: April-March)

(Rupees crores)

	1981-82		1982-83	
	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5
A. Sector-wise Assistance				
1. Public Sector	0.5	0.5	3.6	4.5
2. Private Sector	47.0	31.3	88.5	39.1
3. Joint Sector	2.5	1.9	0.6	1.1
Total	50.0	33.7	92.7	44.7
Of which: for Projects in Backward Areas	8.7	4.0	1.4	4.9
B. Type of Assistance				
1. Loans	25.8	13.4	30.2	15.3
2. Underwriting and Direct Subscriptions to:	24.2	20.3	62.5	29.4
i) Ordinary and Preference Shares	10.6	7.0	9.9	8.6
ii) Debentures	13.6	13.3	52.6	20.8
Total	50.0	33.7	92.7	44.7

@ Relates to project finance only.

Sector-wise, assistance sanctioned to units in private sector increased substantially from Rs.47.0 crores in 1981-82 to Rs.88.5 crores in 1982-83. Assistance disbursed to units in this sector also increased from Rs.31.3 crores to Rs.39.1 crores. Assistance sanctioned and disbursed to units in public sector during 1982-83 amounted to Rs.3.6 crores and Rs.4.5 crores, respectively.

GIC and its subsidiaries charged 15 per cent interest (with a rebate of one per cent for prompt repayment) on term loans. For bridge finance they charged 16 per cent till the borrowing company created security for the term-loan, but with effect from April 1, 1983 the rate was lowered to 15 per cent. Additional one per cent interest is charged if

the bridge loan is not converted into regular loan within a year.

Investments by GIC and its Subsidiaries

The investments by GIC and its Subsidiaries increased from Rs.1,055.7 crores as at the end of December 1981 to Rs.1,298.3 crores as at the end of December 1982 (Table VIII-20).

Sector-wise, investments as on 31st December 1982 was as follows: Rs.790.2 crores (or 60.9 per cent of the total investment) in public sector; Rs.494.4 crores (or 38.1 per cent) in private sector; Rs.10.8 crores (or 0.8 per cent) in joint sector and Rs.2.9 crores (or 0.2 per cent) in co-operative sector.

Table VIII—20 : Investments by GIC and its subsidiaries

(Rupees crores)

Sector	As at the end of December		Net during January-December	
	1981	1982	1981	1982
1	2	3	4	5
1. Public Sector [@]	644.4	790.2	147.8	145.8
2. Private Sector	399.0	494.4	40.9*	95.4
i) Equity shares	183.8	209.1		25.3
ii) Preference shares	38.4	45.2		6.8
iii) Debentures	52.5	75.4		22.9
iv) Loans	114.7	146.5		31.8
v) Others	9.6	18.2		8.6
3. Joint Sector	9.4	10.8	3.0*	1.4
i) Shares & debentures	5.5	6.4		0.9
ii) Loans	3.9	4.4		0.5
4. Cooperative Sector [•]	2.9	2.9	- 0.1	—
Total	1055.7	1298.3	191.6	242.6

[@] Government and other approved securities, loans, investment in government companies and other statutory bodies, etc.[•] Investment in shares and debentures of co-operative societies and co-operative land mortgage banks.

* Break up not available.

Source: General Insurance Corporation of India.

(vii) The Unit Trust of India

The Unit Trust of India (UTI) recorded further increase in the sale of its units to Rs. 166.9 crores during 1982-83 (July-June) from Rs. 157.4 crores in 1981-82 (Table VIII-21). Sale of units under the Unit Scheme 1964 increased by Rs. 10.6 crores to Rs. 75.8 crores and under the Unit Scheme 1971 (ULIP) by Rs. 5.9 crores to Rs. 21.4 crores. Sales under the two new schemes, viz., the Monthly Income Unit Scheme and the Growth and Income Unit Scheme, amounted to Rs. 49.0 crores and Rs. 13.5 crores, respectively. Sales under the Charitable and Religious Trusts and Registered Societies (CRTS) Scheme, 1981 at Rs. 7.2 crores were, however, lower than Rs. 9.2 crores in 1981-82.

The sale of units under the Monthly Income Unit Scheme, launched in March 1983 remained open only for two months, March and April 1983. This

scheme was meant for persons above the age of 55 years, widows, physically and mentally handicapped and certain institutions. It provided for monthly payment of dividend at the rate of 12 per cent per annum. The minimum and maximum investment under the scheme was fixed at Rs. 5,000 and Rs. 1 lakh (Rs. 5 lakhs in the case of certain eligible institutions), respectively.

The Growth and Income Unit Scheme provided for an assured dividend of 10 per cent per annum and a promise of reasonable capital appreciation. The scheme envisaged investment for a period of just over five years, contributions per applicant ranging between Rs. 3,000 and Rs. 15,000. The scheme was in operation for two months, viz., May and June 1983.

Repurchases of units during 1982-83 declined substantially to Rs. 15.5 crores from Rs. 27.3 crores in 1981-82. Units sold and outstanding with the public under all the schemes at the end of June 1983

Table VIII—21 : Trends in Operations of the Unit Trust of India^(a)

Year: (July-June)	(Rupees crores)				
	1978-79	1979-80	1980-81	1981-82	1982-83
1	2	3	4	5	6
1. Units Sold (face-value)	101.5	57.9	52.1	157.4	166.9
2. Units Repurchased (face-value)	9.5	14.4	17.6	27.3	15.5
3. Unit Capital Outstanding (face-value) (As at the end of June)	347.5	390.9	425.4	555.5	706.9
4. Investible Funds (As at the end of June)	402.4	467.0	523.2	679.2	870.2
5. Investment in (As at the end of June)					
(a) Ordinary and Preference Shares	136.9	142.6	145.5	165.9	192.9
(b) Debentures	82.9	112.3	138.1	195.3	288.9
6. Dividend Rate (per cent)**					
(a) 1964 Scheme	9.00	10.00	11.50	12.50	13.50
(b) 1971 Scheme	8.00	8.50	8.75	9.50	10.50
(c) CRTS 1981	—	—	—	12.50	12.75
7. Current Yield* (1964 Scheme)	7.67	8.56	9.62	10.29	10.65

(a) Covers Unit Scheme 1964, Unit Linked Insurance Plan Scheme, 1971, Capital Unit Scheme 1976, Scheme for Charitable and Religious Trusts and Registered Societies 1981, Income Unit Scheme 1982, Monthly Unit Scheme 1983 and Growth and Income Unit Scheme 1983.

* Dividend as percentage of weighted average sale price during the year worked out with weights proportional to the number of units sold at different prices.

** The Income Unit Scheme 1982 provides for fixed rate of dividend varying between 12 per cent and 13 per cent per annum. Monthly Income Unit Scheme 1983 provides for dividend of 12 per cent payable every month. Growth and Income Unit Scheme 1983 provides for dividend of 10 per cent per annum.

Source: Unit Trust of India.

aggregated Rs.706.9 crores as against Rs.555.5 crores at the end of June 1982.

UTI has raised the rate of dividend from 12.5 per cent to 13.5 per cent under the Unit Scheme 1964, from 9.5 per cent to 10.5 per cent under the Unit Scheme 1971 and from 12.5 per cent to 12.75 per cent under the CRTS Scheme, 1981 for the year ended June 1983.

In the sphere of industrial finance, assistance sanctioned and disbursed by the UTI through privately placed debentures and underwriting and direct subscriptions to public issues of capital by companies during 1982-83 (April-March) amounted to Rs.126.3 crores and Rs.68.7 crores, respectively, as against Rs.86.1 crores and Rs.67.2 crores, respec-

tively, in 1981-82 (Table VIII-22). Sanctions for privately placed debentures at Rs.65.2 crores, were higher by Rs.21.1 crores than in 1981-82. Disbursements on this account, however, increased marginally from Rs.33.2 crores to Rs.33.8 crores. Sanctions and disbursements under the head underwriting and direct subscriptions to shares and debentures increased from Rs.42.0 crores and Rs.34.0 crores, respectively, in 1981-82 to Rs.61.1 crores and Rs.34.9 crores, respectively, in 1982-83. The cumulative assistance sanctioned and disbursed by the UTI upto end-March 1983 aggregated Rs.514.9 crores and Rs.439.4 crores, respectively.

The investible funds of the Trust as on June 30, 1983 rose to Rs.870.2 crores from Rs.679.2 crores at the end of June 1982. Out of the total investible

Table VIII—22 : Financial Assistance Sanctioned and Disbursed by Unit Trust of India

(Year: April-March)

(Rupees crores)

Type of Assistance	1981-82		1982-83		Cumulative Assistance as at the end of March 1983	
	Sanctions	Disburse- ments	Sanctions	Disburse- ments	Sanctions	Disburse- ments
1	2	3	4	5	6	7
1. Subscriptions to Privately Placed Debentures	44.1	33.2	65.2	33.8	236.9	195.5
2. Underwriting and Direct Subscriptions (a+b)	42.0	34.0	61.1	34.9	278.0	243.9
(a) Ordinary and Preference Shares	2.2	3.3	4.8	3.5	57.0	56.9
(b) Debentures	39.8	30.7	56.3	31.4	221.0	187.0
Total	86.1	67.2	126.3	68.7	514.9	439.4

Source: Unit Trust of India.

funds, equity shares claimed Rs. 180.8 crores (20.8 per cent), preference shares Rs. 12.1 crores (1.4 per cent), debentures Rs. 288.8 crores (33.2 per cent) and the balance Rs. 388.5 crores (44.6 per cent) was mainly invested in advance deposits against investment commitments, fixed deposits, bridge finance and money at call and short notice.

(viii) The Industrial Reconstruction Corporation of India Ltd.

The Industrial Reconstruction Corporation of India Ltd. (IRCI) assisted 88 industrial units during the year ending March 1983 compared with 71 units in the preceding year. The financial assistance (term-loans and hire-purchase assistance) sanctioned and disbursed amounted to Rs. 57.9 crores and Rs. 36.0 crores, respectively, 23.5 per cent and 28.6 per cent higher, respectively, than in the previous year. The cumulative total of sanctions and disbursements upto end-March 1983 stood at Rs. 201.1 crores and Rs. 146.7 crores, respectively (Table VIII-23). Sector-wise, sanctions to projects in public sector, joint sector and private sector amounted to Rs. 7.4 crores, Rs. 1.6 crores and Rs. 48.9 crores, respectively. Of the total disbursements, Rs. 5.4 crores were disbursed to projects in public sector, Rs. 0.3 crore to projects in joint sector

and Rs. 30.3 crores to projects in private sector. Over the year, the share of private sector (including joint sector) in total assistance sanctioned increased from 79.4 per cent to 87.2 per cent and that in disbursements from 73.9 per cent to 84.9 per cent.

The IRCI has diversified its activities into ancillary lines, incidental and allied to its task of rehabilitation, such as consultancy services, merchant banking and equipment leasing. The IRCI's consultancy service is intended to help banks and financial institutions to assess intrinsic worth of sick units which seek assistance for revival. The merchant banking services of IRCI are provided to units for amalgamation, merger and reconstruction while the equipment leasing is an extension of the IRCI's hire-purchase scheme.

(ix) The Export-Import Bank of India

The Export-Import Bank of India (Exim Bank), which was established on January 1, 1982 by an Act of Parliament, commenced operations from March 1, 1982. The export loans and guarantee portfolio of

Table VIII—23 : Financial Assistance● Sanctioned and Disbursed by Industrial Reconstruction Corporation of India Ltd.

(Rupees crores)

(Year: April-March)	Number of Units	Sanctions	Disbursements
	1	2	3
1981-82	71 (38)*	46.9	28.0
1982-83	88 (50)*	57.9	36.0
Cumulative Position as at the end of March 1983	185	201.1	146.7

● Consists of term-loans and hire-purchase assistance granted for purchase of Diesel Generating Sets.

* Number of fresh units for which assistance was sanctioned during the year and also included in the total.

the IDBI was transferred on March 1, 1982 to the Exim Bank, which assumed funded liability of Rs.169.2 crores and non-funded liability, in the form of export guarantees, of Rs.336.4 crores under the General Fund and Rs.2.5 crores under the Development Assistance Fund, now called Export Development Fund.

The programmes of funded assistance, viz., direct financial assistance to exporters, overseas investment financing, pre-shipment credit, overseas buyers' credit, lines of credit and refinance of export credit were taken over by the Exim Bank from the IDBI. The Exim Bank operates various lending programmes for promotion of exports of engineering and capital goods and related services from India. Funded financial assistance on competitive credit terms is extended to enable Indian exporters to operate in international markets. The Exim Bank introduced three lending programmes during March-December 1982, namely, export bills rediscounting, technology and consultancy services financing and re-lending facility to banks abroad. The Exim Bank participates with commercial banks in India in the issuance of guarantees in foreign currencies on behalf of Indian exporters/contractors in favour of overseas importers. During March-December 1982, the Exim Bank's approvals under funded assistance aggregated Rs.292.9 crores, of which sanctions and utilisation amounted to Rs.236.0 crores and Rs.178.5 crores, respectively. Approvals on account of non-funded facilities aggregated Rs.774.3 crores. Export guarantees of

Rs.101.9 crores were executed during March-December 1982 (Table VIII-24). Under funded and non-funded assistance, Rs.219.9 crores and Rs.398.6 crores, respectively, were outstanding as at the end of December 1982.

More than three-fourths of the funded approvals were for financing export of transport equipment (43 per cent) and power generation and distribution equipment (33 per cent). The construction industry claimed the bulk of the non-funded approvals (78 per cent).

Textile machinery, transport equipment, sugar plants and other engineering plants accounted for most of the assistance sanctioned (90 per cent) under the various funded programmes (excluding export bills rediscounting). Utilisation of funded assistance (excluding export bills rediscounting) was the highest for transport equipment (47 per cent), followed by power generation and distribution equipment (11 per cent). Construction industry accounted for 72 per cent of the guarantees executed.

Nearly two-thirds of the approvals under funded lending programmes were for export to South East Asia and this together with Africa accounted for 93 per cent of the funded approvals. For non-funded approvals, projects in West Asia received the largest share (66 per cent), followed by Africa (22 per cent) and South East Asia (12 per cent).

Table VIII—24 : Operations of Exim Bank

(Period : March-December 1982)

(Rupees crores)

Lending Programmes	Sanctions	Utilisations*	Outstandings +
1	2	3	4
A. Funded			
1. Buyers' Credit	11.9	0.4	15.6
2. Export Bills Rediscounting	122.1	111.1	18.4
3. Export Credit Refinance	6.7	14.1	30.7
4. Lines of Credit	42.0	16.6	59.8
5. Overseas Investment Finance	0.4	6.3	10.4
6. Pre-shipment Credit	—	—	1.0
7. Re-lending Facility	14.2	—	—
8. Suppliers' Credit	38.7	30.0	84.0
Total (Funded)	236.0	178.5	219.9
B. Non-funded (Export Guarantees)	101.9	101.9*	398.6

* Guarantees executed.

+ Including IDBI's operations prior to March 1982.

The Exim Bank's resources, as on December 31, 1982, aggregated Rs.358.6 crores comprising paid-up capital of Rs.75.0 crores, long-term loans of Rs.20.0 crores from the Government and Rs.70.0 crores from the Reserve Bank, Rs.171.7 crores due to IDBI on transfer of export loans from the IDBI besides reserves. The Exim Bank raised its first Euro-Dollar loan of US \$25 million during the period under review.

March 31, 1983 stood at Rs.1,503.4 crores as against Rs.1,206.7 crores at the end of March 1982 (Table VIII-25). The bulk of the assistance sanctioned by SFCs went to projects in small-scale industries sector and in particular to units located in backward districts/areas. Assistance sanctioned and

Table VIII—25 : Operations of State Financial Corporations

(Year: April-March)

(Rupees crores)

	1981-82	1982-83*
Assistance Sanctioned	514.3	636.8
Assistance Disbursed	316.0	405.6
Assistance Outstanding as at the end of March 1983	1,206.7	1,503.4

* Provisional.

Source: Industrial Development Bank of India.

(x) Operations of State Financial Corporations

During the year 1982-83 (April-March), the operations of State Financial Corporations (SFCs) showed a significant growth indicating a further rise in the long-term financial assistance to the small and medium-scale industrial sector. The aggregate assistance sanctioned by the 18 SFCs (including the Tamil Nadu Industrial Investment Corporation Ltd.) increased by 23.8 per cent from Rs.514.3 crores in 1981-82 to Rs.636.8 crores. The assistance disbursed at Rs.405.6 crores recorded a higher rise of 28.4 per cent. Loans outstanding as on

disbursed to small-scale industries by SFCs at Rs.490.5 crores and Rs.335.7 crores formed 77.0 per cent and 82.7 per cent of the total sanctions and disbursements, respectively. Assistance sanctioned and disbursed to projects in the specified backward districts/areas by SFCs rose from Rs.232.6 crores and Rs.150.9 crores, respectively, in 1981-82 to Rs.286.9 crores and Rs.209.3 crores, respectively, in 1982-83.

(xi) The National Small Industries Corporation Ltd.

The National Small Industries Corporation Ltd. (NSIC) showed marked improvement in its activities during 1982-83 (April-March) over the preceding year (Table VIII-26).

Under its hire-purchase scheme, the NSIC supplied machines worth Rs.11.1 crores to small-scale units as against Rs.7.6 crores last year. Total value of machines delivered on hire-purchase basis upto March 31, 1983 aggregated Rs.139.4 crores and the total amount due from the hirers as on that date amounted to Rs.16.6 crores.

In the field of marketing, the NSIC provides assistance to small units for promoting their sales. The NSIC also arranges for testing facilities to small-scale industries so that they standardise their products and maintain consumer confidence. In the sphere of marketing, NSIC's operations during the year 1982-83 rose to the tune of Rs.5.4 crores (Rs.4.4 crores in 1981-82) comprising raw materials - Rs.1.3 crores (Rs.74 lakhs), project exports - Rs.52 lakhs (Rs.1.0 crores), internal marketing - Rs.2.1 crores (Rs.1.6 crores) and commodity exports - Rs.1.5 crores (Rs.1.1 crores).

Under the Government Store Purchase Programme, 2,015 units were listed with the NSIC for executing Government contracts during 1982-83. The enlisted units secured orders for products worth Rs.107.2 crores from D.G.S.&D. during 1982-83 compared with Rs.82.3 crores in the previous year. In addition, they secured orders for products worth Rs.93.0 crores from other departments like Railways, Post & Telegraph, etc. The cumulative value of contracts secured by the NSIC under the Government Stores Purchase Programme upto March 31, 1983 aggregated Rs.931.8 crores.

Table VIII—26 : Business Turnover of NSIC

Type of Activities	1981-82	1982-83
	(April-March)	(April-March)
1	2	3
1. Value of Machines Supplied under Hire-purchase Scheme to Small-scale Units (Rupees crores)	7.63	11.09
2. Marketing Activity (Rupees crores)	4.42	5.41
3. Number of Small-scale Units Listed with NSIC for Executing Government Contracts	1626	2015
4. Value of Contracts Secured under Central Government Store Purchase Programme (Rupees crores)	82.28	107.22
5. Number of Trainees at Various PDT Centres.	510	721

Source: National Small Industries Corporation Ltd.

The NSIC continued to organise training programmes in its four Prototype Development and Training Centres (PDTCs). During the year 1982-83, training programmes had been arranged for 721 persons. The value of machine tools sold and job orders executed during 1982-83 through PDTCs amounted to Rs.1.8 crores as against Rs.1.3 crores in 1981-82.

The NSIC is also engaged in export of projects on turn-key basis to developing countries like Tanzania, Nigeria, Kenya, Indonesia and Bangladesh. Besides, the NSIC gives publicity to products of small-scale units by participating in various national and international exhibitions.

(xii) The National Industrial Development Corporation Ltd.

The National Industrial Development Corporation provides consultancy services for industrial development including designing and detailed engineering of industrial projects. Besides the Central and State Governments and public and private sector enterprises in the country, NIDC's services are also availed of by foreign governments and other international organisations. In addition to the on-going projects, the important projects taken up by NIDC during 1982-83 (April-March) include the following: (i) detailed designs, engineering and construction management services for townships for the National Aluminium Co. and the Bharat Aluminium Co., a housing complex for the Mishra Dhatu Nigam and a textile mill in Assam; (ii) detailed designs for a nuclear fuel complex for the Department of Atomic Energy, two seed processing and storage complexes for the National Seed Corporation and an ore sorter plant for the Hindustan Copper Ltd.; (iii) market survey for down stream products of aluminium and for diesel engines; and (iv) techno-economic feasibility reports for various projects including accumulator battery cells manufacturing units in the Peoples Democratic Republic of Yemen.

The value of the consultancy services rendered by NIDC during 1982-83 amounted to Rs.1.3 crores compared with Rs.1.5 crores in 1981-82. The net foreign exchange earned by NIDC aggregated Rs.51.0 lakhs during the year as against Rs.55.1 lakhs last year.

III. (i) Scheduled Commercial Banks' Advances to (a) Small-Scale Industries, (b) Small Road and Water Transport Operators and (c) for Setting up of Industrial Estates

According to the latest data available, as on last Friday of June 1981 the credit limits (including term-loans and advances to craftsmen and other qualified entrepreneurs) sanctioned by scheduled commercial banks to small-scale industries* aggregated Rs.4,354.9 crores which were higher by 23.8 per cent than the limits of Rs.3,518.6 crores as at the end of June 1980. The number of units availing of credit limits at 8,67,989 lakhs increased by 1,31,046 lakhs or 17.8 per cent. The amount outstanding at the end of June 1981 stood at Rs.3,514.8 crores which was higher by Rs.721.6 crores or 25.8 per cent than that at the end of June 1980 (Table VIII-27).

Of the total limits in force, Rs.105.7 crores were for artisans/village and cottage industries, Rs.274.7 crores for units in the tiny sector@ and Rs.143.6 crores for craftsmen and other qualified entrepreneurs. The amounts outstanding at the end of June 1981 in respect of each of these three categories stood at Rs.84.2 crores, Rs.223.8 crores and Rs.123.6 crores, respectively.

Term-Loans

Term-loans sanctioned by scheduled commercial banks to small-scale industrial units during 1980-81 recorded a rise of Rs.90.6 crores and as on June 30, 1981 stood at Rs.637.7 crores in respect of 1,35,131 units.

Loans and advances to small road and water transport operators

Sanctions of loans and advances by scheduled commercial banks to small road and water transport operators as at the end of June 1981 amounted to Rs.990.8 crores and the amount outstanding stood

* Industrial units with investments in plant and machinery upto Rs.20 lakhs and in the case of ancillary units upto Rs.25 lakhs.

@ Industrial units located in villages and towns with population not exceeding 50,000 (1971 census) and in which the original investment in equipment and machinery did not exceed Rs.2 lakhs.

Table VIII—27 : Loans and Advances by Scheduled Commercial Banks to Small Scale Industries, Small Road and Water Transport Operators and for Setting up of Industrial Estates

Particulars as on the Last Friday of	Number of Units		Limits in Force (Rupees crores)		Balance Outstanding (Rupees crores)	
	June 1980	June 1981	June 1980	June 1981	June 1980	June 1981
1	2	3	4	5	6	7
I. Small-Scale Industries	7,36,943 (1,15,574)	8,67,989 (1,35,131)	3518.6 (547.1)	4354.9 (637.7)	2793.2 (475.2)	3514.8 (542.2)
<i>Of which:</i>						
i) Artisans, Village & Cottage Industries.	3,21,771	3,81,007	80.6	105.7	55.4	84.2
ii) Tiny Sector	1,15,947	1,35,931	191.9	274.7	165.0	223.8
iii) Craftsmen and Other Qualified Entrepreneurs	77,981	78,189	139.4	143.6	113.5	123.6
II. Small Road and Water Transport Operators	2,67,680	3,26,019	709.9	990.8	568.8	820.2
III. For Setting up of Industrial Estates.	252	235	33.2	48.1	28.7	41.5

Note: 1. Data are provisional.

2. Data in brackets relate to term-loans.

at Rs.820.2 crores, showing an increase of Rs.280.9 crores and Rs.251.4 crores, respectively, over June 30, 1980. Of the total outstandings at Rs.820.2 crores, a little more than one-fourth was availed of by taxi, scooter and autorikshaw operators and persons plying boats and barges.

Advances for setting up of Industrial Estates

The credit limits sanctioned by scheduled commercial banks for setting up of 235 industrial estates aggregated Rs.48.1 crores and the amount outstanding at the end of June 1981 was Rs.41.5 crores.

(ii) Credit Guarantee Function of DICGC Relating to Small-Scale Industries

As pointed out earlier, the Deposit Insurance and Credit Guarantee Corporation (DICGC) introduced its own guarantee scheme, viz., Small Loans (Small-scale Industries) Guarantee Scheme, 1981 with effect from April 1, 1981 in place of the Government of India's Credit Guarantee Scheme for small-scale industries which ceased to operate from April 1, 1981.

The number of institutions participating in the DICGC's credit guarantee scheme relating to small-scale industries rose from 285 as at the end of June 1982 to 318 as at the end of March 1983. During the period, the number of participating RRBs increased by 12 to 83, co-operative banks by 19 to 145 and SFCs by 2 to 15 while that of commercial banks and State development agencies remained unchanged at 71 and 4, respectively. Besides, 2 SFCs, 1 State development agency and 7 co-operative banks have expressed willingness to join the scheme but were yet to execute necessary agreements.

The guaranteed advances to small-scale industries rose from Rs.3,716 crores as at end-March 1981 to Rs.3,904 crores as at end-June 1982. Under the DICGC's new guarantee scheme operating since April 1, 1981, a total of 6,987 claims for Rs.16.1 crores were received as at the end of March 1983. The Corporation scrutinised and disposed of 4,317 claims for Rs.3.9 crores till the end of March 1983.

As an agent of the Central Government for the discharge of the residual functions in respect of the Government scheme (which ended as at the close of

business on March 31, 1981), the DICGC had taken over 30,826 claims for Rs.98.2 crores as on April 1, 1981 from the erstwhile Credit Guarantee Organisation. The Corporation also received between April 1, 1981 and end of March 1983 further 26,265 claims for Rs.46.0 crores. Of these, 32,921 claims for Rs.41.9 crores were scrutinised and disposed of till the end of March 1983. During the period April 1981 to March 1983, Rs.23.3 crores were disbursed against such claims, of which Rs.14.2 crores were reimbursed by the Government till May 1983.

In order to induce the credit institutions to improve their pre-lending appraisal and post-lending supervision and recoveries, the DICGC reduced the guarantee cover from 90 per cent, wherever it is so provided, to 75 per cent of the amount in default, effective in respect of fresh advances granted from March 1, 1983. This includes advances under the Differential Rate of Interest (DRI) Scheme and consumption loans covered under the Small Loan Guarantee Scheme (SLGS), 1971 and also advances to technician entrepreneurs and to small-scale industrial units (upto certain limits) covered under its new scheme.

IV. Private Sector Investment

The trends in capital consents, new capital issues and assistance extended by term-lending institutions discussed in the preceding paragraphs show that the improvement noticed during the year 1981-82 in investment activity of private corporate sector was maintained during 1982-83. Other broad indicators of private sector investment, such as issue of letters of intent and industrial licences, approvals of foreign collaborations and issue of import licences for capital goods and heavy electrical plants during the year under review lend further support to the trend of improvement in investment activity.

The number of letters of intent and industrial licences issued to prospective entrepreneurs during the period January-June 1983 were higher at 445 and 509, respectively, than 427 and 260, respectively, during the corresponding period of 1982. The number of foreign collaboration approvals also increased from 257 during January-June 1982 to 315 during January-June 1983 (Table VIII-28).

The value of import licences issued to private sector for import of capital goods and heavy electrical plants during 1982-83 (April-March) at Rs.477 crores was 9.3 per cent lower than that of Rs.526 crores during 1981-82 (Table VIII-29).

Indian Joint-Ventures Abroad

As at the end of March 1983, 140 joint-ventures were in production/operation and 88 proposals were in various stages of implementation. Indian invest-

ment in the 140 joint-ventures in operation, by way of equity share capital, as at the end of March 1983 aggregated Rs. 55.8 crores as against Rs. 46.4 crores in 134 joint-ventures at the end of March 1982 (Table VIII-30).

Table VIII-28 : Trends in Issue of Letters of Intent and Industrial Licences and Foreign Collaboration Approvals

(Numbers)

Year	Letters of Intent	Industrial Licences	Foreign Collaboration Approvals
1	2	3	4
1980	946	475	526
1981	916	476	389
1982	1043	432	591
January-June			
1982	427	260	257
1983	445	509	315

Source: Ministry of Industry, Government of India.

Table VIII-29 : Trends in Import Licences for Capital Goods and Heavy Electrical Plants

(Rupees crores)

Year (April-March)	Value of Import Licences		
	Government	Private	Total
1	2	3	4
1980-81	722 (+ 59.7)	405 (+ 42.1)	1127 (+ 52.9)
1981-82	1234 (+ 70.9)	526 (+ 29.9)	1760 (+ 56.2)
1982-83	843 (- 31.7)	477 (- 9.3)	1320 (- 25.0)

Note: Figures in brackets are percentage variations over the previous year.

Source: Chief Controller of Imports and Exports.

Table VIII-30 : Indian Joint-Ventures Abroad

As at end-March	In operation		Under implementation	
	No. of Joint Ventures	Indian Equity (Rs. crores)	No. of Joint Ventures	Indian Equity (Rs. crores)
1	2	3	4	5
1982	134	46.37	86	71.83
1983	140	55.77	88	66.28

Source: Government of India, Ministry of Commerce.

The maximum number of joint-ventures in operation are in the manufacturing sector accounting for 95 per cent of the Indian investment by way of equity share capital. In recent years, however, there has been a distinct shift towards non-manufacturing areas, e.g., tea blending and packaging, tea auction centres, book publishing and distribution, real estate development, bore piling and water well drilling, travel and tours, financial consultancy and computer data processing.

Over 80 per cent of the joint-ventures in operation are concentrated in 10 countries, viz., Malaysia

(27), Singapore (16), Indonesia (13), the USA (10), the UAE and Kenya (9 each), Thailand and the UK (8 each), Sri Lanka and Nigeria (7 each). The other countries are Mauritius (4), Saudi Arabia and West Germany (3 each), Philippines and Hongkong (2 each), Nepal, Bangladesh, Oman, Kuwait, Bahrain, Australia, Fiji, Tonga, Uganda, Botswana, France and Netherlands (one each). Region-wise, the largest number of joint-ventures in operation are located in the neighbouring countries of South and South East Asia (77) followed by Africa (22).

Chapter IX

Developments in Foreign Trade

I. Trends in India's Foreign Trade — 1982-83 (April-March)

Overall Trends

The steady deterioration from 1977-78 in the country's trade balance was arrested in 1982-83 because of acceleration in the rate of growth of exports and deceleration in that of imports. According to provisional figures released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S), the merchandise trade deficit which had more than doubled from Rs.2,232 crores in 1979-80 to Rs.5,205 crores in 1980-81 and risen further to Rs.5,753 crores in 1981-82, narrowed down to Rs.5,409 crores during 1982-83. According to the latest revision by the DGCI&S, the trade deficit in the respective years was higher and climbed up from Rs.2,449 crores in 1979-80 to Rs.5,813 crores in 1980-81 and further to Rs.5,868 crores in 1981-82. The revised data for 1982-83 show a smaller trade deficit of Rs.5,447 crores than that in the preceding two years.

Exports

According to the provisional figures of the DGCI&S, exports (including re-exports) during 1982-83 amounted to Rs.8,637 crores and were higher by Rs.1,279 crores or 17.4 per cent over Rs.7,358 (provisional) crores in 1981-82. The latest revised DGCI&S data show that in 1981-82 exports grew by Rs.1,092 crores or 16.3 per cent to Rs.7,803 crores.

The Indian performance needs to be viewed against the continued unfavourable world trading environment. The GDP of industrial countries after near stagnation in two years, in fact, declined in 1982. The unemployment rate in these countries rose further and strengthened the protectionism in these countries. The continued balance of payments difficulties forced more non-oil developing countries to cut back on their imports and the OPEC countries, too, had to slow down their import growth drastically as they faced a fall in the value of oil exports and a few even experienced overall

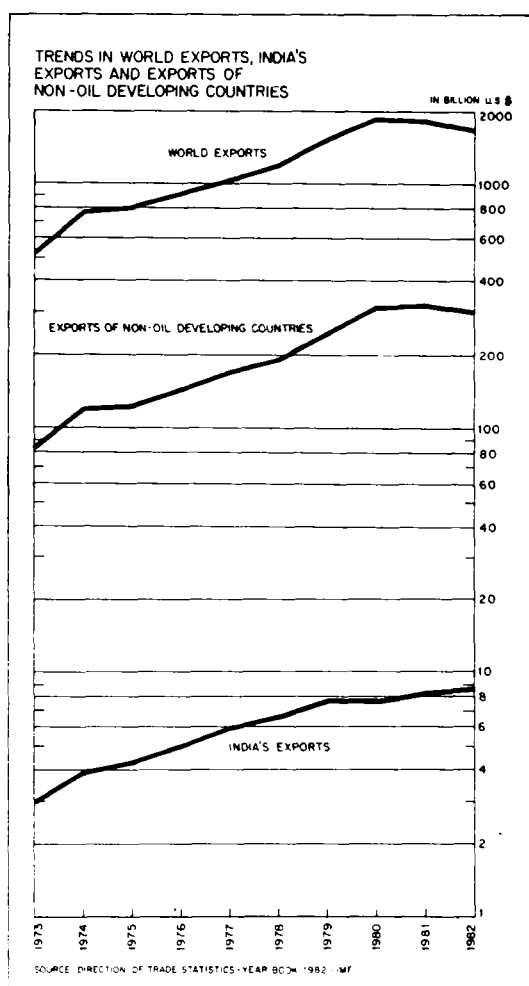
payments difficulties. The East European countries in their efforts to contain their growing trade imbalance with India seem to have restricted imports from India during the latter half of 1982-83.

The international trading situation was especially unfavourable for the primary products for the last couple of years. Prices of non-oil primary commodities (in U.S. dollars) declined by nearly 15 per cent in 1981 and by another 12 per cent in 1982. Though there was some improvement during the early period of 1983, the prices remained low by historical standards. These developments naturally affected unit value realisations of a number of primary product exports from India.

As a result of adverse international situation, world exports during 1982 declined further by 7 per cent in U.S. dollar terms, after a fall of 2 per cent in the previous year, while those of non-oil developing countries as a group recorded a decline of 5 per cent in 1982. Indian exports, on the other hand, increased by 5 per cent. The share of India in world exports which had been shrinking steadily from 0.57 per cent in 1977 to a low of 0.41 in 1980, showed an increase in 1982 reaching 0.51 per cent India's export *vis-a-vis* world exports are indicated in graph on page 284.

While assessing the Indian export achievement, it is necessary to take into account the role played by oil exports from India. Available information suggests that the rise in Indian exports during 1982-83 was attributable in the main to sizeable exports of crude oil from Bombay High* on account of constraints in the refinery capacity in India for refining a particular type of crude petroleum from Bombay High.

* According to figures published by the Petroleum Department of the Energy Ministry, exports of crude oil amounted to Rs.839 crores and of POL products Rs.101 crores during the period April-December 1982. Figures for oil exports are, however, not separately shown in the DGCI&S data, though they have been included in the totals.



Commodity-wise data for exports and imports for 1982-83 are available only on a provisional basis from the DGCI&S and are subject to considerable revisions on receipt of late/supplementary returns. Data on exports are set out in Table IX-1 along with those for 1981-82 and 1980-81. The trends in exports are reviewed in the following paragraphs on the basis of these data, supplemented by information from the Export Promotion Councils/Commodity Boards. It may be pointed out, at the outset, that while data on aggregate exports and imports are revised by the DGCI&S from time to time, on the basis of returns received later from the various Custom Houses (and incorporated in the cumulative totals for the period), the corresponding commodity-wise revisions are not carried out forthwith, due to inadequate information. Hence the comparison of the export performance in 1982-83 on the basis of the available

provisional figures with those of the partially revised figures for 1981-82 is to be interpreted with reservations.

Data presented in Table IX-1 indicate that of the items with sizeable exports, those of gems and jewellery, fish and fish preparations, iron ore, unmanufactured tobacco, oil cakes, meat and meat preparations and, rubber and rubber manufactures continued to show increases during 1982-83 as in 1981-82. Exports of coffee, raw cotton and sugar rose during 1982-83, but they had declined in 1981-82. Exports of non-ferrous metal manufactures which showed an increase in 1982-83 had shown no change in 1981-82. On the other hand, exports of machinery and transport equipment, readymade garments, leather and leather manufactures, chemicals, rice, handmade carpets, cashew kernels, work of art, made-up articles of cotton n.e.s., spices, crude vegetable materials and ores which had all shown increases during 1981-82 recorded declines in 1982-83. In addition, exports of footwear and iron and steel which had shown no change in 1981-82 over 1980-81 registered declines in 1982-83. Exports of the three major traditional items, namely, tea, cotton fabrics and jute manufactures, however, continued to decline.

Major variations in exports of Rs.50 crores or more were observed in about 12 items during 1982-83 in relation to exports in 1981-82. Items, exports of which increased by Rs.50 crores or more were gems and jewellery (Rs.114 crores), fish and fish preparations (Rs.75 crores), raw cotton (Rs.66 crores) and coffee (Rs.52 crores). Over the same period, exports of rice declined by Rs.144 crores, crude vegetable materials (Rs.69 crores) and readymade garments (Rs.65 crores), while those of chemicals and allied products and jute manufactures declined by Rs.41 and Rs.50 crores respectively.

The enumerated items in the Table recorded a net decline in exports of Rs.225 crores in 1982-83 as against the total increase of Rs.842 crores (according to the commodity-wise data). Thus, the (residual) unenumerated items which include crude oil exports from Bombay High accounted for a rise of Rs.1,067 crores. While exports of crude petroleum during the year, have been taken into account in the 'grand total,' they are excluded from commodity details.

Table IX—1 : India's Principal Exports

(Value in Rupees crores)

Commodities	Unit of Quantity	1980-81		1981-82 (partially revised)		Increase (+)/ Decrease (-) Absolute (Col. 6 over Col. 4)	1982-83		Increase (+)/ Decrease (-) Absolute (Col. 6 Col. 9 over)				
		Quantity	Value	Quantity	Value		Quantity	Value	Absolute (Col. 6 Col. 9 over)	Percentage (Col. 6 Col. 9 over)			
1	2	3	4	5	6	7	8	9	10	11			
1. Gems & jewellery	Value	—	618	—	720	+	102	—	834	+	114	+	15.8
Of which:													
(a) Pearls, precious & semi-precious stones	Value	—	602	—	680	+	78	—	768	+	88	+	12.9
2. Machinery including transport equipment	Value	—	526	—	616	+	90	—	582	-	34	-	5.5
3. Readymade garments	Value	—	515	—	548	+	33	—	483	-	65	-	11.9
4. Iron ore	Million tonnes	22.4	303	22.5	343	+	40	22.7	374	+	31	+	9.0
5. Tea and mate	Million kgs.	229.2	426	210.1	373	-	53	190.2	365	-	8	-	2.1
6. Fish & fish preparations	'000 tonnes	68.9	213	70.4	274	+	61	94.2	349	+	75	+	27.4
7. Leather & leather manufactures*	Value	—	337	—	374	+	37	—	339	-	35	-	9.4
8. Chemicals & allied products	Value	—	226	—	347	+	121	—	306	-	41	-	11.8
9. Cotton fabrics	Million square metres	580.2	276	390.1	272	-	4	320.9	264	-	8	-	2.9
10. Tobacco unmanufactured	'000 tonnes	79.0	124	116.9	197	+	73	98.0	208	+	11	+	5.6
11. Metal manufactures except iron & steel	Value	—	201	—	201	—	—	—	204	+	3	+	1.5
12. Jute manufactures including twist & yarn	Lakh tonnes	7.0	330	4.1	250	-	80	3.2	200	-	50	-	20.0
13. Rice	'000 tonnes	727.4	224	791.4	343	+	119	434.8	199	-	144	-	42.0
14. Coffee and coffee substitutes	Million kgs.	87.3	214	64.5	132	-	82	75.4	184	+	52	+	39.4
15. Carpets, hand made	Value	—	164	—	173	+	9	—	166	-	7	-	4.0
16. Oilcakes	'000 tonnes	885.1	125	883.5	139	+	14	1,051.4	149	+	10	+	7.2
17. Cashew kernels	'000 tonnes	32.3	140	30.5	169	+	29	30.5	134	-	35	-	20.7
18. Works of art (Handicrafts)	Value	—	112	—	141	+	29	—	108	-	33	-	23.4
19. Raw cotton	'000 tonnes	131.6	165	30.0	35	-	130	76.3	101	+	66	+	188.6
20. Made-up articles wholly or chiefly of cotton n.e.s.	Value	—	88	—	104	+	16	—	96	-	8	-	7.7
21. Spices	'000 tonnes	84.2	111	85.7	113	+	2	70.8	86	-	27	-	23.9
22. Crude vegetable materials	Value	—	93	—	149	+	56	—	80	-	69	-	46.3
23. Meat and meat preparations	Value	—	56	—	77	+	21	—	80	+	3	+	3.9
24. Ores (other than iron ore) and minerals including mica & manganese ore	Value	—	81	—	83	+	2	—	65	-	18	-	21.7
25. Sugar and sugar preparations	'000 tonnes	98.1	41	105.0	40	-	1	190.1	56	+	16	+	40.0
26. Iron and steel	Value	—	70	—	70	—	—	—	56	-	14	-	20.0
27. Rubber and rubber manufactures	Value	—	26	—	39	+	13	—	44	+	5	+	12.8
28. Footwear	Million pairs	16.2	40	12.1	40	—	—	8.8	25	-	15	-	37.5
A. Total of above items	Value	—	5,845	—	6,362	+	517	—	6,137	-	225	-	3.5
B. Others	Value	—	866	—	1,434	+	568	—	2,501	+	1,067	+	74.4
C. Grand Total	Value	—	6,711	—	7,796	+	1,085	—	8,638	+	842	+	10.8

- Notes: 1. Statistics for 1982-83 are provisional and subject to considerable revision on receipt of late/supplementary returns from various Customs Houses.
 2. The aggregate exports for 1981-82 and 1982-83 have been further revised to Rs. 7,803 crores and Rs. 8,814 crores respectively for which commoditywise breakdown is not available.
 3. Exports of Crude Petroleum from Bombay High for the months of January 1982 to March 1983 are taken into account in 1981-82 and 1982-83 Grand Totals but are not included in the commodity details and hence these exports would in entirety figure against 'others'.

Source: DGCI & S.

The export performance of some items is reviewed below beginning with those items, exports of which rose during 1982-83 over 1981-82.

Exports of raw cotton jumped up by 189 per cent to Rs. 101 crores after a sharp drop in 1981-82. The quantity exported increased from 30.0 thousand tonnes during 1981-82 to 76.3 thousand tonnes in 1982-83. The unit value realisation also showed some improvement.

Exports of coffee rose by 39 per cent to Rs. 184 crores in 1982-83 after a sharp decline in 1981-82. In terms of quantity, coffee exports increased by only 17 per cent and the major contribution to the better export performance came from a 20 per cent increase in unit value realisation as a result of the tight world supply position.

Sugar exports increased by 40 per cent to Rs. 56 crores, entirely because of a step up in volume of exports from 105.0 thousand tonnes during 1981-82 to 190.1 thousand tonnes during 1982-83. Unit value realisation dropped by about one-fourth. The substantial rise in volume of exports was possible because of the improvement in domestic sugar output. Despite a comfortable export surplus, Indian performance was influenced by quotas under the International Sugar Agreement and weakness in international sugar prices for most of the year.

Exports of fish and fish preparations were up by 27 per cent to Rs. 349 crores on top of a good performance in 1981-82. The rise in exports during 1982-83 was entirely due to the 34 per cent increase in volume, the unit value realisation having actually declined by 5 per cent. Improved catch position because of the operation of chartered vessels, coupled with better infrastructural facilities like cold storage, transport, etc., and quality control gave apparently a boost to these exports.

One of the major growth sectors of exports over the last decade has been gems and jewellery, exports of which amounted to Rs. 834 crores, showing a rise of 16 per cent. It retained the position of the top export earner accounting for about 10 per cent of total Indian exports, and in terms of magnitude of increase during the year, also ranked first accounting for Rs. 114 crores or about one-seventh of the net increase in exports. There are reasons to believe that data regarding these exports for 1982-83 given in the Table are underestimates to a substantial extent due to the non-receipt of returns from

Palam and Santacruz airports for some months. When the adjustments are made to this effect, exports of gems and jewellery are expected to show a further substantial increase. According to the Gems and Jewellery Export Promotion Council, whose information is considered to be more up-to-date, these exports touched Rs. 1,061 crores during 1982-83 and recorded a spectacular increase despite recessionary conditions in Western markets. India specialises in small size diamonds and this market does not seem to have been affected as much as the market in large size diamonds. Besides provision of special facilities for procurement of the required raw materials, the Government has also allowed the maintenance of dollar accounts abroad to large exporters of diamonds whose annual turnover is not less than Rs. 2 crores in the last three years with their overdue export outstanding being not more than 10 per cent of the total exports in any given year. The scheme is intended mainly to eliminate the risk of changes in export realisation due to fluctuations in exchange rates.

Iron ore exports which amounted in 1982-83 to Rs. 374 crores recorded an increase of 9 per cent as a result of an 8 per cent rise in unit value realisation, the export volume having shown only a marginal increase in 1982-83 over that of 1981-82.

Unmanufactured tobacco exports showed a rise of 5.6 per cent to Rs. 208 crores. This modest growth was preceded by nearly a 60 per cent rise in exports during 1981-82. The volume of exports declined by about one-sixth but was more than made good by the improvement in unit values.

Exports of a number of items declined during 1982-83 as compared with 1981-82. The performance of these items is discussed below.

An item that showed the largest decline of (Rs. 144 crores) in 1982-83 was rice which had actually moved up rather sharply in 1981-82 having recorded the second largest increase (Rs. 119 crores) in 1981-82. The main contributory factor for the 42 per cent decline in value in 1982-83 was the steep (45 per cent) decline in the volume of exports, accounted for by lower production because of drought. The unit value realisation, however, showed a slight (6 per cent) increase in 1982-83.

A non-traditional item that has assumed considerable significance in recent years is engineering goods. The group comprises, broadly, machinery and transport equipment and metal manufactures (iron and steel and non-ferrous metals). Exports of machinery and transport equipment, amounting to Rs.582 crores in 1982-83, recorded a decline of 5.5 per cent after a rise of 17 per cent in 1981-82. This item accounting for about 7 per cent of total exports ranks next to gems and jewellery in terms of export earnings. The general recessionary conditions all over the world and payments difficulties experienced by many of the developing countries seem to have rendered overseas demand less buoyant, causing thereby a decline in these exports in 1982-83. Added to this, domestic constraints like the shortage of power and basic inputs in certain sectors affected the growth of these exports notwithstanding the overall improvements in the supply position of these infrastructural items. The favourable impact of various promotional measures taken by the Government by way of cash compensatory support and freight subsidy and import of quality raw materials all seem to have been nullified by the trading environment and domestic constraints. Iron and steel which had remained stagnant in 1981-82 declined by 20 per cent to Rs.56 crores in 1982-83. However, non-ferrous metal manufactures after stagnating in 1981-82 recorded an increase of 2 per cent to Rs.204 crores in 1982-83.

Exports of chemicals and allied products comprising chemical elements and compounds, cosmetics, soaps, detergents, cleaning and polishing materials, etc., which had in the recent four to five years been rising steadily, expanded sharply by more than 50 per cent during 1981-82. Following such a good performance, these exports, however, fell during 1982-83 by 12 per cent in value as compared with exports in 1981-82. The USSR has been, in recent years, the largest purchaser of these products from India and, reportedly, in its efforts to contain the increasing trade deficit with India, it has been curtailing the in-take of these items from India.

Exports of readymade garments after a rise of more than 6 per cent in 1981-82 fell by 12 per cent in 1982-83 to Rs.483 crores though they still continue to be the third largest export item after gems and jewellery and machinery and transport equipment.

Due to the severe recessionary spell in the international leather market, exports of leather and leather manufactures (excluding footwear) after a

good performance in 1981-82 declined by 9 per cent to Rs.339 crores during 1982-83 as compared with Rs.374 crores in 1981-82 notwithstanding facilities like duty-free import of quality raw materials, cash compensatory support and air freight subsidy made available to the leather industry for promoting exports.

Exports of cashew kernels were lower by 21 per cent to Rs.134 crores. While the quantity of cashew exports remained constant at the last year's level of 30.5 thousand tonnes, there was a steep decline in 1982-83 in the unit value realisations (about 25 per cent). Reduced off-take by the USSR which had recently emerged as the largest consumer of whole cashew was an important contributory factor. Imports of cashew are reportedly dropped by Russia from their trade plan for 1983, though this is said to have led to the re-emergence of markets like the USA. Besides, cashew exports also faced severe competition from almonds and other nuts.

Some of the other important items that had shown increases in 1981-82 but which recorded declines in 1982-83 were (1) crude vegetable materials amounting to Rs.80 crores recording a decline of Rs.69 crores in 1982-83 as against an increase of Rs.56 crores in 1981-82; (2) works of art which had registered an increase of Rs.29 crores in 1981-82 but declined by Rs.33 crores in 1982-83 to Rs.108 crores; and (3) spices which declined by Rs.27 crores to Rs.86 crores as against a marginal increase of Rs.2 crores last year. Carpets and made-up articles of cotton also showed modest declines in 1982-83 after increases in 1981-82.

Among items that continued to show declines in 1982-83 as in 1981-82 were the three important traditional items of export, namely, jute manufactures, tea and cotton fabrics. Exports of jute manufactures contracted by 20 per cent to Rs.200 crores after a fall of about a quarter in 1981-82 and reflected the continuation of the trend noticed during the decade. It was the volume decline which was the main factor for the fall in exports during 1982-83, unit value realisation showing a marginal improvement. Exports of all the three major categories of jute manufactures suffered declines during this period. Intensification of price competition and the challenge of synthetics seem to have reduced the off-take by major importers like the U.S.S.R. and the U.S.A.

Tea exports which had declined by 12 per cent in 1981-82 fell further by 2 per cent to Rs.365 crores. The quantity of tea exported declined even more by 10 per cent to 190 million kgs. The 8 per cent improvement in unit value realisations reflected the trend in London auction prices as a sequel to the reduction in stocks.

Exports of cotton fabrics declined by 3 per cent to Rs.264 crores after a similar marginal decline in 1981-82. This could be attributed to some extent, to the severe competition among exporting countries, restrictive practices by several importing countries and the textile mills' strike in Bombay.

Imports

Imports continued to rise in 1982-83 but their rate of growth decelerated. The expansion in imports which had dropped from 43 per cent in 1980-81 to 11 per cent in 1981-82 slowed down further to 7 per cent in 1982-83 according to the provisional data. In absolute terms, the import bill during 1982-83 amounted to Rs.14,047 crores showing a rise of Rs.937 crores over the provisional imports in 1981-82 of Rs.13,110 crores. The latest revised data show that in 1981-82 imports rose by Rs.1,147 crores or 9 per cent to Rs.13,671 crores.

The commodity composition of imports which is available on a provisional basis for 1982-83 is presented in Table IX-2 along with figures for the two previous years, namely, 1981-82 and 1980-81. According to these data, overall imports during 1982-83 of Rs.14,054 crores were Rs.465 crores higher than those in the corresponding period of 1981-82. The items which contributed to the rise in imports during this period, in the order of magnitude of increases were: machinery and transport equipment, petroleum, petroleum products and related materials, pearls, precious and semi-precious stones, manufacture of metals and artificial resins and plastic materials. The other enumerated items recorded declines.

Imports of machinery and transport equipment had declined by 9 per cent in 1981-82 to Rs.1,654 crores. In 1982-83, these imports at Rs.2,172 crores registered an increase of Rs.518 crores or 31 per cent over those during 1981-82. As a result, their share in total imports moved up to 15.5 per cent.

Imports of petroleum, petroleum products and related materials (POL) had also contracted during 1981-82 to Rs.5,189 crores but only marginally. During 1982-83, these imports moved up by Rs.382 crores (7.4 per cent) over 1981-82 to Rs.5,571 crores and formed 40 per cent of total imports. The expansion in imports took place despite improvement in domestic crude production, because all the production could not be refined locally and part of it had to be exported. The higher domestic crude output, however, got partially reflected in the decline in net oil imports (gross imports minus exports of oil). The unit value data show a marginal fall indicating a rise of over 8.4 per cent in the quantum of these imports.

Imported pearls, precious and semi-precious stones are used in making jewellery for export and such imports are, therefore, linked with our exports of gems and jewellery. In 1981-82, these imports had declined by about one-sixth. With the improved export prospects for these items, imports of pearls, precious stones, etc., spurted during 1982-83 by 96 per cent over that of 1981-82 to an all-time high of Rs.677 crores.

Several items including some that had shown increases in 1981-82 recorded declines in 1982-83, the more important among them in order of magnitude of decline were: fertilisers, vegetable (edible) oils, paper, paperboards and manufactures, synthetic fibres, non-ferrous metals, cereals, iron and steel, and chemicals.

Imports of manufactured fertilisers had dropped by nearly 40 per cent during 1981-82 to Rs.389 crores as a result of higher domestic production of nitrogenous fertilisers following better capacity utilisation. In 1982-83, these imports fell further steeply by 65 per cent to Rs.136 crores and by about 56 per cent in quantity as compared with such imports during 1981-82. While drought conditions might have affected the domestic demand for fertilisers during 1982-83, there was improvement in domestic availabilities resulting in a reduction in import needs. These developments together with the easing of international fertiliser prices, following the fall in petroleum prices, led to the drop in India's imports of manufactured fertilisers. The imports of crude fertilisers also fell from Rs.81 crores in 1981-82 to Rs.50 crores or by 38 per cent in the same period of 1982-83.

Table IX—2 : India's Principal Imports

		(Value in Rupees crores)							
Commodities	Unit of Quantity	1980-81		1981-82 (Partially revised)		1982-83		Increase(+)/Decrease(-)	
		Quantity	Value	Quantity	Value	Quantity	Value	Absolute (Col. 8 over Col. 6)	Percentage
1	2	3	4	5	6	7	8	9	10
1. Petroleum, petroleum products and related materials	Million Tonnes	23.5	5,263	20.2	5,189	21.9	5,571	+ 382	+ 7.4
2. Machinery and transport equipment	Value	—	1,821	—	1,654	—	2,172	+ 518	+ 31.3
3. Iron and steel	000' Tonnes	2,039.0	852	3,008.2	1,136	2,707.0	1,123	- 13	- 1.1
4. Fertilisers, manufactured	Value	3,810.0	652	1,966.4	389	861.6	136	- 253	- 65.0
5. Organic and inorganic chemicals	Value	—	358	—	388	—	382	- 6	- 1.5
6. Vegetable oils, fixed (edible oil)	000' Tonnes	1,643.0	683	722.6	378	443.6	208	- 170	- 45.0
7. Pearls, precious and semi-precious stones	Value	—	417	—	346	—	677	+ 331	+ 95.7
8. Non-ferrous metals	Value	—	477	—	302	—	277	- 25	- 8.3
9. Cereals and cereal preparations	000' Tonnes	394.0	100	1,157.2	264	1,071.0	242	- 22	- 8.3
Of which: (a) Wheat	..	296.0	77	1,018.7	230	1,029.5	227	- 3	- 1.3
10. Paper, paper boards and manufactures thereof	000' Tonnes	371.0	187	380.1	240	207.4	147	- 93	- 38.7
11. Synthetic and regenerated fibres	..	69.0	97	100.2	165	79.5	125	- 40	- 24.2
12. Artificial resins, plastic materials etc.	Value	—	121	—	106	—	125	+ 19	+ 17.9
13. Manufactures of metals	Value	—	89	—	91	—	135	+ 44	+ 48.4
14. Fertilizers, crude	000' Tonnes	1,202.0	79	936.5	81	601.2	50	- 31	- 38.3
A. Total of above items	Value		11,196		10,729		11,370	+ 641	+ 6.0
B. Others	Value		1,364		2,860		2,684	- 24	- 6.2
C. Grand Totals	Value		12,560		13,589		14,054	+ 465	+ 3.4

Notes: 1) Statistics for 1982-83 are provisional and subject to considerable revision on receipt of late/supplementary returns from various Customs Houses.

2) Aggregate imports for the years 1980-81, 1981-82 and 1982-83 have been further revised to Rs.12,524 crores, Rs.13,671 crores and Rs.14,261 crores for which commodity-wise details are not available.

Source: D.G.C.I. & S.

Edible oil imports during 1981-82 had declined steeply by nearly 45 per cent to Rs.378 crores because of a drop in the volume. The data for 1982-83 show that these imports fell again by 45 per cent to Rs.208 crores* in relation to such imports during 1981-82 as a result of a contraction of about 40 per cent in the quantity imported and a decline of 10.4 per cent in unit values.

Imports of paper, paperboard and manufactures thereof had expanded by 28.3 per cent to Rs.240 crores during 1981-82. In 1982-83, these imports, however, dropped by 38.7 per cent to Rs.147 crores as compared with imports in 1981-82. But for the 12 per cent increase in unit values, the drop in the import bill would have been higher still.

Imports of iron and steel moved up sharply by one-third to Rs.1,136 crores in 1981-82 and by nearly one-half in terms of volume implying a fall in unit values of nearly 10 per cent. During 1982-83, iron and steel imports declined marginally to Rs.1,123 crores. The volume of these imports declined by 10 per cent and unit values increased almost to 1980-81 level.

During 1981-82, wheat imports had nearly trebled to Rs.230 crores, mainly to build up buffer stocks and arrest the pressure on prices. In 1982-83 wheat imports amounted to Rs.227 crores, registering a marginal decline of Rs.3 crores over such imports in 1981-82. Wheat imports were continued in 1982-83 in order to contain possible price increases in view of the drought conditions and also to meet the likely increase in demand on the public distribution system.

Direction of Foreign Trade

Data on the direction of India's foreign trade which are available for 1982-83 on a provisional basis are set out in Table IX-3 along with those for the two previous years, 1980-81 and 1981-82. According to these provisional data, India's foreign merchandise trade during 1982-83 recorded a smaller deficit of Rs.5,416 crores compared with the deficit of Rs.5,793 crores in 1981-82, showing a decline of 6.5 per cent. Of this deficit, a little less

than one half was accounted for by 'Rest of Asia and Oceania' and about one-third by the ECM countries. Besides accounting for the bulk of the total deficit, these two regions also recorded substantial increases in deficit over those in 1981-82 owing to sizeable increases in imports coupled with modest declines in exports. Deficits with the ESCAP and North America were also sizeable in 1982-83, though these were smaller compared with those in 1981-82.

As pointed out earlier, the largest trade deficit in 1982-83 was with 'Rest of Asia and Oceania', the bulk of the deficit of this group was accounted for by Saudi Arabia and Iraq. Imports from the region comprising mainly POL recorded an almost 50 per cent increase in 1982-83 and accounted for nearly one-fourth of total imports as compared with only 17 per cent in the previous year. At the same time, the region's share in exports shrank from 11 per cent to less than 10 per cent in 1982-83.

The next region in terms of magnitude of the deficit was the group of ECM countries, the deficit with which increased in 1982-83 by 17 per cent over the previous year due to an increase of 6 per cent in imports and a decline of 5 per cent in exports. While the region's share in imports at a little less than one-fourth showed a marginal increase in 1982-83, its share in exports declined from one-fifth to one-sixth. Substantially larger imports from Belgium and France and modest increase in imports from the United Kingdom accounted for the increase in imports from and a large increase in the deficit with this region, exports to all the countries in the group with the exception of Belgium having recorded declines. However, imports from two countries in the group, viz., Federal Republic of Germany and Italy, declined in 1982-83 by 15 per cent and 4 per cent, respectively.

The region which after 'Rest of Asia and Oceania' and ECM accounted for a large trade deficit was ESCAP. Although, India's deficit with this region was large, it showed a substantial decline from Rs.1,993 crores in 1981-82 to Rs.1,506 crores in 1982-83 (about 25 per cent). This was possible primarily because of an increase of around Rs.100 crores in exports and a decline of about Rs.400 crores in imports. However, the share of the region in total exports showed a fall of 1 percentage point (notwithstanding the increase of exports in absolute terms) as against a 4 percentage point fall in its share in imports. The ESCAP region includes some of our important trading partners like Japan,

* However, according to the State Trading Corporation, edible oil imports during 1982-83 amounting to Rs.811 crores showed an increase of 4 per cent over the 1981-82 imports. It should be noted that on account of differences with regard to timing and valuation, the STC data are not strictly comparable with those of DGCI&S.

Table IX—3 : Regional Pattern of India's Trade

(Rupees crores)									
Regions	Exports			Imports			Trade Balance		
	April-March			April-March			April-March		
	1980-81	1981-82*	1982-83	1980-81	1981-82*	1982-83	1980-81	1981-82*	1982-83
1	2	3	4	5	6	7	8	9	10
1. E.F.T.A.	171 (2.6)	190 (2.4)	157 (1.8)	324 (2.6)	302 (2.2)	284 (2.0)	- 153	- 112	- 127
2. E.C.M.	1,415 (21.1)	1,515 (19.4)	1,437 (16.6)	2,485 (19.8)	3,017 (22.2)	3,188 (22.7)	-1,070	-1,502	-1,751
3. North America	806 (12.0)	946 (12.1)	985 (11.4)	1,850 (14.7)	1,715 (12.6)	1,521 (10.8)	-1,044	- 769	- 536
4. East European Countries	1,521 (22.7)	1,817 (23.3)	1,898 (22.0)	1,341 (10.7)	1,562 (11.5)	1,730 (12.3)	+ 180	+ 255	+ 168
5. E.S.C.A.P.	1,580 (23.5)	1,728 (22.2)	1,837 (21.3)	3,458 (27.5)	3,721 (27.4)	3,343 (23.8)	-1,878	-1,993	-1,506
6. Rest of Asia & Oceania	685 (10.2)	856 (11.0)	838 (9.7)	2,283 (18.2)	2,295 (16.9)	3,363 (23.9)	-1,598	-1,439	-2,525
7. Africa	435 (6.5)	474 (6.1)	397 (4.6)	265 (2.1)	418 (3.1)	196 (1.4)	+ 170	+ 56	+ 201
8. L.A.F.T.A.	19 (0.3)	16 (0.2)	14 (0.2)	350 (2.8)	448 (3.3)	264 (1.9)	- 331	- 432	- 250
9. Others	79 (1.1)	254 (3.3)	1,075 (12.4)	204 (1.6)	111 (0.8)	165 (1.2)	- 125	+ 143	+ 910
10. Total	6,711	7,796	8,638	12,560	13,589	14,054	-5,849	-5,793	-5,416

- Notes: 1. Statistics for 1982-83 are provisional and subject to considerable revisions on receipt of late/supplementary returns from various Customs Houses.
 2. Aggregate exports for 1981-82 and 1982-83 have been further revised to Rs.7,803 crores and Rs.8,814 crores respectively. Similarly, aggregate imports for 1980-81, 1981-82 and 1982-83 have been further revised to Rs.12,524 crores, Rs.13,671 crores and Rs.14,261 crores respectively. Region-wise details for these revisions are not available.
 3. Exports of crude petroleum from Bombay High for the months of January 1982 to March 1983 are taken into account in 1981-82 and 1982-83 grand totals but are not included in the country details and hence these exports would in entirety figure against 'others'.
 4. Figures in brackets represent percentage to the total.
 * Partially revised.

Source: D.G.C.I. & S.

Singapore, Iran, Australia, Korea and Malaysia. In the case of Japan, an increase of Rs.96 crores in imports was offset by an almost equivalent increase in exports, the deficit remaining the same at Rs.249 crores as in 1981-82. Japan accounted for 7 per cent of imports and 9 per cent of exports. The share of Iran which was 10 per cent of imports in 1981-82 declined to 6 per cent as a result of a decline of Rs.600 crore in imports in 1982-83.

India's deficit with North America recorded a decline in 1982-83 as compared with 1981-82 owing to substantially lower imports from the USA as well as Canada. The share of USA in total imports shrank from 10.5 per cent in 1981-82 to 9.1 per cent while its share in total exports declined marginally from 11.3 per cent in 1981-82 to 10.8 per cent in 1982-83 despite the absolute increase of Rs.50 crores in exports to that country.

One of the regions that showed a surplus trade balance was that of East European countries. The surplus was, however, smaller in 1982-83 as compared with 1981-82 owing to a large increase in imports from the region coupled with only a marginal increase in exports to the region. The share of the region in imports increased from 11.5 per cent to 12.3 per cent while its share in exports declined from 23 to 22 per cent. Since exports to the region have been rising steadily and have also been consistently higher than imports in the past three years, India has large surpluses in its trade with the region. The USSR is the major trading partner in this region and it has large deficits in its trade with India, which has led that country to take measures to restrict imports from India. This accounts for the deceleration in exports to the region.

India's trade with Africa also showed a surplus. Though in 1981-82 the surplus was substantially lower than that with East Europe, in 1982-83, it exceeded even the surplus with East Europe. Both exports and imports recorded declines and the region's relative shares also showed sizeable declines.

India's trade with LAFTA countries continued to show a deficit in 1982-83 though it was much lower than that in 1981-82. Their share in exports continues to be less than one per cent, though the share in imports showed a fall of one percentage point in spite of the steep decline in 1982-83.

The residual group 'others' covering countries not included in any of the regional groups, as for example, American countries other than LAFTA, West Europe other than ECM and EFTA, and some of the Asian and African countries, seem to have shown a spurt in exports resulting in a sizeable surplus balance. It has to be pointed out, however, that since exports of crude petroleum from Bombay High for the months January 1982 to March 1983 which are taken into account in the grand totals for 1981-82 and 1982-83 are not included in the country details, get merged against 'others.'

Import Licences

Data on import licences presented below provide information on number and value of such licences issued during a year and classified according to major licence categories. A licence for the import of capital goods/heavy electrical plants is generally valid for two years from the date of issue thereof while the currency of other import licences is generally for twelve months. Sometimes, the licences issued are revalidated, their period is extended or value thereof enhanced due to price increases. Subject to such limitations, the rise in value of licences may indicate permission to import a larger volume of items subject to licensing, increase in unit value of imports of such items or additional items being brought under the import licensing scheme or the combination of these factors. Likewise, a fall in value of licences may suggest reduction in the volume of permitted imports, decrease in items subject to import licensing or a decline in their unit values or the combination of all.

The steady uptrend in the past three years (1979-80 to 1981-82), in the value of licences issued, was reversed in 1982-83. The fall in value of licences by 7.6 per cent in 1982-83 to Rs.7,166 crores is attributable entirely to a 20 per cent decline in respect of the Government sector. The value and number of licences issued to the private sector continued to increase. Consequently, the share of the Government sector in value of licences issued dropped from 58 per cent in 1981-82 to 50 per cent in 1982-83; the share of the private sector, correspondingly, increased to 50 per cent in 1982-83 from 42 per cent in 1981-82.

tered a fall of Rs. 440 crores over the year, of which roughly 89 per cent was accounted for by the Government sector. This decline needs to be weighed against large increases in each of the past three years.

(Rupees crores)

Note: Figures in brackets indicate number of import licences issued.

Source: Chief Controller of Imports and Exports.

The value of licences issued to 'actual users (industrial)' also recorded a substantial decline of Rs.414 crores following a sharp increase of Rs.1,117 crores or nearly doubling in the preceding year. The bulk of licences under this category are issued to the Government sector and accordingly the fall in 1982-83 was almost entirely on account of that sector. The steep fall in value of licences under CG/HEP and actual users (industrial) to the Government sector reduced the value of total licences in 1982-83 as well as the Government sector's share therein.

The value of licences issued to state trading agencies continued to decline. The fall in 1982-83 was of the order of Rs.64 crores or 40 per cent as against that of Rs.49 crores or 24 per cent in the preceding year.

The value of licences issued during 1982-83 increased in respect of registered exporters, raw materials (DGTD units), actual users (non-industrial) and small scale industries. The value of licences issued to registered exporters constituted the largest proportion of 27 per cent among all the categories in 1982-83. Further, the value of these licences, which are mostly issued in favour of the private sector, rose by 11.3 per cent in the year under review. Within the private sector, registered exporters continued to be the most important category accounting for more than one-half of licences issued to this sector.

Licences for raw materials (DGTD units) increased by about 8 per cent to Rs.1,175 crores, after nearly 50 per cent rise in the preceding year. The increase in licences to the private sector was relatively more pronounced.

Licences issued to actual users (non-industrial) which are mostly in favour of the public sector, after stagnating for two years shot up by over one-third to Rs.313 crores in 1982-83. All the licences for small scale industries are to the private sector; the value of these licences continued to rise modestly and amounted to Rs.252 crores in 1982-83.

II. Developments in Foreign Trade Policy

The main features of the Foreign Trade Policy for 1982-83 (April-March) were outlined in detail in last year's Report. An attempt was made for the first time, to take a co-ordinated view of the complex

requirements of the export-import trade. Apart from the thrust to reduce the technological gap, particularly, in the export sector, through appropriate liberalisation in imports, a machinery was established for continuous monitoring and evaluation of the flow and utilisation of imports, particularly under the export promotion schemes. Developments in export-import policies relating to 1982-83, subsequent to the main policy announcement are given in Appendices I and II and briefly described below.

Regarding exports, restrictions imposed earlier on the export of nylon staple fibre and cotton yarn above 60 counts were removed and as a result they were freely allowed to be exported. Gum rosin was brought under OGL-3 for export and crude oil was included under 'petroleum products' for the purpose of allowing it to be exported, under OGL-4 by the Indian Oil Corporation as its canalising agency. As in the past, minimum export prices were modified in respect of certain items, from time to time, and export duties adjusted, keeping in view, the international market situation.

Under the Cash Compensatory Support (CCS) Scheme which was introduced in 1964, cash assistance is provided to exporters in respect of exports of certain items. The assistance is provided to compensate exporters for indirect taxes, sales tax, etc. on inputs imported or domestically purchased, which are not eligible for refund, through duty draw-back. The assistance is announced in terms of percentage of the FOB value and generally ranges from 5 to 20 per cent. The CCS due to expire at the end of March 82 was extended initially for six months, till September 30, 1982. The CCS has been subsequently extended till March 31, 1985 subject to review whenever necessary.

On the side of imports, the duty exemption scheme was extended to manufacturers of intermediate products when these products are supplied to other advance licence holders and industrial units located in a free trade zone for production of an export product. All types of petroleum jellies were included in the list of canalised items as against a few varieties which were included earlier. To clear the indigenous angle in respect of capital goods to be imported, an advertisement procedure is being followed for some time. This advertisement procedure, was waived in respect of 23 items of capital goods. Manufacturer-exporters were granted special imprest licences if they wanted to take advantage of the import duty exemption granted on im-

ports of raw materials and components for manufacturing supplies made by them against the IBRD/IDA aided projects and projects financed by multilateral and bilateral external assistance as such supplies are treated as deemed exports for the purpose of import replenishment. Actual users were allowed to include their consumption of indigenous material if obtained from indigenous producers against their import licences when applying for automatic licence, provided the consumption certificates contained the required details and were certified. A new scheme for the supply of certain specified iron and steel items at internationally competitive prices from indigenous sources by the Steel Authority of India Ltd. and the Minerals and Metals Trading Corporation (MMTC) was introduced covering carbon steel and other items. The facilities for imports available to non-resident Indians were extended to companies, firms, societies and similar corporate bodies which were owned by non-resident Indians to the extent of at least 60 per cent.

Foreign Trade Policy: 1983-84

India's foreign trade policy for the year 1983-84 was announced on April 15, 1983. Broadly, the liberal character of the policy in operation since 1979-80 has been continued, with a few modifications, in the interest, mainly of, widening and diversifying the domestic industrial base and strengthening the organisational framework to face the challenges of increasing competition in international markets. Export production is provided a further impetus this year, through added liberalisation of import facilities for exporters.

Briefly, the main objectives of the current year's trade policy, are: (i) to provide further impetus to exports, (ii) to effect all possible savings in imports, (iii) to provide support to the growth of indigenous industry, (iv) to provide for optimum utilisation of the country's resource endowments, especially, in manpower and agriculture, (v) to facilitate technology upgradation, with special emphasis on export promotion and energy conservation, and (vi) to further simplify and streamline procedures and to reduce points of control.

Export Policy

As in the past, most of the commodities would continue to remain outside the purview of export control. In the light of developments in domestic

availabilities/demand position, a few changes have been effected. In the main, some more commodities have been added to the Open General Licence (OGL) list for exports, the more important, among them being sugarcane and khandsari, peanut butter, jag-gery (gur), barley and compound feeds for cattle and poultry. Export of basmati rice would continue to be under the OGL while non-basmati rice would not, normally, be allowed to be exported. Export of castor oil to the General Currency Area and groundnut extractions has been decanalised.

Import Policy

Actual Users (industrial) would continue to be allowed to import their requirements of raw materials, components, consumables and spares under various facilities such as OGL, automatic licences, etc., besides allotments through canalising agencies for such of the items that are allowed to be imported only through these agencies. Two of the new incentives introduced in the 1983-84 policy are the addition of second-hand capital goods also to the OGL list for import by actual users (hitherto only new capital goods items were allowed under OGL) and the conferment on surrendered unutilised REP licences all entitlements and benefits applicable for exports with a view to effecting thereby, a saving in imports. The more important among the modifications effected in respect of the OGL list are the addition of 80 new items of raw materials, components and consumables after taking stock of the domestic availabilities in relation to demand and other relevant factors. These items include among others, components of compressors, calculating machines, certain machine tools and industrial machinery, components of bearings, pigment finishes for leather industry, heat-absorbing-filters, sodium sulphate, magnesium, etc.

Simultaneously, 28 items of raw materials and components have been removed from the OGL in cognizance of the improvement in the domestic supply position of such items. The items excluded from OGL cover melamine, p.u. leather cloth, aluminium collapsible tubes, iron scrap including pig iron chips, high purity iron in different forms, air and gas compressors, airconditioning and refrigeration compressors, etc.

Similarly, forty items of raw materials and components have been shifted from the automatic permissible list to the limited permissible list or banned list. The list of items shifted from the automatic

permissible list include printing and writing inks, formic acid, sorbitol, nylon moulding powder, components of time-pieces and clocks, ferro vanadium, certain types of alloy steel wires, electric portable generators rating upto 3.5 KVA and mechanical watches in SKD (semi knocked down) condition.

Among capital goods (CG) items, some 13 have been removed from the OGL list on account of improved domestic supplies. These include printing machinery items like word processors, offset two-colour machines, stamping machines, hydraulic embossing machines, and offset rotary printing machines. In addition, fourteen items of capital goods comprising mainly jute machinery items have been moved to the banned list.

The system of prior registration of import contracts for OGL items, which is expected to help monitoring and evaluation of OGL imports, is extended further. Imports of components under OGL will be subject to a Special List Attestation Procedure newly introduced in this policy, with a view to regulating such imports in conformity with approved manufacturing programmes.

The policy for issuing automatic licences to Actual Users for import of raw materials, components and consumables is to continue and for the purpose of calculating the entitlement for automatic licences, in the manner permitted in 1982-83 policy the increase in the value over actual consumption would also be available.

The facility available by way of supplementary licences to actual users for import of raw materials, components and consumables continues. This facility can be availed of by those actual users whose requirements cannot be fully met under the automatic licensing system.

As a measure of procedural simplification, small value automatic licences for raw materials, components and consumables, etc., not exceeding Rs.2 lakhs in value (last year the limit was Rs.1 lakh) could be utilised on a repeat basis, in respect of permissible items, without having to obtain a fresh automatic licence for 1983-84.

The facility of "repeat operation" of the automatic licence has been extended to export-oriented units, having an export performance of atleast 25 per cent of their production of select products subject to a minimum of Rs.5 lakhs or having exported

select products of atleast Rs.1 crore in value (fob), in any of the two previous financial years. In these cases, automatic licence of any value can be utilised on a repeat basis subject to the production of an export performance certificate from the Export Commissioner.

Actual users (industrial) and export-oriented units who had availed of the repeat operation facility of their automatic licence for 1981-82, for importing raw materials, components and consumables under the import policy for 1982-83 and did not, therefore, obtain a fresh licence in 1982-83 can apply for automatic licences for 1983-84 also, on a repeat basis, without reference to past consumption.

Industrial units having a substantial export performance, i.e. those units which exported 25 per cent of their production of select products with a minimum of Rs.5 lakhs or exported at least Rs.1 crore worth of select products in any of the two previous financial years, which have been given the facility of repeat operation of their automatic licence will have the facility to utilise, on a "repeat" basis, their supplementary licences issued for 1982-83 also. Here, the "repeat" operation will be equivalent to the face value of the licence and for import of the items mentioned in the licence. In addition, within the value of that (supplementary) licence, actual users will also be allowed to import canalised items listed in Appendix 8 of the import control policy required for use in their own factories for a value not exceeding 25 per cent of the licence value, subject to a maximum value of Rs.1 lakh per item.

Actual users who exported at least 50 per cent of their production of select products in any of the two previous financial years will have the option, either to make use of the "repeat" facility of their supplementary licence as above, or to obtain separate supplementary licences for 1983-84, without the recommendation of the sponsoring authority, for a value upto 50 per cent of the value of their automatic licence issued for 1982-83. Such a licence will also be valid, within its overall value, for import of canalised items appearing in Appendix 8 of the import control policy, and required for use as raw materials in their own factory. The said option will be available to small scale industrial units with lower export performance. Manufacturers desirous of utilising their own REP licences for production in their own factories will continue to have the flexibility in the choice of items they need to import,

subject to certain restrictions on import of certain items. The scope of this flexibility has been substantially enlarged for those manufacturers who have been exporting at least 50 per cent of their production of select products in any of the two previous financial years subject to a minimum of Rs.5 lakhs (fob). To encourage and assist in the diversification of exports, the policy provides for a higher replenishment rate of REP licence to registered exporters who export a new product or a product to a new market. Against the normal rate of 10 per cent of export value they will be eligible henceforth, for replenishment at 11 per cent. The issue of licences to registered exporters has been decentralised to minimise delays and to help small operators get their needs attended to, at the regional level itself.

As pointed out earlier, with a view to effecting a saving in imports, registered exporters have been offered an incentive, whereby, if they surrender valid unutilised REP licences to the authorities such surrendered value would, for purposes of the issue of export performance certificates and export/trading house certificates, be deemed as exports having been effected. Further, supplies of material at competitive prices against valid General Currency Area (GCA) import licences by an indigenous manufacturer would be treated as exports and thereby entitle the supplier to REP facility which will also be at the higher rate of 11 per cent. The value limit for import of technical designs, drawings or other documentation and/or facilities for type-testing abroad against their REP licences by manufacturer-exporters has been enhanced by Rs.5 lakhs to Rs.10 lakhs in the case of (i) units which exported select products of, at least 25 per cent of their production, in any of the two previous financial years, subject to a minimum of Rs.5 lakhs and (ii) units which exported select products each of Rs.1 crore (fob), in any of the two previous financial years. The ceiling for import of items in the limited permissible list and non-permissible spares which are allowed upto 20 per cent of the face value of the REP licence, has now been enhanced from Rs.1 lakh to Rs.2 lakhs for a single item for manufacturers falling in the above mentioned classes. The value ceiling for import of canalised items has also been raised to Rs.2 lakhs (against Rs.1 lakh for others), per item within an overall value limit of 20 per cent of the REP entitlement. These value limits will not apply to manufacturing units that exported at least 50 per cent of their production of select products (of value not less than Rs.5 lakhs) in any of the two previous financial years. The facility for

import of capital goods/prototypes without the normal CG procedure, available to manufacturer exporters has been continued under the new policy except that the entitlement for units with lower export performance has been raised from Rs.50,000 earlier to Rs.1 lakh.

The list of imports that cent per cent export oriented units are allowed to import under OGL has been substantially enlarged and the facility has been extended to units producing exclusively for exports. Thus, in addition to new capital goods, raw materials, components and spares they would also be allowed to import, as mentioned earlier, second-hand capital goods, prototypes, D.G. sets, consumables, intermediates and packing materials under the OGL.

The Duty Exemption Scheme, in operation since February 1976, grants customs duty exemption to registered exporters for import of specified raw materials against an advance licence for the manufacture of specified export products and imposes an export obligation in return. Under this scheme, input-output norms for seven new products have been predetermined. Fabrics made of pure wool and made of wool fibre/yarn and cotton heavy sheeting/cotton drill/cotton canvas with weight per square yard not less than 10 ounce have been added to the permitted list of imports under the scheme. Intermediate products used in export production supplied to 100 per cent export oriented units would also be covered under the scheme. The prescribed 'minimum-value-added' condition has been waived for manufacturers of intermediate products.

The scheme allowing duty free imports of raw materials against REP licences in respect of specified export products has been extended this year to more items such as (a) shoddy woollen blankets containing synthetic material, (b) seamless steel tubes and (c) aluminium conductors, raising the number of items to 21 in all.

The minimum level of qualifying exports of select products prescribed for the purpose of recognition as an export house has been raised from Rs.1 crore to Rs.2 crores for export houses other than those in the small scale sector (SSI) and for export houses belonging to SSI units, from Rs.25 lakhs to Rs.50 lakhs. Henceforth, for obtaining or renewal of an export house certificate, exports of only such products will be taken into account that have been exported regularly by the export house concerned in

atleast the immediately preceding two years of the prescribed 3 year basic period.

The facility available to manufacturer-exporters and manufacturing export/trading houses of importing all their requirements of imported inputs against their REP licences has been extended to other export/trading houses. However, the facility would be available only if (i) the REP licence is obtained against their own exports of products carrying import replenishment rate of not more than 20 per cent and (ii) the imported material is disposed of only to supporting manufacturers whose names have been notified in advance. The facility allowing import of OGL items by export/trading houses without debit to their licences has been withdrawn in the current policy.

For the purpose of making imports against additional licences more economical and purposeful, a number of changes have been introduced in the rules relating to their issue and use. Export houses will be allowed to utilise their additional licences for importing capital goods for setting up common servicing centres for the benefit of their supporting manufacturers.

For the year 1983-84, the eligibility of export houses for additional licence has been reduced from 15 per cent of exports earlier to 10 per cent. Correspondingly, the limit for small scale units has been reduced from 7½ per cent to 5 per cent. Exports effected in discharge of obligations under advance/imprest licences with import content of more than 50 per cent will no longer be included in total exports for the purposes of calculating additional licence entitlement. The value limit of Rs.5 lakhs for import of automatic permissible items against additional licences has been raised to Rs.10 lakhs per item. But in respect of units having minimum exports of Rs.5 crores, this limit has been raised from Rs.10 lakhs to Rs.15 lakhs per item and is extended to export houses with a minimum export growth of 50 per cent in 1982-83 and a minimum level of exports of Rs.2 crores in 1981-82. In the case of imports on behalf of supporting manufacturers of an export house whose names have been furnished to the authorities, these prescribed limits have been waived altogether. However, supporting manufacturers should not exceed 50 in number and no change in the list would be permitted during the year.

Foreign exchange for promotional activities at 2.5 per cent of exports with the raised ceiling from

Rs.7.5 lakhs generally to Rs.15 lakhs for export houses with a minimum of 5 crores of exports has been extended to those export houses which had a minimum export growth of 50 per cent in 1982-83 and a minimum export of Rs.2 crores in 1981-82. Foreign exchange available to export/trading houses may be utilised for incurring abroad of expenses in the nature of stamp duty, court-fee stamp, advocate's fee, other legal expenses and expenses on advertisement and publicity material.

Trading houses which undertake to achieve a rate of growth of 22.5 per cent, i.e. 50 per cent more than that of 15 per cent required to be achieved by every trading house, would be entitled to import additional canalised items upto 7.5 per cent of the value of their licence as against 5 per cent allowed to other export/trading houses.

With a view to encouraging investment as well as timely execution of production programmes, 144 additional items of industrial machinery have been cleared from the indigenous angle, and included under the OGL. These comprise, in the main, items meant for industries like electronics, meat and fish processing, spectacle frames, industrial jewels, garments, hosiery and made-ups. Ten new items of equipment required by the gem and jewellery industry have also been added to the OGL.

The value limit for import of machinery by manufacturer exporters against their own REP licences has been enhanced from Rs.10 lakhs to Rs.20 lakhs a year in respect of imports under special provision permitted without the recommendation of the sponsoring authority, without indigenous clearance and without reference to the Capital Goods Committee. This facility is available for those manufacturers who have an export performance of a prescribed order. For manufacturers with a lower export performance, the annual value limit has been raised from Rs.50,000 to Rs.1 lakh in 1983-84.

Having regard to the indigenous production of diesel generating sets, applications for import of sets in the range of above 500 KVA upto 1000 KVA would be considered only on the basis of domestic availabilities.

Special consideration is to be given to applications for import of machinery for agricultural purposes, for example, machinery for green-house and other items not indigenously available. A Co-ordination Committee in the Office of the Chief Controller of Imports and Exports will go through such appli-

cations and the normal CG procedure will not be applicable for these imports.

Again in the interests of development of sports, applications sponsored by the concerned Government department for import of sports-goods/equipment, not manufactured in India, will be considered from Central and State Government organisations dealing with sports, educational institutions and universities, associations of sportsmen, sport-clubs and eminent sportsmen.

Following a review of changes in the domestic availabilities of crucial items in relation to demand, domestic and foreign, certain changes have been effected in the list of items handled by canalising agencies. Those additions comprise among others tin free steel sheets/strips/coils, iron scrap including pig iron chips, aluminium/aluminium alloy coated carbon steel sheets/strips/coils, etc. Certain non-bulkable items of a specialised nature which have been decanalised include impregnating oil for cable industry, transformer oil (synthetic), heat transfer oil (synthetic) and textile finishing oils. Some items have been transferred to the banned list, including among others, chemicals like, meta-di-nitrobenzene, ortho-nitrochloro benzene, para nitrochloro benzene, palm stearine, palm kernel oil, palm acid oil, soap stocks, etc.

Research and development units would continue to get special treatment for import of items to enable upgrading of technologies in use. Accordingly, R & D units which (i) are recognised by the Department of Science and Technology, (ii) have been in existence for at least 3 years and (iii) have, during this period invested substantially in R & D work, may, on merits, be allowed to import technology upto a value of Rs. 1 crore. The import facilities for energy conservation/saving have been further liberalised.

The existing facilities to non-resident Indians for setting up industries in India are to be continued with further simplifications. Import licensing formalities for import of machinery and initial raw materials for setting up small-scale industrial units in India out of their foreign exchange earnings abroad have been waived and these imports would now be permitted under the OGL.

III. Specialised Foreign Trade Agencies

The State Trading Corporation of India

The State Trading Corporation of India (STC) a major canalising agency for imports and exports continued to play a key role during the year 1982-83 in promoting exports not only of listed canalised items but also of non-canalised ones.

While exports of canalised items increased from Rs. 234 crores in 1981-82 to Rs. 272 crores in 1982-83 or by 16 per cent, exports of non-canalised items rose by 17 per cent to Rs. 375 crores. In contrast, imports through STC comprising the bulk of canalised items declined from Rs. 1,291 crores in 1981-82 to Rs. 1,162 crores in 1982-83 or by about 10 per cent. In the result, the total trade turnover of the Corporation recorded a fall of Rs. 37 crores over the year to Rs. 1,809 crores. The major commodity-wise details are given in Table IX-5

Thanks to the special efforts made by the STC for promoting exports of non-canalised items, especially the value added products, their exports increased substantially from Rs. 117 crores in 1981-82 to Rs. 168 crores in 1982-83, an increase of nearly 44 percent. Major increases were reported under cotton textiles and fabrics, footwear and footwear components, instant coffee, finished leather and readymade garments (Table IX-5). STC's efforts at promoting exports through diversification of markets also continued during the year. Among the new markets found, mention may be made of Kuwait for live sheep, tarpaulin, green tea and dry cell batteries; Afghanistan for jute goods; Afghanistan and Saudi Arabia for textile fabrics; Iraq for PVC pipes and truck tyres; the USA for fence fittings; the U.K. for wooden furniture components; West Germany for silk fabrics and Sri Lanka for safety matches.

Among the other promotional activities of the Corporation were the improvements to infrastructural facilities for exporters in and near areas producing/processing, leather, leather gloves, footwear components, meat and processed foods, by way of setting up units for 1) shoe upper at Noida, 2) a textile and garment design centre at Delhi to design fashion garments for exports 3) initiating a pre-project feasibility study for tuna fish project and 4) a proposal submitted to Government for approval for setting up a design and develop-

Table IX—5 : Exports and Imports of STC - Major Commodities (Rupees crores)

A) Exports	1981-82	1982-83
	Actual	Provisional
(i) Canalised		
Sugar	50.0	84.0
Semi-processed leather	60.0	60.0
Castor oil	40.0	48.0
Groundnut extractions	45.0	45.0
Opium	8.0	14.0
Seedlac-shellac	18.0	14.0
Others	13.0	7.0
Total (i)	234.0	272.0
(ii) Non-Canalised		
Coffee	52.0	76.0
Tobacco	80.0	67.0
Footwear and footwear Components	22.0	30.0
Cotton textiles & fabrics	8.0	24.0
Instant coffee	13.0	22.0
Finished leather	16.0	20.0
Readymade garments	16.0	20.0
Jute goods	31.0	20.0
Engineering products & Construction materials	10.0	18.0
Processed foods & fruits	9.0	17.0
Rice	19.0	5.0
Others	45.0	56.0
Total (ii)	321.0	375.0
Grand Total (i+ii)	555.0	647.0
B) Imports		
(i) Canalised		
Edible Oils	780.0	811.0
Newsprint	159.0	141.0
Drugs and chemicals	87.0	74.0
Cement	77.0	*
Rubber	53.0	39.0
Sugar	73.0	3.0
Others	50.0	32.0
Total canalised (i)	1,279.0	1,100.0
Total Non canalised (ii)	12.0	62.0
Total (i) + (ii)	1,291.0	1,162.0

* Since decanalised and amounted to Rs.46 crores in 1982-83.

ment centre for sports goods at Jullunder. Also, steps were taken to enter into link deals and special trading arrangements for export of manufactured goods.

In respect of imports, the Corporation's efforts were directed towards ensuring an even distribution all over the country of items handled by it. Accordingly new depots for distribution of edible oils were opened at Gauhati and Dimapur and for newsprint at Bhopal and Patna. A noteworthy development has been the laying down of an underground pipeline in the Bombay Port Area connecting the docks and the three of the STC's edible oil installations and interlinking the installations. The pipeline would facilitate pumping of edible oils straight from ships into these installations, economising the handling charges and preventing pilferage. Arrangement is also made to facilitate and streamline despatches of edible oils by rail.

Cashew Corporation of India

The Cashew Corporation of India assists the export-oriented units in the cashew processing industry by importing and distributing raw cashew-nuts at fair prices. During 1982-83, though the exports by the Corporation remained around Rs. 6.0 crores, imports dropped to only Rs. 1 crore against Rs. 17.5 crores during 1981-82. The sharp fall in imports was due to a steep decline in international prices for kernels and a fall in Indian exports due to the emergence of Brazil as a keen competitor to India in the US markets and the decision of the Soviet Union not to import cashew from India.

Handicrafts and Handloom Exports Corporation of India Ltd.

Exports of the Handicrafts and Handloom Exports Corporation continued to increase rapidly reaching Rs. 90.7 crores in 1982-83 as compared with Rs. 63.1 crores in 1981-82 and Rs. 27.0 crores in 1980-81. The major increases were recorded by exports of gold jewellery which rose from Rs. 42.7 crores in 1981-82 to Rs. 54.4 crores in 1982-83 forming about 60 per cent of the Corporation's total exports, followed by woollen knitwear exports of Rs. 10.0 crores which took place for the first time. Exports of carpets, other handicrafts and handlooms recorded small increases while those of readymade garments remained stagnant due to quota restrictions imposed by importing countries. Steps are being taken to promote exports of gar-

ments by introducing better designs and removing bottlenecks in quality production at factories.

Projects and Equipment Corporation of India

The Projects and Equipment Corporation of India established in April 1971 as a Government company for promotion of exports of engineering equipment and projects plays a vital role in promoting such exports. The total exports of the Corporation during 1982-83 rose to Rs. 66.0 crores from Rs. 55.2 crores in the previous year. Exports of canalised items increased from Rs. 8.4 crores in 1981-82 to Rs. 14.0 crores in 1982-83 while non-canalised exports handled by the Corporation at Rs. 40.8 crores were higher by 19.7 per cent compared with the previous year. Exports of engineering equipment reached a record level of Rs. 38.6 crores as compared with those of Rs. 33.8 crores showing an increase of 14.2 per cent over the previous year. Its turnover from project exports, mainly in the civil construction project in Libya and cement project in Indonesia, increased nominally to Rs. 13.4 crores.

The Minerals and Metals Trading Corporation of India

During 1982-83, the total foreign trade handled by the MMTC dropped by 30 per cent to Rs. 1,197 crores, mainly because of the sharp decline in imports from Rs. 1,424 crores in 1981-82 to Rs. 910 crores in 1982-83. Exports of Rs. 288 crores by the Corporation during the year were also lower but only by Rs. 16 crores or 5.4 per cent as compared with those of the previous year at Rs. 304 crores, due mainly to reduced exports of iron ore, manganese ore and chrome ore (Table IX-6A). Even though exports of iron ore declined to 12.2 million tonnes from 16.1 million tonnes, value realised per tonne approximated more or less the level in the previous year, on account of relatively higher unit value.

During 1982-83, iron ore exports to Japan declined to 6.79 million tonnes as against 7.55 million tonnes in 1981-82. Exports to Romania dropped from 4.1 million tonnes to 1.9 million tonnes and to South Korea and German Democratic Republic decreased marginally from 2.4 million tonnes to 2.1 million tonnes and from 0.68 million tonnes to 0.62 million tonnes, respectively, over the same period.

Table IX—6-A : Exports through Minerals and Metals Trading Corporation of India

	(Quantity in lakh tonne, Value in crores of Rs.)			
	1981-82 Actuals		1982-83 Provisional	
	Quantity	Value	Quantity	Value
Iron ore	160.56	266.63	122.04	258.80
Manganese ore	7.11	20.88	4.84	16.54
Coal	1.02	4.11	0.92	4.68
Barytes	0.12	0.69	0.08	0.51
Chrome ore	1.66	11.11	1.12	6.47
Other exports	—	0.42	—	0.57
Total	—	303.84	—	287.57

The Corporation continued to step up exports of iron ore to the Western countries. A shipment was made for the first time to Iraq and Jordan after a gap of several years.

Exports of coal increased slightly to Rs.4.68 crores in 1982-83 as against Rs.4.11 crores in 1981-82. Manganese ore exports declined by 21 per cent to Rs.16.54 crores in 1982-83, partly because of late finalisation of contracts with Romania and drifting of some vessels to the next financial year.

Exports of barytes and chrome ore also declined during the period, the former due to keener competition from China in the American market, and the latter due to global recession in steel industry and intensification of competition in international markets.

As pointed out earlier, imports handled by the Corporation during 1982-83 at Rs.910 crores, were lower by Rs.514 crores or by 36 per cent as compared with those of Rs.1,424 crores during 1981-82 (Table IX 6-B) due mainly to contraction in imports of fertilizers from Rs.894 crores in 1981-82 to Rs.406 crores in this year, thanks to the improvement in indigenous production and lower international prices.

Imports of stainless steel at Rs.13 crores in 1982-83 were lower by Rs.23 crores and those of industrial raw materials at Rs.39 crores by Rs.10 crores. Imports of non-ferrous metals at Rs.444 crores and diamonds at Rs.8 crores were marginally higher.

The decline in imports of stainless steel was due to easy availability from indigenous sources at prices lower than imported ones. Lower imports were recorded in respect of aluminium, tin and nickel also. Lack of funds with the Electricity Boards and easy availability of indigenous production contributed towards lower imports of aluminium while tin imports fell due to shift in production inputs by end users.

Trade Development Authority

The Trade Development Authority of India (TDA) which is one of the major export promotion organisations continued to play during 1982-83, an active role in assisting exporters through its various services, such as identification of new markets and new products through organisation/arrangement of trade-fairs, market surveys and also participation in international trade-fairs, convenience of buyer seller meets, arrangement of visits of foreign buying delegations, joint commission meetings, participation

Table IX—6-B : Imports through Minerals and Metals Trading Corporation of India

	(Rupees crores)	
	1981-82 Actuals	1982-83 Provisional
Non-ferrous metals	439.98	443.68
Stainless steel	36.27	13.12
Fertilizers	893.82	406.46
Industrial raw materials	48.94	38.52
Diamonds	4.86	7.80
Total	1,423.87	909.58

in seminars, organisation of seminar/training courses, etc. Besides, it also provides various services to exporters including settlement of their claims for drawback, obtaining for registered export houses, import licences and supply of raw materials like steel on priority basis for executing export orders. Further, the TDA assists exporters in upgradation of quality and product adaptation.

During 1982-83, the export marketing activities of the TDA were fewer in terms of organising exclusive Indian exhibitions, buyer/seller meets and participation in international fairs due perhaps to reduced assistance from international aid-giving agencies, and the Government's decision that participation in fairs and exhibitions be arranged exclusively through the Trade Fair Authority of India. The TDA has been continuously modifying its promotional and marketing strategies to suit changing market conditions. In 1982-83, it took up marketing programmes in the Netherlands and Italy for active promotion of a selected range of TDA products.

There was no buyer or seller meet in 1982-83, though preparatory work for the 'Meet' at Sydney was completed. Six purchase delegations - one each from the U.K., Sweden, the Federal Republic of Germany, Switzerland and two from the USA - held discussion with the TDA. Contact promotion programmes (CPP) were initiated during May-June 1982 for machine tools in Middle East, for bicycles and components in Thailand, Indonesia, Singapore and Malaysia and for toys and dolls in Western Europe. Other such CP programmes under implementation were for export of instruments to Saudi Arabia and Kuwait, for builders' hardware to

West Asia, the USA and Canada and for handtools to Saudi Arabia, Kuwait and the UAE.

Under a project financed by the centre for promotion of imports from developing countries (Indo-Dutch Export Development Project) an intensive market promotion was taken up for 3 product groups, viz., auto-ancillaries, handtools and sports goods.

An intensive market promotion was envisaged in four phases under technical and financial assistance under the Indo-Italian Export Development Project. The objective of the project is to develop exports of (i) electronic components, (ii) machine tools and accessories and cutting tools and (iii) handtools and garden tools from India to Italy.

Under the UNDP aided programme for product adaptation and upgradation of quality, the TDA obtained the services of an experienced tool engineer to advise Indian bicycle manufacturers regarding development of multispeed hubs. He assisted the units in solving their problems relating to tool design and production planning. In order to improve the quality and price competitiveness of sports goods, services of an Italian expert were made available under the UNDP's programme for product adaptation and upgradation of quality.

A Product Advisory Committee has been constituted for handtools, bicycles and components, automobile ancillaries, toys and dolls and leather goods. The task of this committee is to identify items which require assistance in upgradation of quality for export production.

The TDA devoted more attention during the year in offering its services to export oriented joint ventures. An agreement was concluded between Indian and Japanese manufacturers for upgradation of quality in the manufacture of magnets and ferrites which would result in saving foreign exchange by avoiding imports of costly raw material namely cobalt and improvement in the yield. A 100 per cent export oriented unit was set up with Japanese collaboration for the manufacture of ceramic capacitors in India.

A Trade Information Centre has been set up for intensifying ongoing contacts and developing new ones with the Indian and overseas sources for collecting and disseminating relevant information to the Indian trading community. Efforts were continued towards procuring the latest economic, trade and marketing information from international organisations such as the UNCTAD, GATT, ITC, UNIDO, FAO, ILO, ESCAP, EEC, OECD, CMEA, etc. Other services provided by the Centre include (1) procurement of 129 market survey reports from various national and international organisations, (2) publication of trade statistics of 98 countries, (3) collection of information from several countries on import tariffs and basic ocean freight rates, (4) enlargement of the TDA range of products through inclusion of machinery and equipment and parts and widening the scope of the product group 'custom-built fabricated machinery' to include all industrial machinery equipments and parts in view of their marketable potential in West Africa and West Asia, (5) addition of Hungary and Bulgaria to the TDA range of markets, and (6) preparation of studies regarding export prospects, problems and measures that could be initiated.

The Santacruz Electronic Export Processing Zone (SEEPZ)

The Santacruz Electronics Export Processing Zone exceeded in 1982-83, the export target for the year of Rs.35 crores by reaching the export level of Rs.54 crores which implied an increase of 80 per cent in a year. The 1982-83 performance indicates the probability of achieving an export level of Rs.70 crores in 1983-84 as against the earlier target of Rs.55 crores. The major portion of exports from the zone comprised electronics items in high technology areas. The share of SEEPZ exports in total exports of electronic goods from India continued to increase steadily from 24 per cent in 1979 to 58 per cent in 1982. The rise in exports to East Asian countries, the USA, Eastern Europe and the USSR

in that order, was mainly responsible for the good performance. During the year, ten more units commenced operations bringing the total number of units operating in the zone to 45 at the end of March 1983.

The Kandla Free Trade Zone (KFTZ)

The Kandla Free Trade Zone was set up as an export promotion measure. Besides facilitating the development of the port of Kandla, it helps in the industrialisation of the backward region of Kutch. The year 1982-83 recorded impressive progress on almost all fronts; total exports of the port doubled from Rs.70 crores to Rs.142 crores surpassing the target of Rs.100 crores by a wide margin. The progress of KFTZ could be attributed to an extent to some leading multinationals joining the KFTZ. The export performance was more significant in the case of items like readymade garments (increase from Rs.15 crores to Rs.34 crores), cosmetics (from Rs.10 crores to Rs.28 crores), and general structural engineering, fire fighting equipments and sports goods, etc. (from Rs.15 crores to Rs.30 crores). A new item which featured for the first time in the export list was high-pressure equipment (Rs.11 crores) which like sports goods are exported only to the USSR. During 1982-83, 28 more units commenced operation in the zone, bringing the total number of working units to 83.

IV. Trade Agreements and Economic and Technical Co-operation with other countries

Among the various promotional steps taken by the Government to develop and diversify the country's trade and improve economic relations with other countries are the conclusion of trade agreements and agreements for economic and technical co-operation. The aim is to identify new areas of mutual interest and strengthen the existing ones. The agreements are basically indicative in nature and help the maintenance of a constant dialogue on mutually beneficial and diversified relationships without any binding commitments on either side.

The usual annual trade protocols for the year 1983 were finalised with the U.S.S.R., Czechoslovakia, the German Democratic Republic, Poland and Romania. A trade protocol was entered into with the Socialist Republic of Vietnam and fresh trade agreements were signed with Ethiopia and Nigeria.

The trade protocol entered into with the Socialist Republic of Vietnam on December 11, 1982 is to remain effective till end December, 1983 and there-under exchange of commodities of U.S. \$6 million from each country to the other is planned. Items identified for export from India include caustic soda, cotton yarn, spares for textile machinery, insecticides, antibiotics and other chemicals. Exports from Vietnam would include cement, rubber; apatite and cashewnuts. A Joint Committee established in December 1982, has been assigned the task of devising a mechanism for long term co-operation between the two countries.

The agreement with Ethiopia which was signed on November 12, 1982 is valid for three years and renewable, thereafter, automatically for three year periods unless either party wishes to terminate it. Provisionally, the agreement came into force from the date of signing but would be formally effective after the exchange of ratificatory notes by the two Governments. The agreement envisages the grant of the Most Favoured Nation (MFN) treatment to each other, measures to encourage transportation of mutually traded goods in ships owned/chartered by either of the two countries and all payments between the two countries to be effected in freely convertible currencies. Goods traded are not to be re-exported to third countries without the prior approval of the country of origin. A Joint Committee, to oversee and smoothen the implementation of the agreement is to be set up which would also identify areas for further expansion and diversification of trade between the two countries.

The agreement with Nigeria was signed on January 27, 1983. It is valid for a three year period, provisionally from the date of signing, and would be renewable for further three year periods by mutual consent. Officially, the agreement will become effective from the date on which confirmatory notes are exchanged between the two contracting parties. The countries have agreed to grant preference to their national carriers for transportation of mutually traded goods and also give facilities for freedom of transport of goods destined to third countries which have official trading relations with them. The agreement stipulates that goods to be exchanged will be those that originate either in India or Nigeria. However, goods originating in third countries may be considered for import or export under this agreement, only if the third country concerned has official trading relations with India and

Nigeria. Similarly, goods supplied by each to the other are not to be re-exported to a third country which does not have official trading relations with both.

V. INTERNATIONAL TRADE NEGOTIATIONS

GATT Ministerial Level Meeting

After a lapse of 9 years, a Ministerial level meeting of the contracting parties of the General Agreement on Tariffs and Trade (GATT) was held in Geneva from November 22 to 30, 1982. The meeting devoted itself to the examination of the implementation of the Multilateral Trade Negotiations (MTNs), problems affecting the world trading system, the position of developing countries in world trade and future prospects for the development of trade between developing and developed countries and to setting out of priorities for co-operation among contracting parties.

The Ministerial declaration, adopted by a consensus, reaffirmed the contracting parties' basic commitment against protectionism and to abide by the GATT obligations and set out the main features of the work programme to be undertaken in the 1980s. In drawing up this programme, the contracting parties decided to make determined efforts to ensure that trade policies and measures are consistent with the GATT principles and rules, and to resist protectionist pressures in the formulation and implementation of national trade policies. They also decided to refrain from taking or maintaining any measures inconsistent with the GATT provisions.

The major decisions taken were as follows: On safeguards, an issue of considerable importance to developing countries, the Ministers agreed that a comprehensive understanding should emerge by 1983 on the conditions and modalities for taking safeguard action based on the principles of the GATT.

As regards the GATT rules and activities relating to developing countries, the declaration referred to the provisions of Part IV of the GATT relating to

developing countries and urged the participants to implement this part of the GATT, keeping in view the differential and more favourable treatment, reciprocity and fuller participation of developing countries in the GATT system. It invited the Committee on Trade and Development to conduct on a regular basis, a review of how developed countries had responded to the requirements of the Part IV of the GATT. The Committee on Trade and Development was also asked to review the operation of the Enabling clause with a view to ensuring its more effective implementation. The actions taken in these areas by the Committee on Trade and Development are to be reviewed at the 1984 GATT annual session.

On Dispute Settlement, the declaration sought to improve the working of the GATT Dispute Settlement Mechanism by strengthening the various stages involved in the procedures without eroding its jurisdiction. It reaffirmed that consensus would continue to be the traditional method of dispute settlement and stipulated that there should be no obstruction to the process of dispute settlement by consensus.

The declaration contained a commitment to bring agriculture more fully into the multilateral trading system by improving the effectiveness of the GATT rules. A Committee on Trade in Agriculture is to be established to examine issues relating to, *inter alia*, market access, measures affecting trade, and competition and supply in agricultural products, including subsidies and other forms of assistances. In carrying out such examinations, fullest account would be taken of the GATT provisions providing for differential and more favourable treatment for developing countries. The Committee is to make appropriate recommendations to the contracting parties before their 1984 annual session.

On tropical products, the declaration contained a commitment by contracting parties to carry out consultations and negotiations aimed at further liberalisation of trade in tropical products. The progress made in this respect would be reviewed at the 1984 annual session.

In the area of quantitative restrictions and other non-tariff measures, an institutional mechanism is to be created to review existing quantitative restrictions and other non-tariff barriers so as to achieve elimination/progressive liberalisation of such measures. The Group would make progress report

to the contracting parties at their 1984 annual session.

On the issue of escalation of tariff, the meeting agreed that this should receive prompt attention for effective action towards elimination or reduction of tariff where it inhibited international trade escalation. There would also be a review of the operations of MTN Agreements and Arrangements with a view to determining action, if any, called for in removing the obstacles to the acceptance of these Agreements/Arrangements by the contracting parties. The work on structural adjustments and trade policy would be continued and the results of this work would be reviewed at the 1983 GATT annual session.

In the important area of 'Textiles and Clothing' it was decided to undertake, on a priority basis, a study on matters relating to trade in textile sector. In the light of such a study, modalities of further trade liberalisation, including the possibility of bringing about full application of the GATT provisions to this sector of trade, would be examined expeditiously. The work in this area is to be completed for consideration by the contracting parties at their 1984 annual session.

The Ministerial meeting also discussed various issues relating to trade in counterfeit goods, exports of domestically prohibited goods, export credits for capital goods, trade in certain natural resource products, exchange rate fluctuations and their effects, dual pricing and rules of origin and trade in services, and emphasised the need for further studies and exchange of views on these topics.

The GATT Council has started on with the work of putting the Ministerial declaration into effect. A Committee on Trade in Agriculture has been set up in accordance with the declaration. This GATT Committee, at its first meeting in March 1983 established its work programme and schedule of meetings for carrying out its mandate under the Ministerial declaration. The Committee plans to hold at least four more meetings before making its recommendations to the contracting parties. Similarly, a new GATT Group on Quantitative Restrictions and Other Non-Tariff Measures was set up and held its first meeting also in March and adopted its programme of work.

The GATT Council, in its meeting of January 1983, called on the existing GATT Committees to

take prompt and speedy actions on the decisions of the Ministerial meeting that relate to the area of their operations and also gave guidelines on work programme to be adopted by the various GATT Committees.

Tokyo Round of Multilateral Trade Negotiations

On January 1, 1983, the Tokyo Round participating countries made the fourth out of eight annual tariff cuts agreed upon in the multilateral trade negotiations. This round of cuts, made on the 35th anniversary of the entry into force of the GATT, brings tariff reductions under the Tokyo Round agreements of 1979 to the halfway mark.

The process of annual tariff reductions will continue to be extended upto January 1, 1987 and will result in a cut of about one-third in the level of tariffs imposed by industrial countries on imports of manufactured goods. In addition, most of the tariff cuts on agricultural products are following the same schedule of reductions as for industrial products. A number of countries are following faster time schedules for reducing tariffs on products imported from developing countries. Some twenty developing countries among themselves have granted some concessions.

United Nations Conference on Trade and Development (UNCTAD)

On-going negotiations

The progress with regard to the establishment of the Common Fund for Commodities, an essential element of the Integrated Programme of Commodities (IPC), has been slow. Though the Articles of Agreement were adopted way back in June 1980, these have so far* been ratified by only 55 countries accounting for 37 per cent of the Fund's directly contributed capital; the requirement for ratification is 90 States accounting for two-thirds of the capital. The US and the group of socialist countries have yet to ratify the Articles. The sixth International Tin Agreement concluded in June 1981, provisionally came into force in July 1982. An International Agreement on Jute and Jute Products was also concluded in October 1982; the Agreement provides for drawing up and implementation of projects in the field of research and development, market development and cost reduction. Further, a resolution was

adopted by the Trade and Development Board in October 1982 setting out modalities for negotiations in the field of economic co-operation among developing countries. The negotiations will cover both tariff and non-tariff barriers as well as direct trade measures, including long-term contracts. India has already notified its desire to participate in the negotiations.

UNCTAD-VI

The month-long sixth session of UNCTAD opened in Belgrade on June 6, 1983. The agenda, inter alia, included world economic situation and attainment of a new international economic order, issues in the area of trade including protectionism, financial and monetary issues and progress in the implementation of the Substantial New Programme of Action for the least developed countries. Despite protracted discussions, little progress was achieved on the wide ranging proposals made by developing countries on many issues.

On the crucial subject of money and finance, the resolutions adopted merely reiterated the known position and reaffirmed the accepted targets and commitments. Thus, on international monetary issues, the Conference stressed the importance of an adequate supply of international liquidity and invited the International Monetary Fund to consider further allocation of SDRs and increase in quota after taking into consideration all the relevant factors, particularly the present inadequacy of reserves with many developing countries. It also emphasised the importance of maintaining an adequate level of access to IMF's facilities. On conditionality, while the Conference encouraged members to consult the Fund at an early stage of emerging difficulties, it invited the Fund to keep its conditionality under review. The Conference also noted the interest of developing countries in further studies on the link between SDR allocation and development finance, revival of the Trust Fund and establishment of a low conditional medium term facility.

On multilateral development institutions, the Conference called upon the World Bank to (i) pursue its study of the scope for an expansion of its lending by 5 per cent per annum in real terms, beginning fiscal 1985, (ii) increase co-financing arrangements which would be additional to its normal lending, and (iii) ensure that all contributions to IDA-6 are completed by June 1984 and IDA-7

* Position as on July 11, 1983.

becomes effective immediately thereafter. There was, however, no agreement on the size of IDA-7

On Official Development Assistance (ODA), the Conference urged the developed countries to (i) achieve the target of transferring 0.7 per cent of GNP as ODA by 1985 and in any case not later than second half of the decade, redoubling their efforts to that end and reaching 1 per cent of GNP as soon as possible thereafter, (ii) transfer 0.15 per cent of GNP as ODA to least developed countries, or to double ODA to them by 1985 or immediately thereafter, and (iii) improve quality of aid which should be more flexible, predictable and untied.

On external debt, the Conference urged developed countries to improve procedures for re-scheduling official and private debt and the multilateral institutions to respond favourably to technical assistance requests from developing countries in dealing with debt problems.

On trade in goods and services, the resolution underlined the obligations of developed countries to halt protectionism, called for continuation of current work in the GATT on 'safeguards' and work by the Trade and Development Board on policies and principles governing international trade for making it more dynamic and responsive to the developing countries' needs.

Chapter X

Balance of Payments and International Monetary Developments

I Balance of Payments Trends

India's detailed balance of payments statistics for the fiscal year 1982-83 are not as yet available. However, available indicators point to an improvement in the balance of payments position as reflected by considerably smaller decline in foreign exchange reserves than that in the preceding year. India's foreign exchange reserves (foreign currency assets of the Reserve Bank of India, gold and SDR holdings) fell in the fiscal year 1982-83 by Rs.1,122 crores, excluding the drawals of Rs.1,893 crores from the International Monetary Fund (IMF) under the extended arrangement, as compared with the drop of Rs.2,255 crores in 1981-82, excluding such drawals of Rs.637 crores.

The DGCI&S data on merchandise trade, as reported in Chapter IX of this Report, indicate that the trade deficit contracted somewhat in 1982-83. The reduction in trade deficit resulted from rise in imports which was considerably smaller than the rise in exports. Oil imports, net of oil exports, in particular, declined due to the combined effect of the fall in U.S. dollar prices of oil and the reduced volume rendered possible by the sharp rise in domestic crude production.

Indications regarding net invisible receipts (including official grants) suggest that they may not be materially different from those obtained during 1981-82. Travel receipts and investment income also seem to have received a setback. Growth in travel receipts seems to have slowed down following deceleration in the foreign tourist arrivals. Net receipts on account of private transfers appear to have not shown much improvement. Net position in investment income is likely to be adversely affected as a result of a fall in interest rates prevalent in the international capital markets during the major part of the year, a decline in annual average holdings of foreign exchange reserves and a rise in debt servicing payments arising from larger borrowings (including from the IMF). In the capital account, both

external assistance (net of amortisation) and net inflows on account of other capital transactions seemed to have shown improvement during the year.

During 1982-83, foreign currency assets of the Reserve Bank of India increased by Rs.911 crores as against the decline of Rs.1,468 crores in 1981-82. But for the drawals aggregating to Rs.1,893 crores from the IMF under its extended arrangement, these assets would have shown a fall of Rs.982 crores in 1982-83 compared with the larger decline of Rs.2,105 crores in 1981-82.

The SDR holdings declined by SDR 155 million during 1982-83 to SDR 270 million. Total charges on the use of Fund resources and SDRs amounted to SDR 227 million while receipts from the Fund on account of remuneration and interest on SDR holdings were SDR 72 million. In 1981-82, SDR holdings declined by a lower amount of SDR 65 million. Gold holdings remained unchanged at Rs.226 crores (valued at Rs.84.39 per 10 gms.) throughout 1982-83 as in the preceding year.

During the first quarter of 1983-84, i.e., April-June 1983, the foreign currency assets of the Reserve Bank rose by Rs.540 crores to Rs.4,805 crores. However, excluding the drawal of Rs.327 crores from the Fund under its extended arrangement, the increase in these assets amounted to Rs.213 crores, in contrast to the decline of Rs.392 crores (excluding the drawal of Rs.312 crores), recorded during the corresponding quarter of 1982-83. SDR holdings at SDR 220 million at end-June 1983, registered a fall of SDR 50 million, brought about by payment of charges on the use of Fund resources and SDRs and sale of SDRs to other countries, partly offset by receipts by way of remuneration and interest on SDR holdings. The fall in SDR holdings was substantially larger than that of SDR 26 million during April-June 1982. Gold

holdings remained unchanged at Rs. 226 crores during the first quarter of both the fiscal years.

II Foreign Investment Policy and Developments

Following liberalisation in the facilities for portfolio and direct investment made available to non-residents of Indian nationality or of Indian origin in the Budget for 1982-83, the Government of India modified, in the Budget for 1983-84, the tax provisions applicable to non-resident Indians, other than companies, with a view to augmenting the flow of their remittances into selected financial assets in India. The assets specified in this regard are: (i) shares in Indian companies, (ii) debentures issued by and deposits with public limited companies, (iii) securities issued by the Union Government and (iv) units of the Unit Trust of India. The Union Government may specify by notification in the Official Gazette, any other assets, which would be subject to modified tax provisions. Under the new provisions, investment income derived by a non-resident of Indian nationality or origin from the specified investments and long-term capital gains arising out of transfer of these assets would be charged to income-tax at a flat rate of 20 per cent plus surcharge of 12½ per cent of such income tax. The investment income arising from these assets as also long-term capital gains would be treated as a separate block and not aggregated for tax purposes with any other income. Further, if a non-resident Indian's income consists only of investment income and/or long-term capital gains, and the tax is correctly deducted at source, he is not required to file an income-tax return. However, a non-resident Indian has been given the option that the special provisions relating to taxation of investment income and long-term capital gains at a flat rate should not apply to him. In cases where such an option is exercised by a non-resident Indian, the whole of his total income would be charged to tax under the general provisions of the Income-tax Act. The Budget also envisaged that the long-term capital gains arising from the transfer of any foreign exchange asset* would be exempt from tax if (a) the net proceeds realised are reinvested or deposited by the non-resident Indian within six months in any

other specified asset or in a Non-resident (External) Account in any bank in India or in savings certificates notified by the Government of India and (b) the new asset including any deposit acquired are held for a minimum period of three years from the date of acquisition. The Budget also provided for an exemption from wealth tax of the value of foreign exchange assets acquired and held by non-resident Indians. Also, gifts of foreign exchange assets by non-resident Indians to their relatives in India will be exempt from Gift-tax. An additional interest of one per cent on investments by non-resident Indians in the Six year National Savings Certificates, would be paid to them provided subscriptions for these certificates are received in foreign exchange.

The process of liberalisation of facilities to non-resident Indians had, in fact, begun last year itself, references to which were given in Chapter X of the last year's Report. These facilities were further reviewed during the year under review. The changes that were brought about by the Bank till March 20, 1983 are as follows:

Non-residents of Indian nationality or origin were also permitted to place funds with public limited companies (including Government undertakings with limited liability) in India, with full repatriation benefits, if deposits are made for a period of three years and certain other conditions are fulfilled. This facility was also extended to overseas bodies owned by non-resident Indians to the extent of at least 60 per cent. As regards investment by non-resident Indians and overseas bodies owned by them in the Government securities and National Plan/Savings Certificates, including Six Year National Savings Certificates, the Reserve Bank had clarified that investments, on a repatriation basis, in certain certificates and securities like National Savings Certificates VI and VII issues can be made only by non-resident individuals of Indian nationality or origin and not by overseas bodies predominantly owned by them. However, these institutions are allowed to invest in certain other types of certificates like National Savings II issue, subject to certain monetary limits.

Direct investment in new issues with full repatriation benefits, under the 40 per cent and 74 per cent schemes, has been permitted to be made in hospitals as well. With a view to promoting investment by non-resident Indians and overseas corpo-

* Foreign exchange asset means any specified asset acquired, purchased or subscribed to by the non-resident Indian, in foreign currency in accordance with the FERA 1973, and any rules made thereunder.

rate bodies owned by them in new issues of shares and debentures under the direct investment schemes, the Reserve Bank decided to permit Indian companies to appoint agents abroad for securing such investments and pay compensation upto a reasonable extent on the basis of the quantum of investment actually made through the agents.

With a view to facilitating expeditious repatriation of sale proceeds of investments made by non-resident Indians, the designated banks can now immediately repatriate such funds with the permission of the Reserve Bank, but even without production of no objection certificate/tax clearance certificates. However, the repatriable amounts are confined to the cost of acquisition of investments sold or the actual sale proceeds realised, whichever is lower: the balance amount, if any, is allowed to be repatriated on receipt of the relevant tax certificates. As regards the portfolio investment by non-resident Indians in equity shares on a repatriation basis, the Reserve Bank stipulated that such investments would have to be held for a minimum period of one year before the sale proceeds of such shares were permitted to be repatriated.

In May 1983, relaxations granted to non-resident Indians' investments were subjected to a specific limit. An overall ceiling of (a) 5 per cent of the value of the total paid-up equity of the company concerned and (b) 5 per cent of the total paid-up value of each series of convertible debentures was fixed on purchases of equity shares and convertible debentures, through stock exchanges, on repatriation and non-repatriation basis together. The limit is applicable in relation to all such purchases taken together by all categories of non-resident Indian investors, namely, non-resident individuals of Indian nationality or origin, overseas companies, partnership firms, societies and other overseas corporate bodies owned by such persons to the extent of at least 60 per cent, but separately for (a) equity shares and (b) convertible debenture series. The equity shares acquired on conversion of debentures will not be included in the 5 per cent ceiling. Designated banks have been permitted to purchase on behalf of non-resident Indian investors upto this overall limit, without the specific approval of the Reserve Bank for each transaction. Any purchase of equity shares and convertible debentures in excess of this limit will require the prior and specific approval of the Reserve Bank.

Under the liberalised facility for investment in India by the Oil Exporting Developing (OED) countries (described in the Report of 1979-80), only one application was approved by the Government of India during 1982-83.

Proposals for foreign collaboration arrangements approved during the fiscal year 1982-83 were nearly two thirds higher than those in the comparable period of 1981-82. The number of foreign collaboration approvals amounted to 639 during 1982-83 as compared with 386 in 1981-82.

During the year ended June 30, 1983, twenty-two more foreign companies complied with the directives issued under the FERA for Indianisation/dilution of foreign equity raising the number of foreign companies complying with such directives to 339. Forty companies in respect of which final orders have been passed under section 29(2)(a) of the FERA requiring Indianisation/dilution to a specified level of non-resident interest are at various stages of compliance.

Investments by Indian joint ventures in operation abroad, increased from Rs.46.3 crores as of March 31, 1982 to Rs.55.8 crores as at the end of March 1983. The number of such joint ventures in operation also rose from 134 to 140 over the same period. Approved Indian equity in Indian joint ventures under implementation amounted to Rs.66.3 crores as of March 31, 1983 as compared with Rs.71.8 crores as at the end of March 1982. Details of remittances received in India from joint ventures abroad are given below:

Year (April-March)	(Rs. lakhs)	
	Dividends	other repatriations
1980-81	137	340
1981-82 ^a	13	169
1982-83	NA	NA

^a As on December 31, 1982.

1. Information for 1980-81 and 1981-82 is incomplete
2. Other repatriations include fees receivable for services such as technical knowhow, engineering services, management services, consultancy and selling agency services, etc.

Source: Ministry of Commerce, Government of India, New Delhi.

Table X—1 : Consents for Capital Issues* : Aggregate and by Non-Residents (N.R.) 1980-81 to 1982-83

(Rupees crores)

Year (April to March)	Initial Issues			Further Issues			Bonus Issues		
	Total	N. R.	2 as% of 1	Total	N. R.	5 as% of 4	Total	N. R.	8 as% of 7
	1	2	3	4	5	6	7	8	9
1980-81	129.5	4.7	3.6	155.0	17.3	11.2	130.2	31.6	24.3
1981-82	124.2	3.1	2.5	80.7	3.2	4.0	147.6	22.9	15.5
1982-83	158.5	8.3	5.2	94.2	2.5	2.7	98.9	21.8	22.0

(Rupees crores)

Year (April to March)	Debentures Issues			Loans etc.			Total		
	Total	N. R.	11 as% of 10	Total	N. R.	14 as% of 13	Total	N. R.	17 as% of 16
	10	11	12	13	14	15	16	17	18
1980-81	83.0	—	—	282.9	34.8	12.3	780.6	88.4	11.3
1981-82	416.8	—	—	155.2	125.1	80.6	924.5	154.3	16.7
1982-83	531.0	4.8	0.9	148.9	83.5	56.1	1031.5	120.9	11.7

* By Non-Government public limited companies.

There was a setback in foreign participation in consents granted to non-Government public limited companies during 1982-83, even though the total value of consents granted to these companies improved from Rs.924.5 crores in 1981-82 to Rs.1,031.5 crores during 1982-83. The consents issued to these companies for raising capital from non-residents amounted to Rs.120.9 crores in 1982-83 as compared with Rs.154.3 crores in 1981-82. Consequently, their share in the value of total consents went down from 16.7 per cent in 1981-82 to 11.7 per cent in 1982-83 (Table X-1).

Among the consents granted for raising capital from non-residents through various types of issues,

amounts consented for raising loans declined sharply from Rs.125.1 crores in 1981-82 to Rs.83.5 crores in 1982-83, though the total value of loans consented to be raised by the non-government public limited companies declined marginally by Rs.6.3 crores during 1982-83. Non-residents' share in the total value of loans consented fell from 80.6 per cent in 1981-82 to 56.1 per cent in 1982-83. Nevertheless, of the total amounts consented for raising resources from non-residents through various types of capital raised during 1982-83, consents for foreign participation in loans continued to account for the predominant share - nearly 69 per cent in 1982-83 as compared with 81 per cent in 1981-82. Unlike the slowdown in the value of consents issued to non-Government public limited

companies for non-resident participation in loans etc., amounts consented to for raising share and debenture capital from non-residents increased from Rs.29.2 crores in 1981-82 to Rs.37.4 crores in 1982-83, though well below the peak level of Rs.53.6 crores consented to in 1980-81. The amounts of bonus shares consented for issue to non-residents at Rs.21.8 crores during 1982-83 remained more or less at the same level as in 1981-82. There was a significant improvement in foreign participation in the value of consents for initial issue of shares, as the amounts consented for issue to non-residents increased from Rs.3.1 crores in 1981-82 to Rs.8.3 crores in 1982-83. The value of consents granted in case of further issues of shares to non-residents declined marginally from Rs.3.2 crores in 1981-82 to Rs. 2.5 crores in 1982-83, and did not keep pace with the growth in the total value of consents for further issues granted during 1982-83. There was a revival in consents for debentures issued to non-residents, but amounts consented to be raised from them accounted for hardly 1 per cent of the total value of consents granted for debentures during 1982-83.

III External Assistance*

Fresh commitments of external economic assistance to India declined during the second year in succession. Total external assistance authorised to India during 1982-83 amounted to Rs.2,079 crores as compared to Rs.2,383 crores in 1981-82 and Rs.3,010 crores in 1980-81 (Table X-2). The decline in total external assistance during these two years was mainly due to the curtailment of loan commitments by the IDA, the U.S.A., France, Netherlands and the absence of aid authorisations by the U.S.S.R. Though the share of grants has increased during these years, it could not make good the short-fall in loans due to its lower composition in the total aid. On the other hand, gross utilisation of assistance (including debt relief provided by donor countries) has progressively increased since 1979-80, from Rs.1,139 crores to a new record level of Rs.1,702 crores during 1982-83 showing a rise of nearly 50 per cent over three-year period

(Table X-6). At the same time, debt service payments have risen gradually at an annual average rate of about 4 per cent during the years 1980-81 to 1982-83 resulting in increase in net aid inflows. Thus, the net aid inflow (net of amortisation and interest payments) increased from Rs.664 crores in 1980-81 to Rs.781 crores in 1981-82 and further to Rs.936 crores in 1982-83. The net aid receipts at Rs.936 crores during 1982-83 were higher than the peak level of Rs.927 crores attained in 1975-76.

Authorisations

The decline in aid authorisations in 1982-83 was mainly due to cut back in authorisations by the IDA (Rs.500 crores), Japan (Rs.62 crores), France (Rs.54 crores) and OPEC Group (Rs.18 crores), and absence of fresh authorisations by the USA, Canada and Netherlands as against the authorisations of Rs.10 crores, Rs.101 crores and Rs.34 crores, respectively, in 1981-82. On the other hand, IFAD authorised Rs.20 crores after a gap of one year, while West Germany increased authorisations from Rs.25 crores in 1981-82 to Rs.101 crores in 1982-83. The IBRD loan commitments increased from Rs.555 crores in 1981-82 to Rs.834 crores in 1982-83 (Table X-3).

The decline in loan authorisations reflected the reduction in authorisations of project loans during 1982-83. The total project loan authorisations fell by 17 per cent to Rs.1,718 crores in 1982-83, which can be ascribed to lower loan authorisations from the IDA, Japan and France. However, the share of project loans in total rose from 95 per cent in 1981-82 to 98 per cent in 1982-83.

The non-project loan authorisations fell sharply by Rs.70 crores to Rs.39 crores in 1982-83 and their share in total loan authorisations declined by three percentage points to mere 2 per cent. This decline was mainly due to the absence of fresh authorisations by way of non-project loans by Canada, France and Netherlands during 1982-83.

* The rupee values of authorisations, utilisation and undischarged balance of aid to India are given at pre-December 1971 par rates unless specifically stated otherwise. In tables X-2 to X-4 and X-6, the figures are also given for the years 1974-75 through 1982-83 at the rupee's relevant annual average exchange rates.

The authorisations of grants increased substantially from Rs.213 crores in 1981-82 to Rs.322 crores in 1982-83, the UK being the main contribu-

Table X—2 : External Assistance
(Fiscal Years)

(Rupees crores)

Items			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	..	..	1,604	86	108	1,798
2. Amount undisbursed as at the end of March 1969	..	..	1,601	25	123	1,749
3. Authorisations during 1969-74	..	..	3,793	197	32	4,022
4. Authorisations during 1974-79	..	..	6,587 (7,854)	1,613 (1,706)	—	8,200 (9,560)
5. Authorisations during						
(a) 1979-80	..	..	781 (965)	444 (490)	—	1,225 (1,455)
(b) 1980-81	..	..	2,888 (3,158)	122 (157)	—	3,010 (3,315)
(c) 1981-82	..	..	2,170 (2,750)	213 (248)	—	2,383 (2,998)
(d) 1982-83	..	..	1,757 (2,377)	322 (321)	—	2,079 (2,698)
6. Utilisation during 1969-74	..	..	3,510	158	155	3,823
7. Utilisation during 1974-79	..	..	4,607 (5,615)	1,215 (1,321)	—	5,822 (6,936)
8. Utilisation during						
(a) 1979-80	..	..	850 (1,058)	289 (307)	—	1,139 (1,365)
(b) 1980-81	..	..	1,020 (1,226)	331 (388)	—	1,351 (1,614)
(c) 1981-82	..	..	1,188 (1,502)	330 (355)	—	1,518 (1,857)
(d) 1982-83	..	..	1,428 (1,905)	274 (285)	—	1,702 (2,190)
9. Amount undisbursed as at the end of March 1983	..	..	6,974 (9,153)	339 (349)	—	7,313 (9,502)

Notes: 1. 'Loans' include P.L. 480 Title I convertible currency credits and refinance credits but exclude rupee loans out of P.L. 480/P.L. 665 rupee counterpart funds. 'Grants' include grants under debt relief but exclude grants out of P.L. 480/P.L. 665 rupee counterpart funds. 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 of exchange) 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 1983 have been arrived at on the basis of pre-December 1971 IMF par values. Figures in brackets shown against items 4, 5, 7 and 8 indicate the rupee values calculated at the rupee's annual average rate of exchange for the respective years, while figures in brackets shown against 'Amount undisbursed as at the end of March 1983' (item 9) represent rupee values, calculated at the rates prevalent at end-March 1983.

Table X—3 : Loans Authorised and Utilised during 1981-82 and 1982-83
(Fiscal Years)

(Rupees crores)

Country/Institution	Authorisations								Utilisation							
	1981-82				1982-83				1981-82				1982-83			
	Project	Non-Project	Debt Relief	Total	Project	Non-Project	Debt Relief	Total	Project	Non-Project	Debt Relief	Total	Project	Non-Project	Debt Relief	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. IBRD/IDA	1,640 (1,962)	—	—	1,640 (1,962)	1,419 (1,829)	—	—	1,419 (1,829)	877 (1,049)	—	—	877 (1,049)	1,073 (1,383)	—	—	1,073 (1,383)
2. IFAD	—	—	—	—	20 (26)	—	—	20 (26)	10 (12)	—	—	10 (12)	11 (14)	—	—	11 (14)
3. Canada	87 (94)	14 (15)	—	101 (109)	—	—	—	—	23 (25)	—	—	23 (25)	26 (29)	1 (1)	—	27 (30)
4. Denmark	—	—	—	—	—	15 (17)	—	15 (17)	—	—	—	—	—	19 (22)	—	19 (22)
5. France	92 (108)	16 (18)	—	108 (126)	54 (57)	—	—	54 (57)	18 (21)	14 (16)	—	32 (37)	29 (31)	9 (9)	—	38 (40)
6. W. Germany	8 (16)	17 (32)	—	25 (48)	82 (158)	19 (37)	—	101 (195)	48 (90)	20 (38)	—	68 (128)	51 (98)	17 (33)	—	68 (131)
7. Japan	153 (289)	—	—	153 (289)	91 (170)	—	—	91 (170)	14 (26)	—	—	14 (26)	57 (106)	—	—	57 (106)
8. Netherlands	—	34 (57)	—	34 (57)	—	—	—	—	—	52 (88)	—	52 (88)	—	18 (31)	—	18 (31)
9. U.S.A.	10 (12)	—	—	10 (12)	—	—	—	—	59 (71)	—	—	59 (71)	19 (24)	—	—	19 (24)
10. O.P.E.C.*	70 (107)	—	—	70 (107)	52 (76)	—	—	52 (76)	18 (25)	—	—	18 (25)	54 (77)	—	—	54 (77)
11. U.S.S.R.	—	—	—	—	—	—	—	—	23 (23)	—	—	23 (23)	39 (39)	—	—	39 (39)
12. Others	1 (1)	28 (39)	—	29 (40)	—	5 (7)	—	5 (7)	—	12 (18)	—	12 (18)	—	5 (8)	—	5 (8)
Total	2,061 (2,589)	109 (161)	—	2,170 (2,750)	1,718 (2,316)	39 (61)	—	1,757 (2,377)	1,090 (1,342)	98 (160)	—	1,188 (1,502)	1,359 (1,801)	69 (104)	—	1,428 (1,905)

Note: Figures in brackets indicate the rupee values at the average annual rates of exchange prevalent during respective years.

* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and OPEC Special Fund.

Table X—4 : Grants@ Authorised and Utilised during 1981-82 and 1982-83
(Fiscal Years)

Country/Institution	(Rupees crores)			
	Authorisations		Utilisation	
	1981-82	1982-83	1981-82	1982-83
1	2	3	4	5
1. Japan	8 (15)	2 (4)	5 (9)	9 (17)
2. Netherlands	13 (22)	3 (5)	11 (19)	10 (17)
3. Sweden	57 (65)	—	29 (34)	32 (32)
4. Switzerland	—	7 (18)	3 (7)	4 (10)
5. U.K.	67 (64)	270 (242)	211 (201)	189 (170)
6. USA other than PL480/PL665	1 (1)	3 (4)	—	—
7. E.E.C.	67 (81)	37 (48)	71 (85)	30 (39)
Total	213 (248)	322 (321)	330 (355)	274 (285)

Note: Figures in brackets indicate the rupee values at the average annual rates of exchange prevalent during respective years.

@ Including Debt relief.

tor to this increase. The authorisations by the UK quadrupled from Rs. 67 crores in 1981-82 to Rs. 270 crores, forming as much as 83 per cent of total grant authorisations in the year under review. On the other hand, EEC reduced its authorisations by Rs. 30 crores over the year to Rs. 37 crores, while Sweden did not make any fresh authorisations in 1982-83, as against Rs. 57 crores sanctioned in the preceding year (Table X-4).

There were no marked changes in the terms and conditions of assistance granted by the donor countries.

Debt Relief

Response of the donor countries to the plea made by low income countries (including India) for larger debt relief continued to be favourable. Total debt relief sanctioned at Rs. 72 crores in 1982-83 was a little higher than that of Rs. 70 crores in 1981-82 as

compared with Rs. 13 crores in 1980-81. The United Kingdom increased debt relief assistance to Rs. 70 crores while Japan maintained the same level as that of Rs. 2 crores in the previous year. Netherlands reduced such assistance marginally (Table X-5). However, utilisation of debt relief assistance by India went down from Rs. 99 crores to Rs. 93 crores over the year.

Trends in Utilisation

At the beginning of 1982-83, aid available in the pipe line was Rs. 6,935 crores (revised). This, together with authorisations of Rs. 2,079 crores during the year, constituted the total aid of Rs. 9,014 crores available for utilisation during 1982-83. Of this amount, project assistance accounted for 90 per cent or Rs. 8,074 crores, the balance represented non-project loans of Rs. 328 crores and grants of Rs. 612 crores.

Table X-5 : Debt Relief Assistance
(Fiscal Years)

Country	(Rupees lakhs)			
	Authorisations		Utilisation	
	1981-82	1982-83	1981-82	1982-83
1	2	3	4	5
A. By way of grants				
1. U.K.	67,16	70,25	93,32	91,25
2. Japan	2,36	1,55	5,02	1,91
Total A	69,52	71,80	98,34	93,16
B. By way of reduction of interest payments				
Netherlands	31	27	31	27
Grand Total	69,83	72,07	98,65	93,43

Total aid utilised in 1982-83 rose by Rs.184 crores to Rs.1,702 crores accounting for 19 per cent of the available aid. There was a substantial rise in the utilisation of project loans at Rs.1,359 crores in 1982-83 as against Rs.1,090 crores in the previous year, reflecting mainly the stepping up of utilisation of the IDA loans. Utilisation of project aid as a proportion of total project aid available during the year worked out to 16 per cent which was higher than that in the preceding year. Utilisation of non-project aid decreased from Rs.98 crores in 1981-82 to Rs.69 crores during the year under review. In spite of the increase in grant authorisations, utilisation of grants fell from Rs.330 crores in 1981-82 to Rs.274 crores during the year.

Debt Servicing

The debt servicing rose marginally by 4 per cent to Rs.766 crores in 1982-83 (Table X-6). The debt service outgo as a proportion of gross aid receipts which had dropped to 48 per cent in 1981-82 declined further to 45 per cent during the year. Similarly, as a proportion of exports (DGCI & S data) at current prices, these payments declined from 9.4 per cent in 1981-82 to 8.7 per cent in 1982-83.

Cumulative Assistance

Total external assistance authorised to India since Independence to end-March 1983 amounted to Rs.32,017 crores, of which 82 per cent was in the form of loans (Table X-7). The share of grants in total assistance upto end-March 1983 increased to 12 per cent from 11 per cent upto end-March 1982. Assistance utilised upto the end of March 1983 aggregated Rs.24,817 crores, and formed 78 per cent of the total aid authorised. The utilisation of grants at 91 per cent was the same as that upto the end of preceding year.

The World Bank group continued to be the largest single institutional source of aid to India and its share in total authorisations improved to 37 per cent at the end of March 1983 from 35 per cent upto end-March 1982 (Table X-8). The combined authorisations by the IBRD and IDA amounted to Rs.11,897 crores by end-March 1983 as compared with Rs.10,477 crores at end-March 1982. Similarly, the utilisation of assistance provided by these institutions increased from Rs.6,037 crores to Rs.7,110 crores over the year and formed 29 per cent of total aid utilised by end-March 1983 as against 26 per cent at end-March 1982.

Among the donor countries, the USA continued to lead others in terms of both cumulative aid au-

Table X-6 : Inflow of Foreign Assistance — Gross and Net
(Fiscal Years)

(Rupees crores)					
Year	Gross Utilisation	Amortisation Payments	Interest Payments	Total Debt Services (3+4)	Net Inflow of Aid (2-5)
1	2	3	4	5	6
1970-71	780	254	158	412	368
1971-72	821	271	175	446	375
1972-73	605	302	177	479	126
1973-74	803	300	184	484	319
1974-75	968 (1,087)	331 (368)	181 (201)	512 (569)	456 (518)
1975-76	1,436 (1,739)	335 (427)	174 (224)	509 (651)	927 (1,088)
1976-77	1,248 (1,529)	383 (471)	187 (242)	570 (713)	678 (816)
1977-78	1,076 (1,249)	464 (561)	203 (260)	667 (821)	409 (428)
1978-79	1,094 (1,332)	479 (600)	218 (286)	697 (886)	397 (446)
1979-80	1,139 (1,365)	440 (570)	238 (301)	678 (871)	461 (494)
1980-81	1,351 (1,614)	448 (569)	239 (281)	687 (850)	664 (764)
1981-82	1,518 (1,857)	477 (588)	260 (323)	737 (911)	781 (946)
1982-83	1,702 (2,190)	474 (585)	292 (360)	766 (945)	936 (1,244)

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. Figures in brackets indicate the rupee values at the average annual rates of exchange prevalent during respective years.
 3. Both amortisation and interest payments exclude payments which are either postponed or rescheduled as under:

(Rupees crores)													
Country/ Institution	1970- 71	1971- 72	1972- 73	1973- 74	1974- 75	1975- 76	1976- 77	1977- 78	1978- 79	1979- 80	1980- 81	1981- 82	1982- 83
1. I.B.R.D.	11	—	—	—	—	—	—	—	—	—	—	—	—
2. Canada	1	1	1	1	—	—	—	—	—	—	—	—	—
3. Japan	19	15	25	31	25	26	25	—	—	—	—	—	—
4. U.S.A.	7	7	—	—	—	—	—	—	—	—	—	—	—
Total	38	23	26	32 (44)	25 (32)	25 (36)	25 (36)	—	—	—	—	—	—

Table X—7 : Aggregate External Assistance
(Fiscal Years)

(Rupees crores)				
Period	Loans	Grants	PL 480/665 Aid and Third Country Currency Assistance@	Total (2+3+4)
1	2	3	4	5
Authorisations from August 15, 1947				
1. Upto March 1966	5,950	617	1,511	8,078
2. Upto March 1974	11,975	981	2,165	15,121
3. Upto March 1979	18,561	2,594	2,165@	23,320
4. Authorisations during				
(a) 1979-80	781	444	—	1,225
(b) 1980-81	2,888	122	—	3,010
(c) 1981-82	2,170	213	—	2,383
(d) 1982-83	1,757	322	—	2,079
Total (upto March 1983)	26,157	3,695	2,165@	32,017
Utilisation from August 15, 1947				
1. Upto March 1966	4,346	531	1,403	6,280
2. Upto March 1974	10,091	917	2,277	13,285
3. Upto March 1979	14,698	2,132	2,277	19,107
4. Utilisation during				
(a) 1979-80	850	289	—	1,139
(b) 1980-81	1,020	331	—	1,351
(c) 1981-82	1,188	330	—	1,518
(d) 1982-83	1,428	274	—	1,702
Total (upto March 1983)	19,184	3,356	2,277@	24,817

Note: Refer to notes to Table X-2.

@ PL 480 authorisations were fully utilised by the end of 1971-72. The difference between rupee values of total authorisations and total utilisation is attributable to the devaluation of rupee on June 6, 1966.

thorisations and utilisation, followed by the UK, West Germany and the USSR. All other countries and the OPEC group more or less maintained their relative shares both in respect of authorisations and utilisation at the previous year-end levels.

At end-March 1983, total assistance comprising

loans and grants available in the pipe line was of the order of Rs.7,312 crores which was Rs.377 crores higher than that at the commencement of the year. Of this, Rs.6,715 crores or 92 per cent represented project assistance, Rs.259 crores non-project assistance and Rs.338 crores, grants.

Table X—8 : Aggregate External Assistance - Source-wise

(Upto end-March 1983)

(Rupees crores)

Country/Institution	Authorisations				Utilisation			
	Loans	Grants	PL 480/ 665 Aid and Third Country Currency Assistance	Total 2+3+4	Loans	Grants	PL 480/ 665 Aid and Third Country Currency Assistance	Total 6+7+8
1	2	3	4	5	6	7	8	9
IBRD/IDA	11,897	—	—	11,897 (37.2)	7,110	—	—	7,110 (28.6)
United Nations	—	44	—	44 (0.1)	—	44	—	44 (0.2)
EEC	40 [@]	361	—	401 (1.3)	40 [@]	333	—	373 (1.5)
IFAD	112	—	—	112 (0.3)	28	—	—	28 (0.1)
USA	3,945	316	2,165	6,426 (20.1)	3,851	277	2,277	6,405 (25.8)
USSR	1,865	12	—	1,877 (5.9)	1,151	11	—	1,162 (4.7)
UK	1,419	1,640	—	3,059 (9.5)	1,408	1,424	—	2,832 (11.4)
West Germany	1,696	42	—	1,738 (5.4)	1,604	42	—	1,646 (6.6)
Japan	992	40	—	1,032 (3.2)	796	39	—	835 (3.4)
OPEC*	1,553	—	—	1,553 (4.9)	1,063	—	—	1,063 (4.3)
Others	2,638	1,240	—	3,878 (12.1)	2,133	1,186	—	3,319 (13.4)
Total	26,157	3,695	2,165	32,017 (100.0)	19,184	3,356	2,277	24,817 (100.0)

Notes: 1. Please refer to Notes to Table X-2.

2. Figures in brackets represent percentage to the total.

[@] Relates to Special Action Credit.

* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia & OPEC Special Fund.

Borrowing under the Extended Arrangement with the Fund

as follows:

As referred to in the last year's Report, in November 1981, India negotiated with the IMF for purchases of foreign currencies equivalent of upto SDR 5.0 billion under the Extended Facility arrangement. Upto the end of September 1983, India had drawn SDR 3,100 million under this arrangement. The drawings made on a fiscal year basis are

	SDR (Million)	Rupees (crores)
1981-82	600	637
1982-83	1,800	1,893
1983-84 (Upto September)	700	757

Table X—9 : Assistance Extended by India to Other Countries
(Fiscal Years)

Country/Programme	(Rupees crores)											
	Authorisations						Utilisation					
	1981-82			1982-83			1981-82			1982-83		
	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
1. Bangladesh	—	0.4	0.4	—	0.3	0.3	0.1	0.4	0.5	—	-0.3	0.3
2. Bhutan	9.6	37.9	47.5	13.0	43.1	56.1	9.6	37.9	47.5	13.0	43.1	56.1
3. Ghana	5.0	—	5.0	—	—	—	—	—	—	—	—	—
4. Kenya	—	—	—	5.0	—	5.0	—	—	—	—	—	—
5. Mauritius	—	—	—	—	—	—	6.4	—	6.4	1.2	—	1.2
6. Mozambique	4.0	—	4.0	5.0	—	5.0	0.2	—	0.2	2.3	—	2.3
7. Nepal	—	15.8	15.8	—	18.3	18.3	—	15.8	15.8	—	16.8	16.8
8. Peoples' Democratic Republic of Yemen	1.0	—	1.0	—	—	—	—	—	—	—	—	—
9. Seychelles	2.5	—	2.5	—	—	—	—	—	—	—	—	—
10. Sri Lanka	—	—	—	—	—	—	1.6	—	1.6	4.9	—	4.9
11. Tanzania	—	—	—	10.0	—	10.0	0.6	—	0.6	1.0	—	1.0
12. Vietnam	10.0	—	10.0	10.0	—	10.0	8.7	—	8.7	7.0	—	7.0
13. Uganda	2.5	—	2.5	4.0	—	4.0	0.7	—	0.7	1.2	—	1.2
14. Zambia	—	—	—	—	—	—	0.9	—	0.9	3.1	—	3.1
15. Zimbabwe	—	—	—	5.0	—	5.0	—	—	—	2.2	—	2.2
16. Assistance under ITEC Programme	—	2.1	2.1	—	4.1	4.1	—	2.1	2.1	—	4.1	4.1
Total	34.6	56.2	90.8	52.0	65.8	117.8	28.8	56.2	85.0	35.9	64.3	100.2

Notes: 1. Aid to Nepal excludes grant expenditures on Kosi and Gandak schemes executed by the Bihar Government and the grant expenditure on training of Nepalese scholars in India.

2. Authorisations are net of de-obligations/cancellations.

IV India's Financial Assistance to Other Countries

During 1982-83, the Government of India sanctioned financial assistance to nine developing countries for an aggregate sum of Rs.118 crores which was higher by Rs.27 crores than that authorised in the preceding year (Table X-9). Two new countries, viz., Kenya and Zimbabwe became beneficiaries during the year. As in the past, the major portion of the assistance was in the form of grants which rose over the year from Rs.56 crores to Rs.66 crores and constituted 56 per cent of the aggregate assistance authorised during the year. But it was the loan component which rose substantially from Rs.35 crores in 1981-82 to Rs.52 crores this year, with the result its share increased from 38 per cent to 44 per cent of the total assistance. Country-wise, Bhutan accounted for Rs.56 crores taking up almost one-half of the total aid authorised, and retained its top position in the list of beneficiaries, followed by Nepal, Tanzania and Vietnam which together ac-

counted for over one-third of the total authorisations.

Utilisation

The utilisation of aid increased to Rs.100 crores during 1982-83 from Rs.85 crores in 1981-82. As in the previous years, Bhutan utilised the entire aid authorised to that country (Rs.56 crores), accounting for more than one-half of the total utilisation in 1982-83, followed by Nepal which utilised Rs.17 crores out of Rs.18 crores authorised during the year. Kenya, Ghana, Peoples' Democratic Republic of Yemen and Seychelles had still not begun utilisation.

Cumulative Assistance Provided by India

Total aid authorisations by India upto end-March 1983 amounted to Rs.1,185 crores, of which 60 per cent represented grants (Table X-10). Bhutan, the

Table X—10 : Aggregate Assistance Extended by India to Other Countries
(Upto end-March 1983)

(Rupees crores)

Country/Programme	Authorisations			Utilisation			Amount undistributed as at the end of March 1983		
	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total
1	2	3	4	5	6	7	8	9	10
1. Afghanistan	6.4	—	6.4	6.4	—	6.4	—	—	—
2. Bangladesh	116.3	146.4	262.7	92.5	131.5	224.0	23.8	14.9	38.7
3. Bhutan	49.8	313.7	363.5	49.8	313.4	363.2	—	0.3	0.3
4. Burma	20.0	—	20.0	20.0	—	20.0	—	—	—
5. Ghana	5.0	—	5.0	—	—	—	5.0	—	5.0
6. Kenya	5.0	—	5.0	—	—	—	5.0	—	5.0
7. Indonesia	10.0	—	10.0	10.0	—	10.0	—	—	—
8. Mauritius	15.0	—	15.0	14.5	—	14.5	0.5	—	0.5
9. Mozambique	9.0	—	9.0	2.5	—	2.5	6.5	—	6.5
10. Nepal	21.5	219.7	241.2	21.5	197.9	219.4	—	21.8	21.8
11. Peoples' Democratic Republic of Yemen	1.0	—	1.0	—	—	—	1.0	—	1.0
12. Seychelles	2.5	—	2.5	—	—	—	2.5	—	2.5
13. Sri Lanka	71.9	—	71.9	59.3	—	59.3	12.6	—	12.6
14. Tanzania	17.4	—	17.4	7.0	—	7.0	10.4	—	10.4
15. Vietnam	98.6	—	98.6	87.8	—	87.8	10.8	—	10.8
16. Uganda	6.5	—	6.5	1.9	—	1.9	4.6	—	4.6
17. Zambia	10.0	—	10.0	4.0	—	4.0	6.0	—	6.0
18. Zimbabwe	5.0	—	5.0	2.2	—	2.2	2.8	—	2.8
19. Assistance under ITEC Programme	—	34.6	34.6	—	34.6	34.6	—	—	—
Total	470.9	714.4	1,185.3	379.4	677.4	1,056.8	91.5	37.0	128.5

Notes: 1. Refer to Notes to Table X-10.

2. Aid to Bangladesh does not cover the relief goods of the value of Rs. 17 crores supplied to that country in 1971-72.

RBI-X Tape E

Table X—11: The Exchange Rate of the Indian Rupee

(Rs. per unit of SDR/foreign currency)

July-June (annual average*)	SDR	US \$	£	DM	Yen
1978-79	10.4399	8.21	15.76	4.10	0.0429
1979-80	10.4551	8.03	17.92	4.49	0.0346
1980-81	10.1002	8.04	18.42	4.02	0.0376
1981-82	10.4633	9.20	16.89	3.92	0.0395
1982-83	10.6410	9.83	15.86	3.98	0.0398

Note: The SDR rate is as given in the IMF Survey. For the pound sterling, it is the middle rate of the R.B.I. quotations. For other currencies, the rates are the middle rates on the London market as crossed with the R.B.I. middle rates for the pound sterling.

* Based on monthly averages.

main beneficiary, was provided Rs. 363 crores or 31 per cent of the total assistance authorised, followed by Bangladesh (Rs. 263 crores) and Nepal (Rs. 241 crores). These three countries together accounted for roughly 73 per cent of total aid authorisations by

India. In terms of utilisation also, Bhutan occupied first place utilising almost the entire authorisations, accounting for nearly 34 per cent of the total aid of Rs. 1,057 crores disbursed so far by India. Bangladesh and Nepal followed in that order accounting

Table X— 12 : Monthly Exchange Rate of the Indian Rupee

Month (Averages)	(Rs. per unit of SDR/Foreign Currency)				
	SDR	US \$	Pound Sterling £	DM	Yen
1981					
July	10.1272	8.9148	16.7171	3.6549	0.0384
August	10.1532	9.0450	16.4655	3.6141	0.0387
September	10.4388	9.1257	16.5623	3.8725	0.0397
October	10.5683	9.1540	16.8663	4.0669	0.0396
November	10.6579	9.1367	17.3834	4.1029	0.0410
December	10.6557	9.1559	17.4365	4.0577	0.0419
1982					
January	10.5591	9.1716	17.2977	3.9984	0.0408
February	10.4613	9.2354	17.0523	3.9020	0.0392
March	10.4509	9.3118	16.8172	3.9136	0.0386
April	10.4800	9.3815	16.6259	3.9190	0.0385
May	10.5604	9.3121	16.8543	4.0298	0.0393
June	10.4466	9.4818	16.6567	3.9057	0.0378
July	10.4345	9.5588	16.5902	3.8794	0.0375
August	10.4191	9.5819	16.5393	3.8651	0.0370
September	10.4203	9.6574	16.5363	3.8556	0.0367
October	10.3884	9.7020	16.4623	3.8356	0.0358
November	10.4518	9.7824	15.9834	3.8317	0.0370
December	10.6472	9.7316	15.7292	4.0190	0.0402
1983					
January	10.8204	9.8600	15.5128	4.1274	0.0424
February	10.8268	9.9322	15.2221	4.0958	0.0421
March	10.8582	10.0108	14.9151	4.1557	0.0420
April	10.8333	10.0025	15.3929	4.0977	0.0421
May	10.8513	10.0325	15.7691	4.0682	0.0427
June	10.7905	10.1093	15.6593	3.9662	0.0421

Note: The SDR rate is as given in the IMF Survey. For the pound sterling, it is the middle rate of the R.B.I. quotations. For other currencies, the rates are the middle rates on the London market as crossed with the R.B.I. middle rates for the pound sterling.

for around 21 per cent each of the total aid disbursed till end-March 1983.

V Exchange Rate Developments

The exchange arrangement of the rupee remained unchanged during the year. The exchange rate of the rupee continued to be determined in terms of a weighted basket of the selected major international currencies, with the pound sterling as the intervention currency. The volatility in exchange rates of major currencies during the year under review resulted in the increased number of adjustments (113) in rupee-pound sterling rates during the year (see Annexure) as against 88 changes during 1981-82. The monthly revisions ranged from 6 each in September and December 1982 to 14 in March 1983 and there were as many as 50 changes in the four months from March to June 1983.

Table X-11 presents the exchange rate of the rupee vis-a-vis the SDR and four major international currencies, on an annual average basis, during the last five years.

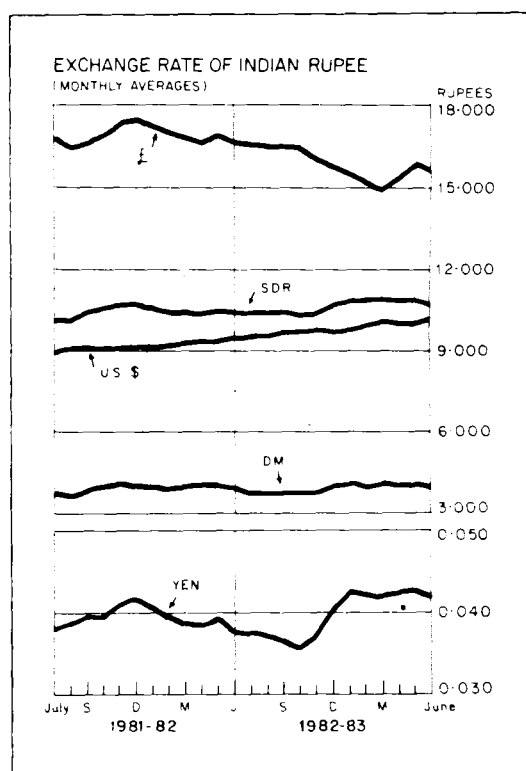
It may be seen from the table that during 1982-83 the rupee depreciated against the SDR and appreciated against the remaining currencies except pound sterling.

In terms of SDR, the rupee depreciated by 1.7 per cent to Rs.10.64 per SDR in 1982-83 which was about one half of the depreciation of 3.5 per cent witnessed in the preceding year. Similarly, against the US dollar, the rupee continued to depreciate; the magnitude of depreciation at 6.4 per cent resulting in the rate to Rs.9.83 per U.S. dollar during 1982-83 was little more than one half of 12.6 per cent depreciation that had occurred in 1981-82. However, the depreciation of the rupee vis-a-vis Deutsche mark by 1.5 per cent to Rs.3.98 per DM during the year under review was in contrast to the appreciation of the rupee by 2.6 per cent in the previous year. Against the Japanese yen, the rupee depreciated by 0.8 per cent to Rs.0.0398 per yen during 1982-83 compared to a larger depreciation of 4.8 per cent in the preceding year.

On the other hand, the appreciation of the rupee against the pound sterling continued during the year under review, though in magnitude it was lower at 6.5 per cent as compared with that of 9.1 per cent in 1981-82.

On the monthly average basis, data for which are given in Table X-12, the rupee exhibited some strength against the SDR from July to October 1982 but weakened thereafter till March 1983. The rupee firmed up in April and June 1983 though was weak in May 1983. Thus over the year ending June 1983, the rupee depreciated by 3.2 per cent.

There was a steady decline of the rupee against the US dollar throughout the period under review except in the months of December 1982 and April 1983 in which the rupee improved slightly. The US dollar in fact strengthened during this year against major currencies of the world with the exception of the Japanese yen. Between June 1982 and June 1983 the rupee depreciated against the US dollar by 6.2 per cent.



Against the pound sterling, the rupee displayed a steady firmness from July 1982 to March 1983. Whatever ground was lost in April and May 1983 was partially regained in June 1983. Over the twelve months ending June 1983 the rupee appreciated against the pound sterling by 6.4 per cent.

The rupee recorded strength against the Deutsche mark upto November 1982 but was generally weak thereafter till March 1983. Despite some firmness in the last quarter of the year, the rupee depreciated by 1.5 per cent over the year ending June 1983.

In relation to the Japanese yen, the rupee was strong upto October 1982 but weakened considerably during the subsequent three months. The rupee fluctuated within a narrow band thereafter, with the exception of May, so that over the year ending June 1983, the rupee depreciated against the Japanese yen by 10.2 per cent.

VI International Monetary Developments

The year 1982 turned out to be another one of anguish and anxiety for the world economy. The slow down in economic activity noticed in the preceding year deepened into a world wide recession of alarming proportions. The number of unemployed surged to a new high. The basic stance of monetary policy in most industrial countries remained restrictive. Though successful in containing inflation, this, together with loose fiscal policy, kept the interest rate high, both in nominal and real terms. The instability in exchange rates of major currencies persisted despite some success on the inflation front and some reduction in balance of payments imbalances. The non-oil developing countries (NODCs) were badly affected by the falling demand for their exports coupled with resort to protectionist measures by industrial countries, collapse of prices of primary commodities, adverse movement in the terms of trade and the mounting debt servicing burden. Notwithstanding the contraction in current account deficits partly as a result of easing international oil prices, a number of them faced considerable financial constraints forcing them to cut down even on their essential imports. This adversely affected the growth of output in these countries. Since early 1983, the two North American economies are showing strong signs of picking up. But, the recovery in Europe and Japan was still hesitant. In any case, recovery as yet appears rather modest to allow world trade to expand sufficiently to revive the economies of NODCs.

Domestic Activity

The hope of recovery in major industrial countries in the second half of 1982 was aborted by the

unexpected weakness in investment activity, continued rapid liquidation of business inventories and the weak import demand in developing countries. As a result, the recession in the industrial countries turned out to be much more severe and widespread than earlier expected. Real GNP in industrial countries as a group, which had improved by a little over one per cent during each of the two preceding years, actually declined by 0.3 per cent during 1982. Further, as many as 4 of the 7 major industrial countries recorded declines in real GNP in 1982. Though the recession was fairly widespread, the two North American economies were the worst hit, with the turn around in Canada from an increase of 3.4 per cent in 1981 to a decline of 4.4 per cent in 1982 being particularly marked.

Factors that contributed to the deepening of recession in industrial countries during 1982 were the weak consumer demand, decline in investment activities and accelerated liquidation of stocks. Thus, for the third year running, the increase in consumer expenditure has been in the range of about 1 per cent as against between 3-4 per cent in the preceding three years. Similarly, gross fixed investment also declined for the third consecutive year: in 1982, the rate of fall at 3.3 per cent was rather sharp. This may be attributed to high interest rates and low level of corporate profitability. Stocks were also depleted - for the second consecutive year - in view of higher costs. The developments in these areas appeared somewhat favourable for 1983. Thus, consumer expenditure in industrial countries is projected to grow by over 3 per cent in 1983. There is also likely to be a marginal increase in inventory build-up. The gross fixed investment is also projected to pick up. As a result, the real GNP in industrial countries is projected to grow in 1983 by 1.9 per cent. However, signs of recovery are robust only in the US. Thus, after a slow start in the first quarter, GNP grew at an annual rate of over 8 per cent in the second. Though the rate of growth may decelerate to about 5 per cent in the last quarter, for the calendar year 1983, real GNP in the US may record a growth of 3 per cent. The turn around in Canada may also be significant. The prospects for other industrial countries, however, are not particularly bright. Thus, in most European industrial countries consumer demand is still listless, and the rate of stock building slack. The pickup in aggregate demand in these countries still appears to be hesitant with a GNP growth forecast of just 0.6 per cent for Western Europe. Even in Japan, which had recorded a modest growth even during worst years,

the growth rate is projected to accelerate only marginally to 3.2 per cent. This, together with the continued high level of US federal budgetary deficit, the fear of an increase in US interest rates and over-valued dollar may distort the shape of recovery and do not augur well for the world economy in 1983.

The weakness in economic activity, deceleration of export growth, high interest rates and the unsatisfactory earning position of enterprises inevitably led to sluggishness in the demand for labour. As a result, the number of persons employed in the seven major industrial countries which had been growing, though at a sharply decelerated rate, actually declined by 0.8 per cent in 1982; the rate of fall was over twice as much in Germany and around four times in Canada and the UK. The average unemployment rate in these seven countries reached a record 8 per cent in 1982 and was as high as nearly 12 per cent in the UK and 11 per cent in Canada. The position for the group would have been even worse but for the continued low level of unemployment rate in Japan partly attributable to the relatively better performance of that economy. In view of the hesitant recovery, unemployment rate is projected to rise in all major industrial countries with the average unemployment rate in the seven major industrial countries reaching 8.5 per cent in 1983.

The depressed level of economic activity and high unemployment rate in major industrial countries basically reflect their overriding concern, during the last few years, to contain inflation through over-reliance on monetary policy. Thus, the nominal broad money aggregates in major industrial countries grew by only 9.5 per cent in 1982 as against 9.8 per cent in the two preceding years and between 10 and 13.5 per cent during 1976-1979. The constraints on the growth of broad money were particularly sharp in the US, Japan and the UK. The basic thrust of the monetary policy remained restrictive, though there was some easing of monetary conditions in late 1982, though not in all countries, as reflected in the growth of narrow money. In fact, in the US, the surge in narrow money noticed during recent months is much beyond the target range set by the Federal Reserve. However, the relatively faster growth of narrow money in 1982 is to be seen in the context of a turn around in the income velocity of narrow money (M_1) which marginally declined in 1982 after sharp increases in the two preceding years. The restrictive monetary policy had

the effect of restraining demand and, hence, the growth of output.

The tight monetary policy in major industrial countries did not find support in appropriate fiscal policies. In fact, fiscal policies in most industrial countries were lax. Thus, the combined budgetary deficit of the seven major industrial countries, which had already grown from 3.5 per cent of GNP in 1980 to 3.8 per cent in 1981, rose to 4.6 per cent in 1982. The growth of budgetary deficit was particularly marked in the two North American economies - from 2.1 per cent in 1981 to 5.8 per cent in 1982 in Canada and from 2.5 per cent to 4.3 per cent in the US. With the exception of Japan, the deficit is projected to expand during 1983 in all major industrial countries. A major part of the increase in fiscal deficits may be attributed to the deteriorating cyclical situation; a part is also structural. Alongwith budgetary deficits, there was also a marked increase in the borrowing requirements of central governments. The combined increase in borrowing requirements in the major industrial countries increased from 3.9 per cent of GNP in 1981 to 4.8 per cent in 1982, the rise being marked again in the two North American economies.

A distinctly encouraging development during 1982 was the moderation of inflation rate to a more acceptable levels of under 7 per cent in major industrial countries. In most of them, inflation rate in 1982, as measured by the consumer price index, was the lowest or among the lowest during the last 10 years. The deceleration in the inflation rate has been particularly pronounced in the US and the UK; in the US the rate of inflation fell from around 9.6 per cent in the last quarter of 1981 to 4.5 per cent a year later and further to 3.3 per cent in the second quarter of 1983 and in the UK from about 11.9 per cent to 6.2 per cent and 3.8 per cent over the corresponding periods. The situation improved also in Japan and Germany where the inflation rate had been even otherwise moderate. The inflation is expected to decelerate further during the second half of 1983. The success in the fight against inflation may as much be attributed to the policy prescription as to the sharp drop in the income velocity of money, moderation in wage settlements, considerable weakening of oil prices and the sharp decline in prices of primary commodities.

The generally restrictive monetary policy fol-

lowed by major industrial countries enabled them to contain inflation. But the severity of the policy, along with expanding budgetary deficits, had also tended to push up the nominal interest rates to unprecedentedly high levels in 1981 when both short-term and long-term rates averaged over 14 per cent in the seven major industrial countries. However, with some easing in the stance of monetary policy, short-term interest rates declined appreciably in major industrial countries in 1982 - by 2.4 percentage points, on an average, but by as much as 3-4 percentage points in the US, Canada and Germany. However, the long-term interest rates have been rather sticky, declining, on an average, by just 0.8 percentage points in 1982. This may be reflective of the market's perception of the underlying inflation trend. The declines in interest rates, whether short-term or long-term, did not keep pace with the slowing of inflation. As a result, real interest rates remained unprecedentedly high in historical perspective, the real short-term rate averaging 4.0 per cent and long-term 5.4 per cent in 1982. In fact, decline in nominal rates in 1982 notwithstanding, both the short and long-term real rates in 3 of the 7 major countries - the US, the UK and Italy - were markedly higher in 1982 than in 1981. The high level of interest rates, both in nominal and real terms, appear to have stifled the incentive to invest, as reflected in the data relating to gross fixed investment, and also led to rapid liquidation of business inventories and thus depressing the level of economic activity. Apart from the high level, another aspect of interest rate development that affected the health of the world economy was the widening of the gap between the real long-term interest rates in the US, on the one hand, and the major European industrial countries, on the other. This not only affected the exchange rate markets but also induced movement of capital across Atlantic thus starving of the European countries of the much needed investment capital. The nominal interest rates, both short-term and long-term, are again looking up in 1983 in many major industrial countries. In the US, earlier expectations that interest rates would drift lower during the summer has already given way to the feeling that the rates could go up; the rates have, in fact, inched up since early May.

These developments in the industrial countries had a deleterious effect on the economies of developing countries, both oil exporting and others. Mainly as a result of weak demand for oil caused by high level of oil prices and general recession in

industrial countries, the output in the oil sector of the oil exporting developing countries shrank by as much as 16.4 per cent in 1982; this was the third consecutive year when such output had declined and the fall had accelerated over the period. Consequently, despite moderate growth recorded in the non-oil sector - 3.8 per cent in 1982 on top of around 5 per cent in each of the two preceding years - the overall output decreased for the third year running; the drop in output was as high as 4.6 per cent in 1982. The output of the oil sector is projected to fall further by 8.2 per cent in 1983 though this may be partially offset by a moderate rise of 1.8 per cent in the output of non-oil sector.

The sluggish export markets, further sharp decline in prices (in the US dollar terms) of non-oil primary commodities and worsening of the terms of trade, the mounting external debt servicing burden fuelled by hardening terms of loans and other financial constraints forced the NODCs to retrench further their import demand in 1982. As a result, the rate of growth of output in these countries fell from 2.6 per cent in 1981 to 1.7 per cent in 1982; excluding the Peoples Republic of China, the decline was from 2.5 per cent to just 0.8 per cent. This represents a sharp fall in per capita income in these countries in 1982 after no increase in 1981. The worst hit among the NODCs were the major exporters of manufactures; output in this group of countries stagnated in 1982 after an actual decline of 0.2 per cent in 1981. The low income countries performed relatively well; even excluding China these countries recorded an increase in output of 3.2 per cent in 1982. Going by area, NODCs in Western Hemisphere recorded declines in output in 1981 (0.1 per cent) as well as 1982 (1.8 per cent). Despite severe constraints, NODCs in Asia (excluding China) managed to record growth in output of 4.3 per cent in 1982.

Growth prospects in NODCs as a group for 1983 are not too bright. Total output is projected to grow by no more than 1.6 per cent in 1983, implying a sharp reduction in per capita income during the second year after 1981 in which there was no rise in per capita income. Within the group, economic activity in the major exporters of manufactures is likely to stagnate while that in Western Hemisphere it may further decline in 1983. The low income countries, by analytical group, and those in Asia, by area, are projected to improve on their 1982 performance.

With the exception of low income countries, among analytical groups, and Asia, among geographical areas, inflationary pressure remained severe and inflation rate as measured by consumer prices, high in NODCs. Thus, for NODCs as a group, the weighted average of consumer prices increased by 33 per cent in 1982 as against 31 per cent in 1981. This was mainly on account of increase in inflation rates in 'net oil exporters' group (from 24 per cent in 1981 to 44 per cent in 1982) among analytical groups, and countries in Western Hemisphere (from 65 per cent to 78 per cent), among geographical areas. The inflationary situation is projected to further worsen among net oil exporters and major exporters of manufactures.

Weighted averages, however, tend to be strongly influenced by sharp change in the few large countries. As such, these obscure the efforts made in other countries to contain inflation. Taking the median rate, instead of weighted average, inflation rate would appear to have decelerated in NODCs from 13.8 per cent in 1981 to 11.5 per cent in 1982. The deceleration was particularly pronounced among NODCs in Asia (from 13.4 per cent in 1981 to 7.9 per cent in 1982) and Western Hemisphere (from 14.8 per cent to 9.9 per cent). Inflationary pressure had intensified in other geographical areas. Median rate is projected to slow to 10 per cent in 1983. With the exception of Middle East, NODCs in all other areas are expected to record lower rates of inflation in 1983 as compared to 1982.

International Trade and Payments

Under the combined impact of prolongation of recession in industrial countries and resource constraints faced by the NODCs, world trade weakened further in 1982. After near stagnation in 1981, the volume of world trade declined by 2.5 per cent in 1982. This, together with lower US dollar unit values partially reflecting appreciation of the US dollar, reduced the value of world trade to under \$1,900 billion, 4.0 per cent less than in 1981. According to GATT, moderate gain in the volume of world trade in agricultural products (1 per cent) was more than offset by declines in mineral products including fuels and non-ferrous metals (7 per cent) and manufactures. The poor performance in agricultural and mineral products was primarily due to sluggish demand in the industrial countries, while the decline in manufacture was partly attributable to

a reduction in imports of such products by the NODCs.

Faced with weak domestic demand and in order to protect domestic industries and employment, most industrial countries intensified protectionist pressures. The combined result was the reduction in the volume of imports of this group by 0.3 per cent in 1982 on top of those of 2.4 per cent in 1981 and 1.5 per cent in 1980. The decline in the value of their imports at 6.0 per cent in 1982 was even more marked. Almost the entire decline in the volume of imports posted by industrial countries in 1982 was on account of reductions recorded by the two North American countries. Canada imported 14.7 per cent less and the US 4.4 per cent less in 1982 as compared with 1981. All major European countries imported more in 1982 than in 1981. The decline in the value of their imports has continued; in the first half of 1983, imports were 6.6 per cent below the level in the corresponding period of 1982. These being the main export outlets of the NODCs, their exports were badly affected. Thus, the growth in the volume of exports of NODCs, which had already contracted from 9 per cent in 1980 to 6.3 per cent in 1981, dropped to 0.4 per cent in 1982. In nominal dollar terms, exports of the NODCs in 1982 were 6 per cent below 1981, the first such decline since 1975. The pronounced fall in the value of exports reflects the sharp decline in the dollar market price of non-oil primary commodities caused by weak markets and over-valued dollar. These prices declined by over 12 per cent in 1982 on top of a fall of almost 15 per cent in 1981.

The volume of exports of oil exporting countries has been declining at an accelerated pace during the last 3 years, the fall during 1982 being of the order of 19 per cent. In value terms, their exports declined by 21 per cent in 1982. Their export receipts continued to fall in the first quarter of 1983; these were 24 per cent below the preceding quarter and 28 per cent below the first quarter of 1982.

As is usual during the recessionary period, the decline in prices of primary commodities during 1982 was more pronounced than that in manufactured goods. Oil prices also came down in 1982. As a result, the terms of trade for industrial countries, after deteriorating for 3 years, improved by 2.4 per cent in 1982. On the other hand, NODCs re-

corded a further fall in their terms of trade for the fifth consecutive year, the deterioration in 1982 being of the order of 2.7 per cent. As a result, the purchasing power of their exports declined by nearly 2 per cent, the first such decline after 1975. Among NODCs, the purchasing power of exports of major exporters of manufactures dropped by 3.4 per cent during 1982 and of 'other net oil importers' by 2.8 per cent. The fractional improvement (0.1 per cent) in the purchasing power of exports of low income countries in 1982 was recorded after 4 years of substantial declines. As a result of the softening of oil prices, the terms of trade of oil exporting developing countries also deteriorated by 1.0 per cent in 1982 - the first deterioration in 4 years.

The industrial countries are projected to further improve their terms of trade by 3.0 per cent in 1983. After 5 years of deterioration, the NODCs may also record a modest improvement of 1 per cent; the purchasing power of their exports is projected to improve more significantly, by as much as 6 per cent. The terms of trade of oil exporting countries are likely to worsen very sharply in 1983.

Falling export receipts and other financing constraints sharply reduced the capacity of NODCs to import. Thus, the sharp deceleration in the growth of the volume of their imports during 1979-1981 was followed by a negative rate of 8.2 per cent in 1982. This adversely affected the growth prospects of these countries. With the projected improvement in the world economy and in the terms of trade of NODCs, these are expected to increase their imports in volume terms by 1.5 per cent in 1983. The increase is likely to be more pronounced among the low income and 'other net oil importers' groups of countries.

These changes in the pattern of trade are reflected in the trade balances. Thus, despite a 6 per cent drop in their export earnings, industrial countries managed to reduce their deficit on trade account from \$20 billion in 1981 to \$15 billion in 1982. This was made possible by a \$40 billion decline in the value of their oil imports induced by a 6 per cent fall in prices and 12 per cent drop in the volume of oil imports. Their surplus on account of non-oil trade, also declined by \$35 billion in 1982.

There have also been significant changes in the pattern of current account balances of major country groups. Thus, the deficit in current account balance

of industrial countries expanded from a nominal \$0.2 bn. in 1981 to \$3.6 bn. in 1982. This may largely be attributed to the decline in surplus on account of services and private transfers from about \$20 bn. in 1981 to nearly \$14 bn. in 1982. The overall modest change, however, conceals major shifts in the current account balances of individual countries. Thus, the year witnessed a large improvement in current account balances of Germany from a nominal surplus of \$0.1 bn. in 1981 to a surplus of \$9.9 bn. in 1982 and Canada from a deficit of \$5.1 bn. to a surplus of \$2.2 bn. There were also modest improvements in Italy and Japan. These were more than offset by sharp deterioration in the current account position of the US (\$14.9 bn.), France (\$6.6 bn.) and the UK (\$5.1 bn.). In the US, the deterioration was on account of an enlarged trade deficit as also reduced surplus on account of services and private transfers. In France, it was wholly on account of the near doubling of the trade deficit. On present indications, despite the expected further sharp deterioration in the US, the balance on current account of industrial countries as a group is projected to show a surplus of \$5.5 bn. in 1983. Japan is projected to post a surplus of over \$24 bn., up from about \$8 bn. in 1982 and Germany a surplus of \$14 bn., up from \$10 bn. in 1982.

A crucial development has been the turn around in the combined current account balances of the oil exporting developing countries from a large surplus - as much as \$55 bn. in 1981 - to a deficit, \$13 bn. in 1982 following a \$63 bn. drop in the value of their oil exports caused by 19 per cent drop in the volume and a 4 per cent fall in prices of oil. On present indications, the volume of oil exports may further decline by about 4 per cent in 1983; the average price of oil is also projected to decline by nearly 13 per cent reflecting the changes introduced towards the end of 1982. As a result, these countries may end 1983 with a current account deficit of \$24 bn.

Unlike in the case of industrial and oil exporting countries, the current account deficits of the NODCs declined from almost \$108 bn. in 1981 to a level of \$84 bn. in 1982. The deficits contracted despite a sharp increase in debt service payments from nearly \$93 bn. in 1981 to \$105 bn. in 1982. In view of the decline in export receipts (\$14.5 bn.) and increased net outgo on account of other services and private transfer (\$6.5 bn.), the improvement in current account deficit may be attributed wholly to

the nearly \$42 bn. decline in imports; the improvement, thus, represents a painful response to extreme financial pressure. As already indicated, the sharp cuts in imports were almost forced on NODCs and curtailed their growth prospects. The improvement in the current account deficit of the NODCs was shared by net oil exporters as well as net oil importers. In the latter group, while the low income countries recorded nominal change, the other net oil importers posted significantly lower deficit. As a result, the deterioration in current account deficits of the NODCs in relation to their exports noticed since 1977 was reversed. Thus, after 4 years of increase, the current account balances as a percentage of exports of goods and services of the NODCs actually declined from 23 per cent in 1981 to 19 per cent in 1982. The improvement was particularly pronounced in the case of net oil exporters group. The combined deficit of the NODCs is expected to be reduced further to \$67 bn. in 1983 and its ratio to exports of goods and services to 14 per cent. The reduction in deficit will be almost entirely on account of the improvement likely to be recorded by the major exporters of manufactures. Again no major change is envisaged in the position of low income countries.

The pattern of financing of the current account deficit of the NODCs underwent some significant changes during the year. First, the decline in current account deficits was accompanied by a large change in reserve position, from an accumulation of \$2.6 bn. in 1981 to a draw down of \$5.3 bn. in 1982. There was an equally sharp increase in use of reserve-related assets mostly in the form of short-term borrowing among monetary authorities. Use of these reserve-related assets sharply increased from \$6.1 bn. in 1981 to \$10.1 bn. in 1982 and its proportion to current account deficit increased from 5.7 per cent to 12.0 per cent. Second, unlike during the last 6 years, the amount of official transfers actually declined, though marginally, from about \$13.6 bn. in 1981 to about \$13.0 bn. in 1982. Third, the upward movement in net direct investment flows was also reversed, the amount declining from \$13.5 bn. in 1981 to \$11.6 bn. in 1982. Fourth, there was a considerable decline, both in absolute terms as also in relation to deficit, in net external borrowing, both long-term and short-term. These developments in external borrowings reflect the liquidity crisis in the international banking community following the inability of some large borrowers to honour their debt servicing liability. Thus, the net private long-term borrowings de-

clined from \$40.3 bn. in 1981 to \$23.3 bn. in 1982 and short-term borrowings from \$12.6 bn. to just about \$0.6 bn. The share of deficit financed by long-term capital from private sources fell from 36.2 per cent in 1981 to 27.7 per cent in 1982. The decline was particularly pronounced in the case of major exporters of manufactures (from 57 per cent to just 23 per cent), by analytical group, and in Western Hemisphere (from 73 per cent to 38 per cent), by area. In fact, in all other country groups the share of long-term private capital either increased or remained the same.

A development of significance was that, though the nominal value of total external resource flows to developing countries had increased from \$95.7 bn. in 1980 to \$104.0 bn. in 1981, official development assistance (ODA) actually declined from \$36.4 bn. to \$35.5 bn. This was the first fall in the absolute level of ODA flows during the last 5 years. As a result, the share of ODA in total external financial receipts of developing countries, which had increased from 36 per cent in 1979 to 38 per cent in 1980, declined to 34 per cent in 1981. The fall in ODA flows during 1981 was almost entirely on account of reduced bilateral flows from OPEC countries which declined from \$8.3 bn. in 1980 to \$6.9 bn. in 1981. Consequently, the share of bilateral flows from OPEC countries to total ODA flows declined from 23 per cent in 1980 to 19 per cent in 1981 and in total external financial receipts by developing countries from 9 per cent to 7 per cent. ODA flows from DAC countries marginally increased from \$25.5 bn. in 1980 to \$25.9 bn. in 1981. The marginal increase, notwithstanding, the share of ODA in total net flow of financial resources from DAC countries, which had increased from 30 per cent in 1979 to 36 per cent in 1980, sharply declined to 29 per cent in 1981. Similarly, the share of ODA flows from DAC countries in aggregate external financial receipts of developing countries, which had increased from 26 per cent in 1979 to 27 per cent in 1980, fell to 25 per cent in 1981.

The marginal decline in total ODA flows during 1981 was in nominal terms. At constant 1981 prices and exchange rates, total ODA flows to developing countries marginally increased from \$35.3 bn. in 1980 to \$35.5 bn. 1981. However, the bilateral ODA flows from OPEC countries even in real terms show a sharp decline from \$8.0 bn. to \$6.9 bn. The bilateral ODA flows in real terms from DAC coun-

tries increased from \$17.5 bn. in 1980 to \$18.3 bn. in 1981; including flows through multilateral institutions, total real ODA flows from DAC countries increased from \$24.7 bn. in 1980 to \$25.9 bn. in 1981. This was despite a sharp reduction in real ODA flows from the US, from \$7.1 bn. in 1980 to \$5.8 bn. in 1981. Japan reduced its ODA in 1981 from \$3.4 bn. to \$3.2 bn. Other countries recording marginal reduction in ODA were Australia, New Zealand and Denmark.

It may be noted that ODA flows from DAC in 1981 when measured in relation to combined GNP of DAC countries, registered sharp declines from 0.38 per cent in 1980 to 0.35 per cent in 1981, the same as in 1978 and 1979 but lower than that in 1972. Countries to record notable declines in ODA flows in relation to their GNP were the US (from 0.27 per cent to 0.20 per cent), Japan (from 0.32 per cent to 0.28 per cent), Australia (from 0.48 per cent to 0.41 per cent) and New Zealand (from 0.33 per cent to 0.29 per cent). Countries to have met or exceeded the UN target of ODA at 0.7 per cent of GNP were the Netherlands (1.08 per cent), Sweden (0.83 per cent), Norway (0.82 per cent) and Denmark (0.73 per cent). On the other hand, despite reduced ODA flows from OPEC, these formed 1.46 per cent of their combined GNP, the ratio being as high as 4.77 per cent in the case of Saudi Arabia, 2.88 per cent for UAE, 2.64 per cent in the case of Qatar and 1.98 per cent for Kuwait.

Preliminary data for 1982 indicate a substantial increase in ODA flows from DAC countries. In nominal terms, the amount increased by about 9 per cent to \$28 bn. which forms 0.39 per cent of their combined GNP. In constant 1981 prices and exchange rates, the increase in real terms is estimated higher at 11 per cent. The sharp increase in 1982 largely reflect increased contributions to multilateral institutions. It may be noted that some contribution to such institutions, particularly IDA, due in 1981, were made in 1982.

Six countries increased ODA in 1982 substantially in relation to their GNP: Australia (from 0.41 per cent to 0.57 per cent), Austria (0.48 per cent to 0.54 per cent), Italy (0.19 per cent to 0.24 per cent), Norway (0.82 per cent to 1.01 per cent), Sweden (0.83 per cent to 1.02 per cent) and the US (from 0.20 per cent to 0.27 per cent), Canada, New Zealand and the UK recorded falls, the UK because of delays in aid payments to India.

Developments in Exchange Rates of Major Currencies

The volatility in exchange markets continued during the year under review. Frequent large fluctuations in exchange rates of major currencies witnessed during the year is one of the factors resulting in wide differentials between inflation and interest rate, other factors are divergent economic policies pursued by the major countries and developments in the balance of payments positions. Although many central banks intervened in the exchange markets, there was no evidence of concerted and co-ordinated efforts to reduce instability in exchange markets. In fact, both the U.S. and the U.K. have, since mid 1981, followed a "laissez faire" policy, intervening only to counter disorderly conditions and smoothen undue fluctuations.

As in the preceding year, the U.S. dollar generally remained firm against all major European currencies. The pound sterling further weakened against the U.S. dollar and the DM, and softened in relation to the Japanese yen. The DM depreciated marginally against the U.S. dollar, but appreciated against the pound sterling. The Japanese Yen which had depreciated against the U.S. dollar and the pound sterling in the previous year, appreciated against both the currencies.

The *U.S. Dollar* generally remained firm against major European currencies till November 1982. After showing some weakness in December, it resumed its upward movement in January 1983. Some weakness was again in evidence in April and May. In June, the U.S. dollar again turned firm. Over the period (June 1983 over June 1982), it appreciated by 13.5 per cent against the pound sterling, 4.9 per cent against the DM and 16.4 per cent against the French franc. This was on top of a rise of 12.5 per cent, 2.3 per cent and 16.2 per cent against the three currencies, respectively, recorded in the previous year. The U.S. dollar, however, depreciated by 4.4 per cent against the Japanese yen after recording a sharp rise of 12.0 per cent in the previous year. Its nominal effective exchange rate showed a lower increase of 5.6 per cent as compared to that of 9.5 per cent in the previous year.

A major factor influencing the U.S. dollar was the high interest differential. It may be noted that

the tight monetary policy in conjunction with large budgetary deficits kept interest rates high in the U.S. Many European countries, on the other hand, reduced interest rates during the year with a view to stimulating recovery and reducing unemployment. The resultant interest rate differential in favour of the U.S. attracted both investment and speculative capital to the U.S. Other developments in economic indicators influencing the exchange rate movements in the U.S. dollar in the recent period were an improvement in the current account in 1982, a sharp deceleration of the inflation rate and recovery in economic activity noticed since the closing months of 1982. Among the non-economic factors, mention may be made of the uncertainty about oil prices.

The slide down of the *pound sterling* against most major currencies, which began early in 1981, continued till March 1983. Thus, during the nine months to March 1983, the pound sterling eased by 15.1 per cent against the U.S. dollar, 15.8 per cent against the DM and 20.0 per cent against the Japanese yen. The pound sterling, however, staged a recovery in the last week of March and moved up sharply by 8.0 per cent against the U.S. dollar, 11.7 per cent against the DM and 7.4 per cent against the Japanese yen during the next two months. During June 1983, it again came under pressure against major currencies and lost a part of the gain made in the preceding two months. Over the year (June 1982 to June 1983), the pound sterling eased by 11.9 per cent against the U.S. dollar, 7.6 per cent against the DM and 16.0 per cent against the Japanese yen while it marginally appreciated by 0.5 per cent against the French franc. Its nominal effective exchange rate declined by 6.6 per cent during the year. In 1981-82, the pound sterling had depreciated by 10.0 per cent against the U.S. dollar and 7.6 per cent against the DM, while it had appreciated marginally by 1.1 per cent against the yen and 7.3 per cent against the French franc.

The weakness of the pound sterling during the period was largely attributable to the downtrend in oil prices. After the OPEC agreed on a production sharing plan with a view to stabilising oil prices at a lower level in the middle of March, the pound sterling bounced back against all the major currencies. Other domestic economic developments having a bearing on the exchange rate of the pound sterling were stagnancy in economic activity, relatively higher inflation rate, relatively lower interest

rates particularly during the second half of 1982 and fast declining current account surpluses.

The *Deutsche mark* displayed a firm tendency against the European currencies but weakened against the yen as also the U.S. dollar. Thus, over the year (June 1982 to June 1983), it depreciated by 8.8 per cent against the yen and by 4.6 per cent against the U.S. dollar. It, however, continued to gain strength against European currencies, appreciating 8.2 per cent against the pound sterling and 11.1 per cent against the French franc. Overall, its nominal effective exchange rate gained 3 per cent, reflecting its appreciation against other major currencies. The strength of the DM may be attributed to a marked improvement in the West German economy during 1982, improvement in current account surplus, and further deceleration in inflation rate. In fact, the relatively lower rate of inflation in West Germany created a strain in the European Monetary System (EMS) necessitating realignment of Central rates of member countries in June 1982 and again in March 1983. The DM was revalued on both the occasions, by 4.25 per cent in June 1982 and again by 5.5 per cent in March 1983. The formation of a new coalition government in October 1982 and the announcement of general elections in March temporarily weakened the DM against the U.S. dollar, but after the general elections the DM again recovered against the U.S. dollar.

The *French franc* further weakened against major currencies during the year under review. Its nominal effective exchange rate declined steadily from 76.6 in June 1982 to 69.5 in June 1983 or by 9.3 per cent. During the same period, it depreciated by 14.1 per cent against the U.S. dollar and by 10.0 per cent against the DM. The weakness of the French franc during the period may be attributed to slow growth of the economy, deterioration in the current account balances and relatively high inflation rate.

Despite relatively good performance of the Japanese economy in 1982, the yen remained under strong pressure against the U.S. dollar till October 1982, losing as much as by 19.4 per cent since December 1981. Thereafter, it staged a sharp recovery against the U.S. dollar and other major currencies. Over the year (June 1982 to June 1983), it appreciated by 4.6 per cent against the U.S. dollar and 19.0 per cent against the pound sterling. Its nominal effective exchange rate also moved up by 9.4 per cent during the year.

There were many factors which weakened the yen against the U.S. dollar and other currencies during 1982. Besides interest rate differential in favour of the U.S. dollar, uncertainty about the budgetary policy in Japan and exposure of large Japanese banks in the debt crisis experienced by developing countries in the second half of 1982 affected the sentiment against the yen. The announcement of revised budgetary policy in the last week of November 1982 by the new Prime Minister bolstered the yen against all major currencies including the U.S. dollar. Other economic developments favouring the yen since then were the relatively better showing of the economy, further enlargement of the current account surplus and low inflation rate.

Gold in International Market

The downtrend in gold prices on international market observed since early 1980 was arrested during the year under review. The gold price in London market, which had plunged to \$297 per ounce on 21 June 1982, the lowest level since August 1979, started recovering in July and touched \$488.50 on 7 September 1982. The upsurge in gold prices was largely caused by a decline in short-term dollar interest rates together with the emergence of external debt problem among some Latin American countries and concern about the international banking system. Larger sales of gold by producers and steps taken to deal with the debt problem of Latin American countries brought down the gold price to \$387 per ounce in October. Soon thereafter, the price again resumed the upswing and crossed the \$500 mark in January 1983. This time also the easing of interest rates in the USA caused the appreciation in gold price. However, the weakness in oil prices led to a sharp fall of \$83 per ounce in gold prices in February 1983, followed by a recovery to \$438 at the end of May 1983. The uptrend was, however, again reversed in June 1983 and the monthly average price declined by \$25 to \$413 per ounce largely owing to firmness of the U.S. dollar.

Over the year (June 1982 - June 1983), gold prices moved up in London market from \$314 to \$417 per ounce, recording a rise of 32.8 per cent as against a decline of 25.5 per cent in the previous year. The amplitude of variation in prices in 1982-83 was much greater in absolute terms than during the preceding 12 months.

World Bank Group

Lending operations of World Bank - International Bank for Reconstruction & Development (IBRD) and International Development Association (IDA) - continued to grow during 1982-83. However, whereas the rate of increase in loan/credit amounts sharply accelerated to 11 per cent from 6 per cent in the preceding year, that in actual disbursements decelerated to 12 per cent from 21 per cent. Further, whereas a major part of the increase in loan commitments during the year was on account of IBRD, a major part of the increase in disbursements came from IDA.

International Bank for Reconstruction & Development

Though the number of operations approved declined from 150 to 136, loan commitments of IBRD increased by \$806 million to \$11.1 bn. during 1982-83. The rate of increase in loan commitments (7.8 per cent) was, however, the lowest in the last 5 years. Similarly though the amount disbursed increased by \$491 million to \$6.8 bn. during the year, the rate of increase (7.8 per cent) was markedly lower than any during the last 5 years.

Brazil, Indonesia and India were the most active borrowers during the year. During the year, the Bank sanctioned 8 new loans to India for a total amount of \$1.1 billion, - almost one-tenth of the total fresh commitments made. Fresh loan commitments to India during 1982-83 were, however, some 14 per cent lower than those in the preceding year. Most of the fresh commitments made during the year were for energy (\$795 million) and transport (\$200 million).

Effective July 1982, IBRD adopted a new pool-based variable-rate lending system under which the lending rate is adjusted on every January 1 and July 1 by adding a spread of 0.50 per cent to IBRD's average cost of a "pool" of qualified borrowings. The rate is applicable to outstanding balances on all loans for which invitation to negotiate were sent after July 1, 1982. The initial rate was set at 11.43 per cent. It was reduced to 10.97 per cent on January 1, 1983 and further to 10.47 per cent on July 1, 1983.

Table X—13: Loans by the World Bank 1981-82 and 1982-83 (July-June)

	(Million \$)			
	IBRD		IDA	
	1981-82	1982-83	1981-82	1982-83
Loan/Credit Amount	10,330 (17.3)	11,136 (7.8)	2,686, (-22.9)	3,341 (24.4)
Disbursements	6,326 (24.9)	6,817 (7.8)	2,067 (10.1)	2,596 (25.6)

Note: Figures within brackets show percentage change over the previous year.

International Development Association

Both the credit amount and disbursements increased sharply by around one-fourth during 1982-83. The increase of \$655 million to \$3.3 billion in credit was recorded after marked declines in the two preceding years.

India continued to remain the single most important borrower from IDA. Of the \$3.3 billion credit sanctioned during 1982-83, about \$1.1 billion or one-third was for 7 projects in India; this was about 18 per cent more than the credit sanctioned to India in 1981-82. Most of the credit sanctioned to India was for agriculture and rural development (\$474 million), transport (\$200 million) and energy (\$170 million).

IDA is facing severe resource constraint. It may be noted that when the Sixth Replenishment (IDA-6) was negotiated in 1979, it was assumed that the amount of \$12 billion would be fully committed in the fiscal 1981-83. The U.S. Administration have, however, not been able to fulfill their pledge. Thus, of the U.S. share of \$3.24 billion, its Congress has so far approved \$1.9 billion. Further, the US stretched its payments period over 4 years instead of 3 years. The legislative delays in US and subsequent reduction in its appropriation not only delayed the effectiveness of IDA-6 substantially, but also adversely affected IDA operational programme during 1982-84. It has also delayed the start of negotiations for Seventh Replenishment (IDA-7). Several meetings of the Deputies held so far indicate that, while there is no disagreement on the need for IDA-7, no agreement has so far been reached on its size. The management, as also the developing countries, are pressing for a \$16 billion

replenishment. The U.S., on the other hand, does not want to commit more than \$750 million per year; it also insists on lowering its share from 27 per cent to 25 per cent. This would mean limiting the size of IDA-7 to no more than \$9 bn. over the 3 year period. Most other developed countries have taken intermediate positions. It is feared that any reduction in size of IDA-7 below \$16 billion will affect the operational programme of IDA with serious consequences for development process in the low income developing countries.

International Finance Corporation

During 1982-83, the IFC approved 58 investments totalling \$845 million, 38 per cent more than in the preceding year. Of this, \$789 million was for loans at the prevailing commercial rates; the balance of \$55 million was by way of equity participation. Reflecting its concern for promoting and supporting private enterprises in low-income countries, 38 per cent of investments approved were for countries with a per capita income of less than \$730.

IFC continued to broaden its investment activities: thus, manufacturing now accounts for much lower and agri-business, as also mining, considerably higher share of investments approved.

IFC's involvement in India continue to remain low. Thus, of the total approvals, only 3 investments totalling \$15.2 million were for India.

External Debt Problems of the NODCs

The current account developments and their financing problems during the last 10 years forced the NODCs to resort to external borrowing on an increasing scale. By 1982, the external debt problems had assumed alarming proportions, both in magnitude and servicing burden. Thus, during 1973-1981 outstanding external debt of the NODCs grew from \$130 bn. to \$550 bn. or at an annual compound rate of almost 20 per cent. Mainly as a result of the debt servicing problems that cropped up in 1981 but assumed crisis proportions in 1982, there was a sharp deceleration in the rate of increase in external debt, the debt outstanding growing by under 12 per cent to \$614 bn. in 1982. At this level, outstanding external debt of the NODCs formed 144 per cent of their combined exports of goods and services, up from 124 per cent in 1981, and 35 per cent of their GDP, up from 30 per cent in 1981. The ratio was as high as 257 per cent of exports in the case of low income countries and 178 per cent in the case of net oil exporters. The rise in these ratios despite a sharp deceleration in the growth of debt reflects marked weakness in their export earnings, on the one hand, and the general level of economic activity, on the other. A few salient features of the composition and distribution of the external debt burden of NODCs may be noted. First, of late, an increasingly larger proportion of debt contracted has been of a short-term nature reflecting the growing reluctance of lenders to enter into long-term commitments as also the desire of borrowers to avoid higher spread associated with longer-term borrowings. As a result, the ratio of short-term debt to total debt outstanding, which was around 14.5 per cent during each of the two years 1978 and 1979, increased to reach 18.2 per cent during 1982. The rise in short-term borrowings has been more pronounced in the case of net oil exporters (22.4 per cent of total in 1982) and major exporters of manufactures (23.3 per cent) among net oil importers. Second, there has been a gradual but definite decline in the share of official creditors, particularly the Governments. Thus, the share of official creditor in debt outstanding which was 39 per cent during 1973, declined to 33 per cent in 1980 and was marginally lower in the following two years. There has been a corresponding increase in indebtedness to private creditors, particularly to banks. It may be noted that bank loans disbursed to NODCs jumped from \$24 bn. in 1978 to \$40 bn. in 1979 and further to \$51 bn. in 1981. The amount so disbursed dropped to \$25 bn. in 1982 mainly as the banks

trimmed their credits to some countries because of failure of some large borrowers in meeting their debt servicing liability during 1981 and 1982. It may further be noted that commercial banks have lately emerged as the single most important source of non-concessional external financing for the NODCs. During 1973-1981, banks, on an average, financed more than one-half of the combined current account deficit of these countries. A major part of bank loans has gone to net oil exporters and major exporters of manufactures among net oil importers. Third, external debt burden is concentrated among a few relatively developed among the NODCs. Thus, of the 115 NODCs, 20 countries with good economic record and relatively easy access to international capital market, account for nearly 75 per cent of total external debt outstanding and 85 per cent of debt owed to private creditors; 10 of these countries account for 53 per cent of the group's total external debt and 68 per cent of their debt owed to private creditors. And, fourth, though the nominal interest rates in international markets have declined - the LIBOR declined from an average of 16.7 per cent in 1981 to 13.2 per cent in 1982 and further to 9.2 per cent in May 1983 - the other terms of new commitments have generally tended to harden. Thus, the average maturity of medium term publicised international bank credit commitments, which had already declined from 8.6 years in 1979 to 7.8 years in 1981, fell further to 7.4 years by the first quarter of 1983. Similarly, the average spread has tended to increase from 0.81 per cent in 1979 to 0.87 per cent in 1980 and 0.94 per cent in 1981; these rose further, and rather sharply, to 1.26 per cent in the last quarter of 1982.

The debt service payments, which used to be relatively modest till 1977, crossed the \$50 bn. mark in 1978, \$75 bn. mark in 1980 and amounted to as much as \$105 bn. in 1982. Since 1980, interest payments have exceeded amortisation and in 1982, interest payments formed 55 per cent of the total value of debt service payments. It may be noted that net interest payments (\$44 bn.) accounted for one-half of the combined current account deficit of the NODCs in 1982, up from one-third in 1981; the ratio works out to as much as 82 per cent in the case of net oil exporting countries. Judged in relation to exports of goods and services, the value of debt service payments rose from 18 per cent in 1980 to 20 per cent in 1981 and further to 23 per cent. Both the level of and the increase in debt service ratio was more significant in the case of net oil exporters (increased from 31 per cent in 1981 to 36 per cent in

1982) and major exporters of manufactures (19 per cent to 24 per cent) among net oil importers. Debt service ratio of low income countries (11 per cent in 1982) is as yet relatively low.

As regards 1983, the outstanding external debt of NODCs is projected to rise by only 7 per cent. The debt service payments on the other hand, are projected to come down to \$92 billion and the debt service ratio to 19 per cent. The decline in debt service payments may, in part, be attributed to rescheduling of debt of very large borrowers. The officially supported 'induced' lending by banks have given only a breathing time to the NODCs. A real and lasting improvement in the external debt situation would depend on the improvement in the world economic outlook particularly economic recovery in the industrial countries which in turn would enable the NODCs to increase their export earnings.

Uses of Fund Resources

Reflecting the worsening of world economic situation and the severe pressure on balance of

payments position of the NODCs, members' aggregate recourse to facilities of the International Monetary Fund (Fund) reached an all-time high of SDR 7.4 billion in 1982, up 10 per cent from the level in 1981. These do not include purchases under reserve tranche which also jumped from SDR 0.3 bn. in 1981 to SDR 1.3 bn. in 1982. With repurchases down to SDR 1.8 bn. from SDR 2.1 bn., net use of Fund credit escalated by 20 per cent in 1982 to reach a new high of SDR 5.6 billion.

The pattern of usage of Fund resources also underwent significant changes. Data indicate that drawings under the Compensatory Financing Facility more than doubled, from SDR 1.2 billion in 1981 to SDR 2.6 billion in 1982, reflecting a severe drop in export earnings of the affected member countries. On the other hand, drawings under credit tranches (including purchases under stand-by arrangements) declined sharply from SDR 3.4 billion to SDR 2.5 billion; this is largely attributed to cancellation of stand-by arrangements totalling SDR 4.1 bn. Drawings under extended arrangements totalled SDR 2.1 billion, the same as in 1981 (Please see table X-14)

Table X-14: Fund Purchases and Repurchases

(Billion SDRs)

	1981	1982	(January-June)	
			1983	1982
1. Total Purchases¹	6.8	7.4	7.0	2.4
<i>Of which:</i>				
Credit Tranche ²	3.4	2.5	3.0	0.8
Extended Fund Facility	2.1	2.1	2.0	1.0
Compensatory Financing Facility	1.2	2.6	1.9	0.5
Buffer Stock Financing Facility	—	0.1	0.2	0.1
2. Total Repurchases	2.1	1.8	1.1	0.9
3. Net Purchases	4.7	5.6	5.9	1.5

1. Excludes purchases under the reserve tranche.

2. Includes purchases under stand-by arrangements.

Drawings on Fund facilities have continued to surge. In fact, the rate of growth of drawings on Fund facilities sharply accelerated during the first half of 1983. Thus, such drawings (again excluding purchases under reserve tranche) during the first half of 1983 at SDR 7.0 bn. were nearly 3 times their level in the same period of 1982. Of the total drawings during the first half of 1983, 71 per cent was under conditional facilities - SDR 3.0 bn. under credit tranche and SDR 2.0 bn. under extended arrangements. Drawings under Compensatory Financing Facility were SDR 1.9 bn.

Except for small drawings by Nigeria in 1982 and Iraq and Indonesia in 1983, almost all purchases under Fund credit facilities were made by the NODCs. About 18 per cent of the total purchases made in 1982, and about 13 per cent during the first 6 months of 1983 are accounted for by India under the extended facility. Ten other NODCs - Sudan, Yugoslavia, Brazil, Pakistan, Mexico, Zambia, Romania, Turkey, Hungary and Ivory Coast - accounted for the bulk (62 per cent) of the drawings in 1982.

The rate of charge on use of Fund's ordinary resources, which was set at 6.6 per cent in May 1982, remained unchanged during the period under review. However, the rate of interest on drawings under Supplementary Financing Facility (SFF) which was reduced to 12.075 per cent for the second half of 1982 from 14.45 per cent in the first half of 1982, was reduced further to 10.45 per cent for the first half of 1983. Similarly, the rate on drawings under the Enlarged Access Policy (EAP) was also reduced from 12.97 per cent for the first half of 1982 to 12.55 per cent, for the second half of 1982 and further to 10.75 per cent for the first half of 1983.

In view of the sharp increase in members' drawings on various Fund facilities, the liquidity position of the Fund has already become tight. Realising that the Fund should have adequate resources to play the central role expected of it, the Governors of the Fund took the decision to increase the Fund quota as also to enlarge the size of the General Arrangements to Borrow.

Eighth General Review of Quotas

On March 31, 1983, the Board of Governors of the Fund adopted a resolution authorising an in-

crease of 47.5 per cent in aggregate Fund quotas from the present level of SDR 61.060 bn. to SDR 90.035 bn. This was the result of the strenuous efforts made by Fund members to reach a compromise regarding the overall size of the Fund and how the increase in Fund quotas should be distributed among the members. Two-fifths of the quota increase is distributed among members in proportion to their present individual quota; the balance is distributed in proportion to each member's share in the total of the calculated quotas which broadly reflect members' relative position in the world economy. One-fourth of the quota increase is to be paid in SDRs or in the currencies of other members specified by the Fund, or in any combination of SDRs and such currencies; the balance is to be paid by members in their own currencies. Each member has to consent to the increase in its quota by November 30, 1983. The new quotas are expected to become effective before the end of 1983.

India's proposed quota is set at SDR 2207.7 million as against the existing quota of SDR 1717.5 million. If all the members consent to the proposed quota increases and make payments for the increased quota, India's share in the Fund quotas, after the increased quotas of all members become effective, would come down to 2.452 per cent compared to its present share of 2.813 per cent in the total Fund quotas, and her voting share in the Fund would decline to 2.383 per cent from the present share of 2.693 per cent.

General Arrangements to Borrow (GAB)

Under the General Arrangements to Borrow (GAB), the participating countries which are all industrial countries have agreed to provide resources to the Fund to meet the balance of payments needs of the participating member countries. This arrangement has been in operation, with some modification, since October 1962. The enlargement and revision in the GAB that has now been agreed would bring about substantial increase in the amount of resources available to the Fund under the GAB from approximately SDR 6.4 bn. to SDR 17 bn. It would make the GAB resources available to the Fund for meeting the conditional financing needs of all members when the Fund faces an inadequacy of resources arising from an exceptional situation involving a threat to the stability of the international monetary system. It also permits certain borrowing arrangements between the Fund and non-participating members to be associated with the

GAB with the possibility that the Fund could activate the GAB as if the associated lenders were GAB participants. The changes in the GAB will become effective when all the participants have notified the Fund in writing that they concur in the amendments and in the increased credit commitments. Participants are asked to do so by December 31, 1983.

When the quota increases under the Eighth General Review and the enlarged GAB become effective, possibly by end-1983, the Fund's usable resources would almost double thereby increasing the Fund's capacity to provide assistance to member countries to overcome balance of payments problems.

SDR Allocation and SDR Interest Rate

There was no agreement till end-July 1983 regarding the allocation of SDRs under the fourth basic period which began on January 1, 1982. The Interim Committee communique in February 1983 requested the Executive Board of the IMF to review the latest trends in growth, inflation, and international liquidity, with a view to enabling the Managing Director to determine, not later than the next meeting of the Interim Committee, whether a proposal for a new SDR allocation could be made that would command broad support among members of the Fund. The growth in international reserves has considerably slowed down after 1981. Further, in view of the recent downward movements in the world inflation rates, the argument of some industrial countries that the SDR allocation would give wrong signals regarding the resolution to roll back inflation, has weakened even further. The question is whether some leading industrial countries who have been opposing the SDR allocation feel convinced that the requirements for allocation under the Articles of Agreement have been met.

The interest rate on SDRs - to be paid for use of SDRs by participants and payable to holders of SDRs on holdings in excess of cumulative allocation of SDRs - is currently set at 100 per cent of the weighted average of market rates on the chosen short term instruments in the five countries whose currencies comprise the SDR valuation basket. The rate is adjusted quarterly. The rate of remuneration to be paid by the Fund on members' remunerated position with the Fund in the General Account is set at 85 per cent of the SDR interest rate. The rates so set since July 1, 1982 are as follows:

Quarter beginning	(per cent per annum)	
	SDR interest rate	Rate of remuneration
July 1, 1982	12.01	10.21
October 1, 1982	8.90	7.57
January 1, 1983	8.47	7.20
April 1, 1983	8.52	7.24
July 1, 1983	8.65	7.35

Effective August 1, 1983, the interest rate on the SDR as also the rate of remuneration, is to be fixed on a weekly basis, with a view to give the SDR, to the extent practicable, financial characteristics similar to those of other major reserve assets, as also to improve its attractiveness. Similarly, effective September 1, these payments will be payable quarterly instead of annually, as has been the case so far.

International Reserves

The period of surge in the non-gold reserves comprising foreign exchange, SDR holdings and reserve positions in the Fund, came to an end in 1981 when the rate of increase in reserves dropped to 5.3 per cent from nearly 19 per cent in the preceding year. In 1982 such reserves actually declined by SDR 4.6 billion or 1.3 per cent to SDR 337.9 bn-the first decline since 1959. The reserves increased substantially (SDR 15.3 bn) during the first half of 1983.

Practically the entire decline in non-gold reserves during 1982 was accounted for by over SDR 4 billion or 5.5 per cent fall to SDR 75.6 bn. recorded by the oil exporting developing countries, their share in global non-gold reserves declined from 23.4 per cent to 22.4 per cent during the period. Though their reserves increased by SDR 2.0 bn. during the first half of 1983, their share in global non-gold reserves further declined to 22.0 per cent at end June 1983. The reserves of industrial countries, which had registered a marginal fall of 0.4 per cent during 1982, to SDR 184.4 billion however recorded a rise of 4.7 per cent to SDR 189.9 bn. during the first half of 1983. The share of industrial countries in total reserves marginally improved to 54.7 per cent by end-June 1983 from 54.1 per cent at the end of 1981. The reserves of NODCs increased by 4.7 per cent during the first half 1983 after a 1.4 per cent decline in 1982; at SDR 73.5 bn. at end-June 1983, these formed 20.8 per cent of the non-gold global reserves the same as at the end of 1981.

Component-wise, total foreign exchange holdings at SDR 294.7 bn. at the end of 1982 were down by SDR 10.2 bn. or 3.3 per cent over their level a year ago. These however, increased by 3.4 per cent during the first half of 1983 to SDR 304.7 bn. While NODCs recorded an increase both the industrial countries and the oil exporting countries recorded declines in their foreign exchange holdings during the 18 months to June 1983.

There was a marked rise in the holdings of Fund-related assets. The global SDR holdings increased by 8.1 per cent in 1982 to SDR 17.5 bn. and further to SDR 18.0 bn. by end-June 1983. There was also a substantial rise in the reserve positions in the Fund which expanded by 19.4 per cent to SDR 25.5 bn. over the calendar year 1982 and further by 26.5 per cent to SDR 32.2 bn. over the first half of 1983. The marked rise in the Fund-related assets during 1982 was, however, not shared by all the country groups. Thus, during the 18 months to June 1983, while SDR holdings of the industrial countries rose by 22.2 per cent and those of oil exporting countries by 14.1 per cent, those of NODCs contracted sharply by 53.1 per cent. Similarly, while the reserve positions of industrial and oil exporting countries during the same period expanded by 57.2 per cent and 27.9 per cent respectively, those of NODCs fell by 37.9 per cent.

It may be noted that despite the growth in non-gold reserves till 1981, their ratio to imports has been declining. At the global level, the reserves to imports ratio gradually decreased from 22.7 per cent in 1979 to about 21 per cent in 1982. The fall has been particularly marked in the case of developing countries, both oil-exporting (from 73 per cent to 55 per cent) and NODCs (from 28 per cent to 21 per cent).

VII Developments in Exchange Control

Expert Committee on Exports and Imports

The Reserve Bank appointed in November 1982 an expert committee under the Chairmanship of Shri M. S. Patwardhan (Managing Director, National Organic Chemical Industries Ltd.), *inter alia*, to review the current Exchange Control regulations relating to exports and imports of goods and services and to suggest measures for their modification and simplification; to review the present system of delegation of powers to authorised dealers in foreign exchange and to suggest areas where further

powers may be delegated. The Committee has submitted an interim report in June 1983 and its final report in December 1983.

Following fluctuations in the exchange rates of major international currencies, the Reserve Bank's buying and selling rates for pound sterling were changed several times between July 1, 1982 and end-July 1983. These changes are detailed in the Annexure.

The change in the transaction rate for the Rouble and important exchange control measures taken 1982-83 are briefly described in the following paragraphs:

The Rouble-Rupee Exchange Rate

In terms of the protocol between India and the USSR of November 25, 1978, the Rouble-Rupee exchange rate in respect of credit agreements and commercial transactions was revised effective December 31, 1982 to Rouble 1 = Rs.10.0176 from Rouble 1 = Rs.9.6997 which was in force since June 25, 1982. Similarly, under the Deferred Payments Protocol of April 30, 1981 relating to deliveries of machinery and equipment from the USSR to India on deferred payments terms, rupee rate applicable to contracts concluded under this Protocol was revised from Rs.10.2518 per Rouble effective June 25, 1982 to Rs.10.5878 per Rouble, effective December 31, 1982.

Remittance of Advertisement Charges

In view of the increased advertisement tariffs abroad and the need for advertising India's potential regarding exports of manufactures in more than one foreign language medium, authorised dealers have been permitted since September 1982 to allow a higher limit of remittance towards advertisement abroad upto US \$3,000 per annum per exporter/construction and consultancy firm/company, compared to the earlier limit of US \$1,000/- per annum, subject to certain conditions.

Increase in the Limit of Loans to Non-resident Indians against FCNR/NRE Deposits

The limit for loans/overdrafts granted by authorised dealers in India to non-residents of Indian nationality or origin against the security of deposits in Non-Resident External Accounts (NRE) and Foreign Currency Non-Resident Accounts (FCNRA) for purposes other than investment, has been revised upwards from Rs.25,000/- to Rs.50,000/- in November 1982.

Remittance of family allowance by foreign nationals

Authorised dealers are now permitted to allow foreign nationals not permanently resident in India, to make recurring remittances to their own countries for family maintenance etc. upto 50% of their net monthly income, without any monetary ceiling. Hitherto, such remittances were permitted upto a maximum monetary limit of Rs.2,500/- per month.

Foreign Travel Scheme

Travel under the Foreign Travel Scheme can now be combined with travel abroad other than for export promotion and business tours, Haj pilgrimage and travel under the Neighbourhood Travel Scheme..

Relaxation in the limits on export of personal gold jewellery and precious stones

Effective December 3, 1982, the per capita limits for taking out of India personal jewellery made wholly or mainly of gold and of precious stones/non-gold jewellery by persons permanently resident in India, have been revised as under: Under the general permission granted by the Reserve Bank, a person permanently resident in India can take to any country, personal jewellery made wholly or mainly of gold upto Rs.10,000/- in value as against the earlier limit of Rs.5,000/-. As regards precious stones or jewellery, other than articles made wholly or mainly of gold, the value limit is similarly raised to Rs.10,000/- from Rs.5,000/-

except in the case of travellers going to Afghanistan, Iran and Gulf countries in whose case the earlier limit of Rs.2,000/- in value, remains unchanged.

Opening of liaison offices in India by overseas companies

Under the existing policy, overseas companies engaged in export-import trade with India are allowed to open liaison offices in India for carrying on purely liaison activities, subject to certain conditions. During the year ended 30th June 1983, 42 companies incorporated abroad were allowed to open liaison offices or post their representatives in India.

Opening of offices abroad by Indian Companies

Indian exporters, civil construction companies, consultancy organisations, travel agents, diamond exporters, etc. are allowed to open offices or station representatives abroad on a selective basis and adequate exchange is released to them to cover expenses of such overseas offices/representatives. During the period July 1982 to June 1983, permission was granted for opening of 70 trading and non-trading offices and posting of 50 representatives at various foreign centres by Indian companies/firms.

Authorised Dealers in Foreign Exchange

Consequent upon the transfer of banking business and undertaking in India of Mercantile Bank Ltd. to the Hongkong and Shanghai Banking Corporation, effective from the close of business of 31st December 1982, a licence to deal in foreign exchange has been granted to the latter bank by the Reserve Bank; the bank can undertake all types of foreign exchange transactions in all permissible currencies at the existing branches of the erstwhile Mercantile Bank Ltd.

A licence to deal in foreign exchange has been granted to Bank of Credit and Commerce International (Overseas) Ltd. of Cayman Islands; the bank can undertake all types of foreign exchange transactions in all permissible currencies at its branch in Bombay.

ANNEXURE

R.B.I.'s Spot Rates for Purchases and Sales of Pound Sterling

Date	Buying Rate		Selling Rate		Middle Rate
	£ per Rs. 100/-	Rs. per £ 1	£ per Rs. 100/-	Rs. per £ 1	
28- 6-1982	6.0753	16.46	6.0459	16.54	16.50
1- 7-1982	6.0569	16.51	6.0277	16.59	16.55
2- 7-1982	6.0386	16.56	6.0096	16.64	16.60
7- 7-1982	6.0753	16.46	6.0459	16.54	16.50
12- 7-1982	6.0569	16.51	6.0277	16.59	16.55
19- 7-1982	6.0386	16.56	6.0096	16.64	16.60
26- 7-1982	6.0024	16.66	5.9737	16.74	16.70
29- 7-1982	6.0205	16.61	5.9916	16.69	16.65
3- 8-1982	6.0024	16.66	5.9737	16.74	16.70
5- 8-1982	6.0386	16.56	6.0096	16.64	16.60
6- 8-1982	6.0753	16.46	6.0459	16.54	16.50
9- 8-1982	6.1125	16.36	6.0827	16.44	16.40
18- 8-1982	6.0938	16.41	6.0643	16.49	16.45
20- 8-1982	6.0386	16.56	6.0096	16.64	16.60
24- 8-1982	6.0205	16.61	5.9916	16.69	16.65
25- 8-1982	5.9844	16.71	5.9559	16.79	16.75
30- 8-1982	6.0205	16.61	5.9916	16.69	16.65
31- 8-1982	6.0753	16.46	6.0459	16.54	16.50
1- 9-1982	6.0569	16.51	6.0277	16.59	16.55
3- 9-1982	6.0386	16.56	6.0096	16.64	16.60
13- 9-1982	6.0753	16.46	6.0459	16.54	16.50
23- 9-1982	6.0569	16.51	6.0277	16.59	16.55
28- 9-1982	6.0753	16.46	6.0459	16.54	16.50
30- 9-1982	6.0938	16.41	6.0643	16.49	16.45
4-10-1982	6.1125	16.36	6.0827	16.44	16.40
8-10-1982	6.0753	16.46	6.0459	16.54	16.50
12-10-1982	6.0569	16.51	6.0277	16.59	16.55
20-10-1982	6.0753	16.46	6.0459	16.54	16.50
21-10-1982	6.0938	16.41	6.0643	16.49	16.45
25-10-1982	6.1125	16.36	6.0827	16.44	16.40
28-10-1982	6.1312	16.31	6.1013	16.39	16.35

R.B.I.'s Spot Rates for Purchases and Sales of Pound Sterling

Date	Buying Rate		Selling Rate		Middle Rate
	£ per Rs.100/-	Rs. per £1	£ per Rs.100/-	Rs. per £1	
4-11-1982	6.1501	16.26	6.1200	16.34	16.30
5-11-1982	6.1690	16.21	6.1387	16.29	16.25
8-11-1982	6.1881	16.16	6.1576	16.24	16.20
16-11-1982	6.2657	15.96	6.2344	16.04	16.00
17-11-1982	6.3052	15.86	6.2735	15.94	15.90
18-11-1982	6.3452	15.76	6.3131	15.84	15.80
22-11-1982	6.4061	15.61	6.3735	15.69	15.65
26-11-1982	6.4475	15.51	6.4144	15.59	15.55
29-11-1982	6.4061	15.61	6.3735	15.69	15.65
1-12-1982	6.3654	15.71	6.3331	15.79	15.75
3-12-1982	6.3251	15.81	6.2933	15.89	15.85
7-12-1982	6.3452	15.76	6.3131	15.84	15.80
9-12-1982	6.3857	15.66	6.3532	15.74	15.70
17-12-1982	6.3654	15.71	6.3331	15.79	15.75
20-12-1982	6.3857	15.66	6.3532	15.74	15.70
4-1-1983	6.3654	15.71	6.3331	15.79	15.75
7-1-1983	6.4061	15.61	6.3735	15.69	15.65
11-1-1983	6.4475	15.51	6.4144	15.59	15.55
19-1-1983	6.4683	15.46	6.4350	15.54	15.50
20-1-1983	6.4893	15.41	6.4558	15.49	15.45
21-1-1983	6.4475	15.51	6.4144	15.59	15.55
24-1-1983	6.5317	15.31	6.4977	15.39	15.35
25-1-1983	6.6181	15.11	6.5833	15.19	15.15
27-1-1983	6.5746	15.21	6.5402	15.29	15.25
1-2-1983	6.6181	15.11	6.5833	15.19	15.15
8-2-1983	6.5963	15.16	6.5617	15.24	15.20
10-2-1983	6.5746	15.21	6.5402	15.29	15.25
11-2-1983	6.5531	15.26	6.5189	15.34	15.30
14-2-1983	6.5746	15.21	6.5402	15.29	15.25
17-2-1983	6.5317	15.31	6.4977	15.39	15.35
18-2-1983	6.5531	15.26	6.5189	15.34	15.30
22-2-1983	6.5746	15.21	6.5402	15.29	15.25

R.B.I.'s Spot Rates for Purchases and Sales of Pound Sterling

Date	Buying Rate		Selling Rate		Middle Rate
	£ per Rs.100/-	Rs. per £1	£ per Rs.100/-	Rs. per £1	
23- 2-1983	6.5963	15.16	6.5617	15.24	15.20
1- 3-1983	6.6401	15.06	6.6050	15.14	15.10
2- 3-1983	6.6845	14.96	6.6489	15.04	15.00
3- 3-1983	6.6622	15.01	6.6269	15.09	15.05
4- 3-1983	6.6401	15.06	6.6050	15.14	15.10
9- 3-1983	6.7069	14.91	6.6711	14.99	14.95
10- 3-1983	6.6622	15.01	6.6269	15.09	15.05
14- 3-1983	6.6845	14.96	6.6489	15.04	15.00
15- 3-1983	6.6401	15.06	6.6050	15.14	15.10
17- 3-1983	6.6622	15.01	6.6269	15.09	15.05
18- 3-1983	6.6845	14.96	6.6489	15.04	15.00
21- 3-1983	6.7522	14.81	6.7159	14.89	14.85
22- 3-1983	6.7981	14.71	6.7613	14.79	14.75
24- 3-1983	6.8446	14.61	6.8074	14.69	14.65
31- 3-1983	6.7981	14.71	6.7613	14.79	14.75
4- 4-1983	6.7522	14.81	6.7159	14.89	14.85
5- 4-1983	6.7295	14.86	6.6934	14.94	14.90
6- 4-1983	6.6622	15.01	6.6269	15.09	15.05
7- 4-1983	6.6181	15.11	6.5833	15.19	15.15
12- 4-1983	6.5317	15.31	6.4977	15.39	15.35
13- 4-1983	6.4893	15.41	6.4558	15.49	15.45
14- 4-1983	6.5104	15.36	6.4767	15.44	15.40
15- 4-1983	6.4893	15.41	6.4558	15.49	15.45
19- 4-1983	6.4061	15.61	6.3735	15.69	15.65
20- 4-1983	6.4475	15.51	6.4144	15.59	15.55
26- 4-1983	6.3857	15.66	6.3532	15.74	15.70
29- 4-1983	6.4061	15.61	6.3735	15.69	15.65
3- 5-1983	6.3452	15.76	6.3131	15.84	15.80
4- 5-1983	6.3251	15.81	6.2933	15.89	15.85
5- 5-1983	6.3452	15.76	6.3131	15.84	15.80
9- 5-1983	6.3251	15.81	6.2933	15.89	15.85
10- 5-1983	6.3857	15.66	6.3532	15.74	15.70

R.B.I.'s Spot Rates for Purchases and Sales of Pound Sterling

Date	Buying Rate		Selling Rate		Middle Rate
	£ per Rs. 100/-	Rs. per £ 1	£ per Rs. 100/-	Rs. per £ 1	Rs. per £ 1
17- 5-1983	6.4061	15.61	6.3735	15.69	15.65
20- 5-1983	6.4267	15.56	6.3939	15.64	15.60
24- 5-1983	6.3857	15.66	6.3532	15.74	15.70
25- 5-1983	6.3452	15.76	6.3131	15.84	15.80
26- 5-1983	6.3052	15.86	6.2735	15.94	15.90
27- 5-1983	6.2657	15.96	6.2344	16.04	16.00
30- 5-1983	6.2461	16.01	6.2150	16.09	16.05
31- 5-1983	6.2267	16.06	6.1958	16.14	16.10
1- 6-1983	6.2461	16.01	6.2150	16.09	16.05
2- 6-1983	6.2657	15.96	6.2344	16.04	16.00
3- 6-1983	6.3052	15.86	6.2735	15.94	15.90
6- 6-1983	6.3452	15.76	6.3131	15.84	15.80
8- 6-1983	6.3251	15.81	6.2933	15.89	15.85
14- 6-1983	6.4267	15.56	6.3939	15.64	15.60
15- 6-1983	6.4893	15.41	6.4558	15.49	15.45
21- 6-1983	6.4683	15.46	6.4350	15.54	15.50
24- 6-1983	6.4475	15.51	6.4144	15.59	15.55
27- 6-1983	6.4267	15.56	6.3939	15.64	15.60
28- 6-1983	6.4893	15.41	6.4558	15.49	15.45
7- 7-1983	6.4475	15.51	6.4144	15.59	15.55
13- 7-1983	6.4683	15.46	6.4350	15.54	15.50
15- 7-1983	6.5104	15.36	6.4767	15.44	15.40
21- 7-1983	6.4893	15.41	6.4558	15.49	15.45
27- 7-1983	6.4683	15.46	6.4350	15.54	15.50
29- 7-1983	6.4893	15.41	6.4558	15.49	15.45

(See also Statement 117 of Volume II)

APPENDIX—I

IMPORTANT EXPORT CONTROL/PROMOTION ANNOUNCEMENTS

APRIL 1982—MARCH 1983

A. CHANGES IN EXPORT CONTROL

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
1.	Acrylic Hand Knitting Yarn	May 1982	Export of Acrylic Hand Knitting yarn was allowed under OGL-3 without any restriction.
2.	Barley	April 1982	Export of Barley was allowed within a limited ceiling on first-come first-served basis against 100% confirmed irrevocable letters of credit.
3.	Barytes (lumps and powder)	May 1982	Export of Barytes powder was allowed without any floor price restriction, while export of Barytes Lumps OGMA/API grade were allowed on the basis of US \$40 per M.T. to all destinations, except West Asia and at US \$42 to West Asia.
4.	Bauxite	May 1982	Export of Bauxite with alumina content not exceeding 44 per cent, silica content exceeding 5 per cent and iron oxide plus titania exceeding 30 per cent were allowed within a limited ceiling on first-come first-served basis by all categories of exporters.
5.	Calcined Magnesite with silica content 6.5% or above	May 1982	Export of calcined Magnesite with silica content of 6.5% or above was continued to be allowed within a limited ceiling on first-come first-served basis.
6.	Castor oil	April 1982	Export of castor oil was continued to be allowed through State Trading Corporation of India Ltd., to all areas, while Gujarat State Export Corporation and Andhra Pradesh State Trading Corporation were also allowed to export castor oil direct to General Currency Areas, STC was to monitor all exports.
7.	Cotton Linters	April 1982	Export of Cotton Linters was allowed on first-come first-served basis within a limited ceiling.
8.	Fabrics and/or made-up items of cotton, wool and man-made fibres	October 1982	Exports of certain fabrics and/or made-up items of i) cotton, wool and man-made fibres was brought under the purview of a scheme under which their exports would be allowed to USA, European Economic Community member-states, Sweden, Austria and Canada and ii) cotton and man-made fibres to Finland during 1-1-1983 to 31-12-1983 were subjected to bilateral agreements between India and these countries negotiated on an annual basis under Multi-Fibre Agreement (MFA).
9.	Garments and Knit Wear	October 1982	Exports of ready made garments and knit-wear to USA, EEC member states, Austria, Sweden, Finland and Canada were allowed under OGL-3 between 1-1-1983 and 31-12-1983 but made permissible only against specific quantitative allotments negotiated under bilateral agreements between India and these countries.
10.	HPS Groundnuts	February 1983	Canalisation of exports of HPS Groundnuts through NAFED was continued but private parties were also allowed to export HPS Groundnuts as associates of NAFED against the balance of the ceiling allotted to the NAFED.
11.	Hydrogenated oil (Vanaspati Ghee)	April 1982	Ceiling of Hydrogenated oil (Vanaspati Ghee) was released for export during 1982-83.
12.	Imitation Zari with silver as an ingredient	August 1982	Export of imitation Zari was continued to be under OGL-3 subject to the condition that the silver content does not exceed 5% of the weight in the product as against the condition that f.o.b. value of the product should be 33 1/3% more than the international price of silver content in the export product. Export of the item on consignment basis was not allowed.

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
13.	Kirilac and Molamma	June 1982	Export of a limited quantity of kirilac and Molamma through the STC was allowed subject to the grade wise Minimum Export prices. Earlier the exports of these items were banned.
14.	Live sheep and Goats	April 1982	Export of live sheep and goats was allowed within an overall ceiling on a first-come first-served basis subject to minimum export price of Rs. 11 per kg. of live weight.
15.	Maize	April 1982	Export of Maize was allowed within a limited ceiling on first-come first-served basis only on the basis of 100% irrevocable letters of credit.
16.	Man-made fibres and yarns	August 1982	The minimum export price of Rs.27 per kg. prescribed in April 1982 on synthetic blended yarn containing 50% or more of synthetic fibre was revised. Depending on the number of counts the new minimum price would range between Rs. 22.50 to Rs.32.00 per kg.
17.	Marine products Beche-de-mere	August 1982	Export of Beche-de-mere of sizes below 3 inches was banned from September 1982 while Beche-de-mere of sizes 3 inches and above was allowed under OGL-3.
18.	Niger Seeds	July 1982	Export of Niger Seeds was allowed within an overall ceiling through the canalising Agency viz. the National Agricultural Co-operative Marketing Federation of India Ltd. (NAFED) subject to minimum export price of Rs.8,500 per M.T.
19.	Peanut Butter	April 1982	Peanut Butter was allowed to be exported on first-come first-served basis, within a limited ceiling.
20.	All petroleum products including lubricants greases and crude oil	July 1982	Export of crude oil was canalised through Indian Oil Corporation under OGL-4.
21.	Potato seeds (all varieties), onion seeds and vegetable seeds	June 1982	Export of potato seeds (all varieties), onion seeds (certified and uncertified variety) was allowed within a ceiling (port-wise) on first-come first-served basis, against Quality Control Certificate from recognised State Certification Agency including NSC.
22.	Processed timber made out of Red Sanders	September 1982	Processed timber of all species, except of Red Sanders wood were allowed under OGL-3 to all permissible destinations. Export of processed timber out of Red Sanders wood were allowed under OGL-3 only on production of certificate of origin by the designated authority indicating quantities of Red Sanders consumed in the manufacture of processed timber for export.
23.	Pure Milk Ghee	April 1982	Export of Pure Milk Ghee was allowed on first-come first-served basis within a limited ceiling.
24.	Red Sanders wood in the form of chips	May 1982	Export of Red Sanders wood in the form of chips was allowed freely under OGL-3.
25.	Reptiles/snake skins	February 1983	Export of value added items made out of Reptiles/snake skins by Bharat Leather Corporation were allowed subject to stipulated conditions.
26.	Sesame seeds	February 1983	Export of sesame seeds canalised through NAFED was continued. Private parties were also allowed to export sesame seeds as associates of NAFED within the specified quantity earmarked for the purpose subject to stipulated conditions.
27.	Sodium Chloride IP/BP/GR/EPC Grade	April 1982	Export of Sodium Chloride IP/BP/GR/EPC Grade by actual manufacturers, Merchant Exporters/Export Houses was allowed within a limited ceiling subject to certain conditions.
28.	Wheat Seeds	August 1982	Export of seeds of foodgrains including wheat seeds were allowed under OGL-3 hitherto. But export of wheat seeds shall now be considered on merits by C.C.I. & E., New Delhi.

IMPORTANT EXPORT CONTROL/PROMOTION ANNOUNCEMENTS

B. COMMODITIES SUBJECT TO EXPORT DUTY DURING APRIL 1982-MARCH 1983

Sr. No.	Item	Rate of duty as on March 31, 1983	Changes during the year		Effective date
			From	To	
1	2	3	4	5	6
1.	Coffee	Rs.5.30 per kg.	Rs.3.00 per kg. Rs.1.20 per kg. Rs.1.90 per kg. Rs.3.00 per kg. Rs.4.40 per kg.	Rs.1.20 per kg. Rs.1.90 per kg. Rs.3.00 per kg. Rs.4.40 per kg. Rs.5.30 per kg.	June 1, 1982 July 5, 1982 September 20, 1982 November 3, 1982 December 17, 1982
2.	Cardamom	NIL		No change	May 20, 1981
3.	Turmeric				
	(i) Whole turmeric	NIL		No change	November 11, 1980
	(ii) Turmeric powder	NIL		No change	November 11, 1980
4.	Tobacco (unmanufactured)	20 per cent <i>ad valorem</i> or 75 paise per kg. whichever is less		No change	June 16, 1966
5.	Raw cotton				
	(i) Assam/Comilla Cotton, Yellow pickings, and zoda cotton pickings and sweepings	Rs.550.00 per tonne		No change	August 2, 1976
	(ii) Bengal Deshi	Rs.2,500 per tonne		No change	January 9, 1979
	(iii) Other varieties below 24.5 mm staple length	Rs.1,000 per tonne		No change	January 12, 1979
6.	Cotton waste				
	(i) Soft cotton waste	12.5 per cent <i>ad valorem</i>	25 per cent <i>ad valorem</i>	12.5 per cent <i>ad valorem</i>	October 1, 1982
	(ii) Cotton waste (others)	40 per cent <i>ad valorem</i>		No change	June 15, 1966
7.	Raw wool	25 per cent <i>ad valorem</i>		No change	August 2, 1976
8.	Mica				
	(i) Mica loose splittings of grade numbers 5½ and 6 and mica mixed torn loose grade number 5 and 5½	15 per cent <i>ad valorem</i>		No change	January 1, 1973
	(ii) Mica splittings of all grades other than those specified against Sr. No. 8 (i) above	20 per cent <i>ad valorem</i>		No change	January 1, 1973
	(iii) Mica blocks and con- denser films of all grades number 2 and grades superior thereto	30 per cent <i>ad valorem</i>		No change	April 28, 1973
	(iv) Mica blocks and con- denser films of all grades other than those specified against Sr. No. 8 (iii) above	20 per cent <i>ad valorem</i>		No change	April 28, 1973
	(v) Fabricated mica	10 per cent <i>ad valorem</i>		No change	May 1, 1972
9.	E.I. tanned and vegetable tanned leather	10 per cent <i>ad valorem</i>		No change	January 6, 1981
10.	Groundnuts				
	(i) Groundnut kernels	NIL		No change	February 15, 1982
	(ii) Groundnut in shell	NIL		No change	February 15, 1982

Sr. No.	Item	Rate of duty as on March 31, 1983	Changes during the year		Effective date
			From	To	
1	2	3	4	5	6
11.	Oilcakes				
	(i) De-oiled groundnut oilcake	Rs.125 per tonne		No change	June 6, 1966
	(ii) De-oiled groundnut meals (solvent extracted variety containing less than 1 per cent oil)	NIL	Rs.125 per tonne	NIL	February 16, 1983
12.	Jute manufactures (hessian cloth and bags)	NIL		No change	September 8, 1980
13.	Manganese ore				
	(i) Manganese ore having less than 10 per cent of manganese content	Rs.7 per tonne		No change	July 24, 1967
	(ii) Manganese ore having 10 per cent or more but not more than 48 per cent of manganese content	Rs.12.50 per tonne		No change	May 26, 1967
	(iii) Manganese ore having more than 48 per cent of manganese content	Rs.20 per tonne		No change	August 2, 1966
14.	Manganese dioxide	20 per cent <i>ad valorem</i>		No change	August 2, 1966
15.	(a) Iron ore				
	(i) Lumpy iron ore having manganese content less than 10 per cent and combined manganese and iron content less than 3 per cent (commonly known as black iron ore)	Rs.7 per tonne		No change	May 28, 1973
	(ii) Lumpy iron ore with iron content 63 per cent or more	Rs.6 per tonne		No change	May 20, 1981
	(iii) Lumpy iron ore having 60 per cent or more but less than 63 per cent of iron content	Rs.6 per tonne	}	No change	August 31, 1968
	(iv) Lumpy iron ore having 58 per cent or more but less than 60 per cent of iron content	Rs.5 per tonne			
	(v) Lumpy iron ore having less than 58 per cent of iron content	Rs.4 per tonne			
	(b) Iron ore fines (including blue dust)				
	(i) Iron ore fines (including blue dust) where the iron content is less than 62 per cent	Rs.3 per tonne		No change	July 24, 1967
	(ii) Iron ore fines where the iron content is 62 per cent or more	Rs.4 per tonne		No change	May 25, 1967
16.	Sillimanite	20 per cent <i>ad valorem</i>		No change	August 2, 1966
17.	Kyanite	Rs.40 per tonne		No change	August 2, 1966
18.	Chrome concentrates	Rs.15 per tonne		No change	August 2, 1966

Sr. No.	Item	Rate of duty as on March 31, 1983	Changes during the year		Effective date
			From	To	
1	2	3	4	5	6
19.	Chromites				
	(i) High grade fines and concentrates with Cr_2O_3 content 47 per cent and above				
	(ii) Medium grade fines and concentrates with Cr_2O_3 content 35 per cent and above but below 47 per cent	5 per cent <i>ad valorem</i>	10 per cent <i>ad valorem</i>	5 per cent <i>ad valorem</i>	February 15, 1983
	(iii) Lumpy ore with Cr_2O_3 content 35 per cent and above but below 42 per cent				
	(iv) Low grade lumpy ore fines or concentrates with Cr_2O_3 content below 35 per cent and FeO content above 25 per cent				
20.	Barytes	Rs.50 per tonne	No change		September 2, 1978

APPENDIX—II

A—IMPORTANT ANNOUNCEMENTS WITH REGARD TO IMPORT CONTROL POLICY

APRIL 1982—MARCH 1983

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
1.	Open General Licence No. 1* [@]	April 1982	Permission was granted for the import of raw materials, components and consumables, other than instruments and items in the limited permissible, banned or canalised lists, by actual users (industrial) for their own use subject to the conditions that: (i) in the case of a proposed unit the items would be imported on its behalf by the State Industrial Development Corporation/State Financial Corporation, or it should have furnished a bond with a bank guarantee equal in value to 25 per cent of the c.i.f. value of the goods imported, (ii) for the import of man-made fibres, tow and yarn, contracts are registered with the Textile Commissioner in advance, (iii) man-made fibres, tows and yarn can be imported by the State Chemicals and Pharmaceuticals Corporation of India, for distribution to actual users (industrial), (iv) for import of DMA/TPA, the contracts were registered in advance with the Department of Petroleum (Ministry of Petroleum, Chemicals and Fertilisers), (v) in the case of import of woollen rags/shoddy wool/synthetic rags the goods were completely mutilated, (vi) in respect of import of insecticides and weedicides, the actual user (industrial) intimated the Department of Agriculture (Plant Protection Division) within seven days of clearance of goods, the details of quantity and c.i.f. value of each consignment, (vii) raw cashewnuts can be imported by the Cashew Corporation of India (CCI) for distribution to actual users (processing units), (viii) others importing raw cashewnuts offered half the quantity being imported to the CCI for distribution to actual users (processing units) and registered their import contracts with the CCI within 7 days of its execution (ix) import contract in respect of carbon steel items including re-rollable scrap are registered with the Iron & Steel Controller within 15 days of entering into the contract and (x) except for 97 items listed in an attached schedule other products could be imported by actual users (Industrial) as well as others for stock and sales.
2.	Open General Licence No. 2 [@]	April 1982	Permission was granted for import of Capital Goods, as specified in Appendix 2 of the Import & Export Policy 1982-83 by industrial and non-industrial actual users for their own use, provided that (i) by the import of these goods production of the unit would remain within the licenced/authorised capacity, (ii) in the case of imports of second-hand or reconditioned items, they were not more than 10 years old, their remaining life was at least five years and a certificate by a Chartered Engineer of the country from where the imports were made is produced at the time of clearance of the goods through Customs.
3.	Open General Licence No. 3	April 1982	Industrial and non-industrial actual users were permitted to import for their own use permissible spares (i.e. spares not included in the limited, non-permissible/banned lists) required for maintenance of capital goods including accessories and ancillary equipments, control and laboratory equipments and safety appliances installed or in use as on April 1, 1982. However, import of permissible spares for computer systems will be limited to 3% of the c.i.f. value of imported computer systems or 1% of the sale price of systems manufactured indigenously, the c.i.f. value or the purchase price to be certified by a Chartered/Cost Accountant or the concerned sponsoring authority. Further, half yearly returns giving the total c.i.f. value of items imported together with the description of such imported items whose values exceed Rs.2 lakhs are to be furnished to the concerned sponsoring/licensing authorities.
4.	Open General Licence No. 4	April 1982	Permission was granted for the import of the following items: (i) free gifts of trade catalogues and circulars upto a value of Rs.2,000, (ii) blueprints and drawings (including micro-films) relating to machinery and plant sites, work and building, research data supplied free of charge and having no commercial value, (iii) bonafide technical and trade samples supplied free of charge and not exceeding a c.i.f. value of Rs.20,000 in one consignment, (however, vegetable seeds, bees, tea and new drugs will not be covered by this provision), (iv) bonafide advertising material supplied free of charge not exceeding a c.i.f. value of Rs.2,000 in one consignment, (v) goods supplied free of charge by foreign suppliers or imported against an insurance (marine) claim or in replacement of goods found defective, damaged or otherwise unfit for use, (vi) drugs and medicines supplied free of charge for clinical trials on approval and subject to the conditions laid down by the Drugs Controller, (vii) bonafide samples of drugs

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
			and medicines whose, c.i.f., value does not exceed Rs. 10,000 supplied free of charge to sole agents on the recommendation of the Drugs Controller, (viii) human vaccines and sera, animal including poultry vaccines supplied free of charge or against payment, on clearance obtained from the Drugs Controller, or the State Director/Commissioner of Animal Husbandry and (ix) technical and trade samples of insecticides including pesticides and weedicides supplied free of charge in specified quantities on the basis of registration issued by the Registration Committee set up under the Insecticides Act, 1968 and on the written approval of Plant Protection Adviser to the Government of India.
5.	Open General Licence No. 5	April 1982	Research and Development units, scientific or research laboratories, institutions of higher education and hospitals recognised by the Central or State Governments were allowed to import raw materials, components, consumables, machinery, equipment, instruments, accessories and spares (except consumer goods) required by them, provided they satisfied the "actual user" condition in respect of computer systems and spares, produced the Dept. of Electronics' clearance and furnished to the concerned authorities, within 30 days of clearance of the goods from Customs, particulars of goods having a value of Rs. 1 lakh or more.
6.	Open General Licence No. 6	April 1982	Designated Public Sector (canalising) Agencies were permitted to import specified goods as listed in Appendices 8 and 9 of the Import and Export Policy, 1982-83, subject to the conditions that (i) the goods are imported against foreign exchange released by Government for the purpose, and (ii) the imported items are distributed as per the policy and procedure laid down.
7.	Open General Licence No. 7	April 1982	Actual users (industrial) were allowed to import, for their own use, jigs, fixtures, moulds (including moulds for die-casting), parts of moulds and press tools (other than limited permissible and banned), on a limited scale provided that where second-hand or re-conditioned items were imported, at the time of clearance from Customs, the importer produced a certificate from a Chartered Engineer of the country from where the imports were being made that the items were not more than ten years old and that their remaining life was at least five years.
8.	Open General Licence No. 8	April 1982	Oil and Natural Gas Commission, Oil India Ltd., and M/s. Bharat Coal Mines Ltd., were allowed to import all items of raw materials, components, consumables, tools, spares, machinery, equipment, instruments and accessories (but not consumer goods), subject to the conditions that: i) prior clearance was obtained from the DGTD and in the case of electronics items of Rs. 5 lakhs or more and marine electronics equipment and parts irrespective of value, prior clearance of the Department of Electronics was obtained, (ii) the actual user condition was satisfied. Import of tools/instruments/equipment not involving any payment would be allowed under this licence provided the ONGC/Mazgaon Docks Ltd./other concerned public sector agency undertakes to re-export them on completion of the work in case such imports are made by foreign contractors/engineers/specialists for execution of the work when they have been awarded a service contract or their services have been engaged by the ONGC/Mazgaon Docks Ltd./other concerned public sector agency.
9.	Open General Licence No. 9	April 1982	Air India, Indian Airlines and other members of the IATA were granted permission for importing spares, consumables (including greases and lubricants covered by Appendix 9 to the Import and Export Policy for 1982-83), aircraft tyres and tubes, manuals, technical drawings, illustrations and other technical literature, etc. for their own use and pertaining to the fleet of aircrafts operated and maintained by them and the associated test and training equipments. Companies/owners in public or private sector of aircrafts/executive aircraft were also permitted to import spares under this licence (other than those in the limited permissible/non-permissible/banned lists) for maintenance of their aircrafts/executive aircraft.
10.	Open General Licence No. 10	April 1982	Permission was granted for import of drugs and medicines, medical (including surgical, optical and dental) instruments, apparatus, appliances, replacement parts and accessories thereof and dental materials, sutures and needles for surgical purposes, X-ray intensifying screens, scientific and measuring instruments and chemicals, spare parts of motor vehicles and agricultural tractors,

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
			amateur radio communication equipment within specified frequency ranges and power limits, rare earth oxide, video-cassette without tape (c-o) & parts thereof, provided that the imports were made by specified eligible importers and within specified value limits laid down for each category of eligible importers. Details of eligible importers, the purpose of import and the value limit were indicated in the schedule attached to the notification.
11.	Open General Licence No. 11	April 1982	Integrated steel plants were allowed to import for their own use stopper heads and nozzles (excluding fire clay stopper heads and nozzles). Integrated steel plants as also mini steel plants and electric arc furnaces were allowed to import for their own use copper moulds for continuous billet casting.
12.	Open General Licence No. 12	April 1982	Permission was granted for import of any goods by Government Departments (Central/State) or projects under their ownership or control provided the imports were free of cost and in accordance with the provisions made in relevant agreements concluded between the Government of India and foreign Governments. In terms of this OGL personal effects of foreign experts coming into India were also allowed to be imported provided the project authorities certified that the imports were in accordance with the concerned agreement and that the imports, except consumables, would be re-exported at the time the foreign expert left India.
13.	Open General Licence No. 13	April 1982	Import of machinery, equipment, testing apparatus, tools and implements required by Registered Exporters of gem and jewellery and co-operative societies of goldsmiths and artisans were allowed subject to their satisfying the "actual user" condition, and in the case of import of reconditioned or second-hand items, the machinery is not more than ten years old and its remaining life is atleast 5 years and a certificate to this effect from a Chartered Engineer in the country of its export is produced at the time of clearance of the goods through Customs. The Export Promotion Council for Gems and Jewellery was also permitted to import the equipments covered by this licence, for use in the Institutes set up by the Council.
14.	Open General Licence No. 14	April 1982	(1) Permission was granted to Departmentally-run Government industrial undertakings and railways for the import of capital goods, raw materials, components, consumables and spares against foreign exchange released for the purpose by Government subject to clearance from the DGTD in respect of limited/non-permissible and banned items and of the Department of Electronics in the case of electronic items of the c.i.f. value of Rs. 5 lakhs and above and marine electronic equipment and parts irrespective of value. In the case of capital goods the items should be as permitted under OGL (listed in Appendix 2) and may include rigs, fixtures, moulds (including moulds for diecasting), parts of moulds and press tools except those in the banned, limited permissible and non-permissible lists. (2) State Electricity Boards/Projects/Undertakings in the Public Sector and the Directors General Doordarshan and All-India Radio were permitted to import spares under this licence against foreign exchange released for the purpose by Government provided that in the case of non-permissible spares a clearance from the DGTD and in the case of electronic items with a c.i.f. value of Rs. 5 lakhs and above a clearance from the Department of Electronics was obtained. (3) Public sector industrial undertakings under the Defence Ministry were allowed to import raw materials, components, consumables and spares (other than those in the limited permissible, non-permissible, banned or canalised lists). R&D units under the Ministry of Defence were permitted to import raw materials, components, consumables, machinery, equipment, instruments, accessories, tools and spares (other than office machines). Imports of capital goods as listed under Appendix 2 of the policy documents, rigs, fixtures, moulds (including moulds for die-casting), part of moulds, and press tools except those banned/restricted will be allowed. Computer spares will also be allowed to be imported under this licence at the rate of 3 per cent p.a. of the c.i.f. value of imported computer systems. The value of imports will be limited to the foreign exchange allocated for the purpose by the Defence Ministry during the year 1982-83.

IMPORTANT ANNOUNCEMENTS WITH REGARD TO IMPORT CONTROL POLICY

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Sr. No.	Item	Month of Announcement	Details
1	2	3	4
15.	Open General Licence No. 15	April 1982	General permission was granted for import of certain items listed in the schedule attached to this notification, subject to the conditions laid down for each item. The items specified include teaching aids, books-educational, scientific and technical, aluminium scrap/dross, brass scrap/ash/dross, copper scrap/copper mill scale, zinc scrap, zinc alloys, scrap/ash/dross, zinc dust/granulations, nickel silver (German silver), tin scrap/ash/dross/residues, tin alloys/residues, instruments and equipment required for the blind, wattle bark for tanning leather, wattle extract, pickled, raw or salted hides and skins, pelts, splits and parts quebracho extract, chestnut extract, modified eucalyptus extract (myrtan), life saving equipment, finished drugs, life saving and anti-cancer drugs, homeopathic medicines, other crude drugs required for making ayurvedic and unani medicines, family planning instruments, appliances and equipment, pulses, spices (cinnamon/cassia, nutmeg/mace, clove), dates (wet or dry), rock salt, X-ray medical films, lubricating oils for watches, clocks, time pieces and house service metres, gum arabic, viscose filament yarn upto 600 deniers, cupramonium filament yarn, educational/instructional films, colour photographic films and colour papers, black and white photographic films other than 120 size rolls, records for learning of languages, rudraksha beads, unexposed cinematographic films (8 mm colour and 8 mm black and white negatives), dental materials, spares for printing machines, machine tools, cinematographic equipment, solar energy equipment and billiard cloth, cushions, tables and chalks.
16.	Open General Licence No. 16* @	April 1982	Permission was granted for the import of (i) poultry vaccines (all types) by poultry farms/hatcheries approved by the Department of Agriculture, (ii) used scrap rubber tyres and tubes, (iii) nylon waste, (iv) paper waste, (v) filter paper for tea bags, heat seal/non-heat seal type, (vi) rubber blankets, (vii) glass screen and contact screen (Grey and magenta colour filters), (viii) lithographic coated plates, (ix) copper/aluminium/micro metal sheets used in the manufacture of blocks, (x) quality control films, strips and targets, (xi) litho rules for perforating, slitting, creasing etc. required by industrial units provided that: (a) the importer of poultry vaccines complies with the "actual user" condition and furnishes a certificate regarding the essentiality of the material (description/quantity/value) from the Director of Agriculture or the State Director of Animal Husbandry/Veterinary Services at the time of clearance of the goods through Customs, (b) importers of used/scrap rubber tyres, tubes and nylon waste were actual users (industrial) and were engaged in reclaiming rubber or caprolactum as the case may be and the imported rubber tyre or tube had at least one cut, (c) the importer of paper waste was an actual user (industrial) engaged in the manufacture of pulp, paper and paper boards, (d) the importer of filter papers was an actual user (industrial) engaged in the manufacture of tea bags and (e) importers of rubber blankets and other items were actual users (industrial) engaged in printing.
17.	Open General Licence No. 17 @	April 1982	Government approved cent per cent export oriented units, satisfying the 'actual user' condition were permitted to import for manufacture in Customs bonded factory, capital goods, raw material, consumables and spares, provided they exported the entire production (except rejects upto 5 per cent or the percentage fixed by Government). Further a minimum value added of 20% is necessary for the computation of which domestically produced raw materials were also to be treated as imports. An annual return for the financial year giving the c.i.f. value of each imported item together with the f.o.b. value of the exported products is to be given to the licensing authority.
18.	Open General Licence No. 18*	April 1982	Permission was given to actual users located in the Kandla Free Trade Zone and the Santacruz Electronics Export Processing Zone, for the import of capital goods, raw materials, components consumables, spares, packing materials, tools, jigs, fixtures and gauges for their own use. On the recommendations of the Development Commissioner, they were also allowed to import, for their own production, product diversification and development, prototypes, technical and trade samples (of not more than two in each type of sample), drawings, blueprints, charts, technical data including micro films and office equipment with spares and consumables thereof. Such actual users could also import goods (i) received for repairs/reconditioning by them in the zone and to be re-exported, or (ii) received back from the consignee overseas within 3 years of the date of their despatch to him.

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
19.	Open General Licence No. 19	April 1982	Permission for the import of capital goods (other than those banned) by the following, was granted subject to (i) complying with the 'actual user' condition, (ii) such imports are made out of the foreign exchange released for the purpose by the Government and (iii) indigenous clearance is obtained from the DGTD. 1) M/s. Coal India Ltd., 2) M/s. Neyveli Lignite Corporation Ltd., 3) M/s. Bharat Coking Coal Ltd., 4) Central Coalfields Ltd., 5) M/s. Eastern Coalfields Ltd., 6) M/s. Western Coalfields Ltd., 7) Central Mine Planning and Design Institute Ltd., and 8) M/s. Singareni Collieries Co. Ltd.
20.	Open General Licence No. 20	April 1982	Eligible disabled persons were allowed to import motor cars for their own use under the following conditions: i) the motor car is specially designed for use by the concerned disabled person only, ii) the motor car so imported is given a customs duty relief by the Department of Revenue, Ministry of Finance, iii) the importer is an 'actual user' and the motor car is not sold or transferred, pledged or hypothecated at any time.
21.	Open General Licence No. 21	April 1982	Actual users (Industrial) in the Electronics industry were permitted to import for their own use, capital goods, raw materials, components, consumables and spares provided they complied with the following conditions: i) The importer is a non-resident Indian, i.e. an Indian who has acquired a foreign nationality or an Indian residing abroad, ii) The eligible importer returns to India for settlement and for setting up an electronics industry or invests for the expansion, diversification or modernisation of an existing unit in electronics, iii) in either case, the importer has atleast 20 per cent share in the equity capital of the firm or company, iv) Imports are specifically for the manufacture of any one or more of the following (except computers): a) electronic components (except LSI and VLSI), b) electronic instruments, c) tape recorders and two-in-ones, d) Hi-Fi equipment, e) electronic teaching aides, f) industrial & process control systems, g) major sub-systems, h) radar, navigational aids and communication equipment and i) electronic medical equipment. v) for the import of items required by manufacturers of radars, navigational aids and communication equipment prior specific approval of the Department of Electronics is obtained, vi) import of raw materials, components, consumables and spares are for the first 12 months' requirement of the unit, vii) prior clearance from the Department of Electronics is obtained for import of limited permissible, non-permissible and iron and steel items, viii) the imported goods are purchased abroad out of the foreign exchange earnings abroad of the eligible importer, ix) imports are subject to the actual user condition, x) no sale of capital goods takes place for a period of five years, xi) capital investments and dividends are not repatriated abroad, xii) the industrial unit acquires an industrial licence or gets itself registered with the DGTD within 12 months of the date of import of the first consignment of capital goods, and xiii) the importer abides by the foreign exchange regulations and obtains necessary permission from the Reserve Bank of India to retain foreign currency balances abroad as required under the rules.
22.	Open General Licence No. 23	April 1982	Permission was granted for import of cement (including clinker) on account of actual users by (i) The State Trading Corporation of India Ltd., (ii) Public Sector agency designated for the purpose by a State Government/Union Territory, one in each State/Union Territory on the basis of authorisations issued in their favour by the concerned State Government/Union Territory. The State Trading Corporation will not be required to obtain foreign exchange for the purpose but should intimate the Cement Controller regarding the imports.
23.	Sodium lauryl ethyl phosphate	April 1982	Sodium Lauryl ethyl phosphate was transferred from the OGL list to the list of limited permissible items.

Sr. No.	Item	Month of Announcement	Details
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24.	Brass/Copper Scrap	May 1982	A condition was added that in the case of imports of brass/copper pipes and tubes as scrap under the OGL that their size should not exceed 15 cm in length unless they are imported in the form of hydraulically pressed briquettes.
25.	Medical Gas Cylinders	May 1982	Permission was granted for importing medical gas cylinders under Open General Licence No. 16 provided (i) They are imported by actual users having licence/registration for manufacture of medical gas (oxygen) and nitrous oxide, (ii) the AU has a valid licence issued under the Drugs and Cosmetics Act and (iii) such cylinders are used only for medical purposes.
26.	Ball and roller bearings	May 1982	The maximum value in respect of import of ball, cylindrical, taper, spherical and roller bearings etc. against automatic licences was raised from Rs. 1 lakh to Rs. 1.5 lakhs per item.
27.	Acrylic plastic scrap	May 1982	Acrylic plastic scrap (crushed) and seamless carbon steel pipes and tubes of sizes 31.0 mm to 220 mm were transferred from the list of limited permissible items to the list of automatic permissible items.
28.	Seamless carbon steel pipes	May 1982	
29.	Solar energy equipment	June 1982	Those importing Solar energy equipment under OGL were required to furnish to the Director, (Administration), Commission for Additional Sources of Energy, Department of Science & Technology, (i) the c.i.f. value, (ii) description of the equipment, (iii) country from which imported and (iv) the amount of customs duty paid on the imported equipment within 15 days of its clearance through Customs.
30.	Import of books under OGL	June 1982	The ban on import under OGL of books published during 1978 or after was lifted.
31.	Duty Exemption Scheme	June 1982	The Duty Exemption Scheme was made applicable to manufactures of certain 'intermediate' products when supplied to other Advance Licence holders and industrial units located in a Free Trade Zone in India, for production of an export product. The raw materials for imports and the intermediate products concerned were specified in the attached schedule to the notice.
32.	Molybdenum wires	July 1982	Molybdenum wires of 500 - 800 microns dia (0.5 - 0.8 mm dia) was transferred from the OGL list to the list of limited permissible items.
33.	Titanium	July 1982	'Titanium/Titanium alloys in any form' was transferred from the OGL list to the automatic permissible list of items.
34.	Tungsten filament wire	July 1982	Tungsten filament wire of 0.5 mm to 0.8 mm was transferred from the OGL to the automatic permissible list.
35.	High Speed Steel	July 1982	High Speed Steel (non-cobalt grades) rounds to any finish in sizes 40 mm to 100 mm dia. were transferred from the OGL to the list of limited permissible items of iron and steel. High Speed Steel rounds/wires in cobalt bearing grades of 40 mm dia. to 100 mm dia. were transferred from the OGL to the list of automatic permissible items of iron and steel.
36.	Photographic films	August 1982	Import of photographic films (620 size rolls) was excluded from the OGL list. Their imports were made subject to domestic availability.
37.	Rare Earths	August 1982	In the OGL list the description of the item "Rare Earth Oxides" was modified to include "rutile sands" also.
38.	Changes in Canalisation	August 1982	Imports of paving grade bitumen asphalt and all types of petroleum jellies were canalised. According to the earlier policy the canalisation related to 'Bitumen asphalt' and 'Petroleum jellies (special types)'.
39.	CG procedure waived	August 1982	Advertisement procedure in respect of import of 23 capital goods by individual actual users was waived.

Sr. No.	Item	Month of Announcement	Details
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40.	Equipment import by Oil India Ltd.	September 1982	Oil India Ltd. was given the facility available till now only to ONGC for import of equipments by its contractor when it awards the contract to foreign contractor on its undertaking to re-export the equipment on completion of the work.
41.	Special imprest licences for 'deemed exports'	September 1982	Manufacturer-exporters were granted special imprest licences if they wanted to take advantage of the import duty exemption granted on imports of raw materials and components for manufacturing supplies made by them against IBRD/IDA aided projects and projects financed by multilateral or bilateral external assistance which are treated as 'deemed exports' for the purpose of import replenishment. The duty exemption on these imports was granted vide a Ministry of Finance notification dated 10-9-1982. Imprest licences issued under this facility were similar to the advance licences issued under the Duty Exemption Scheme, e.g. with regard to export obligation and payment of customs duty on the excess imports, if any, as well as the penal interest of 18 per cent on the amount of duty from the date of clearance of goods to date of actual payment of duty on the excess.
42.	Indigenous supplies against import licences	September 1982	Actual users were allowed to include their consumption of indigenous material, if obtained from indigenous producers against their import licences when applying for automatic licence provided the Consumption Certificate included details of the value of the import licence and was certified by a Chartered/Cost Accountant.
43.	Imports against REP licences	September 1982	The facility of imports of limited permissible and canalised items allowed under OGL for Registered Exporters against their REP licences upto 20% of the face value of the REP licence with a value ceiling of Rs.1.0lakh per item was modified in respect of those whose f.o.b. value of exports of select products in any of the two previous financial years was at least 25% of the book value of their production of such products with a minimum of Rs. 10 lakhs in f.o.b. value. The value ceiling was raised to Rs.2.0 lakhs per item in their case.
44.	Import of Capital goods under REP licences	September 1982	The facility of importing capital goods/prototypes under REP licences available to manufacturer-exporters, without indigenous clearance, without recommendation of the sponsoring authority and without the advertisement procedure being followed, was extended to manufacturers whose products do not qualify for REP entitlement although the f.o.b. value of their exports of such products during 1981-82 was not less than 25% of the book value of their production and also was not less than Rs.5 lakhs (f.o.b.) in value, provided the c.i.f. value of the machinery allowed for import does not exceed 5% of the f.o.b. value of their exports, subject to a maximum of Rs.20 lakhs during 1982-83.
45.	Colour T.V. sets	October 1982	Colour TV sets, one each per person for his own use (i.e. not for sale) were allowed to be imported under OGL till December 4, 1982 provided: (i) they were a gift from a friend/relation living abroad and no foreign exchange remittance was involved and (ii) the price of the set, excluding the price of connected accessories and price of accompanying spares, was not less than Rs.3,600 (c.i.f.)
46.	Facilities for Non-Resident Indians	October 1982	The facilities available to Non-Resident Indians were extended to companies, firms, societies and similar corporate bodies which were owned by non-resident Indians to the extent of at least 60 per cent.
47.	Synthetic Pyrethroids	October 1982	Some items of synthetic pyrethroids - Decamethrin, Permethrin, Cypermethrin and Fenvalrate were transferred from the list of automatic permissible items to the list of non-permissible (banned) items.
48.	Weedicides	October 1982	The following weedicides were included in the non-permissible (banned) list of imports: (i) isoproturon, (ii) methabenzthiazuron and (iii) metoxuron.
49.	Changes in the various lists	November 1982	(1) Broaches and thread measuring machines were removed from the list of capital goods allowed for import under OGL while electro-chemical grinding machines and web fed high speed letter press rotary and offset rotary printing machines having output of more than 30,000 composite impressions or copies per hour were allowed for imports as capital goods under OGL.

Sr. No.	Item	Month of Announcement	Details
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			(2) Acetic anhydride, decorative papers, graphite electrodes/graphite anodes (excluding midget carbon electrodes) and polystyrene resin/granules/moulding powder were transferred from the list of automatic permissible items to the list of limited permissible items. (3) Glassmetic terminals for compressors upto 0.5 HP was transferred from the list of limited permissible items to the list of automatic permissible items. (4) Molybdenum wires of 500 to 1000 micron dia (0.5 mm - 1.0 mm dia) were included in the limited permissible list. (5) In the limited permissible list the specification relating to seamless carbon steel pipes and tubes was changed from the earlier "4.5 mm - 200 mm OD with 0.5 mm to 10 mm wall thickness" to "3.1 mm - 220 mm OD with 3.25 mm - 30 mm wall thickness" (excluding those required for the manufacture of hydraulic cylinders) thus bringing a larger part of imports of such pipes and tubes under this list. (6) Ethylene diamine and its derivatives and styrene monomer were transferred from the OGL list to the list of automatic permissible imports. (7) The following items were removed from the list of automatic permissible items: (i) Methyl Testosterone (ii) Progesterone (iii) Testosterone, (iv) Testosterone propionate, (v) Boiler tubes, seamless variety, 33 mm to 215 mm outer dimension and (vi) line pipes and tubes of AF-1 and equivalent specifications. (8) The following were transferred from the automatic to the limited permissible list of iron and steel items (i) Tin plate waste/waste, (ii) carbon steel items of all seconds/second grades/defectives/cuttings/circles of uncoated plates/sheets/strips/coils in any shape/section/form and (iii) alloy steel blooms/billets rounds 18 mm and above/squares except High Speed Steel/stainless/heat resisting steel, hollow drill steel bars/sections and lead free cutting steel plates/hexagons/octagons/rounds/rods (including specifications which contain both lead and high sulphur in the same specifications). (9) Re-rollable scrap of carbon steel of all grades was removed from the OGL list and canalised through the Metal Scrap Trading Corporation of India Ltd. (10) Besides jigs, moulds, fixtures and press tools, actual users were allowed to import, under OGL patterns for automotive iron casting. (11) Aluminium profiles were removed from the OGL list.
50.	Iron and Steel	November 1982	Oil refineries were made eligible to import iron and steel items under OGL.
51.	Scheme for supply of indigenous iron and steel materials against valid import licences	December 1982	A new scheme for the supply of certain specified iron and steel items at internationally competitive prices from indigenous sources by the Steel Authority of India Ltd (SAIL) and The Minerals and Metals Trading Corporation Ltd (MMTC) was introduced. The scheme covers the following items: (i) Carbon steel hot rolled coils/strips, (ii) Carbon steel CR/CRCA sheets/coils conforming to specification IS-513 grade 'O' of thickness 0.8 mm, 0.63 mm, 1.00 mm, 1.25 mm and 1.60 mm (iii) cold rolled stainless/heat resisting steel coils/sheets. The scheme was made applicable to specified category of licences which are valid for import of these items. The licence holders would be eligible to import directly under their import licences items not covered by this scheme.
52.	6-APA	January 1983	6-APA was transferred from the list of automatic permissible items to the list of drug items canalised through the State Chemicals & Pharmaceuticals Corporation Ltd.

* The importer is required to maintain proper account of consumption and utilisation of the goods imported in the prescribed form and produce such an account to the authorities within such time as may be specified.
 @ A half-yearly statement giving the description and value of imports under this licence is required to be submitted to the sponsoring/licensing authority.

B — CHANGES IN IMPORT DUTIES

The Central Government Budget for 1983-84, presented to the Lok Sabha on February 28, 1983 has proposed the following changes in import duties:

- (a) Increase in import-duty (basic) in general by 10 per cent *ad valorem* on chemicals and chemical products (excluding insecticide, pesticide and fungicide chemicals, pharmaceutical chemicals and products, antibiotics, sulpha drugs, vitamins, caprolactum and dimethyl taraphthelate, fertilisers and allied chemicals, tanning substances, albumins, enzymes, etc.). dye intermediates and allied chemical items.
- (b) Increase in import duty (basic) on taraphthelatic acid by 40 per cent *ad valorem*.
- (c) Increase in import duty (basic) on styrene butadiene rubber (SBR) by 20 per cent *ad valorem*.
- (d) Increase in import duty (basic plus auxiliary) on unwrought zinc from 65 per cent *ad valorem* to 80 per cent *ad valorem*.
- (e) Increase in the import duty (basic plus auxiliary) on unwrought lead from 60 per cent *ad valorem* to 80 per cent *ad valorem* and withdrawal of the partial exemption from additional (countervailing) duty on lead waste and scrap.
- (f) Increase in the import duty (basic plus auxiliary) on polyester fibre by Rs.9 per kilogram.
- (g) Increase in the import duty (basic plus auxiliary) on viscose staple fibre and viscose tow from 30 per cent *ad valorem* to 40 per cent *ad valorem* and on high performance/high tenacity/high wet modulus viscose staple fibre and viscose tow, polynosic staple fibre and polynosic tow from 20 per cent *ad valorem* to 40 per cent *ad valorem*.
- (h) Increase in the import duty (basic) on insulated electric wire; cable, bars, strips, and the like of copper from 60 per cent *ad valorem* to 70 per cent *ad valorem*.
- (i) Increase in the rate of auxiliary duty of customs on all imported goods (including machinery and project imports), with certain exceptions by 5 percentage points.
- (j) Reduction in the rates of import duty (basic, auxiliary and additional) on 14 specified machines and instruments for electronics industry to 35 per cent *ad valorem*.
- (k) Reduction in the import duty (basic plus auxiliary) on 4 raw materials and components for the electronics industry to 65 per cent *ad valorem*. Items classifiable under the Central Excise Tariff item No. 68 alone to be subjected to additional (countervailing) duty.
- (l) Increase in the duty-free limits from Rs.80 to Rs.200 for bonafide gifts of food articles and medicines imported by post or as air freight and from Rs.40 to Rs.200 for other bonafide gift items imported by post.
- (m) Increase in import duty (basic) on dodecyl benzene from 60 per cent to 100 per cent *ad valorem*.
- (n) Withdrawal of the partial import duty exemption on 2-methyl Imidazole imported for manufacture of drugs.
- (o) Reduction in the import duty (basic) on articles of baggage (with certain exceptions) from 300 per cent *ad valorem* to 200 per cent *ad valorem* for value exceeding the first dutiable slab.
- (p) Increase in the duty-free allowance from Rs. 1000 to Rs. 1250 for passengers and upto Rs. 5000 for import of used household effects with some exceptions, for Indian passengers returning home from abroad on expiry of their term of contract which is generally of a duration of one year.
- (q) Shortening of the list of articles of baggage not admissible under duty-free entry.

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