# FOREWORD

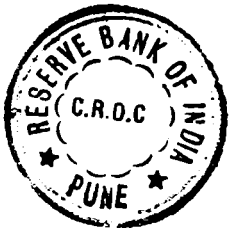
The Reserve Bank of India regularly brings out the Report on Currency and Finance, which was traditionally considered as a comprehensive source and record of economic developments. The structure of this Report has been re-oriented since 1998-99 from just documenting the economic developments to a 'theme-based 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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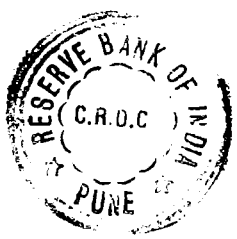


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Chapter I

# Review and Outlook

The performance of the economy in 1983-84 was impressive, with the real national income recording an estimated growth of as high as 7·6 per cent. The output of foodgrains rose by 17 per cent reaching a new peak of more than 151 million tonnes, perhaps indicating a breakthrough from the plateau which foodgrains output appeared to have reached in more recent years. Industrial production staged a significant recovery achieving a growth rate of 5·5 per cent in contrast to a mere 3·9 per cent growth witnessed in 1982-83: the recovery in infrastructure industries particularly paved the way for faster growth in early 1984-85. On the external front, although the trade deficit was larger, the overall balance of payments registered an improvement; this was reflected in the relative imporvement in the country's foreign exchange reserves.

Perhaps the only disconcerting feature of the economic scenario in 1983-84 was the price situation. No doubt expansion of broad money at 17·4 per cent in 1983-84 was larger than the increase of 16·7 per cent in 1982-83. This larger monetary exapansion has, however, to be viewed against the higher growth of real income in 1983-84. Wholesale prices recorded a rise by 9·3 per cent in 1983-84, in contrast to a much smaller rise of 2·6 per cent during the previous year. The rise in prices was thus a cause for concern. The record agricultural production during 1983-84 was a result both of the favourable climatic factors and the appropriate strategy adopted for increasing production like larger usage of inputs. Distribution of better quality seeds, fertilisers and other inputs made significant progress. Reduction in the price of fertilisers together with the expansion in the distribution network boosted fertiliser consumption. The production of foodgrains touched a new peak of 151·5 million tonnes registering a growth of 17 per cent over the production in the previous year, and surpassed the target of 142 million tonnes fixed earlier for the year. This comprised *kharif* output of 89·1 million tonnes and *rabi* output of 62·4 million tonnes. Crop-wise, both rice and wheat production touched new peaks; rice production of 59·8 million tonnes surpassed the previous peak of 53·8 million tonnes reached in 1978-79, and wheat production moved to a new peak of 45·1 million tonnes, rising above the previous peak of 42·8 million tonnes reached in 1982-83. The output of other cereals went up to 33·9 million tonnes from 27·7 million tonnes in 1982-83 and that of pulses from 11·9 million tonnes in 1982-83 to 12·7 million tonnes in 1983-84.

Many of the commercial crops showed an improvement over the output levels reached in the previous year. Oilseeds production established a new peak of 12·8 milion tonnes, a rise of 2·8 million tonnes over the previous year. Jute and *mesta* output at 7·4 million bales was a shade higher than that of 7·2 million bales in 1982-83. However, there was a setback to cotton and sugarcane output : output of raw cotton at the estimated level of 6·6 million bales was lower than 7·5 million bales in the preceding year. Sugarcane production at the estimated level of 177·0 million tonnes was lower than 189·5 million tonnes achieved in 1982-83.

With the increased production and the hike in procurement prices, it was possible to procure larger quantities of foodgrains for public distribution. Procurement of rice during the marketing year 1983-84 (October 1983 -September 1984)was 7·8 million tonnes; this was 11·4 per cent higher than the 7·0 million tonnes procured during the previous season of 1982-83. Procurement of wheat during the marketing year 1983-84 (April-March) also was higher at 8·3 million tonnes, as against 7·7 million tonnes procured in 1982-83. Wheat procured during the 1984-85 *rabi* marketing season so far (i.e., April to November 1984) touched an all-time high of 9·3 million tonnes and was 12·0 per cent higher than the level of 8·3 million tonnes procured during the corresponding period of the 1983-84 season. The aggregate procurement of foodgrains as a percentage of total foodgrains output has risen from about 9 per cent in 1979-80 to 12-13 per cent during the last two years. In fact, about 20 per cent of wheat production and about 13 per cent of rice output are being now procured.

Because of the improvement in open market availabilities, the offtake of foodgrains from the public distribution system, which had shown a rising trend in 1982-83, has slowed down since October 1983; the monthly average level of offtake declined to 1·1 million tonnes during the first ten months of the calender year 1984, from the average of 1·4 million tonnes during the corresponding period of 1983. Consequently, the stocks of foodgrains with the Government reached the level of 20·2 million tonnes as at the end of October 1984, as against 14·0 million tonnes a year ago.

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During the financial year 1983-84 the average rise in the index of industrial production was 5·5 per cent as compared to 3·9 per cent in the preceding year. Sectorwise, the index of 'mining and quarrying' increased by 11·5 per cent as compared to the rise of 10·8 per cent in 1982-83, of 'manufacturing' by 4·3 per cent as compared to 2·5 per cent in 1982-83, and of 'electricity' by 7·6 per cent as against 6·8 per cent in 1982-83. According to the use-based classifaction the indices for all the groups advanced during 1983-84 except that of 'consumer goods' industries. In contrast to a fall of 2·7 per cent in 1982-83, the 'capital goods' industries registered a growth of 10·8 per cent in 1983-84. Basic industries recorded a growth of 6·9 per cent in 1983-84 as compared to the rise of 8·1 per cent in 1982-83. The growth of 'intermediate goods' industries was 6·1 per cent as compared to 2·6 per cent in 1982-83. The fall in the output of 'consumer goods' industries was 0·3 per cent as against a rise of 3·7 per cent in 1982-83. Output of agro-based industries rose by only 1·8 per cent during 1983-84 as compared to 2·7 per cent in 1982-83; much of the deceleration occurred in the last quarter and was due to the perceptible fall in the output of sugar, jute manufactures and beverages.

The infrastructure industries, *viz.*, electricity, coal, saleable steel, crude petroleum, petroleum refinery products and cement, with a combined weight of 23·3 per cent in the general index,

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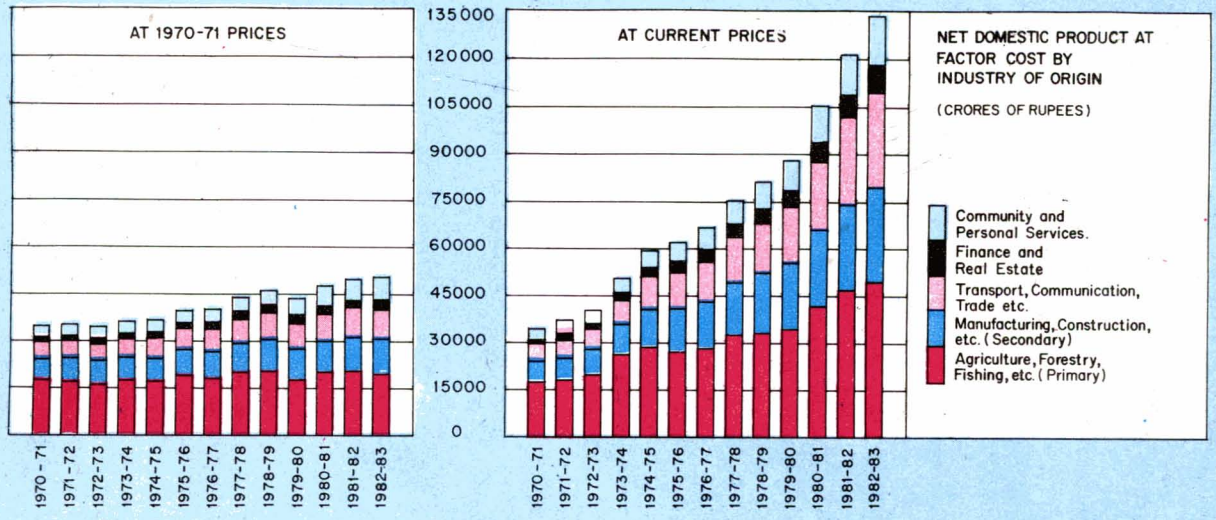


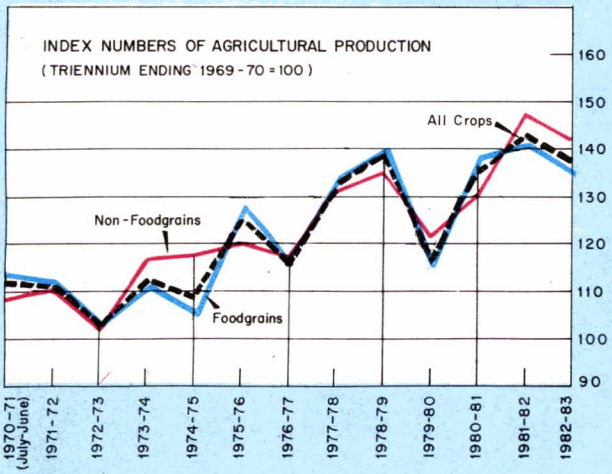


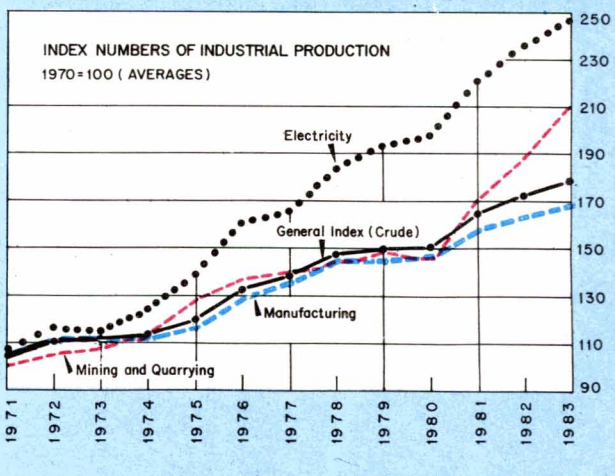


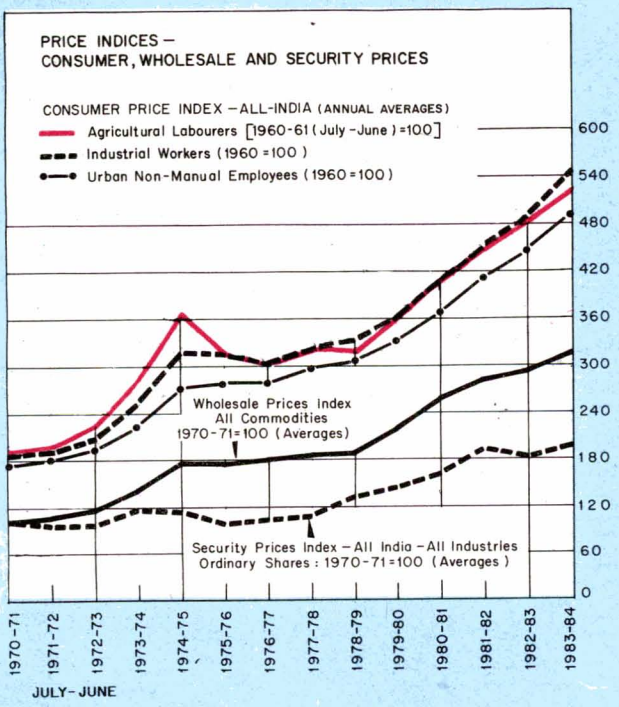


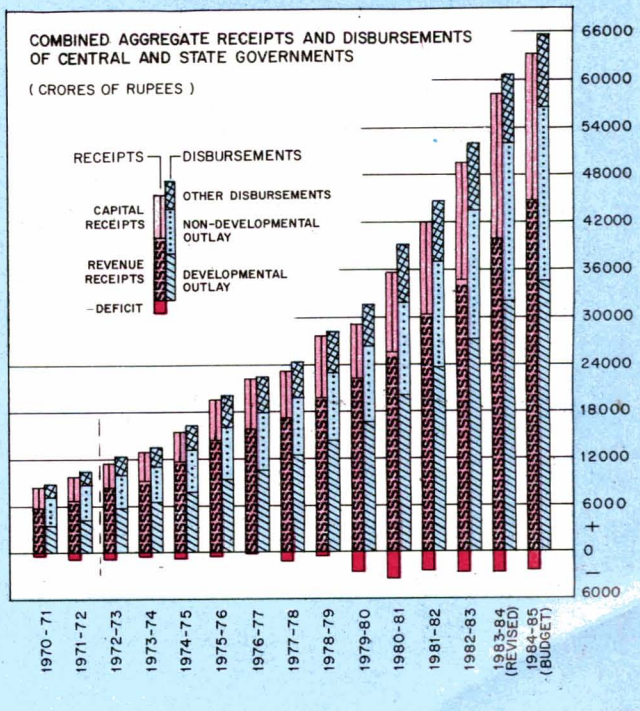

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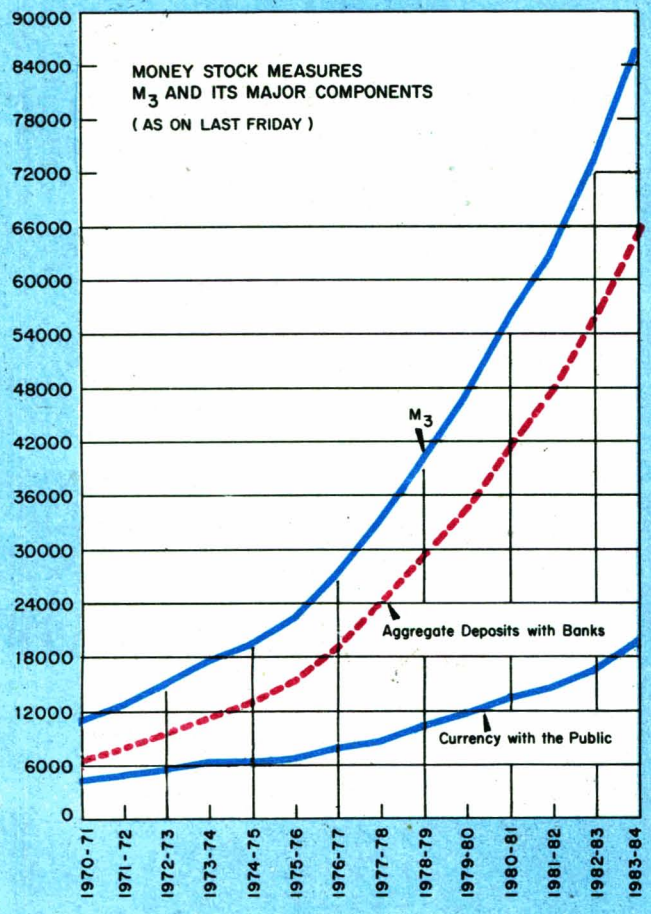


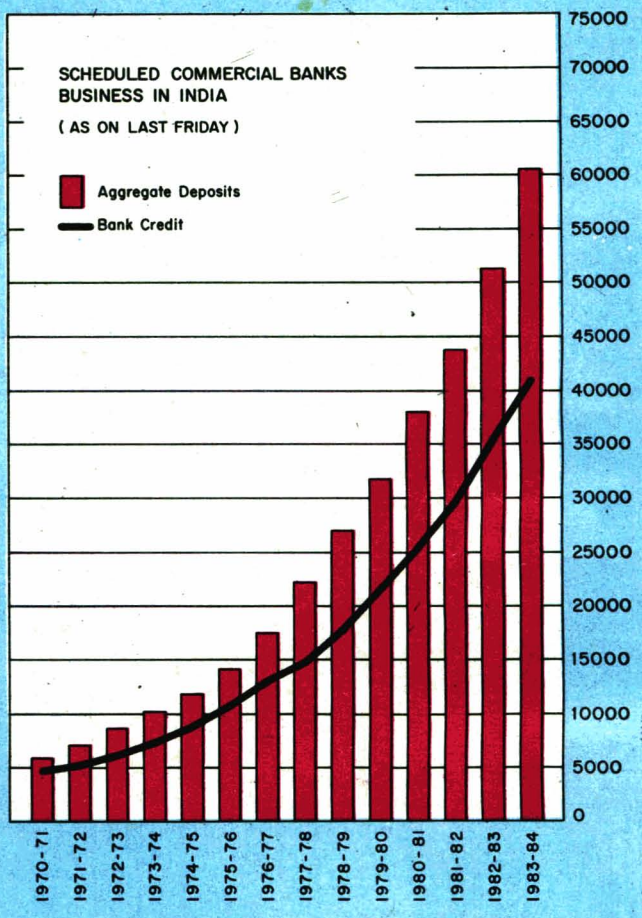


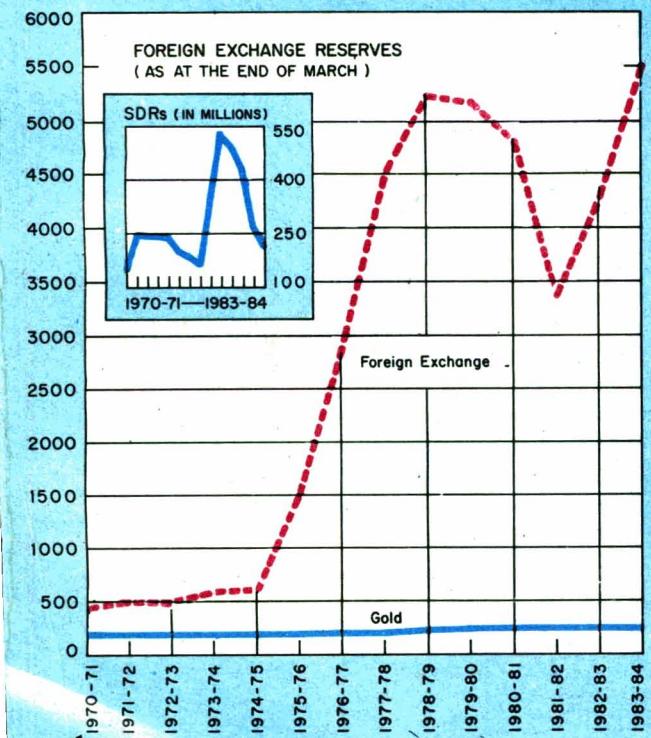


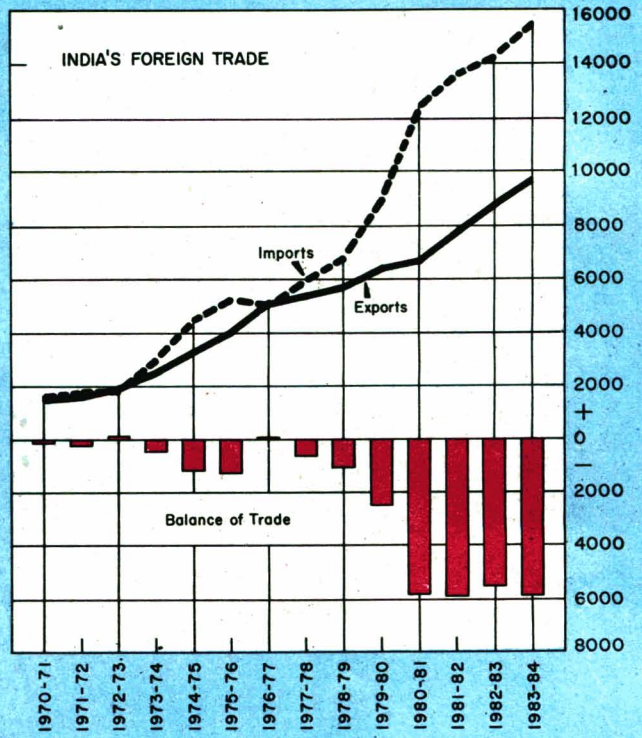

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During the financial year 1983-84 the average rise in the index of industrial production was 5·5 per cent as compared to 3·9 per cent in the preceding year. Sectorwise, the index of 'mining and quarrying' increased by 11·5 per cent as compared to the rise of 10·8 per cent in 1982-83, of 'manufacturing' by 4·3 per cent as compared to 2·5 per cent in 1982-83, and of 'electricity' by 7·6 per cent as against 6·8 per cent in 1982-83. According to the use-based classifaction the indices for all the groups advanced during 1983-84 except that of 'consumer goods' industries. In contrast to a fall of 2·7 per cent in 1982-83, the 'capital goods' industries registered a growth of 10·8 per cent in 1983-84. Basic industries recorded a growth of 6·9 per cent in 1983-84 as compared to the rise of 8·1 per cent in 1982-83. The growth of 'intermediate goods' industries was 6·1 per cent as compared to 2·6 per cent in 1982-83. The fall in the output of 'consumer goods' industries was 0·3 per cent as against a rise of 3·7 per cent in 1982-83. Output of agro-based industries rose by only 1·8 per cent during 1983-84 as compared to 2·7 per cent in 1982-83; much of the deceleration occurred in the last quarter and was due to the perceptible fall in the output of sugar, jute manufactures and beverages.

The infrastructure industries, *viz.*, electricity, coal, saleable steel, crude petroleum, petroleum refinery products and cement, with a combined weight of 23·3 per cent in the general index,

registered an overall increase of 6·7 per cent in 1983-84, as compared to 8·8 per cent in 1982-83. Except saleable steel, the output of the remaining five industries rose signficantly. Total power generation at 139·9 billion kwh in 1983-84 recorded a growth of 7·6 per cent over that in 1982-83. Thermal (including nuclear) power generation went up by as much as 10·2 per cent. Production of coal (excluding lignite) at 138·6 million tonnes recorded an increase of 6·1 per cent in 1983-84 as compared to 4·6 per cent in 1982-83. Production of crude petroleum and petroleum refinery products rose by 23·6 per cent and 5·9 per cent, respectively, in 1983-84 on top of increases of 30·1 per cent and 10·2 per cent in 1982-83. Cement production registered an increase of 16·6 per cent over and above the rise of 9·5 per cent recorded in 1982-83. However, production of saleable steel declined by 12·3 per cent as against the small increase of 0·5 per cent in 1982-83.

Monetary expansion, measured by the broad money ($M_3$), was larger in the fiscal year 1983-84 than that in fiscal 1982-83; it expanded by Rs.12,699 crores or 17·4 per cent as compared to Rs.10,442 crores or 16·7 per cent in 1982-83. In terms of components by far the largest increase occurred in time deposits followed by currency with the public. Time deposits expanded by Rs. 8,208 crores or by 18·5 per cent in 1983-84 as compared to Rs.6,636 crores or 17·6 per cent in 1982-83. Currency with the public increased by Rs.2,914 crores or by 17·5 per cent as compared to Rs.2,167 crores or by 15·0 per cent in the preceding year. Source-wise, acceleration in the monetary expansion emanated mainly from net bank credit to Government, and bank credit to the commercial sector. Net bank credit to Government expanded by Rs.5,818 crores or by 16·7 per cent as against Rs.4,734 crores or by 15·7 per cent in 1982-83. On the other hand, bank credit to the commercial sector registered a lower rise of Rs.7,929 crores or by 15·5 per cent in 1983-84 than that of Rs.8,796 crores or 20·5 per cent in 1982-83.

The expansion of reserve money was substantial at Rs.5,712 crores or 24·6 per cent in fiscal year 1983-84, almost double the expansion of Rs.2,647 crores or 12·9 per cent in 1982-83. Credit policy measures undertaken during the fiscal year 1983-84 reflected the concern about the large increase in reserve money and reducing its expansionary impact on the overall growth of liquidity in the system. During 1983-84 the cash reserve ratio (CRR) was raised in phases with a view to smoothening the liquidity over the year; it was raised from 8·0 to 8·5 per cent in August 1983, and further to 9·0 per cent in February 1984. In addition, banks were required to maintain an incremental cash reserve ratio of 10 per cent with effect from November 12, 1983. The cut-off point of food refinance was raised from Rs.2,800 crores to Rs.3,300 crores in November, 1983. While moderating the growth of liquidity and curbing the inflationary expectations, the credit policy ensured that all genuine credit requirements of productive sectors of the economy were met.

A disturbing feature of the economic scenario in 1983-84 was the rise in prices. Wholesale prices recorded a rise of 9·1 per cent considered on a point-to-point basis, and 9·4 percent on the basis of monthly averages. The corresponding rises in prices in 1982-83 which was a draught year were 6·4 per cent and 2·6 per cent. What was distrubing was that such a significant rise in prices should have taken place despite the unusually high rise in real output and the monetary restraint. All the three major groups, *viz.*, 'primary articles,' 'fuel, power, light and lubricants' and 'manufactured products' contributed to the price rise. However, it was the 'manufactured products' group which exerted the maximum pressure on the prices, judged by the weighted contribution. In part, a series of upward revisions in the administered prices was responsible for the rise; the weighted contribution of these items to the price rise in 1983-84 was estimated at 14·2 per cent.

On the external front, the overall balance of payments situation showed an improvement during the year. Reflecting this improvement, the foreign currency assets of the Reserve Bank, net of drawings from the IMF rose by Rs.36

crores, in contrast to a fall of Rs.982 crores in 1982-83. Encouraged by this improvement, the Government of India terminated the three year Extended Fund Facility (EFF) arrangement with the IMF from May 1, 1984, that is, about six months ahead of the date when it was to come to an end.

The outlook for 1984-85 appears to be encouraging, on the basis of present indicators. The economy is expected to witness a growth rate of between 4·0 to 4·5 per cent, with the agricultural sector recording a growth of slightly more than one per cent and the industrial sector between 7 to 8 per cent. The anticipated growth in 1984-85 could be regarded as impressive indeed, coming as it does close on the heels of a record growth of 7·6 per cent achieved in 1983-84.

The progress of the south-west monsoons which accounts for about two-thirds of the total precipitation was generally satisfactory despite deficient rains in some pockets of Maharashtra, Karnataka and Andhra Pradesh. Out of 35 meteriological sub-divisions, the number of sub-divisions receiving normal or excessive rains was 26 by September 30, 1984 accounting for 83 per cent of the net area sown and 82 per cent, of *kharif* foodgrains as against 32 sub-divisions accounting for 97 per cent of net areas sown and 96 per cent of *kharif* foodgrains during the corresponding period of last year. The remaining nine sub-divisions had received less than normal or deficient rains.

Thus, while the overall situation regarding monsoons was satisfactory, the number of sub-divisions receiving less than normal or deficient rains was not only large this year but also the monsoons were delayed somewhat as compared to the preceding year. Further, prolonged floods were reported to have affected *kharif* crops in parts of Assam, West Bengal, Bihar, Orissa, and Uttar Pradesh. The recent cyclone also damaged standing crops in the coastal districts of Tamil Nadu and Andhra Pradesh. However, timely availability of agricultural inputs was ensured. Consequently, the output of *kharif* foodgrains would be sustained at the last year's level while *rabi* crops, the bulk of which are raised on irrigated lands, are expected to show a marginal rise over the output of last year. Hence the overall foodgrains output in 1984-85 is likely to reach the targetted level of 153·6 million tonnes.

The performance of cash crops, however, is not expected to be as impressive as that of foodgrains. The outlook for oilseeds is promising; a target of 13·0 million tonnes has been fixed for 1984-85 as against the output of 12·8 million tonnes in 1983-84. Widespread and prolonged floods in West Bengal and Assam may affect the output of the jute crop, though the area under raw jute has increased. The output of other main cash crops, *viz.*, sugarcane and cotton is expected to be higher than in last year.

Taking both food and non-foodgrains together agricultural production might register a rise of slightly more than one per cent during 1984-85.

Industrial production during the first half (April-September) of the financial year 1984-85 has shown a marked rise of 7·2 per cent as compared to that of only 4·0 per cent in the corresponding half of the previous year. Sector-wise, 'manufacturing' which has a weight of over 81 per cent in the general index of industrial production recorded a rise of 5·5 per cent, compared with the rise of 3·7 per cent in the corresponding period of 1983-84. The other two sectors, namely, 'mining and quarrying' and 'electricity' registered sharper rises of 10·7 per cent and 13·5 per cent as against 9·3 per cent and 2·7 per cent, respectively, in April-September 1983. The pick-up in the manufacturing sector was primarily due to a significant improvement in power generation.

More impressive has been the performance of infrastructure industries, an indicator which is directly relevant for assessing the likely performance of the industrial sector as a whole in 1984-85. Data for the first seven months of the

current financial year (April-October) are available in respect of six infrastructure industries, which together have a weight of 23·29 per cent in the general index. These industries recorded an increase in production of 11·4 per cent as compared with the level during the corresponding period of 1983-84. The percentage increases recorded were : electricity 14·1, coal 9·4, saleable steel 10·1, crude petroleum 10·8, cement 13·7. The sole exception was petroleum refinery products which witnessed a decline of 1·2 per cent. This significant improvement in infrastructure industries would go a long way in ensuring acceleration of industrial growth in 1984-85.

Furthermore, some measures taken recently are also expected to have a beneficial impact on industrial production. These include : the decision to extend the scheme of re-endorsement of installed capacities for a further period of one year, special schemes for development of 'no industry' and backward districts, and liberalisation of credit facilities by financial institutions for modernisation and establishment of new industries. Overall, industrial growth for the year as a whole may turn out to be in the region of 7 to 8 per cent, as compared to the last year's rate of 5·5 per cent.

Monetary expansion ($M_3$) during the fiscal year 1984-85 so far, (i.e. from March 30 to November 15, 1984) was of the order of Rs.8,490 crores as compared with Rs.8,189 crores in the corresponding period of 1983-84; broad money ($M_3$) registered a growth rate of 9·9 per cent, which was lower than that of 11·2 per cent during the corresponding period of last year. Source-wise, the expansion in $M_3$ was brought about mainly by increase in net bank credit to Government and bank credit to the commercial sector. Net bank credit to Government in the current financial year at Rs.5,956 crores was higher than that of Rs.4,700 crores in the same period of 1983-84. Bank credit to the commercial sector registered a rise of Rs.5,371 crores as against Rs.3,928 crores in the preceding year. There was sizeable expansion in food credit warranted by substantially larger procrurement and holding of foodgrains stocks with Government; food credit of Rs.1,256 crores on November 16, 1984 was almost double the size of the food credit a year ago. The size of non-food credit was also higher : the rate of increase was nearly 8 per cent during the current financial year till mid-November 1984 as compared with 5 per cent during the corresponding period of last year. The pick up in non-food credit in recent months reflects, among others, the acceleration in industrial growth. Net foreign exchange assets of the banking sector moved up significantly by Rs.723 crores in contrast to a fall of Rs.171 crores in the preceding year.

The price situation in 1984-85, as has finally emerged, shows distinct signs of easing, although during the early part of the year the trend did become a cause for anxiety. Between end-March 1984 to the third week of August 1984, it appeared that the rise in prices was almost catching up with the rise during the corresponding period of the previous year and this gave rise to justifiable apprehensions of the current financial year witnessing a rise in prices of as large an order as that in 1983-84. Such a trend would have jeopardised the prospects of ensuring growth with a degree of price stability. Subsequently, prices eased and the prospects of containing the price rise for the full financial year 1984-85, within a range which would be distinctly lower than that in 1983-84, have brightened. The seasonal decline, though somewhat faltering initially, has persisted. Upto 17th November 1984, the price rise during the current financial year works out to 5·4 per cent on a point-to-point basis, or 7·9 per cent on an average basis. These percentages are lower than the rises of 8·3 per cent and 8·8 per cent respectively, recorded during the corresponding period of the previous year. Thus even assuming that the price rise during the remaining part of the current financial year would be as large as that during the corresponding period of the year 1983-84, the extent of the rise in prices for the full financial year 1984-85 would work out to be much smaller than the rise recorded during the year 1983-84. Such a deceleration of prices

reflects, in a way, the cumulative impact of monetary restraint on the one hand and supply management on the other. Price expectations also perhaps underwent a change as a consequence of the prospects of sustaining in 1984-85, agricultural production, and even exceeding marginally the peak level reached during 1983-84.

The performance of the external sector also shows a significant improvement in 1984-85. During the period April-August 1984, total exports expanded by 12·7 per cent as compared to the rise of 8·2 per cent recorded during the corresponding period of 1983. In fact, non-oil exports expanded at an impressive rate of 20·4 per cent over the corresponding period last year. Thus export performance during the year 1984-85 is encouraging, even after making allowance for the changes in external value of the rupee. There was a further improvement in foreign currency assets of the Reserve Bank; as at the end of October 1984, these assets amounted to Rs.6,348 crores recording rise of Rs.850 crores during the financial year so far. The increase during the corresponding period of 1983-84 was Rs.931 crores. Excluding the purchases and repurchases from the IMF, foreign currency assets recorded a rise of Rs.882 crores during the financial year upto end-October, in contrast to the decline of Rs.42 crores witnessed during the corresponding period of 1983-84. On the whole, this trend indicates that the balance of payments position would show a further improvement during the year 1984-85. While it is true that the short-run balance of payment situation has shown an improvement, a careful watch needs to be kept on the medium-term prospects.

Overall, the two years 1983-84 and 1984-85, taken together have led to the strengthening of the Indian economy. The main elements of the strenght could be summed up as follows : a 4·0 to 4·5 per cent growth anticipated in 1984-85 on top of the unusually high growth of 7·6 per cent recorded in 1983-84; sectorally, while the growth in 1983-84 was largely attributable to agriculture, in 1984-85 it would be mainly attributable to industry; and the prospects of containing the prices in 1984-85 are reasonable.

## Chapter II

# National Income, Saving and Investment

The growth in *real* national income during 1983-84, according to the Central Statistical Organisation (CSO) is estimated at 7·6 per cent as against only 1·6 per cent in 1982-83 and 4·9 per cent in 1981-82. This sharp rise in the growth rate in 1983-84 was the result of increase in agricultural output which reached a record level, and improvement in performance of the industrial sector. During the year, the saving-income ratio decreased marginally and with reduction in ratio of net inflow of foreign resources, the ratio of net investment to income also declined.

### A. Trends in National Income

*1. Estimates for 1982-83*

According to *provisional* estimates of national income and related aggregates released by the Central Statistical Organisation (CSO), net national product (NNP) at factor cost increased, in *real* terms, from Rs. 49,631 crores in 1981-82 to Rs.50,437 crores in 1982-83 or by 1·6 per cent only as compared to 4·9 per cent in 1981-82 (Table II-1). The lower growth rate in

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

| Description | 1979-80 | 1980-81 | 1981-82 | 1982-83 | 1983-84 |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| **1. Net National Product (NNP) (Rupees crores)** | | | | | |
| At 1970-71 Prices | 43,830 | 47,312 | 49,631 | 50,437 | 54,276 |
| | *(−5·5)* | *(7·9)* | *(4·9)* | *(1·6)* | *(7·6)* |
| At Current Prices | 88,506 | 1,05,834 | 1,20,806 | 1,32,470 | 1,59,598 |
| | *(9·0)* | *(19·6)* | *(14·1)* | *(9·7)* | *(20·5)* |
| **2. Per Capita Income (Rupees)** | | | | | |
| At 1970-71 Prices | 660 | 697 | 715 | 711 | 749 |
| | *(−7·7)* | *(5·6)* | *(2·6)* | *(−0·6)* | *(5·3)* |
| At Current Prices | 1,333 | 1,559 | 1,741 | 1,868 | 2,201 |
| | *(6·6)* | *(17·0)* | *(11·7)* | *(7·3)* | *(17·8)* |
| **3. Net National Product at current Market Prices (Rupees crores)** | 1,00,690 | 1,19,739 | 1,37,720 | 1,51,653 | 1,81,917 |
| | *(9·8)* | *(18·9)* | *(15·0)* | *(10·1)* | *(20·0)* |

*Sources and Notes* : 1. Estimates upto 1982-83 are provisional estimates by the Central Statistical Organisation (C.S.O.), Government of India and for 1983-84 are Quick Estimates by C.S.O.
2. Figures in brackets are percentage changes over the previous year.
3. It may be added that earlier, the growth rate in real national income at 8·5 per cent in 1983-84 was estimated in the Bank's Annual Report, 1983-84 and Report on Trend and Progress of Banking in India, 1983-84.

1982-83 was the result of decline in agricultural output and only moderate increase in industrial production. As this growth was not even commensurate with population growth, per capita *real* income declined fractionally from Rs.715 in 1981-82 to Rs.711 in 1982-83 showing a fall of 0·6 per cent.

In *nominal* terms NNP at factor cost increased from Rs.1,20,806 crores in 1981-82 to Rs.1,32,470 crores in 1982-83 or by 9·7 per cent compared with the previous year's rise of 14·1 per cent. Per capita income in 1982-83 at current prices is estimated at Rs.1,868 which showed a rise of 7·3 per cent over the previous year.

Sectorwise, the contribution of the 'primary' sector to Net Domestic Product (at factor cost) declined in *real* terms from 41·8 per cent in 1981-82 to 39·5 per cent in 1982-83 while that of the 'secondary' and 'tertiary' sectors improved from 21·1 per cent to 21·4 per cent and from 37·1 per cent to 39·1 per cent, respectively.

Within the 'secondary' sector, growth of 'manufacturing' declined from 4·9 per cent in 1981-82 to 2·4 per cent in 1982-83 and that of 'construction' and 'electricity, gas and water supply' from 4·6 per cent and 8·8 per cent in 1981-82 to 3·9 per cent and 7·8 per cent, respectively in 1982-83. In the 'tertiary' sector, 'finance and real estate'and 'community and personal services' showed higher growth rates of 8·2 per cent and 12·4 per cent, respectively, in 1982-83 as compared to 5·7 per cent and 8·2 per cent, respectively, in the previous year; 'transport, communication and trade', however, recorded lower growth of 3·3 per cent in 1982-83 as against 7·0 per cent in the previous year.

*2. Performance during 1983-84*

Quick estimates of national income for 1983-84, released by the C.S.O. indicated the growth rate of *real* national income at 7·6 per cent during the year. The sharp rise in growth rate in 1983-84 was the result of record food- grains output which showed an increase of 17·0 per cent over the output of 1982-83, and improvement in industrial production by 5·4 per cent over the previous year's level. Per capita *real* income is estimated to have increased by 5·2 per cent from Rs. 711 in 1982-83 to Rs. 749 in 1983-84; at current prices, it is estimated to have increased by 17·8 per cent from Rs.1,868 in 1982-83 to Rs.2,201 in 1983-84.

With the estimated growth rate of 7·6 per cent in *real* national income during 1983-84, the

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

| Description | 1981-82 | 1982-83 | 1983-84 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1. Domestic Saving (Net) | 17·5 | 17·1 | 16·7 |
| 2. Net Inflow of Foreign Resources | 2·2 | 1·6 | 1·4 |
| 3. Aggregate Investment (Net) (1 + 2) | 19·7 | 18·7 | 18·1 |

*Note* : The estimates presented here may differ from those presented in the Reserve Bank's *Annual Report 1983-84* as the same have been revised in the light of fresh data.

average annual growth rate during the first four years of the 6th Plan works out to 5·5 per cent as against the Plan target of 5·2[1] per cent.

## B. Aggregate Saving and Investment

Net domestic saving, according to the Reserve Bank's estimates, declined marginally in 1983-84 by 0·4 percentage point to 16·7 per cent of NNP at current market prices. With reduction in the ratio of net inflow of foreign resources to NNP by 0·2 percentage point, the ratio of net investment to NNP declined by 0·6 percentage point from 18·7 per cent in 1982-83 to 18·1 per cent in 1983-84.

## C. Trends in Domestic Saving

Net domestic saving in 1983-84 is provisionally estimated at Rs. 30,477 crores which shows an increase of 17·8 per cent compared with 7·5 per cent in 1982-83. The ratio of saving to NNP at market prices, however, declined from 17·1 per cent in 1982-83 to 16·7 per cent in 1983-84 reflecting the much sharper rise in NNP than

1. In terms of gross domestic product (GDP).

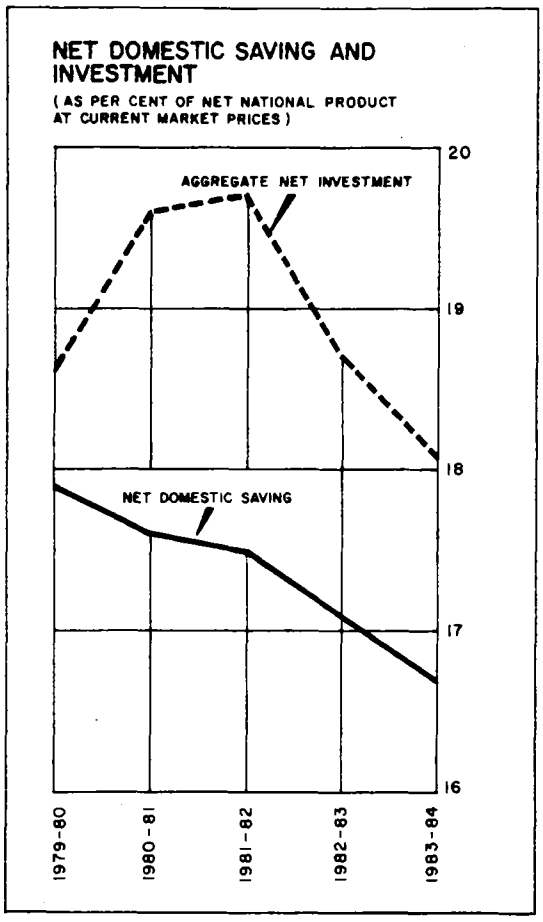



**Table II-3 : :Estimates of Net Domestic Saving Sector-wise (Provisional)**

(Rupees crores at current prices)

| Description | 1981-82 | 1982-83 | 1983-84 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1. Public Sector | 4,712 *(19·6)* | 4,929 *(19·0)* | 3,900 *(12·8)* |
| *Per cent of Net National Product at Market Prices* | *3·5* | *3·2* | *2·1* |
| 2. Domestic Private Corporate Sector (including co-operatives) | 1,032 *(4·3)* | 1,183 *(4·6)* | 1,265 *(4·1)* |
| *Per cent of Net National product at Market Prices* | *0·7* | *0·8* | *0·7* |
| 3. Household Sector | 18,330 *(76·1)* | 19,763 *(76·4)* | 25,312 *(83·1)* |
| *Per cent of Net National Product at Market Prices* | *13·3* | *13·0* | *13·9* |
| 4. Total Net Domestic Saving (1 + 2 + 3) | 24,074 *(100·0)* | 25,875 *(100·0)* | 30,477 *(100·0)* |
| *Per cent of Net National Product at Market Prices* | *17·5* | *17·1* | *16·7* |

*Notes* : Figures in brackets represent percentages to total.

in Saving. Sector-wise, saving of the houesholds as a proportion of NNP increased from 13·0 per cent in 1982-83 to 13·9 per cent in 1983-84 and its share in total domestic saving also improved from 76·4 per cent in 1982-83 to 83·1 per cent in 1983-84. In contrast, saving of the public sector declined from Rs. 4,929 crores in 1982-83 to Rs. 3,900 crores in 1983-84 and formed 2·1 per cent of NNP in 1983-84 as against 3·2 per cent in the previous year. The proportion of private corporate sector's saving to NNP declined marginally from 0·8 per cent in 1982-83 to 0·7 per cent in 1983-84 (Table II-3).

## 1. Saving of the Household Sector

Saving of the household sector comprises saving in the form of (i) Financial assets and (ii) Physical assets, the former being reckoned as additions to financial assets *net* of financial liabilities. During 1983-84 saving of the household sector is estimated to have increased to Rs. 25,312 crores from Rs.19,763 crores in 1982-83- a rise of over 28 per cent contributed more or less equally by physical and financial assets. The ratio of household sector's saving to NNP also increased from 13·0 per cent in 1982-83 to 13·9 per cent in 1983-84 (Table II-4).

### *(a) Financial Assets*

Although acquisition of financial assets (gross) by the household sector was higher, its proportion to NNP remained same at 10·4 per cent in 1983-84. The household sector's saving in financial assets (net) recorded an increase of Rs. 2,327 crores to Rs. 13,692 crores in 1983-84 mainly because of increase in assets such as currency, deposits, claims on Government, and provident funds (Table II-3 and II-5); its proportion to NNP, remained unchanged at 7·5 per cent in 1983-84. The share of the household sector's financial assets in its total saving declined from 57·5 per cent in 1982-83 to 54·1 per cent in 1983-84.

### *(i) Currency*

Addition to currency holding of the household sector was of a much smaller order of Rs.661 crores in 1983-84 as compared to

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

(Rupees crores at current prices)

| Description | 1981-82 | 1982-83 | 1983-84 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1. Financial Assets (Gross) | 13,948 | 15,748 | 19,000 |
| Per cent of Net National Product at Market Prices | *(10·1)* | *(10·4)* | *(10·4)* |
| 2. Physical Assets | 8,503 | 8,398 | 11,620 |
| Per cent of Net National Product at Market Prices | *(6·2)* | *(5·5)* | *(6·4)* |
| 3. Financial Liabilities | 4,120 | 4,383 | 5,308 |
| Per cent of Net National Product at Market Prices | *(3·0)* | *(2·9)* | *(2·9)* |
| 4. Total Net Saving (Net of Financial Liabilities) (1 + 2–3) | 18,331 | 19,763 | 25,312 |
| Per cent of Net National Product at Market Prices | *(13·3)* | *(13·0)* | *(13·9)* |

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

(Rupees crores at current prices)

| Asset | 1981-82 | 1982-83 | 1983-84 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| Total Financial Assets | 13,948 | 15,748 | 19,000 |
| | *(100·0)* | *(100·0)* | *(100·0)* |
| Per cent of Net National Product at Market Prices | 10·1 | 10·4 | 10·4 |
| 1. Currency | 985 | 2,133 | 2,794 |
| | *(7·1)* | *(13·5)* | *(14·7)* |
| Per cent of Net National Product at Market Prices | 0·7 | 1·4 | 1·5 |
| 2. Deposits | 6,726 | 7,230 | 8,849 |
| | *(48·2)* | *(45·9)* | *(46·6)* |
| Per cent of Net National Product at Market Prices | 4·9 | 4·8 | 4·8 |
| 3. Insurance | 997 | 1,235 | 1,386 |
| | *(7·2)* | *(7·8)* | *(7·3)* |
| Per cent of Net National Product at Market Prices | 0·7 | 0·8 | 0·8 |
| 4. Provident /Pension Funds | 2,302 | 2,941 | 3,217 |
| | *(16·5)* | *(18·7)* | *(16·9)* |
| Per cent of Net National Production at Market Prices | 1·7 | 1·9 | 1·8 |
| 5. Claims on Government | 1,730 | 1,241 | 1,594 |
| | *(12·4)* | *(7·9)* | *(8·4)* |
| Per cent of Net National Product at Market Prices | 1·3 | 0·8 | 0·9 |
| 6. Compulsory Deposits | 20 | 34 | 56 |
| | *(0·1)* | *(0·2)* | *(0·3)* |
| Per cent of Net National Product at Market Prices | – | – | – |
| 7. Investment in Corporate & Co-op. Shares / Debentures and Units of UTI | 479 | 497 | 701 |
| | *(3·4)* | *(3·2)* | *(3·7)* |
| Per cent of Net National Product at Market Prices | 0·2 | 0·4 | 0·4 |
| 8. Trade Credit (Net) | 709 | 437 | 401 |
| | *(5·1)* | *(2·8)* | *(2·1)* |
| Per cent of Net National Product at Market prices | 0·5 | 0·3 | 0·2 |
| 9. Other Assets | – | – | – |
| Per cent of Net National Product at Market Prices | – | – | – |

*Note* : Figures in brackets are percentages to total.

Rs.1,148 crores in 1982-83. This is probably indicative of households preference for other types of assets to currency owing to attractive yields obtainable on them. The share of currency in total financial assets of households, however, improved from 13·5 per cent in 1982-83 to 14·7 per cent in 1983-84. The ratio of currency to NNP also increased marginally from 1·4 per cent in 1982-83 to 1·5 per cent in 1983-84.

*(ii) Deposits*

Saving of the household sector in the form of deposits with commercial banks, co-operative banks, co-operative credit societies and non-banking companies, amounted to Rs.8,849 crores showing an increase of Rs.1,619 crores in 1983-84 compared to Rs.504 crores in 1982-83. Among the various categories of deposits, accretion to deposits with commercial banks was higher at Rs.1,414 crores compared with Rs. 869 crores in the previous year; while deposits with non-banking non-financial companies decreased by Rs.34 crores. Deposits with co-operative institutions increased by Rs.168 crores compared with Rs.121 crores in 1982-83.

The share of deposits in financial assets of households went up by 0·7 percentage point to 46·6 per cent in 1983-84.however. the ratio of

deposits to NNP remained unchanged at 4·8 per cent.

*(iii) Social Security Funds*

Households saving on account of insurance and provident and pension funds are categorised as social security funds which, among financial assets, are next in importance to deposits. Although social security funds increased from Rs.4,176 crores in 1982-83 to Rs.4,603 crores in 1983-84, their share in total financial assets of households declined from 26·5 per cent to 24·2 per cent.

Provident and pension funds are estimated to have increased by Rs.276 crores to Rs.3,217 crores in 1983-84 but their share in total financial assets of households declined by 1·8 percentage points.

Saving in the form of 'insurance' which represents addition to the life fund of the Life Insurance Corporation of India (LIC), postal insurance, and state insurance fund is estimated to have increased from Rs.1,235 crores in 1982-83 to Rs.1,386 crores in 1983-84. Of the total saving in the form of this instrument, 88·5 per cent was on account of addition to the life fund of LIC while 9·8 per cent was on account of state insurance fund and 1·7 per cent on account of postal insurance. The share of insurance in total financial assets declined by 0·5 percentage point to 7·3 per cent in 1983-84.

*(iv) Claims on Government*

The households claims on government include investments in small savings, government securities, capital investment bonds and special bearer bonds. Saving through these media increased from Rs.1,241 crores in 1982-83 to Rs.1,594 crores in 1983-84 mainly on account of a rise of Rs.314 crores in small savings which reflects the increasing popularity of National Savings Certificates providing higher interest and tax benefits. The receipts from capital investment bonds introduced in June 1982 also picked up and increased to Rs.117 crores in 1983-84 from Rs.74 crores in the previous year. The share of households claims on government in their total financial assets rose by 0·5 percentage point to 8·4 per cent in 1983-84 and the proportion of these claims to NNP increased marginally from 0·8 per cent to 0·9 per cent in 1983-84.

*(v) Compulsory Deposits*

These are deposits mobilised under the Compulsory Deposits [Additional Emoluments, Additonal Dearness Allowance Account (old and new), and Income Tax Payers] Schemes 1974. While gross receipts under the ITP scheme amounted to Rs.103 crores, there were repayments of Rs.47 crores under the additional D. A. (old and new) schemes. As a result, net receipts under these schemes increased from Rs.34 crores in 1982-83 to Rs.56 crores in 1983-84. As in the previous year, the share of compulsory deposits in total financial assets increased marginally by 0·1 percentage point in 1983-84.

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

Saving instruments included in this category include the households investments in shares and debentures of corporate (financial and non-financial) and co-operative sectors, and in units of the Unit Trust of India (UTI). Investments in such assets increased from Rs.497 crores in 1982-83 to Rs.701 crores in 1983-84 and the share of these assets in total financial assets (gross) rose from 3·2 per cent to 3·7 per cent.

Household investments in units of the UTI increased sharply from Rs.121 crores in 1982-83 to Rs.195 crores in 1983-84. Among the factors responsible for higher investments in this saving instrument, mention may be made of introduction of new schemes such as Monthly Income Unit Scheme (II), 1983 and Capital Gains Units Scheme.

*(vii) Trade Credit*

The household sector's financial saving in the

form of this asset comprises credit to private corporate sector and deposits with electricity boards. Net trade credit of this sector in 1983-84 is estimated at Rs.401 crores compared with Rs.437 crores in the previous year. The share of trade credit in total financial assets of households declined from 2·8 per cent in 1982-83 to 2·1 per cent in 1983-84.

*(b) Saving in Physical Assets*

Saving in the form of physical assets consists of additions to 'construction', 'machinery and equipment' and 'change in stocks'. The saving in physical assets for 1983-84 is estimated at Rs.11,620 crores which formed 6·4 per cent of NNP. In 1982-83 saving in physical assets constituted 5·5 per cent of NNP.

*(c) Financial Liabilities*

Financial liabilities of the household sector comprise its borrowing from commercial banks, co-operative institutions, LIC and other term lending institutions, central and state governments, and private corporate sector. Aggregate financial liabilities are estimated at Rs.5,308 crores in 1983-84 showing a rise of Rs.925 crores over the previous year. The proportion of these liabilities to NNP, however, remained unchanged at the previous year's level of 2·9 per cent.

Although households borrowing from the said agencies increased during 1983-84 the bulk of it-over 68 per cent-represented borrowing from commercial banks and co-operative institutions. As between these two agencies, the proportion of liabilities owed to commercial banks to total liabilities declined from 61·4 per cent in 1981-82 to 48·9 per cent in 1982-83 and further to 44·7 per cent in 1983-84, while the corresponding proportion of liabilities to co-operative institutions increased from 21·5 per cent to 23·0 per cent and 24·0 per cent, respectively.

## 2. Saving of the Public Sector

Saving of the public sector showed a decline in 1983-84. In 1982-83 public sector's saving showed a marginal rise. In 1983-84,however, there was a fall in saving of this sector to Rs. 3,900 crores which was the net result of fall in saving of Administrative Departments including departmental enterprises by Rs. 965 crores and non-departmental undertakings by Rs. 64 crores. The public sector's share in net domestic saving thus fell from 19·0 per cent in 1982-83 to 12·8 per cent in 1983-84 and the ratio of its saving to NNP also declined from 3·2 per cent to 2·1 per cent (Table II-3). Saving of non-departmental undertakings declined marginally from Rs. 1,964 crores in 1982-83 to Rs.1,900 crores in 1983-84.

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

(Rupees crores at current prices)

| Item | Financial year | | |
|---|---|---|---|
| | 1981-82 | 1982-83 | 1983-84 |
| 1 | 2 | 3 | 4 |
| 1. Administrative Departments including departmental enterprises. | 2,593 | 2,965 | 2,000 |
| 2. Non-departmental Financial & Non-Financial Undertakings | 1,119 | 1,964 | 1,900 |
| **3. Total (1 + 2)** | **4,712** | **4,929** | **3,900** |
| (Per cent of Net National Product at Market Prices) | *(3·5)* | *(3·2)* | *(2·1)* |

### 3. Saving of the Domestic Private Corporate Sector

In 1983-84 saving of the domestic private corporate sector (including co-operative institutions) increased by Rs.82 crores to Rs.1,265 crores; however, its share in total net domestic saving declined from 4·7 per cent in the previous year to 4·3 per cent and its proportion to NNP also declined from 0·8 per cent to 0·7 per cent.

## D. Trends in Domestic Investment

Aggregate net domestic investment is measured as the sum of net domestic saving and net inflow of resources from abroad. Net domestic investment at current prices is estimated to have increased from Rs.28,353 crores in 1982-83 to Rs.33,043 crores in 1983-84 although its proportion to NNP is estimated to have declined from 18·7 per cent to 18·1 per cent.

*(i) Estimates at Constant Prices*

Tentative estimates of net domestic investment at constant prices and its ratio to NNP at 1970-71 market prices are presented in Table II-7. Net *real* investment in 1983-84 is estimated at Rs.8,931 crores which shows a rise of Rs.619 crores over the previous year but the proportion of net investment to NNP in *real* terms shows a decline of 0·2 percentage point to 14·6 per cent. This decline is relatively smaller than that indicated by the ratio based on current prices.

*(ii) Sectoral Investment*

Details of sector-wise investment are not yet available for the year under review. However, trends in public and private (non-financial) sectors are reviewed below on the basis of certain available indicators.

*(a) Public Sector*

The public sector's share in aggregate investment (net) rose, according to the CSO's estimates, from 54·4 per cent in 1981-82 to 58·7 per cent in 1982-83 and the proportion of its investment to NNP moved up marginally from 10·7 per cent to 10·9 per cent during the same period. In the absence of similar estimates for 1983-84, trends in certain *components* of public sector investment, for which data are available from various sources, may be noted. Central Government's net direct fixed assets formation (i.e., direct capital outlays on buildings and construction, and other fixed assets *minus* expenditure on renewals and replacements) is estimated to have risen in *nominal* terms by 12·1 per cent as compared with 12·9 per cent in the previous year (Table II-8). A break-up of the data shows that growth of new outlays on buildings and construction decelerated from 15·0 per cent in 1982-83 to 11·0 per cent in 1983-84, and on machinery and equipment rose from

**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 |
| 1981-82 | 2,7115 | 9.036 | 54,733 | 16·5 |
| 1982-83 | 28,353 | 8,312 | 56,120 | 14·8 |
| 1983-84 | 33,043 | 8,931 | 61,374 | 14·6 |

9·0 per cent to 14·3 per cent in the corresponding period. There was a substantial increase in inventory accumulation which constituted 4·2 per cent of gross capital formation in 1983-84 as compared to only 2·4 per cent in the previous year. As regards Central Government's non-departmental industrial and commercial undertakings, data on capital formation are not available for 1983-84.

Financial assistance extended by Central Government to the rest of the economy through loans, grants, and investments in share capital amounted to Rs.11,362 crores in 1983-84 showing a larger rise of 19·4 per cent compared with 15·4 per cent in the previous year (Table II-8). The increase in financial assistance granted to States and Union Territories decelerated from 25·5 per cent in 1982-83 to 19·4 per cent in 1983-84. In this connection it may be recalled that in 1982-83 the Centre had stepped up its assistance to States both for capital formation and other purposes in view of severe drought conditions in many States. The Centre's financial assistance to non-departmental commercial undertakings, however, increased sharply by 17·1 per cent in 1983-84 compared to 5·0 per cent in 1982-83.

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

Firm data relating to accounts of the non-financial private corporate sector are not yet available for 1983-84. A preliminary assessment based on *sources* and *uses* of funds indicates that net capital formation of this sector during 1983-84 was smaller than in the previous year and the resources mobilised by it were adequate to match its requirements for capital formation.

Net capital formation of this sector in 1983-84 is estimated at Rs.5,852 crores showing a decline

**Table II-8 : Capital Formation through Central Government Budget (at current prices)**

(Rupees crores)

| Description | 1981-82† | 1982-83† | 1983-84* |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1. Gross Direct Fixed Assets Formation | 2,411 | 2,814 | 3,233 |
| 2. Increase in Inventories | 141 | 71 | 142 |
| 3. Net Direct Fixed Assets Formation (i.e. gross direct fixed capital formation minus expenditure on renewals & replacements) | 1,830 | 2,067 | 2,307 |
| 4. Financial Assistance for Capital Formation | 8,247 | 9,519 | 11,362 |
| a) To States, Union Territories | 3,928 | 4,931 | 5,890 |
| b) Non-Departmental Commercial Undertakings | 3,880 | 4,074 | 4,772 |
| i) Financial Concerns | 845 | 613 | 753 |
| ii) Others | 3,035 | 3,461 | 4,019 |
| c) Other parties | 439 | 514 | 700 |
| 5. Gross Capital Formation in Central Government's Non-departmental Industrial and Commercial Undertakings | 6,352 *(100·0)* | 7,071 *(100·0)* | NA |
| i) Gross Fixed Assets | 4,324 *(68·1)* | 5,547 *(78·4)* | NA |
| ii) Variation in Inventories | 2,028 *(31·9)* | 1,524 *(21·6)* | NA |

† Accounts
* Revised Estimates

*Sources* : i) Economic and Functional Classification of Central Government Budget, 1984-85 and
ii) Annual Report on the Working of Industrial and Commercial Undertakings of the Central Government, 1982-83.

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

(Rupees crores)

| Description | 1981-82 (Accounts) | 1982-83 (Accounts) | 1983-84 (Revised Estimates) |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| I. Gross Fixed Capital Formation | 2,411·4 *(94·5)* | 2,813·8 *(97·6)* | 3,232·7 *(95·8)* |
| 1. Building and other construction | 1,449·9 | 1,682·9 | 1,894·5 |
| Proporation to I above | 60·1 | 59·8 | 58·6 |
| (a) New Outlay | 1,184·9 | 1,363·4 | 1,512·9 |
| (b) Renewals and replacements | 265·0 | 319·5 | 381·6 |
| 2. Machinery and Equipment | 961·5 | 1,130·9 | 1,338·2 |
| Proportion to I above | 39·9 | 40·2 | 41·4 |
| (a) New Outlay | 645·0 | 703·2 | 803·8 |
| (b) Renewals and Replacements | 316·5 | 427·7 | 534·4 |
| II. Increase in Inventories | 140·5 *(5·5)* | 70·5 *(2·4)* | 143·4 *(4·2)* |
| III: Gross Capital Formation (I + II) | 2,551·9 | 2,884·3 | 3,376·1 |
| IV. Gross Capital Formation as Proportion of GNP at market prices | 1·7 | 1·8 | 1·7 |

*Note*: Figures in brackets are percentages to gross capital formation.
*Source*: Economic and Functional Classification of Central Government Budget, 1984-85

of Rs.548 crores over the previous year. Net fixed assets formation of the sector which had substantially declined by Rs.1,935 crores in 1982-83 declined further by Rs.275 crores in 1983-84. Similarly, inventory accumulation in 1983-84 at Rs.2,917 was of a smaller order than that of Rs.3,190 crores in 1982-83. The ratio of net capital formation of the sector to NNP also declined from 4·2 per cent in 1982-83 to 3·2 per cent in 1983-84.

The private corporate sector continued to depend heavily on external resources (borrowings, sundry creditors and capital raised) for capital formation in 1983-84 and the proportion of such resources to total resources remained unchanged at 53·7 per cent.

Borrowings continued to account for the bulk of external resources of this sector. Borrowing as a source of funds of the non- financial private corporate sector amounted to Rs.2,787 crores in 1983-84 as compared to Rs.3,167 crores in the previous year. Within this external source, borrowing from banks amounted to Rs.1,566 crores in 1983-84 compared to Rs.1,714 crores in the previous year. Borrowing from other sources also declined from Rs. 1,453 crores in 1982-83 to Rs 1,221 crores in 1983-84. The amount of net trade credit received by this sector in 1983-84 was Rs.1,364 crores compared with Rs.1,544 crores in the previous year. Capital raised by this sector in 1983-84 amounted to Rs.549 crores compared to Rs.431 crores in 1982-83. The bulk of this capital was raised by issue of debentures. Reserves and surpluses amounted to Rs.1,351 crores compared with Rs.1,478 crores in the previous year, indicating relatively lower plough-back of profits by the private corporate sector in 1983-84.

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

(Rupees crores)

| Sources | 1981-82 | 1982-83 | 1983-84 | Uses | 1981-82 | 1982-83 | 1983-84 |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. Capital Raised | 459 | 431 | 549 | 1. Gross Capital Formation | 13,349 | 8,991 | 8,222 |
| 1·1 Fresh Capital | 221 | 175 | 208 | 1·1 Net Capital Formation | 9,906 (7·2) | 6,400 (4·2) | 5,852 (3·2) |
| 1·2 Debentures | 238 | 256 | 341 | 1.1.1 Net Fixed Assets Formation | 5,145 | 3,210 | 2,935 |
| 2. Reserves and Surplus | 2,288 (1·7) | 1,478 (1·0) | 1,351 (0·7) | 1.1.2 Increase in Inventories | 4,761 | 3,190 | 2,917 |
| 3. Provisions | 3,837 | 2,953 | 2,700 | 1.2 Depreciation Provision | 3,443 | 2,591 | 2,370 |
| 3.1 Depreciation | 3,443 | 2,591 | 2,370 | 2. Investments | 213 | 187 | 169 |
| 3.2 Taxation (Net of advance income tax) | 118 | 160 | 147 | 3. Cash and Bank Balances | 546 | 395 | 360 |
| 3.3 Others | 276 | 202 | 183 | | | | |
| 4. Borrowing | 5,543 | 3,167 | 2,787 | | | | |
| 4.1 Banks | 2,424 | 1,714 | 1,566 | | | | |
| 4.2 Others | 3,119 | 1,453 | 1,221 | | | | |
| 5. Sundry creditors and other dues (net) | 1,981 | 1,544 | 1,364 | | | | |
| **Total** | **14,108** | **9,573** | **8,751** | **Total** | **14,108** | **9,573** | **8,751** |

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

## Chapter III

# Agricultural Output

The year 1983-84 witnessed impressive recovery in agricultural production with both *kharif* and *rabi* foodgrains production touching new peaks. Foodgrains production during 1983–84 at a record level of 151·5 million tonnes not only surpassed the previous high of 133·3 million tonnes attained during 1981-82 but also exceeded the year's target of 142 million tonnes, by a wide margin of 9·5 million tonnes or 6·7 per cent. According to the all-India final estimates, the overall foodgrains production during 1983-84 registered a growth rate of about 17·0 per cent over the previous year as compared to the annual compound growth rate of 5·7 per cent in the first three years of the Plan and the compound annual growth rate of 3·9 per cent envisaged in the Sixth Five Year Plan. Most of the commercial crops also showed improvement over the last year's output but the performance was not as impressive as in foodgrains. Among major commercial crops, while the output of oilseeds and raw jute and mesta is higher, production of sugarcane and cotton has declined.

This favourable out-turn in agriculture was achieved despite the fact that the onset of monsoon was delayed and there were severe floods in certain parts of the country. Monsoon, however, made up later during the year by rapid advance over the entire country. Besides the favourable climatic conditions, the Government continued its strategy of augmenting agricultural production, by taking production oriented initiatives like special production campaigns and special rice and wheat production programmes, relying upon raising of yields in agriculture through expansion of irrigation, remunerative prices for producers, reduction in fertiliser prices together with expansion in distributional network, increased provision of high yielding and improved varieties of seeds and other inputs and adequate provision of credit.

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 the 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 Government announced minimum support/procurement prices for wheat, paddy, coarse grains, pulses, selected oilseeds, cotton, sugarcane and raw jute and mesta for the year 1983-84 with a view to ensuring remunerative prices to the farmers. The trends in production and distribution and price policy relating to major agricultural commodities are discussed below first and the strategy and measures designed to step up agricultural production are briefly narrated later.

## PRODUCTION AND DISTRIBUTION

### FOODGRAINS

Aggregate foodgrains production during 1983-84 is estimated at a record level of 151·5 million tonnes (Table III-1). This is higher by 22·0 million tonnes than the output of 129·5 million tonnes in the previous year and 18·2 million tonnes higher than the earlier record

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

| Commodities | Units | 1980 - 81 | 1981 - 82 | 1982 - 83 | | 1983 - 84 | | 1984 - 85 |
|---|---|---|---|---|---|---|---|---|
| | | Achievement | Achievement | Target | Achievement | Target | Achievement | Target |
| Rice | Million tonnes | 53·6 | 53·2 | 56·5 - 58·0 | 47·1 | 57·0 | 59·8 | 61·5 |
| Wheat | " " | 36·3 | 37·5 | 38·5 - 39·0 | 42·8 | 41·0 | 45·1 | 45·6 |
| Other Cereals | " " | 29·1 | 31·1 | 31·0 | 27·7 | 31·0 | 33·9 | 33·5 |
| Pulses | " " | 10·6 | 11·5 | 13·0 - 13·5 | 11·9 | 13·0 | 12·7 | 13·0 |
| Total Foodgrains | " " | 129·6 | 133·3 | 139·0 - 141·5 | 129·5 | 142·0 | 151·5 | 153·6 |
| Sugarcane (in terms of cane) | " " | 154·3 | 186·4 | 180·0 - 185·0 | 189·5 | 180·0 - 185·0 | 177·0 | 180·0 - 185·0 |
| Cotton | Million bales of 170 kgs. each | 7·0 (7·8) | 7·9 (8·4) | 8·2 - 8·5 | 7·5 (8·3) | 8·2 - 8·5 | 6·6 (7·7) | 8·5 - 8·8 |
| Jute and Mesta | Million bales of 180 kgs. each | 8·2 | 8·4 | 8·1 - 8·4 | 7·2 | 8·2 - 8·5 | 7·4 | 8·3 - 8·6 |
| Oilseeds (Aggregate) | Million tonnes | 9·1 | 12·2 | 11·8 - 12·0 | 10·0 | 12·5 | 12·8 | 13·0 |
| Tea @ | Million Kgs. | 569·6 | 560·0 | 640·0 | 560·7 | 670·0 | 587·8 | 705·0 |
| Coffee • | " " | 118·6 | 152·1 | 143·3 | 130·0 | 151·2 | 100· 0 | 159·5 |

@ **Achivement** relates to calendar year while target is for financial year.

• Figures relate to October-September.

*Note:* Cotton Advisory Board's estimates are indicated in brackets.

*Sources :* (i) Ministry of Agriculture, Government of India.
(ii) Tea Board.
(iii) Coffee Board.

production of 133·3 million tonnes during 1981-82. Both *kharif* and *rabi* productions achieved record levels of 89·1 million tonnes and 62·4 million tonnes, respectively, as compared to the production of 69·9 million tonnes and 59·6 million tonnes last year.

For the year 1984-85, which is the terminal year of the Sixth Five Year Plan, a target of 153·6 million tonnes has been fixed for foodgrains production.

The overall net availability of foodgrains during 1984 is anticipated to be substantially higher due to record production of foodgrains. The net availability for the calendar year 1983 worked out to 114·4 million tonnes as against 116·9 million tonnes in 1982. As a result, the per capita daily net availability of foodgrains which had declined from 453·9 grammes in 1982 to 430·4 grammes in 1983 is expected to increase in 1984 (Table III-2).

The Public Distribution System (PDS) with a wide network of fair price ration shops ensures supply and distribution of essential commodities

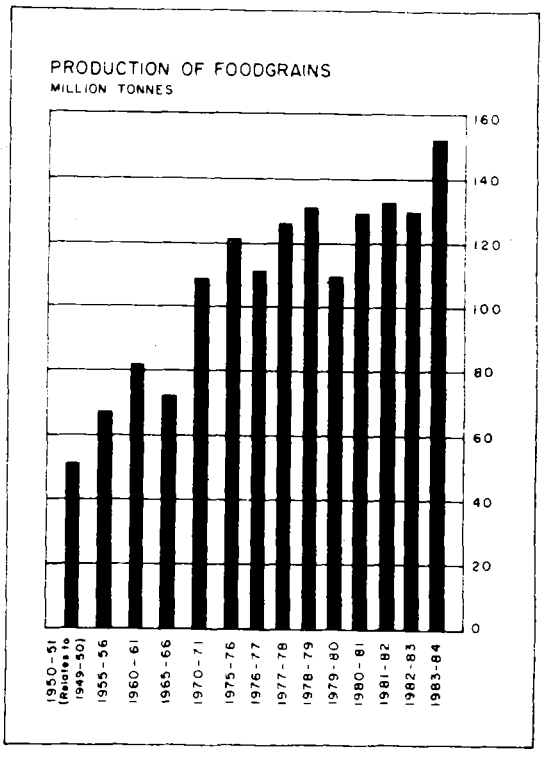



**Table III—2 : Availability of Foodgrains (January - December)**

(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. |
| 1979 | 131·9 | 115·4 | (–) 0·2 | +0·4 | 114·9 | 476·9 | 431·8 | 44·8 | 13·8 | 11·7 |
| 1980 | 109·7 | 96·0 | (–)0·3 | –5·8 | 101·4 | 410·4 | 379·5 | 30·9 | 11·2 | 15·0 |
| 1981 | 129·6 | 113·4 | 0·6 | –0·2 | 114·3 | 453·4 | 416·1 | 37·3 | 12·9 | 13·0 |
| 1982 | 133·3 | 116·6 | 1·6 | +1·3 | 116·9 | 453·9 | 414·8 | 39·1 | 15·4 | 14·8 |
| 1983 | 129·5 | 113·3 | 3·7 | +2·6 | 114·4 | 430·4 | 392·0 | 38·4 | 15·6 | 16·2 |
| 1984 | 151·5 | 132·6 | .. | .. | .. | .. | .. | .. | 16·5* | 6·6* |

* Upto June 30, 1984.

@ Includes quantities released under the NREP Food for Work Programme.

*Notes* : 1) Output data relate to agriculture 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 1983 - 84, Government of India.

at reasonable prices to consumers, particularly to weaker sections of the society. The expansion of PDS is also an important part of action in the New 20-Point Programme with particular emphasis being given to increasing the number of fair price shops including mobile shops in under served and unserved areas in far-flung regions so as to cover the entire population of the country. In 12 States and one Union Territory, Civil Supplies Corporations have been set up, so far, for procurement work and storing of essential commodities for meeting the needs of the PDS. The Planning Commission has approved an outlay of Rs.3·0 crores for the Sixth Plan for assisting the States in the North-Eastern region for setting up Civil Supplies Corporations. The Scheme has also been extended to the States and Union Territories having large inaccessible areas, *viz.*, Jammu and Kashmir, Himachal Pradesh and Andaman and Nicobar Islands. As at the end of October 1983, there were 2·93 lakh fair price shops functioning all over the country of which over two-thirds were located in rural areas. Distribution of foodgrains under PDS was stepped up in 1983 to relieve the pressure on market prices and to safeguard the interests of consumers. In addition, landless persons in rural areas are supplied foodgrains through PDS under various programmes *viz.*, National Rural Employment Programme (NREP), Rural Landless Employment Guarantee Programme (RLEGP) and Employment Guarantee Scheme (EGS).

During 1983, 16·23 million tonnes of foodgrains (including 1·93 lakh tonnes under NREP and 0·50 lakh tonnes under EGS) were distributed through the PDS as against 14·77 million tonnes (including 0·88 lakh tonnes under the NREP) in 1982. The off-take of foodgrains during the first six months of 1984 (January-June) was, however, lower at 6·56 million tonnes compared to 8·47 million tonnes during the corresponding period of last year. The decline was mainly because of better availability of foodgrains in open market due to bumper crop during 1983-84 (Table III-2).

## PROCUREMENT AND BUFFER STOCKS

The policy of allowing free movement of foodgrains within the country continued.

**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 | Coarse grains | Rice | Wheat | Coarse grains |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. | 13. | 14. | 15. | 16. |
| 1979 - 80 | 42·3 | 31·8 | 27·0 | 3·9 | 5·9 | 0·1 | .. | .. | .. | 6·1 | 8·8 | 0·1 | 6·7 | 5·0 | 0·1 |
| 1980 - 81 | 53·6 | 36·3 | 29·0 | 5·6 | 6·6 | 0·1 | .. | .. | .. | 6·4 | 6·4 | 0·2 | 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 | 0·1 | 5·3 | 7·2 | 0·1 |
| 1982 - 83 | 47·1 | 42·8 | 27·7 | 7·0 | 8·3 | 0·2 | .. | 4·0 | .. | 7·9 | 8·1 | 0·2 | 4·6 | 10·7 | 0·1 |
| 1983 - 84 + | 59·8 | 45·1 | 33·9 | 7·5* | 9·0* | — | 0·6 | 2·1 | .. | 3·4* | 3·1* | 0·1* | 4·6* | 17·0* | — |

\+ Provisional.
$ Includes quantities released under the NREP.
* Upto end-June 1984.

*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 calendar year.

*Source* : Economic Survey, 1983 - 84, Government of India.

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 the prevailing conditions. This policy enabled the Government to maximise the procurement during the year.

Rice procurement during 1983-84 season so far (i.e., October 1983-June 1984), aggregated 7·5 million tonnes—an all-time high as against 6·9 million tonnes procured during the corresponding period of the last season and total rice procurement of 7·0 million tonnes in 1982-83 season (Table III-3). Procurement of coarse grains during the 1983-84 season so far (i.e., October 1983 - June 1984), totalled 0·4 lakh tonnes as against 1·7 lakh tonnes procured during the corresponding period of last season. During 1984-85 *rabi* marketing season so far (i.e., April-June 1984), a record 9·0 million tonnes of wheat were procured as against 8·0 million tonnes procured during the corresponding period last season and total wheat procurement of 8·3 million tonnes in 1983-84 season.

The building up and maintenance of stocks have been an important plank of the national food policy. These stocks are maintained to ensure stability in supplies and prices. In 1978, the Government decided to build up a buffer stock of 12·0 million tonnes of foodgrains for imparting stability to the country's food economy. In April 1981, the Department of Food, in the Ministry of Agriculture, had constituted a Technical Group on Buffer Stocks of foodgrains to examine the feasibility of buffer stocking policy for the Sixth Plan. The Group submitted its report in November 1982. On the basis of this report, the Government, in March 1984, decided as under :

1) The size of buffer stock should be 10 million tonnes comprising 5 million tonnes each of rice and wheat.
2) This buffer stock of 10 million tonnes will be over and above the operational stocks which, on different dates of the year, would range between 6·5 million tonnes and 11·4 million tonnes. The details of the operational stocks on different dates are shown below :

(Million tonnes)

| Date | Buffer stock total | Size of operational stocks | | | Total stocks |
|---|---|---|---|---|---|
| | | Wheat | Rice | Total | |
| April 1 | 10 | 2·1 | 4·4 | 6·5 | 16·5 |
| July 1 | 10 | 8·4 | 3·0 | 11·4 | 21·4 |
| October 1 | 10 | 6·3 | 1·5 | 7·8 | 17·8 |
| January 1 | 10 | 4·2 | 5·9 | 10·1 | 20·1 |

The aggregate foodgrains stocks as at end-June 1984 reached a new high of 21·56 million tonnes, comprising 4·55 million tonnes of rice, 16·96 million tonnes of wheat and 0·05 million tonnes of coarse grains as against 16·96 million tonnes (consisting of 3·78 million tonnes of rice, 13·01 million tonnes of wheat and 0·17 million tonnes of coarse grains) a year ago. The earlier record was 21·55 million tonnes of foodgrains at end-July 1979.

*Commodity-wise Review*

**Rice**

Rice production during 1983-84 at 59·8 million tonnes as against the earlier record level of 53·8 million tonnes in 1978-79, crossed the production barrier of 53-54 million tonnes persisting since 1977-78. Production of rice during 1982-83 had declined to 47·1 million tonnes due to drought.The target for 1984-85 has been fixed at 61·5 million tonnes.

As regards procurement prices, paddy prices for 1983-84 *kharif* marketing season were raised by Rs.10 a quintal and have been fixed at Rs.132 per quintal for common, Rs.136 per quintal for fine and Rs.140 per quintal for superfine varieties, as compared to Rs.122, Rs.126 and

**Table III—4 : Minimum Support/Procurement and Issue Prices**

(Rupees per quintal)

| Commodities | 1980 - 81 | | | 1981 - 82 | | | 1982 - 83 | | | 1983 - 84 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Minimum Support Price | Procure-ment Price | Issue Price | Minimum Support Price | Procure-ment Price | Issue Price | Minimum Support Price | Procure-ment Price | Issue Price | Minimum Support Price | Procure-ment Price | Issue Price |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. | 13. |
| Paddy (Common Variety) | | 105 | | | 115 | | | 122 | | | 132 | |
| Rice — Common | | | 165 | | | 175 | | | 188 | | | 208 |
| — Fine | | | 177 | | | 187 | | | 200 | | | 220 |
| — Superfine | | | 192 | | | 202 | | | 215 | | | 235 |
| Wheat* | | 130 | | | 142 | | | 151 | | | 152 | |
| — Public distribution system | | | 145 | | | 160 | | | 172 | | | .. |
| — Roller flour mills | | | 155 | | | 185 | | | 208 | | | .. |
| Jowar | | 105 | | | 116 | | | 118 | | | 124 | |
| Bajra | | 105 | 106 | | 116 | 117 | | 118 | .. | | 124 | .. |
| Maize | | 105 | | | 116 | | | 118 | | | 124 | |
| Ragi | | 105 | | | 116 | | | 118 | | | 124 | |
| Barley* | 116 | | | .. | | | 122 | | | 124 | | |
| Gram* | .. | | | .. | | | 235 | | | 240 | | |
| Moong* | .. | | | 240 | | | 250 | | | .. | | |
| Urad* | .. | | | 230 | | | 245 | | | .. | | |
| Tur* | .. | | | 215 | | | 245 | | | .. | | |

* *Rabi* marketing season (April - March).

*Source :* Department of Food, Ministry of Food & Civil Supplies, Government of India.

Rs.130 per quintal, respectively, in the last season. Consequent to this increase, the issue prices of all varieties of rice from the Government stocks have been raised by Rs.20 per quintal (Table III-4).

Procurement of rice during 1983-84 *kharif* marketing season aggregated 7·5 million tonnes (October 1, 1983 to June 30, 1984) as compared to 6·9 million tonnes procured during the last season, the largest procurement being from Punjab followed by Andhra Pradesh (Table III-5).

Rice distributed through the Public Distribution System (PDS), [Including issue for National Rural Employment Programme (NREP) and Employment Guarantee Scheme] during the calendar year 1983 amounted to 7·9 million tonnes as compared to 7·5 million tonnes in 1982. In the first six months of 1984 (January to June), 3·4 million tonnes were distributed as against 4·0 million tonnes during the corresponding period of 1983. The decline was mainly due to better availability of foodgrains in the open market due to bumper crop.

Export of Basmati rice continued to be under Open General Licence (OGL) while export of other varieties of rice was banned during 1983-84 except for small quantities on Government to Government basis, commitments for which were made in the preceding year or to assist friendly neighbouring countries to tide over their temporary difficulties. During the year, 10,000 tonnes of rice were exported to U.S.S.R in exchange of crude and diesel oil and 10,000 tonnes to Sri Lanka on gift basis. With a view to replenishing rice buffer stocks during the year, imports of 7·7 lakh tonnes of rice-3·7 lakh tonnes from Thailand and 4·0 lakh tonnes from Burma were contracted. Out of this, 2·97 lakh tonnes of rice had arrived during the year 1983.

The stocks of rice with the Central and State Government agencies at 4·6 million tonnes at the end of June 1984 were higher by 0·8 million tonnes as compared to the position a year ago (3·8 million tonnes).

**Wheat**

Production of wheat, the major *rabi* crop, has been successively increasing since the last three years and touched a new high of 45·1 million tonnes in 1983-84, as against the previous year's output of 42·8 million tonnes. For 1984-85, a target of 45·6 million tonnes has been fixed.

The APC had recommended a procurement price of Rs.155 per quintal for fair average quality wheat for 1984-85 *rabi* marketing season. This price was higher by Rs.4 than the price fixed for the previous season. However, the Government has raised the purchase price of wheat by only Re.1 to Rs.152 per quintal. The Government had not, till the end of July, 1984, announced any change in the issue price of wheat for 1984-85 marketing season (Table III-4).

Wheat procurement during 1983-84 marketing season aggregated 8·3 million tonnes as against 7·7 million tonnes procured during the last season. Procurement of wheat during the 1984-85 marketing season so far (i.e. April 1, 1984 to June 30, 1984), was higher at 9·0 million tonnes as compared to 8·0 million tonnes during the corresponding period of the previous *rabi* season (Table III-5).

During the calendar year 1983, 8·1 million tonnes (including issues under the National Rural Employment Programme and Employment Guarantee Scheme) were distributed through the PDS as against 7·2 million tonnes in 1982. However, during the first six months of 1984 (upto end-June 1984) 3·1 million tonnes were distributed as against 4·4 million tonnes distributed during the corresponding period last year.

The stocks of wheat with the Central and State Government agencies at 17·0 million tonnes at the end of June 1984 were higher by 4·0 million tonnes as compared to the position a year ago. During 1983-84, India has supplied 25,000 tonnes of wheat to Nepal out of contracts entered into in 1982-83 and 1983-84 and

**Table III—5 : Procurement of Rice and Wheat***

(Thousand tonnes)

| States | 1979 - 80 | | 1980 - 1981 | | 1981 - 82 | | 1982 - 83 | | 1983 - 84 @ | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rice | Wheat | Rice | Wheat | Rice | Wheat | Rice | Wheat | Rice | Wheat |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. |
| Andhra Pradesh ... ... | 469 | — | 697 | — | 1,100 | — | 1,627 | — | 1,468 | — |
| Assam ... ... | 10 | — | 37 | — | 44 | — | 23 | — | 11 | — |
| Bihar ... ... | — | 9 | 65 | 13 | 49 | 16 | 3 | 21 | 34 | 34 |
| Gujarat ... ... | — | — | — | — | 19 | — | 6 | — | 7 | — |
| Haryana ... ... | 553 | 1,002 | 672 | 1,121 | 883 | 1,262 | 713 | 1,400 | 645 | 1,772 |
| Jammu & Kashmir ... ... | 50 | 29 | 61 | 20 | 53 | 20 | 36 | 19 | 43 | 5 |
| Karnataka ... ... | 71 | — | 77 | — | 163 | — | 112 | — | 127 | — |
| Kerala ... ... | 1 | — | — | — | — | — | — | — | — | — |
| Madhya Pradesh ... ... | 90 | — | 346 | 167 | 368 | 65 | 184 | 58 | 309 | 76 |
| Maharashtra ... ... | 2 | — | 79 | — | 25 | — | — | — | — | — |
| Orissa ... ... | 29 | — | 123 | — | 130 | — | 61 | — | 111 | — |
| Punjab ... ... | 2,300 | 4,277 | 2,531 | 3,768 | 3,110 | 4,826 | 3,231 | 5,165 | 3,237 | 4,863 |
| Rajasthan ... ... | — | 17 | 5 | 10 | 35 | 135 | 34 | 178 | 42 | 216 |
| Tamil Nadu ... ... | 133 | — | 182 | — | 575 | — | 423 | — | 658 | — |
| Uttar Pradesh ... ... | 73 | 522 | 588 | 1,496 | 726 | 1,380 | 559 | 1,445 | 771 | 2,022 |
| West Bengal ... ... | 69 | — | 143 | — | 45 | — | 14 | — | 78 | — |
| Others ... ... | 1 | 4 | 3 | — | 9 | 14 | 3 | — | 9 | 2 |
| **Total** ... ... | **3,851** | **5,860** | **5,609** | **6,595** | **7,334** | **7,718** | **7,029** | **8,286** | **7,550** | **8,990** |

* In the year 1979 - 80, rice procurement commenced on November 1, 1979 and ended on September 30, 1980. Thereafter, from 1980-81 marketing season, procurement commences from October 1, and ends on September 30. Marketing season for wheat is April-March. However, procurements are indicated against agricultural years.
@ Upto June 30, 1984.

*Source* : Department of Food, Ministry of Food and Civil Supplies, Government of India.

imported 3·81 million tonnes out of contracts entered into in 1982-83. With a view to augmenting the stocks of foodgrains and keeping a check on prices of foodgrains, a further quantity of 2·13 million tonnes of wheat was contracted for import during 1983-84; this included 9·8 lakh tonnes from the USA, 6·5 lakh tonnes from Argentina and 5·0 lakh tonnes from Canada.

**Coarse Grains**

Output of coarse grains during 1983-84 estimated at 33·9 million tonnes, was higher by 6·2 million tonnes than the previous year's production of 27·7 million tonnes. For the year 1984-85, a target of 33·5 million tonnes has been fixed.

As regards procurement policy for the 1983-84 marketing season, the support/purchase price of coarse grains was fixed at Rs.124 per quintal i.e., Rs.6 more than the previous season's procurement price (Table III-4). Procurement of coarse grains during 1983-84 marketing season so far (i.e., October 1, 1983 to June 30, 1984), has been lower at 0·4 lakh tonnes as against 1·7 lakh tonnes during the corresponding period of last season. The total procurement during the entire last season was 1·7 lakh tonnes as there was no procurement after April 1983. During 1983, issue of coarse grains through the PDS aggregated 2·3 lakh tonnes as compared to 1·0 lakh tonnes in 1982. During January-June 1984, 0·7 lakh tonnes were issued through PDS as against 1·2 lakh tonnes in the corresponding period last year. The stock of coarse grains with the Central and State Government agencies was lower at end-June 1984 at 0·5 lakh tonnes as compared to the position at end-June 1983 (1·7 lakh tonnes).

**Pulses**

Production of pulses during 1983-84 is estimated at 12·7 million tonnes as against 11·9 million tonnes in the previous year. The target for 1984-85 has been fixed at 13·0 million tonnes.

Pulses production has not been keeping pace with country's requirements and production was more or less stagnant and the level of production of 13 million tonnes reached in 1975-76, has not been achieved since then. With a view to increasing the production of pulses; following special measures have been taken :

(i) Under the Pulses Development Scheme, financial assistance was provided to the farmers by way of subsidies on certified/truthfully labelled seeds, plant protection, chemicals/equipments, operational charges and rhizobium culture.

(ii) The Summer Moong Production Programme introduced in Northern Zone in 1981 was extended during 1983 to bring larger area under summer moong in the States of Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.

(iii) Additional funds were allocated mainly for distribution of certified seeds of pulses and for plant protection measures to Gujarat, Maharashtra, Madhya Pradesh, Haryana, Uttar Pradesh and Meghalaya.

(iv) Subsidy of Rs. 200 per quintal was provided for distribution of 21,003 quintals of certified seeds of gram to major gram growing states during 1983-84 as against 12,175 quintals distributed during 1982-83.

(v) Under the Minikit Demonstration Programme for pulses, 4·58 lakh minikits were distributed during 1983-84 as against 4·00 lakhs during 1982-83.

Under the New 20-Point Programme announced on January 14, 1982, following steps have been taken to raise pulses output:

(i) Introduction of pulses crops in irrigated

farming system.

(ii) Bringing additional area under short duration varieties of moong and urad in summer season with irrigation and in rice fallows by utilising the residual moisture in *rabi* season.

(iii) Inter-cropping of *arhar* in soyabean, bajra, cotton, sugarcane and groundnut, both under irrigated and unirrigated conditions.

(iv) Multiplication and use of improved pulse seeds, use of phosphatic fertilisers and rhizobium culture and adoption of plant protection measures.

## Cotton

According to the all-India final estimate, the cotton production for 1983-84 season is placed at 65·82 lakh bales as compared to the production of 75·34 lakh bales in the previous year. The target of production for 1983-84 season was fixed at 82-85 lakh bales-same as the target for 1982-83 season. According to the latest estimate of the Cotton Advisory Board (CAB), cotton production during the 1983-84 season would be about 77·00 lakh bales as against their estimate of 83·00 lakh bales for the previous season. The fall in production during the year is attributed to infestation of crop by pests in the North (Punjab and Haryana) and adverse climatic conditions in Central and Western India.

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

The 1983-84 season, according to the CAB estimates, commenced with an opening stock of 25·41 lakh bales. Adding the season's output of 77·00 lakh bales, aggregate availability during

**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 Consumption | Extra-factory Consumption @ | Stocks as at the end of the season | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | CAB estimates | Of which with mills * |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1978-79 | 7927 (7958) | 167 | 31 | 290 | 7050 | 250 | 2210 (2727) £ | 1487 |
| 1979-80 | 8020 (7648) | 160 | — | 531 | 7411 | 250 | 2555 | 1512 |
| 1980-81 | 7800 (7010) | 152 | — | 697 | 7678 | 345 | 1635 | 1292 |
| 1981-82 | 8400 (7884) | 166 | 50 | 375 | 7035 | 400 | 2275 (2716) £ | 1179 |
| 1982-83 | 8300 (7534) | 163 | — | 714 | 7500 | 465 | 2337 (2541) £ | 1316 |
| 1983-84 + | 7700 (6582) F | 144 F | — | 436 | 7900 | 465 | 1440 | |

F Final estimates subject to revision.
\+ CAB estimates dated May 14, 1984.
@ Inclusive of waste spinning units.
£ Revised figures.
* Figures of yield and stocks with mills are as supplied by the Directorate of Cotton Development.

*Note* : Figures in brackets in column 2 represent Directorate of Cotton Development's estimates.

*Source* : The Cotton Advisory Board.

the season would be around 102·41 lakh bales. On the demand side, mill consumption is expected to increase from 75·00 lakh bales in the last season (1982-83) to around 79·00 lakh bales in the current season. Extra-factory consumption (inclusive of consumption by waste spinning units) is assumed at 4·65 lakh bales and exports are placed at 4·36 lakh bales. Thus, the aggregate demand is placed at 88·01 lakh bales as against 86·79 lakh bales for last year. The closing stock at the end of the current season is thus estimated at 14·40 lakh bales as against 23·37 lakh bales estimated at the end of the previous season (1982-83).

The strategy adopted in the earlier years for achieving the targetted cotton production was continued in 1983-84. The area covered (including irrigated and non-traditional areas) under the Intensive Cotton Development Programme (ICDP) during 1983-84 was placed at 20·10 lakh hectares (about 26 per cent of the total area under cotton estimated at 77·65 lakh hectares) as against the area of 19·65 lakh hectares (about 25 per cent of total area of 78·71 lakh hectares) covered during the previous season.

Improved seeds and fertiliser supply covered an area of 15·10 lakh hectares and 12·16 lakh hectares, respectively. Aerial spraying of cotton covered an area of 1·30 lakh hectares as against the target of 2·60 lakh hectares. The shortfall was mainly due to the limited availability of helicopters and also because the farmers in some States were unwilling to take up aerial spraying due to unseasonal rains. Besides aerial spraying, ground spraying dusting was also taken up in rainfed districts to cover an area of 0·70 lakh hectares.

Production of high yielding/hybrid cotton seed was continued in the States of Madhya Pradesh, Gujarat, Maharashtra, Andhra Pradesh and Karnataka. The area actually under seed production was 2,201 hectares against the target of 2,405 hectares. In addition to Centrally sponsored ICDP, a few States continued to implement their own (State) package programmes.

The Government's price policy for cotton for 1983-84 season continued to be guided by the twin objectives of assuring remunerative prices to the farmers and ensuring reasonable prices to the user industry. For the 1983-84 season, the Government fixed, as recommended by the APC, the minimum support prices of cotton for two basic varieties *viz.*, F-414/ H-777 in the medium staple group and H-4 in the long staple group at Rs.400 per quintal and Rs.527 per quintal, respectively. These prices represent increases of about 1·27 per cent and about 1·35 per cent over the respective support price levels of these varieties for the 1982-83 season.

Under the Maharashtra State Cotton Monopoly Scheme, the Government fixed the guaranteed prices for the 1983-84 season in November, 1983 with marginal variations. Except for Varalaxmi variety of *kapas*, the price of which was raised by Rs.45 per quintal from Rs.440 (for Fair Average Quality) in 1982-83 to Rs.485 in 1983-84, the prices for other varieties were changed marginally; the prices of long staples were raised by about Rs.7-12 and those of medium staples were either maintained at 1982-83 levels or increased by about Rs. 10-12 per quintal. Subsequently, in January 1984, the Government raised the prices of all varieties by about 10 per cent. With this increase in prices, the guaranteed prices of kapas (FAQ) ranged between Rs.429 and Rs.580 a quintal as against Rs.390 and Rs.520 in the 1982-83 season. Under the Scheme, the MSCMF procured 7·60 lakh bales of cotton upto end-June, 1984 as against 17·12 lakh bales during the corresponding period of 1982-83. The smaller purchases under the Scheme were partly due to lower crop of 11·76 lakh bales during the current season as against 16·08 lakh bales during the last season and partly on account of the selling of crop outside the State by the cultivators as the guaranteed prices were lower than prices of comparable varieties prevailing in the neighbouring States. Subsequently, even though the Government had increased the guaranteed prices, the tempo of procurement did not pick up.

The Cotton Corporation of India (CCI) continued to make commercial purchases during the 1983-84 season for meeting the requirements of mills under the National Textile Corporation and other bulk buyers like Khadi and Village Industries Commission, State Textile Corporations, etc., and for meeting the obligations of the export against the export quota allotted to the Corporation by the Government of India. Aggregate purchases by the CCI till end-June 1984 totalled 5·03 lakh bales during 1983-84 season as against 9·17 lakh bales purchased during the corresponding period of 1982-83. As the prevailing market prices were much higher than the support price levels during the current season, the Corporation did not purchase cotton in a big way except for the long staple varieties DCH/32 and Suvin, the prices of which touched the support price levels. The Corporation purchased these varieties in the States of Andhra Pradesh and Karnataka with a view to protect the growers and sustain their interest in growing these varieties.

**Raw Jute and Mesta**

According to all-India final estimate, raw jute and mesta production for 1983-84 season (July-June) was 7·4 million bales comprising of 6·0 million bales of raw jute and 1·4 million bales of mesta as against 7·2 million bales achieved during 1982-83 comprising of 6·0 million bales of raw jute and 1·2 million bales of mesta. However, the industry's estimates of production for 1983-84 are lower at 6·6 million bales and of closing stocks at around 1·0 million bales (Table III-7).

The raw jute and mesta production target for 1983-84 was fixed at 8·2 – 8·5 million bales as compared to the target of 8·1 – 8·4 million bales for 1982-83. To achieve this target, the efforts of the State Governments were supplemented through the continuance of the Centrally Sponsored Scheme on Intensive Jute Development Programme (IJDP) on an extended basis. The Programme was implemented in 27 selected jute/mesta districts

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

('000 bales of 180 kgs. each)

| Year (July - June) | Production | Imports | Exports | Consumption | Closing stocks + | Availability* |
|---|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| 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 | — | — | 8,175 | 3,187 | 10,401 |
| 1980 - 81 ... ... | 8,195 | — | 102 | 8,293 | 3,327 | 11,382 |
| 1981 - 82 ... ... | 8,399 | — | 294 | 7,623 | 2,830 | 11,726 |
| 1982 - 83 ... ... | 7,171 | 45 | 69 | 7,850 | 1,017 | 10,046 |
| 1983 - 84† ... ... | 7,415 | 150 | — | 6,700 | 1,882 | 8,582 |

* Includes closing stock of the preceding season, production and import (if any) during the season.
\+ Estimated stocks with mills, STC/JCI and other stockists at the end of the season.

† The industry's estimates of production are lower at 6·6 million bales and of closing stocks at 1·0 million bales.

*Source :* Directorate of Jute Development.

spread over eight jute mesta growing States. A total area of 4·88 lakh hectares (including 0·92 lakh hectares of mesta) was brought under the programme against a combined target of 5·30 lakh hectares. Efforts were also made to adopt improved practices in the programmed areas. However, the progress on the coverage under various agricultural inputs was neither complete nor uniform in all IJDP districts. During 1983-84 a budget provision for financial assistance of Rs.88·43 lakhs was made as the Central share under the programme. As against this an amount of Rs.69·72 lakhs has already been released by the Government till end-March 1984.

The 1983-84 season commenced with an estimated opening stock of 10·17 lakh bales as compared with 28·30 lakh bales at the commencement of the preceding season. Imports of raw jute during 1983-84 were higher at 1·50 lakh bales as against 0·45 lakh bales during 1982-83. Together with an output of 74·15 lakh bales, aggregate availability of jute and mesta during 1983-84 was 85·82 lakh bales as against 100·46 lakh bales in the preceding season. On the demand side, consumption of raw jute by the mills during the 1983-84 season was estimated 64·00 lakh bales as against 75·50 lakh bales in the previous season. The lower consumption during the season was due to the 84 days' strike by jute mill workers from January 16, to April 8, 1984. The raw jute consumption at village level was estimated at around 3·0 lakh bales, the same as in the previous season. As against exports of 0·69 lakh bales in 1982-83 the exports in 1983-84 were negligible. On this basis the closing stock for the season would be around 18·82 lakh bales. However, on the basis of trade estimates of production at about 66 lakh bales, the closing stock for the season would be lower at10·67lakh bales.

On the recommendations of the Agricultural Prices Commission (APC), the Government had raised the statutory minimum price of raw jute for the 1983-84 season from Rs.175 to Rs.185 per quintal for W-5 variety (ex-Assam). 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. For the 1984-85 season, the statutory minimum price has been fixed higher at Rs.195 per quintal for W-5 variety (ex-Assam).

During the 1983-84 season, price of raw jute and mesta, as in the latter half of the preceding season, ruled distinctly firm. The tight supply position following marketing of short crops in two consecutive seasons and remote prospects of supplementing it by imports coupled with steady demand of the fibre following good demand for jute goods helped in pushing up the price of fibre to higher levels. Raw jute prices reached an all time high of Rs.680 per quintal (W-5 variety) at the end of June 1984 recording cent per cent rise over the last year's level (Rs.340 per quintal).

In view of the limited availability of raw jute during the lean months, the Jute Commissioner issued directives under the Jute (Licensing and Control) Order 1961, to mills specifying the maximum level of stocks which they could hold during the months of April, May and June 1984. Accordingly, to ensure equitable distribution of the fibre among mills and to prevent excessive cornering of the fibre by financially strong mills, jute mills were directed not to keep in their possession raw jute stocks beyond 10 weeks' consumption requirements as on April 1, 1984, 8 weeks' as on May 1, 1984, 6 weeks' as on June 1, 1984 and 4 weeks' as on July 1, 1984.

Following the short crop of 1982-83, the Jute Corporation of India (JCI) had sold most of its stocks during the year and commenced 1983-84 season with a negligible carry over stock of just 1·65 lakh bales as compared to 14·1 lakh bales in the previous season. During the current season 1983-84 with the prices ruling much higher than the statutory minimum fixed by the Government, the scope for price support operations was

limited. Consequently, the JCI did not set any target for procurement under price support operations. The purchases of the JCI during 1983-84 were entirely under commercial operations for which a target of about 9·0 lakh bales was fixed to meet the requirements of the mills managed by the public sector and National Jute Manufactures Corporation. Against this the JCI purchased 8·4 lakh bales of raw jute as compared to 8·6 lakh bales purchased during 1982-83 (6·6 lakh bales under price support operations and 2·0 lakh bales under commercial operations).

**Table III-8 : Oilseed-wise output : 1981-82 to 1983-84**

(In lakh tonnes)

| Oilseeds | 1981-82 (Revised) | 1982-83 (Revised) | 1983-84 (Final) | 1984-85 Target |
|---|---|---|---|---|
| Groundnut-in-shell | 72·2 | 52·8 | 72·8 | 75·0 |
| Rapeseed mustard | 23·8 | 22·1 | 25·7 | 23·5 |
| Sesamum | 5·9 | 5·5 | 6·2 | 5·5 |
| Linseed | 4·8 | 3·8 | 4·4 | 5·2 |
| Castorseed | 3·1 | 3·4 | 4·1 | 2·8 |
| Safflower | 4·2 | 4·0 | 4·7 | 4·0 |
| Nigerseed | 1·6 | 1·2 | 1·7 | 2·0 |
| Sunflower seed | 1·6 | 2·3 | 2·7 | 2·5 |
| Soyabean | 4·7 | 4·9 | 5·8 | 9·5 |
| **Total** | **121·9** | **100·0** | **128·1** | **130·0** |

## Oilseeds

According to the all-India final estimate of oilseeds* for 1983-84, oilseeds production was higher at 12·8 million tonnes as compared to the target of 12·5 million tonnes and the previous season's production of 10·0 million tonnes (Table III-8). Over the year, production increased by 28·1 per cent. Production of groundnut during 1983-84 at 7·3 million tonnes was higher by 37·7 per cent than the output of 5·3 million tonnes achieved during 1982-83. The substantial rise in oilseeds output was due to favourable weather conditions, increased area under the crops and better yields. The production of other major oilseeds, viz., rapeseed/mustard, sesamum, linseed and castorseed were also higher at 25·7 lakh tonnes, 6·2 lakh tonnes, 4·4 lakh tonnes and 4·1 lakh tonnes, respectively, during 1983-84 as against the previous year's production of 22·1 lakh tonnes, 5·5 lakh tonnes, 3·8 lakh tonnes and 3·4 lakh tonnes, respectively. The target for oilseeds production in 1984-85 is 13·0 million tonnes. The table III-8 gives the details of oilseeds production in the last three years.

The Government has accorded high priority to oilseeds production in the agricultural production under the New 20-Point Programme and concerted efforts are being made in the country to bring down the imports of edible oils to the minimum. The strategy adopted to achieve production targets has been as follows :

The three on-going centrally sponsored schemes, which aim at increasing oilseeds production, were continued in various States during 1983-84. They are : (a) Intensive Oilseeds Development Programme (b) Extension of Oilseeds to New Irrigated Areas and (c) Development of Non-traditional Oilseeds crops, *viz.*, soyabean and sunflower. The progress of these projects is indicated in the Table III-9

The basic purpose of the Intensive Oilseeds Development Programme is to increase the productivity of two principal oilseeds, *viz.*, groundnut and rapeseed/mustard. During 1983-84, an area of 45·2 lakh hectares was covered under this Programme against a target of 40·5 lakh hectares, in the States of Andhra Pradesh, Gujarat, Haryana, Karnataka, Maharashtra, Madhya Pradesh, Tamil Nadu, Punjab, Rajasthan, Uttar Pradesh and Sikkim. Efforts were made to increase the area under *rabi/summer* groundnut and rapeseed/mustard in command areas of irrigation projects, tanks and wells in seven out of the above-mentioned eleven States. During 1982-83, an area of 9·6 lakh hectares was covered under *rabi/summer* groundnut as

* Comprising groundnut-in-shell, rapeseed/mustard, sesamum, linseed, castorseed, safflowerseed, nigerseed soyabean and sunflower seed.

**Table III-9 : Progress of Centrally Sponsored Schemes**

(In lakh hectares)

| Scheme | 1980-81 | | 1981-82 | | 1982-83 | | 1983-84 | |
|---|---|---|---|---|---|---|---|---|
| | Targetted Area | Area actually brought under the scheme | Targetted Area | Area actually brought under the scheme | Targetted Area | Area actually brought under the scheme | Targetted Area | Area actually brought under the scheme |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1. Intensive Oilseeds Development Programme | 32·47 | 32·20 | 40·50 | 29·56 | 40·50 | 40·69 | 40·55 | 45·22 |
| 2. Extension of Oilseeds to New Irrigated Areas | 10·72 | 7·77 | 11·49 | 9·78 | 12·57 | 9·27 | 13·44 | 9·28 |
| 3. Development of Non-traditional Oilseeds crops, *viz.*, Soyabean & Sunflower | 11·08 | 8·23 | 7·04 | 5·41 | 8·27 | 7·61 | 9·19 | 11·41 |
| 4. Package Schemes | 7·92 | 8·20 | 12·33 | 10·70 | 14·59 | 14·04 | 8·84 | 8·61 |
| 5. Integrated Oilseeds Development Scheme | 54·52 | 45·36 | 46·08 | 35·67 | 33·28 | 30·00 | 23·61 | 21·26 |
| **Total** | **116·71** | **101·76** | **117·44** | **91·12** | **109·21** | **101·61** | **95·63** | **95·78** |

against 9·0 lakh hectares covered during 1981-82. During 1983-84, emphasis was also laid on propagating the improved package of practices to the farmers.

Efforts are being made to develop two non-traditional oilseeds crops, *viz.*, sunflower and soyabean in the country. The sunflower production scheme covers States of Andhra Pradesh, Karnataka, Maharashtra, Orissa, Tamil Nadu, Uttar Pradesh and West Bengal. As a result, the area under sunflower has increased from 2·8 lakh hectares in 1981-82 to 5·8 lakh hectares in 1982-83. The area is expected to increase further in 1983-84. The soyabean scheme is being implemented in the States of Bihar, Gujarat, Himachal Pradesh, Rajasthan, Uttar Pradesh, Sikkim and Madhya Pradesh. Two special projects, viz., (i) The Intensive Project for Increasing Production of Groundnut in Saurashtra Region of Gujarat (1980-84) and (ii) Soyabean Project in Madhya Pradesh (1981-86) also continued to be implemented during 1983-84. These projects are based on area-specific approach which aims at concentrating all efforts on increasing the production of specific oilseed crop. These projects involve an outlay of Rs.50 crores for the total project period (Rs.35 crores for groundnut project and Rs.15 crores for soyabean project), the entire cost is being met by the Union Government. The area to be covered under the groundnut project in Gujarat was estimated at 22 lakh hectares. However, the area actually brought under the crop during 1983-84 was 20·8 lakh hectares as against 20·3 lakh hectares covered during 1982-83. During 1983-84, the area covered under *rabi/summer* groundnut is expected at about 2·50 lakh hectares as against 1·64 lakh hectares covered last year. The farmers are being provided financial assistance for the cost of seed, irrigation, improved implements, plant protection chemicals and equipments, etc. Thus, during 1983-84, production in the State is expected to be significantly higher than even the

record production of 21·98 lakh tonnes during 1981-82.

The soyabean project in Madhya Pradesh envisages extension of area under the crop from 4·50 lakh hectares, with a production of 3·5 lakh tonnes in 1980-81 to 18·0 lakh hectares with a production of 14·4 lakh tonnes by 1985-86. The area covered under the crop during 1983-84 was expected to be about 8·0 lakh hectares as against 7·7 lakh hectares covered during 1982-83. The total production of soyabean in the country has also gone up from about 3 lakh tonnes in 1978-79 to about 6 lakh tonnes in 1983-84.

With a view to achieve substantial increase in production over the level envisaged in the Sixth Plan, a National Oilseeds Development Project, reorienting and integrating the existing oilseeds development schemes and special projects, has been sanctioned by the Government for 1984-85 at a total cost of Rs.30 crores to be met in full by the Government of India. The crop and location-specific concentrated approach through the special project has been extended to four crops; *viz.*, groundnut, rapeseed/mustard, soyabean and sunflower in 12 States. The intensive approach has also been extended to more areas and crops, *viz.*, safflower, niger and sesamum. The project aims at development of oilseeds in 110·50 lakh hectares in more than 210 districts of 17 States. Thus, the Centrally Sponsored Programmes have been strengthened significantly, and the total Sixth Plan outlay of Rs.65 crores for oilseeds is proposed to be raised by another Rs.30 crores through the implementation of the National Oilseeds Development Project during 1984-85. The incentives and facilities envisaged under this Project are :

a) Larger outlays for seed production and subsidised distribution of quality seeds, plant protection equipment, chemicals and subsidy on operational charges;

b) Free distribution of fertilisers and seed minikits;

c) Subsidised distribution of phosphatic fertilisers and gypsum for groundnut crop under special projects; and

d) Subsidised distribution of improved farm implements, sprinkler sets, demonstrations, irrigation (for groundnut crop), rhizobium culture and market support to ensure fair prices to farmers for their produce.

The free distribution of minikits has been organised in order to introduce new varieties of different oilseeds, to popularise oilseed crops in non-traditional areas and to build up stocks of seeds of improved varieties of oilseed crops and their rapid spread under actual cultivation.

Under the Centrally Sponsored Scheme of Oilseeds, 5·96 lakh minikits have so far been distributed in 1983-84 as against 4·42 lakh in 1982-83. Besides, under the Centrally Sponsored Scheme for Small and Marginal Farmers, 8·96 lakh oilseeds minikits have been distributed in 1983-84. Thus, the total number of oilseed minikits distributed during 1983-84 amounted to 14·92 lakh as against only 4·42 lakh in 1982-83.

Pilot projects to raise plantations of red oil palm have been taken up in Kerala and Andaman & Nicobar Islands where agro-climatic conditions are suitable for this crop. The projects are being implemented by two public sector undertakings, *viz.*, Oil Palm India Limited in Kerala, where so far 3425 hectares have been planted under red oil palm, and Andaman & Nicobar Islands Forest Plantation Development Corporation in Andaman & Nicobar Islands where an area of 940 hectares has been planted so far.

In August 1983, the Parliament passed the National Oilseeds and Vegetable Oils Development Board Act, 1983 (NOVODB) to ensure integrated development of oilseeds and the vegetable oils industry in the country. The Parliament simultaneously passed the Vegetable Oil Cess Act, 1983 to meet the financial requirements of the Board.

During 1983-84, the programme of the

**Table III-10 : Progress of NDDB's Project**

| State | No. of oilseed growers' Co-operative Societies at the village level | | No. of villages covered | | No. of farmer members | | Area of the members (in hectares) | | Procurement of oilseeds (in tonnes) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1982-83 | 1983-84 | 1982-83 | 1983-84 | 1982-83 | 1983-84 | 1982-83 | 1983-84 | 1982-83 | 1983-84 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Gujarat | 1,006 | 1,039 | 1,322 | 1,374 | 74,059 | 80,827 | 235,232 | 255,060 | 32,117 | 70,146 |
| Madhya Pradesh | 192 | 250 | 1,805 | 2,402 | 18,669 | 31,551 | 57,055 | 88,767 | 19,875 | 28,618 |
| Andhra Pradesh | - | 72 | - | 474 | - | 6,547 | - | 18,561 | - | 4,280 |
| Tamil Nadu | 104 | 152 | 372 | 574 | 5,456 | 12,137 | 7,690 | 29,426 | 1,287 | 2,464 |
| Orissa | 31 | 54 | 248 | 379 | 2,061 | 3,512 | 2,973 | 4,287 | 142 | - |
| **Total** | **1,333** | **1,567** | **3,747** | **5,203** | **100,245** | **134,574** | **302,950** | **396,101** | **53,421** | **105 508** |

National Dairy Development Board (NDDB) for the development of co-operative structure for increasing oilseeds production through an integrated approach of setting up of processing facilities, market support by way of procurement, setting up of farms and distribution of inputs to the farmers, like seeds, fertilisers, pesticides, etc. by the Board made considerable progress in the States of Gujarat, Maharashtra, Madhya Pradesh, Orissa and Tamil Nadu. The state-wise progress under the scheme is indicated in the Table III-10.

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 1,17,085 tonnes of refined soyabean oil. The Co-operative Union of Canada has also supplied 51,207 tonnes of crude rapeseed oil. From these receipts, 1,05,992 tonnes of refined soyabean oil, 29,416 tonnes of crude rapeseed oil and 1,148 tonnes of refined 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.130·93 crores. Of this, Rs.80·16 crores have been utilised for the co-operative project purposes including financial assistance to state level federations.

The minium support prices for oilseeds of fair average quality announced by the Government for 1984-85 and the corresponding prices for 1983-84 are indicated below :

**Table III-11 : Support Prices for Oilseeds**

| Oilseeds | Support price (Rs.per quintal) | |
|---|---|---|
| | 1983-84 | 1984-85 |
| 1 | 2 | 3 |
| Groundnut (in-shell) | 315 | 340 |
| Soyabean (Black) | 230 | 240 |
| Soyabean (Yellow) | 255 | 265 |
| Sunflowerseed | 275 | 325 |
| Rapeseed/mustard | 360 * | - |

* For rapeseed/mustard, the support price relates to the marketing season i.e. 1983-84 crop marketed in 1984-85 and so on.

The present demand for edible oils in the country is estimated at around 44-45 lakh tonnes. The present indigenous production of

edible oils is not adequate to meet the entire demand for edible oils in the country. The normal shortfall is estimated to vary between 12 and 14 lakh tonnes. With a view to bridge the gap and to keep edible oil prices in check, the Government augmented supplies by import of about 16·5 lakh tonnes of edible oils in 1983-84 (Oil year) as against 11·5 lakh tonnes imported during 1982-83. The table below shows data on imports of edible oils.

**Table III-12 : Imports of Edible Oils**

| Oil Year (November-October) | Quantity Imported (in lakh tonnes) |
|---|---|
| 1 | 2 |
| 1980-81 | 10·74 |
| 1981-82 | 9·98 |
| 1982-83 | 11·50 |
| 1983-84 | 16.50 |

The imported oil is supplied by the Government to the States for supplying to the consumers through the Public Distribution System and to the vanaspati manufacturers for maintaining adequate production of Vanaspati so as to ensure easy availability of vanaspati to the consumers at reasonable prices. During the oil year 1983-84, (till June 1984) the imported quantity of oil supplied by the Government for the PDS and vanaspati manufacturers was higher at 6·0 lakh tonnes and 5·1 lakh tonnes, respectively, as against 2·8 lakh tonnes and 4·0 lakh tonnes, respectively, in the corresponding period of the previous year. The Table III-13 indicates the quantity of imported edible oils supplied to the PDS and vanaspati manufacturers.

The Government has stipulated that for the manufacture of vanaspati, the manufacturers must use imported oil to the extent of 60% of its requirements of edible oils. This has been further raised to 80% from June 1983 (for the period September to November 1983). This was further raised to 85% of the requirements. The balance quantity of edible oils required for vanaspati manufacture is to be obtained from indigenous sources. Vanaspati manufacturers are compulsorily required to use sesamum oil to the extent of 5 per cent of their total requirements. The use of groundnut oil in the manufacture of vanaspati is not allowed.

The Government has been supplying edible oils to vanaspati manufacturers upto 60% of their requirements at a fixed rate of Rs.8,500 per tonne from June 1983. The additional 20 per cent of imported edible oils to the industry was supplied at a higher price of Rs.12,000 per tonne. With effect from May 24, 1984 the Government raised these prices by Rs.1000 per tonne i.e. to Rs.9,500 per tonne for 60% of the requirements and Rs.13,000 per tonne for the additional 20% of the requirements.

To curb speculative activities in groundnut oil, the Government had on June 29, 1984 also amended the Vegetable Oil Product (Standard

**Table III-13 : Allocation of Imported Edible Oil to PDS and Vanaspati Manufacturers**

(In lakh tonnes)

| Item | Oil year (November-October) | | November-June | |
|---|---|---|---|---|
| | 1981-82 | 1982-83 | 1982-83 | 1983-84 |
| Public Distribution System | 4·50 | 5·38 | 2·76 | 6·03 |
| Vanaspati Manufacturers | 5·96 | 6·88 | 4·03 | 5·10 |

of Quality) Order, 1975. The amended Order prohibits the vanaspati manufacturers from stocking any vegetable oil other than those permitted in the manufacture of vegetable oil products.

The Government has adopted various measures to encourage the production of rice bran oil which is a potential source of edible oil in the country. These measures include i) excise rebate on usage of rice bran oil in making soap and vanaspati, ii) withdrawal of requirement of holding L-4 and L-6 licences of small-scale soap manufacturers for the purpose of hardened rice bran oil with effect from February 2, 1983 and iii) legislative measures to bring about modernisation of rice milling industry. As a result, the availability of rice bran oil increased from 21,000 tonnes in 1970-71 to 1,52,500 tonnes in 1982-83 and the production of edible grade oil had increased from 2,500 tonnes in 1978-79 to 26,500 tonnes in 1982-83.

**Sugarcane**

The area under sugarcane during 1983-84 season (November-October), according to the all-India final estimate was lower at 31·67 lakh hectares as against 33·58 lakh hectares in 1982-83, showing a decline of 5·7 per cent. The States which mainly reported decline in the area were Uttar Pradesh (4·4%), Maharashtra (9·8%), Tamil Nadu (9·8%), Andhra Pradesh (17·0%) and Punjab(19·2%).

Sugarcane production in 1983-84 was lower at 177 million tonnes as against 189·5 million tonnes during 1982-83, showing a decline of 6·6 per cent (Table III-14). The Government's target for the season was 180-185 million tonnes. The decline in production during the season was mainly accounted for by Maharashtra, Andhra pradesh, Uttar Pradesh, Karnataka, Punjab, Tamil Nadu, Bihar, West Bengal and Orissa and was attributed to lower yields and reduction in area due to unfavourable weather conditions at the time of sowing. The target for 1984-85 has been fixed at 180-185 million tonnes–the same as in the previous season.

The Government continued its annual action programme for increasing the output during the year in all the States with emphasis on (i) soil and seed treatment (ii) augmenting the irrigation facilities (iii) distribution of fertilisers and improved seed cane, (iv) adoption of improved cultivation practices (v) better management of ratoon crop (vi) adoption of plant protection measures and (vii) training of sugarcane development workers and extension drive.

The APC had recommended for 1983-84 a statutory minimum price of sugarcane at Rs.16 per quintal linked to a recovery of sucrose of 8·5 per cent or below, subject to a proportionate premium for every 0·1 per cent increase in the recovery above that level. However, the Central Government fixed the statutory minimum price of sugarcane at Rs.13·50 per quintal (as against Rs.13·00 in the previous season) 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. However, as the State Government advised price which the sugar mills in the respective States had to pay, were higher, the prices actually paid by factories in 1983-84 were higher and were generally in the range of Rs. 20 to Rs.21 per quintal.

**Tea**

Tea production during 1983 increased by 27·1 million kgs. or 4·8 per cent to 587·8 million kgs. from 560·7 million kgs. in 1982 (Table III-14). The increase was wholly due to increase in the production in North India where production rose from 437·2 million kgs. in 1982 to 473·8 million kgs. in 1983, showing a rise of 8·4 per cent. Production of tea in South India, however, declined from 123·5 million kgs. in 1982 to 114·1 million kgs. in 1983 recording a decline of 7·6 per cent.

Production of tea during 1984, upto June registered an increase both in North and South India. Production in North India is estimated higher at 139·1 million kgs. as compared with 125·7 million kgs. in the corresponding period

**Table III—14 : Trends in Production, Export, Consumption, etc., of Non-foodgrain Commodities**

| Year | Oilseed †† | | Tea (million kgs.) | | Coffee (000 tonnes) | | | Sugarcane †† (In terms of cane) | | Tobacco (million kgs.) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Production (million tonnes) | Yield per hectare (kgs) | Production + | Exports £ | Production $ | Exports £ | Internal Consumption + | Production (million tonnes) | Yield per hectare (kg) | 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 | 61·4 | 49·6 | 128·8 | 49,631 | 439 | 76·3 | 367·5 |
| 1980 - 81 | 9·1 | 515 | 569·6 | 231·7 | 118·6 | 86·3 | 47·7 | 154·2 | 57,836 | 481 | 78·5 | 367·1 |
| 1981 - 82 | 12·2 | 640 | 560·0 | 224·2 | 152·1 | 83·8 | 50·8 | 186·4 | 58,365 | 520 | 116·9 | 374·1 |
| 1982 - 83 | 10·0 | 563 | 560·7 | 194·1 | 130·0 | 83·8 | 54·0 | 189·5 | 56,205 | 594 | 93·9 | 382·8 |
| 1983 - 84 | 12·8 | 685 | 587·8 | 187·1 | 100·0 | 71·1 | 56·1 | 177·0 | 55,900 | 450@ | 84·0* | .. |

* Provisional-data relate to April 1983 - February 1984.
†† Figures relate to November-October.
\+ Figures relate to calendar year.
£ Figures relate to financial year.
$ Figures relate to October-September.
@ Provisional.

*Sources :* Ministry of Agriculture, Government of India, Tea Board and Coffee Board.

last year. Production in South India during this period is estimated higher by over 57·6 per cent at 79·9 million kgs. as against 50·7 million kgs. in the corresponding period last year.

Government, with a view to boosting tea exports, further announced a full rebate of excise duty for all export sales including original teas brought from auctions blended in bulk and tea in packages with effect from 23 July 1983.

Tea prices had risen sharply during December 1982 to December 1983. The all-India Index Number of Wholesale Prices for tea (base 1970-71 = 100) rose from 297·7 in December 1982 to 500·2 in December 1983, showing a rise of 68 per cent during the period. With a view to ensuring adequate availability of tea within the country and to bringing down the unprecedented rise in tea prices in the domestic market, the Government of India on December 24, 1983 [under Distribution and Export Control (2nd Amendment) Order, 1983] banned the export of CTC tea except in the form of tea bags. The ban has since been lifted with effect from May 12, 1984.

According to provisional data, the quantity of tea exported from India during the financial year 1983-84 declined to 187·1 million kgs. from 194·1 million kgs. in 1982-83. The value of tea exports during 1983-84, however, increased to Rs.530·04 crores from Rs.369·45 crores in 1982-83. The unit value realisation at Rs.28·33 per kg. during the year (1983-84) was significantly higher (by 48·8 per cent) as compared to the realisation of Rs.19·03 per kg. in the previous year.

**Coffee**

According to revised estimates released by the Coffee Board, coffee production in 1983-84 (October- September) is placed lower at 100·0 thousand tonnes as against the target of 151·2 thousand tonnes and preceding year's output of 130·0 thousand tonnes. The fall in production is mainly due to the decline in production of Robusta variety (Table III-14).

Internal consumpton of coffee during the calendar year 1983 is estimated to be higher at 56·1 thousand tonnes as compared to 54·0 thousand tonnes during 1982. Exports of coffee during the financial year 1983-84 on the other hand are placed lower at 71·1 thousand tonnes, showing a decline of 15·2 per cent as compared to exports of 83·8 thousand tonnes in 1982-83. The decline in export is attributed to the fall in production during the season and also delay in shipments due to the strike by port and dock workers in March and April 1984. The value of coffee exports was also lower at Rs.174·31 crores in 1983-84 as against Rs.203·00 crores in 1982-83. The unit value realisation during the year 1983-84 was slightly higher at Rs.24·59 per kg. as against Rs.24·22 per kg. during 1982-83.

With the increase in international prices of coffee, the Government enhanced with effect from May 7, 1984 the export duty on coffee from Rs.530 per quintal (which was fixed on December 16, 1982) to Rs.640 per quintal.

**Tobacco**

According to the all-India final estimates for 1982-83, the total area and production of tobacco during 1982-83 was 501·3 thousand hectares and 594·2 million kgs., registering significant increases of 13·0 per cent and 14·2 per cent, respectively, over 443·8 thousand hecatares of area sown and 520·1 million kgs. of production reached in 1981-82 (Table III-14).

Area and production of Virginia Flue Cured (VFC) tobacco during 1982-83 was also estimated higher at 199·3 thousand hectares and 184·0 million kgs. as against 150·9 thousand hectares and 135·5 million kgs., respectively, during 1981-82.

State-wise, Andhra Pradesh, Gujarat, Karnataka and Tamil Nadu are important tobacco

growing States and their performance during the last three years till 1982-83 is indicated in Table III-15.

For 1983-84, the official estimates on area and production have not yet been released by the Ministry of Agriculture. However, provisionally the area and production of tobacco in India during 1983-84 is estimated lower at around 425 thousand hectares and 450 million kgs., respectively. The area under Virginia tobacco in Andhra Pradesh is estimated at 110 thousand hectares and production at 94 million kgs. in 1983-84 as against 165 thousand hectares and 150 million kgs. during 1982-83. In Gujarat bidi tobacco was reportedly planted on one lakh hectares and the total production is provisionally placed at 130 million kgs.

Provisional data place the total exports of tobacco and tobacco products during 1982-83 at 119·4 million kgs. valued at Rs.239·61 crores as against the total exports of 133·2 million kgs. valued at Rs.235·47 crores during 1981-82.

According to provisional estimates, the total export of unmanufactured tobacco during the period April 1983-February 1984 was 84·0 million kgs. valued at Rs.171·87 crores, as against 93·9 million kgs. valued at Rs.204·41 crores during the full year 1982-83 (i.e., April 1982-March 1983).

The Tobacco Marketing Societies have not been able to make much headway, mainly due to lack of adequate finance for creation of adequate infrastructural facilities for auction, storage and for purchase/sales of their members' produce. To strengthen their financial base, tobacco has been brought within the purview of the National Co-operative Development Corporation (NCDC) Act during the year 1983-84. Now these societies are eligible to get financial assistance from the NCDC. So far, the NCDC has sanctioned financial assistance of Rs.68 lakhs to three such societies.

The growers of VFC tobacco in Andhra Pradesh have, despite a short crop for the second successive year, been experiencing difficulty in marketing their produce at remunerative prices due to delay and substantial reduction in export orders, reluctance of domestic cigarette manufacturers to enter the market and a slightly higher percentage of low grades in the crop. To ease the situation, the Government of India announced several concessions. A general concession of five per cent on minimum export price (MEP) has been announced in respect of contracts entered into before March 31, 1984. The Ministry of Commerce approved a loan of Rs.10 crores to the Government of Andhra Pradesh for the purchase of low and medium grades of VFC tobacco lying unsold with the growers. The

**Table III-15 : Area and Production of Tobacco in Important States**

| States | 1980-81 | | 1981-82 | | 1982-83 | |
|---|---|---|---|---|---|---|
| | A | P | A | P | A | P |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Andhra Pradesh | 169·4 | 164·0 | 183·9 | 193·4 | 252·5 | 268·7 |
| Gujarat | 121·5 | 185·2 | 113·0 | 209·5 | 110·6 | 197·1 |
| Karnataka | 51·6 | 33·9 | 50·0 | 29·0 | 48·7 | 39·0 |
| Tamil Nadu | 14·5 | 22·4 | 14·8 | 22·9 | 8·2 | 22·8 |
| Others | 94·5 | 75·3 | 82·1 | 65·3 | 81·3 | 66·6 |
| **All-India** | **451·5** | **480·8** | **443·8** | **520·1** | **501·3** | **594·2** |

A = (Area- '000 hectares); P = (Production - '000 tonnes).

Government of India have also announced the removal of MEP for low grade of VFC tobacco. The Andhra Pradesh Tobacco Growers' Co-operative Union, recently constituted by the Government of Andhra Pradesh also made arrangements to purchase low grades of VFC tobacco. Till June 22, 1984, the Union is reported to have purchased 3 million kgs. of low grades of VFC tobacco valued at Rs.1·19 crores.

## PRODUCTION STRATEGY AND MEASURES

The agricultural production strategy continued to lay emphasis on increasing productivity by extending area under irrigation, promoting use of fertilisers, expanding area under high yielding varieties programme and under improved seeds, increased application of plant protection measures and emphasis on agricultural extension, etc., (Table III-16).

Some of the major production oriented measures taken by the Government of India during 1983-84 were as follows :

1. Production campaigns were undertaken in both *kharif* and *rabi* seasons, wherein crop specific guidelines for successful implementation of production programmes were given.

2. Joint teams were deputed to major States for assisting the farmers for availability of electricity for running the tube-wells, pump sets and getting the irrigation in the commands of canals.

3. For the first time, national agricultural input fortnights were organised before *kharif* and *rabi* seasons, with an object to ensure that the main seven agricultural inputs(technology, seeds, fertilisers, pesticides, agricultural implements, irrigation and credit) are made available to the farmers adequately, in time and with ease.

4. Special campaign was initiated in the States of Assam, West Bengal, Bihar, Orissa, Uttar Pradesh, Madhya Pradesh and Andhra Pradesh to increase the productivity of rice.

**Table III—16 : Some Key Indicators of Agricultural Inputs**

| Input | Unit | 1950 - 51 | 1960 - 61 | 1970 - 71 | 1980 - 81 | 1981 - 82 | 1982 - 83 | 1983 - 84 (Anticipated) |
|---|---|---|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| (A) Seeds | | | | | | | | |
| *i* Production of Breeder Seed | Thousand Qtls. | — | — | — | 5·27 | 3·91 | 17·07 | 23·61 |
| *ii* Production of Certified Seed | Lakh Qtls. | — | — | — | 21·86 | 24·18 | 36·61 | 43·12 |
| *iii* Distribution of Quality Seed | " | — | — | — | 25·01 | 29·81 | 42·06 | 57·14 |
| (B) Distribution of Seed Minikits | Lakh Nos. | — | — | — | 1·06 | 6·12 | 24·44 | 46·51 |
| (C) Fertiliser Consumption (NPK) | | | | | | | | |
| *(i)* Total | Lakh Tonnes | 0·69 | 2·92 | 21·77 | 55·16 | 60·64 | 63·88 | 72·00 |
| *(ii)* Per hectare | Kgs. | — | 1·9 | 13·13 | 31·49 | 34·62 | 36·50 | 41·00 |
| (D) Area under High Yielding Varieties | Million ha. | — | 1·89* | 15·38 | 43·05 | 46·50 | 47·68 | 52·48 |

* Relates to 1966 - 67.

*Note :* Progress achieved under the New 20-Point Programme may be seen in the statement in the relevant Chapter.

*Source :* Ministry of Agriculture, Department of Agriculture and Co-operation, Government of India.

5. Special measures were undertaken to increase production of breeder, foundation and certified seeds of oilseeds, pulses and cereal crops. Tempo to distribute the high quality seeds through minikits and extension efforts was accelerated.

6. Government announced special fiscal and price concession/incentive for increased consumption of fertilisers.

7. A massive centrally sponsored programme for assisting the small and marginal farmers in increasing production was launched this year covering the entire country.

8. The programme of restoration of fallow lands started in 1982-83 in 8 States has been extended to 5 more States and 2 Union Territories.

These measures and other programmes which aim at increasing the production and employment potential in rural areas and the earning capacity of the weaker sections of the society are discussed below in detail.

## High-Yielding Varieties Programme

The coverage of area under the High-Yielding Varieties Programme (HYVP) is anticipated to increase to about 52·5 million hectares in 1983-84 from 47·7 million hectares achieved in 1982-83 (Table III-17), thus exceeding the target of 52·0 million hectares set for the current year.

The target for 1984-85 has been fixed at 56 million hectares of which the target for paddy is 25 million hectares and that for wheat 19 million hectares.

Under the Minikit Distribution Programme, 46·5 lakh minikits of cereals, pulses and oilseeds were distributed free of charge to farmers during 1983-84 as against 24·4 lakh minikits distributed in 1982-83 and only 6 lakhs and 1·06 lakhs in 1981-82 and 1980-81, respectively. Under the programme of raising community/nursery for rice, the target area of 22,000 hectares is likely to be achieved. The Government of India, during

**Table III—17 : Crop-wise Coverage of Total Area and Area Under High Yielding Varieties**

( Million hectares )

| Commodity | 1979 - 80 | | 1980 - 81 | | 1981 - 82 | | 1982 - 83 | | 1983 - 84 | | 1984 - 85 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total cropped Area | Area under HYV | Total cropped Area | Area under HYV | Total cropped Area | Area under HYV | Total cropped Area | Area under HYV | Total Cropped Area | Estimated Area under HYV | Target Area Under HYV |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. |
| Paddy ... ... | 39·4 | 16·0 | 40·2 | 18·2 | 40·7 | 19·7 | 38·3 | 18·7 | 41·0 | 22·2 | 25·0 |
| Wheat ... ... | 22·2 | 15·0 | 22·3 | 16·1 | 22·1 | 16·7 | 23·6 | 18·1 | 24·4 | 18·6 | 19·0 |
| Jowar ... ... | 16·7 | 3·1 | 15·8 | 3·5 | 16·6 | 3·9 | 16·4 | 4·7 | 16·3 | 4·8 | 5·0 |
| Bajra ... ... | 10·6 | 3·0 | 11·7 | 3·6 | 11·8 | 4·6 | 10·9 | 4·5 | 11·8 | 5·1 | 5·0 |
| Maize ... ... | 5·7 | 1·4 | 6·0 | 1·6 | 5·9 | 1·6 | 5·7 | 1·7 | 5·9 | 1·8 | 2·0 |
| **Total ... ...** | **94·6** | **38·5** | **96·0** | **43·0** | **97·1** | **46·5** | **94·9** | **47·7** | **99·4** | **52·5** | **56·0** |

*Source* : Ministry of Agriculture, Government of India.

1983-84, is giving a subsidy at Rs.1,500 per hectare for raising community nurseries at Government farms or on private lands for sharing with other farmers of the area. Other schemes like Maize Demonstration in Tribal Areas and Centrally Sponsored Scheme of Pulses Development were continued in 1983-84.

With a view to giving a new thrust to High Yielding Varieties Programme, it is felt necessary that the high yielding seeds should be periodically replaced by new varieties so that the crops maintain their resistance to diseases and pests. A replacement rate of 20 per cent in the case of self pollinated crops and 100 per cent in the case of hybrid seeds is being aimed at during the next few years.

**Seeds**

During the year 1983-84, about 57 lakh quintals of certified seeds of improved varieties are likely to have been distributed as against 42 lakh quintals in 1982-83. The quantity of seeds distributed in 1983-84 exceeded the Sixth Plan target of 54 lakh quintals by 3 lakh quintals. As regards breeder seeds production, the Sixth Plan target of 0·12 lakh quintal to be achieved by the end of 1984-85 has also been exceeded in 1983-84 with an estimated production at 0·24 lakh quintal. Similarly, in the case of foundation seeds, against the Sixth Plan target of 2·99 lakh quintals for 1984-85, the estimated availability during 1983-84 is 4·72 lakh quintals. For 1984-85, target fixed is 5·16 lakh quintals.

High priority has been accorded to seed development programme and an outlay of Rs. 40·86 crores has been provided for this purpose during the Sixth Five Year Plan as against a provision of Rs. 14·60 crores in the Fifth Five Year Plan. An expenditure of Rs. 24·81 crores is likely to be incurred during 1983-84; the cumulative expenditure during the first four years of the Sixth Plan is estimated at Rs. 61·41 crores. The outlay envisaged for 1984-85 is Rs. 5·63 crores. Thus, actual expenditure will be considerably higher than the outlay fixed for this during the Sixth Plan.

National Seeds Programme which covers nine States (Punjab, Haryana, Uttar Pradesh, Bihar, Orissa, Maharashtra, Karnataka, Andhra Pradesh and Rajasthan), was launched in 1977 with the assistance of the World Bank for strengthening the existing infrastructure for seed production, processing and distribution. The main components of the Programme are : a) Strengthening of breeder and foundation seeds, production in Agricultural Universities and Indian Council for Agricultural Research Institutions; b) Farm development; c) Setting up of processing plants; d) strengthening of seed testing laboratories and seed certification agencies and e) Setting up of seed godowns. The implementation of the Programme is being closely monitored at the State and Central levels. All efforts are being made to complete the Programme by the scheduled closing dates.

The National Seeds Corporation is expected to produce 9·20 lakh quintals of certified seeds in 1983-84 as against 5·70 lakh quintals in 1982-83. The Corporation is also expected to distribute 4·78 lakh quintals of seeds against previous year's achievement of 3·35 lakh quintals. Reserve stock of certified seeds maintained by the Corporation during 1983-84 is estimated at about 1·62 lakh quintals as against 1·37 lakh quintals in 1982-83 and 0·99 lakh quintal in 1981-82. During 1984-85, estimated reserve stock of seeds with the Corporation is likely to be of the order of 2·82 lakh quintals against the Sixth Plan target of 1·16 lakh quintals.

The State Farms Corporation manages 12 farms with net cultivable area of 27 thousand hectares. The Corporation's seeds production during 1982-83 was 2 lakh quintals as against 1·85 lakh quintals in 1981-82. It also took up breeder seed production for the first time in 1982-83 and produced 5·5 thousand quintals of breeder seeds of 17 different crops. It supplied 2·13 lakh minikits of pulses and 1·28 lakh

**Table III—18 : Development of Irrigation Potential**

(Million hectares)

| | VI Plan Target | As at the start of VI plan (1979-80) | Cumulative Achievements | | | | Target | Expected short fall VI plan |
|---|---|---|---|---|---|---|---|---|
| | | | 1980-81 | 1981-82 | 1982-83 | 1983-84* | 1984 - 85 | |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| Major & Medium | 5·7 | 26·5 | 27·3 | 28·2 | 29·1 | 30·0 | 30·9 | 1·3 |
| Minor | 1·0 | 8·0 | 8·2 | 8·4 | 8·6 | 8·8 | 9·0 | — |
| Groundwater | 7·0 | 22·0 | 23·2 | 24·4 | 25·6 | 26·8 | 28·1 | 0·9 |
| **Total** | **13·7** | **56·5** | **58·7** | **61·0** | **63·3** | **65·6** | **68·0** | **2·2** |

* Anticipated.

*Source* : Ministry of Irrigation, Government of India.

minikits of wheat during 1983-84.

During 1983-84, for the first time, the Government distributed breeder seeds of cross pollinated crops (maize, bajra, sunflower, etc.) to private seed producers. An advance supply plan has been introduced to ensure timely supply of seeds in each State.

**Irrigation**

During 1983-84, a target of creation of irrigation potential of 2·37 million hectares (0·94 million hectares through major and medium irrigation projects and 1·43 million hectares through minor projects) has been fixed (Table III-18). These targets are expected to be substantially realised during the year. Thus, the total irrigation potential is estimated to have increased by the end of 1983-84 to 65·6 million hectares as against 63·3 million hectares at the end of 1982-83.

The Sixth Plan commencing from 1980-81 had envisaged creation of additional irrigation potential of about 13·74 million hectares (5·74 million hectares from major and medium and 8·0 million hectares through minor irrigation). The assessment is that by the end of the current Plan, the irrigation potential created will be about 11·5 million hectares, i.e., 2·2 million hectares lower than the target.

The approved financial outlay for 1983-84 is about Rs.1,743 crores for major and medium irrigation and Rs.738 crores for minor irrigation as against Rs.1,516 crores and Rs.624 crores, respectively, in 1982-83. The financial outlay on minor irrigation during the first four years of the Sixth Plan period is given in Table III-19.

Centrally Sponsored Scheme for strengthening the State Ground and Surface Water Organisations in respect of procurement of equipment for exploration and development with 50 per cent matching assistance from the Centre was sanctioned by the Central Government during 1982-83. An amount of Rs.4·04 crores has so far been approved till the end of January 1984. A Centrally Sponsored Scheme for assisting small and marginal farmers in the construction of dugwells, shallow tubewells, purchase of pumpsets, etc., with an outlay of Rs.250 crores to be shared equally by the Centre and the States has also been taken up during 1983-84.

**Table III—19 : Financial Outlays (Major & Medium and Minor Irrigation) during the First Four Years of Sixth Plan.**

(Rupees crores)

| Item | Approved VI Plan | 1980 - 81 | 1981 - 82 | 1982 - 83 | 1983 - 84 (Approved Outlay) |
|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. |
| (a) **Major and Medium Irrigation** | 8,391·4 | 1,210·6 | 1,364·9 | 1,515·6 | 1,743·0 |
| (b) **Minor Irrigation** | | | | | |
| *Of which* | 3,511·3 | 593·3 | 555·3 | 623·9 | 738·0 |
| Public Sector | 1,811·3 | 294·3 | 292·2 | 328·9 | 392·1 |
| Institutional | 1,700·0 | 299·0 | 263·1 | 295·0 | 345·9 |
| **Total (a + b)** | **11,902·7** | **1,803·9** | **1,920·2** | **2,139·5** | **2,481·0** |

*Source* : Ministry of Irrigation, Government of India.

## Command Area Development Programme

The Centrally Sponsored Command Area Development Programme (CADP) aims at (i) bridging the gap between irrigation potential created and utilisation thereof and (ii) raising the efficiency of water use and productivity from irrigated lands.

During the year, 29 new projects were included and 3 old projects were deleted under this Programme. Thus, the Programme now covers 102 projects in 17 States and one Union Territory. The Programme during 1982-83 covered 76 major and medium projects in 16 States and one Union Territory.

The approved outlay for 1983-84 is about Rs.187 crores as against an expenditure of Rs.156 crores in the previous year (Table III-20). A new incentive scheme, with provision of total outlay of Rs.25 crores, offering cent per cent grants to State Governments for constructing field channels over and above the Annual Plan target for 1983-84 for the areas covered under the CAD Programme has been introduced. As a result of this and owing to the momentum already gathered by this Programme, the Sixth Plan target of covering an area of 4 million hectares is expected to be achieved by the end of 1983-84.

Construction of field channels forms a major item of works under the CAD Programme. In 1982-83, against a target of 8·9 lakh hectares, the achievement has been 11·52 lakh hectares. The 1983-84 target of 13 lakh hectares would also be exceeded. For 1983-84, land levelling/shaping target of 1·5 lakh hectares has been fixed. The achievements in respect of these programmes are given in Table III-21.

As regards *warabandi*, against a target of 5 lakh hectares in 1982-83, the actual coverage has been 4·49 lakh hectares. In 1983-84, the target of 6·34 lakh hectares is likely to be achieved.

**Table III—20 : Expenditure Incurred under Command Area Development Programme**

(Rupees crores)

| Sector | 1980 - 81 | 1981 - 82 | 1982 - 83 | 1983 - 84 (Anticipated) |
|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. |
| Total ... ... | 101·96 | 118·75 | 156·14 | 186·64 |
| *of which* | | | | |
| Central Sector ... ... | 33·14 | 35·73 | 45·30 | 72·00 |

*Source :* Ministry of Irrigation, Government of India.

**Table III—21 : Achievement under Command Area Development Programme**

(Thousand hectares)

| | 1980 - 81 | 1981 - 82 | 1982 - 83 | 1983 - 84 Target | Anticipated Achievement |
|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. |
| (i) Construction of field channels | 655·80 | 978·64 | 1,151·98 | 1,300·00 | 1,300·00 |
| (ii) Land levelling/shaping | 90·18 | 84·41 | 86·77 | 150·00 | .. |

*Source :* Ministry of Irrigation, Government of India.

## Fertilisers and Manures

The fertiliser consumption in 1983-84 is expected to cross the target of 72·0 lakh tonnes to 78·0 lakh tonnes as compared to the consumption of 63·9 lakh tonnes in 1982-83 (Table III-22). The estimated consumption of fertilisers in *kharif* 1983 is 34·2 lakh tonnes as against 28·1 lakh tonnes in the *kharif* 1982, showing an increase of 21·7 per cent. The reasons for the marked increase in consumption, apart from favourable weather conditions, are : (i) reduction of fertiliser prices by 7·5 per cent with effect from June 29, 1983 by the Government, (ii) additional special rebate of 10 per cent on imported fertiliser of urea and to dispose off the old (more than two years) D.A.P. stocks lying with Food Corporation of India, (iii) upward revision in distribution margins for co-operatives and other institutional agencies distributing fertilisers, (iv) continuation of Intensive Fertiliser Promotion Campaign started in 1982-83 in 104 selected districts and (v) expansion of fertiliser distribution network to facilitate easy availability to the farmers.

Indigenous production of fertilisers is estimated to be about 45·3 lakh tonnes in 1983-84 as against 44 lakh tonnes in 1982-83. To bridge the gap between steadily increasing demand and domestic production as also to ensure adequate

**Table III—22 : Consumption of Fertilisers**

(Lakh tonnes)

| Year (April - March) | Nitrogenous (N) | Phosphatic ($P_2O_5$) | Potassic ($K_2O$) | Total |
|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. |
| 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 | 42·2 | 14·4 | 7·3 | 63·9 |
| 1983 - 84* | 52·0 | 18·0 | 8·0 | 78·0 |

* Estimates

*Source* : Ministry of Agriculture, Government of India.

availability, the import of fertilisers is expected to be higher this year than 11·3 lakh tonnes of fertilisers nutrients imported during 1982-83. During the period from April 1983 to January 1984, about 8·5 lakh tonnes of fertilisers have already been imported.

To enable the institutional agencies in the States to handle larger quantities of fertilisers, short-term credit amounting to Rs.260 crores was made available to States during 1983-84 as against Rs.250 crores last year.

With a view to boosting the consumption of fertiliser, the prices of fertilisers were reduced by about 7·5 per cent from June 29, 1983. The prices of important fertilisers, prior to and after the reduction, are as under :

(Rs. per tonne)

| Product | Pre-revised prices | Revised prices |
|---|---|---|
| Urea | 2,350 | 2,150 |
| Di-Ammonium Phosphate | 3,600 | 3,350 |
| Muriate of Potash | 1,300 | 1,200 |

By the end of March 1983, there were about 1·32 lakh retail sale points in the country for distribution of fertilisers. During 1983, 21,662 sale points were opened as against the target of 15,000 sale points. During 1984, the target of opening another 15,000 sale points has been fixed and vigorous efforts have been initiated by the Government to fulfil the target.

The use of organic fertilisers as a means of supplementing the availability of chemical fertilisers continued to receive special attention. The estimated production of rural and urban composts during 1983-84 was 235 million tonnes and 6·6 million tonnes, respectively.

**Plant-Protection Measures**

During the year, the Central Locust Warning Organisation, in collaboration with the concerned State Governments, launched ground and aerial operations on a massive scale which helped in restricting the infestation by locust swarms which had entered India from the side of Pakistan only to the border districts of Barmer and Jaisalmer in Rajasthan and Kutch(Bhuj) district in Gujarat.

Under Roving Survey work for monitoring the pest and disease situation, 19 Central Surveillance Stations and 13 Central Plant Protection Stations scanned an area of 3·5 lakh hectares in 14 major rice, groundnut and pulse growing States during the *kharif* season. Likewise, oilseeds and pulses crop surveys were initiated and an area of 3 lakh hectares was

proposed to be covered during the 1983-84 *rabi* season. During the year, two more Central Biological Control Stations were set up bringing the total number to eleven. One parasite Multiplication Laboratory was also set up at Bangalore. The Plant Quarantine and Fumigation stations located at seaports, airports and land frontiers carried out screening of about 11·75 lakh tonnes of wheat, 40,007 tonnes of rice, 21,385 tonnes of dry/fresh fruits and 95,801 tonnes of other plants and plant materials imported from various countries. Under the New 20-Point Programme, field stations of the Directorate of Plant Protection, Quarantine and Storage adopted 175 villages for intensive monitoring and rendering suitable advice on pest and disease situation.

The consumption of pesticides during 1983-84 is estimated at 72,000 tonnes as against 50,000 tonnes in 1982-83. To meet the increasing demands of the States, import of 850-1000 tonnes of technical grade wheat weedicides had been arranged in 1983. Under the Centrally sponsored scheme for Control and Eradication of Pests and Diseases, Cenral assistance amounting to Rs.3·80 crores has been extended to cover an area of 36·67 lakh hectares during 1983-84.

**Agricultural Machinery and Implements**

Alongwith other agricultural inputs, agricultural implements and machinery have an important role to play in increasing productivity. It has been estimated that the use of improved seed-cum-fertiliser drill alone could boost productivity by 15-20 per cent. The agricultural implements and machinery sector has made rapid progress in the current year. The Indian tractor industry has an installed capacity of 1·0 lakh tractors per annum, making it one of the biggest in the world. In 1983-84, more than 75,000 tractors are likely to be sold, representing a turnover of more than Rs.500 crores. In the field of power tillers, the present installed capacity is about 16,000 per annum and about 50,000 power threshers are manufactured annually in the small-scale sector.

During the year, more than 20,800 seed-cum-fertiliser drills[1] have been distributed upto January 1984 as against the target of 20,000 for the year 1983-84 in addition to 2·67 lakh other implements/hand tools as part of the thrust given to the development of dry land agriculture under the New 20-Point Programme.

The Dangerous Machines (Regulation) Act was enacted on December 14, 1983 which seeks to regulate manufacture, sale and use of power threshers to ensure that these are of approved safety standards. Besides, motor pumpsets and stationary engines for driving farm machinery are manufactured in large numbers in the country.

A Centrally Sponsored Scheme to popularise improved animal-drawn implements and hand tools has been launched with an estimated cost of Rs.11·35 crores. The Scheme envisages demonstration and extension work in 600 blocks in the country. For custom hiring of improved implements and some basic machines, 1,200 Agro Service Centres are to be set up at the rate of 2 centres per block. Moreover, subsidy would be available for sale of improved implements and hand tools to marginal and small farmers at the rate of $33\frac{1}{3}$ per cent and 25 per cent, respectively, (50 per cent for tribal farmers) in about 900 blocks in all the States. The Government has plans to distribute 2·51 lakh implements and 4·6 lakh hand tools by the end of the Sixth Plan.

The Tractor Training and Testing Station (now the Central Farm Machinery Training and Testing Institute), Budni and Tractor Training Centre (now the Northern Region Farm Machinery Training and Testing Institute), Hissar continued their operations of testing a large range of agricultural machinery and implements and training of farmers, mechanics and technicians, etc. For the benefit of Southern States, a new Institute for Training and Testing at

Garladinne (Anantpur) in Andhra Pradesh is being set up.

### Agro-Industries Corporations

The State Agro-Industries Corporations were established in 17 States during the Third and Fourth Five Year Plan periods with the objective of designing, developing and manufacturing suitable mechanical aids for agriculture, processing of agricultural produce and distribution of agricultural inputs besides custom hiring of agricultural machinery/implements. This scheme was transferred to the State with effect from April 1979. The Government of India have invested Rs.31 crores in these Corporations which are controlled by the State Governments who have invested Rs.46 crores in the paid-up capital. After the transfer of the scheme to the State Sector from April 1979, no contribution has been made by the Central Government. The total turnover of the Corporations has reached about Rs.400 crores in 1982-83 as against Rs.350 crores in the preceding year.

### Agricultural Extension

During 1983-84, agricultural extension was more professionalised to provide a direct and effective transfer of available recommendations through close linkages between research, extension service and farmer, ensuring at the same time effective feedback of field problems so that research becomes more practical and field oriented. Information literatures and audio-visual aids including films and slides, on agricultural topics were continued to be produced to help the field extension workers to educate the farmers. Pamphlets on fertilisers, pesticides, wheat and rapeseed-mustard entitled 'know your farm' were introduced in 1983-84. Training and Visit (T & V) system of extension was particularly responsible for introduction of new crops in non-traditional areas, introduction of new crop-rotations and increasing the intensity of cropping. The professional extension system is sought to be strengthened through the National Agricultural Extension Project, the first phase of which will cover the States of Orissa, Madhya Pradesh and Rajasthan. The Directorate of Extension continued to organize various training programmes in order to improve professional competence of village level workers (VLWs) and other extension functionaries.

### Soil and Water Conservation Programme

About 53 per cent of the total area (175 million hectares) is prone to severe erosion and degradation problems. Soil and water conservation is essential to prevent degradation, restore degraded lands and increase productivity of land. Soil and water conservation programmes have been in operation both under the Central and State sectors since the First Five Year Plan. An area of 26·52 million hectares was treated with various soil conservation measures at a cost of Rs.944 crores till 1982-83. Against the target of 5·6 million hectares for the Sixth Plan (1980-85), the achievement during the first three years has been about 3·13 million hectares at a cost of Rs.227 crores. The target of 1·45 million hectares for the year 1983-84 is expected to be achieved at an estimated cost of Rs.123 crores. A two-tier national body, *viz.*, the National Land Board and National Land Resources Conservation and Development Commission started functioning during the year. The Commission have decided to evolve a rational and dynamic land use policy for conservation, management and development of land resources of the country.

The coverage of the programme of restoration of fallow lands which was launched under the Prime Minister's New 20-Point Programme in eight States (Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh) during 1982-83 was extended to five more States

(Assam, Gujarat, Meghalaya, Orissa and West Bengal) during 1983-84. Under this Programme, an area of 3·83 lakh hectares was brought under productive land management such as cultivation, afforestation, orchards and pastures alongwith necessary erosion control measures in 1982-83. The achievement during 1983-84 is likely to be about 3·5 lakh hectares.

Under the programme of soil conservation in the catchment of river valley projects, a Centrally sponsored programme with 50 per cent grant and 50 per cent loan advance to the States is being implemented. An area of 17·40 lakh hectares was treated at a cost of Rs.141·53 crores till the year 1982-83. During 1983-84, however, an area of 93,000 hectares would be treated at a cost of Rs.18·46 crores. The scheme covers 508 small priority watersheds of 28 catchments spread over 17 States and one Union Territory.

The Centrally sponsored scheme of Integrated Watershed Management in the catchment areas of flood prone rivers of Gangetic basin is being implemented on the basis of identified priority watersheds. Under this scheme, an area of 43,000 hectares was treated at a cost of about Rs.6·94 crores by the end of 1982-83. During the year 1983-84, an area of 52,000 hectares would be treated with an outlay of Rs.11 crores. The target is to treat 2·42 lakh hectares with an outlay of Rs.50 crores during the Sixth Five Year Plan. With the World Bank assistance, a Watershed Management Project for the Upper Ganga Catchment in Uttar Pradesh has been launched. The programme aims at treating 3·12 lakh hectares at a cost of Rs.83·9 crores. The All-India Soil and Land Use Survey Organisation has conducted priority delineation surveys covering 505·98 lakh hectares, detailed soil surveys in 69·37 lakh hectares and sample soil surveys in 4,392 blocks till 1982-83. During 1984-85, an additional area of 40 lakh hectares is likely to be covered by priority delineation surveys, 3·72 lakh hectares by detailed surveys and 800 blocks of 64 hectares each by sample soil surveys. To strengthen the capability of All-India Soil and Land Use Survey Organisation, a Remote Sensing Centre has been set up in this Organisation.

Besides the Central Government, the State Governments, especially of Gujarat, Orissa, Tamil Nadu and Uttar Pradesh took several steps to tackle the problems of soil erosion, water stress conditions, ravines, salinity, overgrazing and shifting sand dunes.

**Dryland Farming**

Dryland farming is practised on about three fourths of the net cultivated area in the country. Hence the New 20-Point Programme gives high priority for development and dissemination of technology and inputs for dryland agriculture. Under the comprehensive strategy for dryland farming, selected micro-watersheds are taken up for intensive integrated development through a multi-disciplinary approach including crop production, horticulture, social forestry, pasture development and land and water management. During 1982-83, a total of 4,246 micro-watersheds covering an area of about 3 million hectares were identified by the States for development of dryland farming as against the target of 3,824 covering about 2·92 million hectares. During 1983-84, out of 4,246 micro watersheds identified during 1982-83, 3,946 watersheds having an area of 3·3 million hectares have been taken up for intensive and integrated development. Outside the watersheds, an area of more than 17 million hectares was brought under various dry farming practices. About 68,000 seed-cum-fertiliser drills were distributed against the target of 19,600 besides distribution of 1·47 lakh other agricultural implements suited to dryland areas. About 2 million hectares of land were covered under inter-cropping/double cropping. The Centre is assisting the State Governments through two pilot projects, *viz.*, (i) Project for propagation of water conservation harvesting technology in dry farming areas and (ii) Project for developing of dryland agriculture through

popularisation of seed-cum-fertiliser drills, improved varieties of seeds, fertilisers, etc. These pilot projects are being implemented in 19 selected districts of 15 States. A pilot project for watershed development in rain-fed areas with the World Bank assistance is also being launched in Andhra Pradesh, Madhya Pradesh, Karnataka and Maharashtra. Efforts are being made to saturate the selected watersheds with improved dryland farming technologies and rain-fed farming practices. Some of the steps taken in this regard are :

(i) Constitution of a multi-disciplinary committee headed by a Project Officer for each micro-watershed for planning, implementation and monitoring of the integrated development of each watershed, (ii) preparation of a suitable development programme of each watershed, (iii) preparation of watershed budgets from the earmarked funds for the identified programmes in the Central and State Plan, (iv) training of staff and (v) giving preferential treatment to the selected watersheds in the distribution of agricultural inputs, seed minikits, credit and in the implementation of various Central and State sector programmes. The progress of various aspects of dryland farming is indicated in Table III-23.

**Integrated Rural Development Programme**

Integrated Rural Development Programme (IRDP) was started in 1978-79 with the objective to provide assistance to identified families below the poverty line, *viz.*, scheduled castes, scheduled tribes, agricultural labourers, rural artisans, marginal and small farmers, etc. to enable them to improve their income level and eventually enable them to cross the poverty line. It was later made a part of the New 20-Point Programme. This Programme, which covers all the development blocks, aims at providing assistance to 15 million families in 5,011 development blocks and 3,000 families on an average in each block during the Sixth Plan period. The outlay for a block is Rs.35 lakhs during the Sixth Plan. It has been laid down that atleast 30 per cent of the families assisted through this Programme should be drawn from scheduled castes/scheduled tribes categories.

**Table III—23 : Progress of Various Aspects of Dry Land Farming**

| Item | Unit | National Target for 1983 - 84 | Progress achieved upto January 1984 |
|---|---|---|---|
| 1. | 2. | 3. | 4. |
| 1. Land Development | Hectares | 42,460 | 3,31,304 |
| 2. Water harvesting storage structures | Nos. | 4,246 | 3,395 |
| 3. Area covered with improved seeds | Lakh hectares | 1·17 | 5·46 |
| 4. Area covered with chemical fertilisers | Hectares | 58,645 | 3,37,744 |
| 5. Seedlings planted under afforestation | Lakh Nos. | 85·62 | 81·72 |
| 6. Area planted under social forestry | Hectares | 21,235 | 26,121 |
| 7. Number of persons trained | Nos. | 4,246 | 9,269 |

*Source* : Department of Agriculture & Co-operation, Ministry of Agriculture, Government of India.

Similarly, at least one-third of the beneficiaries who are granted loans and subsidies should be women as the head of the households. It is noteworthy that upto November 1983, about 36·35 per cent of the families assisted under this Programme are drawn from scheduled castes and scheduled tribes. The Sixth Plan allocation for the Programme is Rs.1,500 crores to be shared equally by the Centre and the States. This would be supplemented by institutional credit to the tune of Rs.3,000 crores bringing the total investment on the Programme to Rs.4,500 crores during the Sixth Plan. The achievements under the IRDP are given in Table III-24.

With effect from September 1982, a new scheme called Development of Women and Children in Rural Areas (DWCRA) was launched in 51 selected backward districts in different States as a component of IRDP. The major objective of the scheme is to increase the income of the female members of the families of the target group as also to provide supporting services needed to enable them to take up income generating activities. The approved plan outlay for the scheme is Rs.15·60 crores which will be shared equally by the Central and State Governments.

**Drought Prone Areas Programme**

The basic objectives of Drought Prone Areas Programme (DPAP) are : i) promoting a more productive dryland agriculture on the basis of the soil-water-climate resources of the area, ii) development and productive use of water resources of the area, iii) soil and moisture conservation, iv) afforestation and v) livestock development including development of pasture and fodder resources.

This Programme now covers 511 blocks in 70 districts of 13 States. The allocation in the Sixth Five Year Plan for this Programme is Rs.350 crores to be shared equally by the Central and State Governments. A provision of Rs.39·74 crores has been made in the Central budget for the year 1983-84.

**Table III—24 : Progress of Integrated Rural Development Programme during 1980-81 to 1983-84**

| Items | Unit | 1980 - 81 | 1981 - 82 | 1982 - 83@ | 1983 - 84 (upto - November 1983) |
|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. |
| 1. Central allocation | Rs. crores | 127·80 | 153·36 | 204·48 | 204·48 |
| 2. Central releases | " | 82·58 | 128·45 | 176·18 | 93·34 |
| 3. Total expenditure including States' share | " | 158·64 | 264·64 | 359·59 | 156·91 |
| 4. Term credit disbursed | " | 289·05 | 467·59 | 713·98 | 287·23 |
| 5. Number of families assisted | In lakhs | 27·27 | 27·13 | 34·55 | 14·26 |
| 6. Number of SC/ST families assisted | " | 7·81 | 10·01 | 14·05 | 5·66 |
| 7. Per Capita investment | Rupees | 1,642·00 | 2,698·00 | 3,107·00 | 3,114·00 |

@ Provisional.

*Source* : Ministry of Rural Development, Government of India.

The implementation of the Programme is the responsibility of the State Governments and they have set up district level agencies for this purpose. The Ministry is responsible for laying down policy guidelines and monitoring the implementation of the Programme.

This Programme being an experiment in area planning has aroused considerable global interest. International agencies and countries like the World Bank, the European Economic Community (EEC) and West Germany have given aid to promote this Programme.

The achievements of this Programme are set out in Table III-25.

**Desert Development Programme**

The Desert Development Programme was started in 1977-78 with the objective of controlling desertification and development of conditions for raising the level of production, income and employment of the people of the areas covered under it. This Programme covers hot deserts of Rajasthan, Haryana and Gujarat and cold deserts of Jammu and Kashmir and Himachal Pradesh spread over 126 blocks. The allocation in the Sixth Five Year Plan for this Programme is Rs.100 crores to be shared equally by the Central and State Governments. A provision of Rs.9 crores has been made in the Central budget for the current year 1983-84. The achievements of the Programme are given in Table III-26.

**National Rural Employment Programme**

The National Rural Employment Programme (NREP) launched in October 1980, replacing the earlier 'Food for Work Programme (FWP)', became a regular part of the Sixth Five Year Plan from April 1, 1981. The Programme is Centrally sponsored on 50:50 sharing basis between the Central Government and the State Governments. It aims at providing supplementary employment opportunities besides creating durable community assets and raising the nutritional standards of the rural poor. For the

**Table III—25 : Achievements of Drought Prone Areas Programme**

| Indicators | Units | Achievements | | |
|---|---|---|---|---|
| | | Upto end-March 1981 | During 1982 - 83 | 1983 - 84 (upto June 1983) |
| 1. | 2. | 3. | 4. | 5. |
| 1. Area treated under soil & moisture conservation | '000 hectares | 139·7 | 86·3 | 4·3 |
| 2. Creation of irrigation potential | " | 44·6 | 73·9 | 73·3 |
| 3. Forestry & pasture | " | 82·2 | 92·8 | 19·2 |
| 4. Milk societies established | Numbers | 538 | 395 | 18 |
| 5. Sheep societies established | " | 49 | 51 | 1 |
| 6. Number of beneficiaries (families) | In '000 | 992·8 | 777·5 | 14·6 |
| 7. Mandays of employment created | In lakhs | 469·5 | 330·7 | 63·7 |

*Source* : Ministry of Rural Development, Government of India.

**Table III—26 : Achievements of Desert Development Programme**

| Key Indicators | Units | 1982 - 83 | 1983 - 84 (Upto June 1983) |
|---|---|---|---|
| 1. Afforestation | | | |
| (i) Plantation | Hectares | 12,014 | 2,211 |
| (ii) Shelter belt plantation | Kms. | 6,201 | 639 |
| (iii) Sand dunes stabilisation | Hectares | 3,762 | 330 |
| 2. Irrigation potential created | " | 666 | 200 |
| 3. Rural electrification tube wells pumps energised | Numbers | 31 | — |
| 4. Execution of watershed programme | Hectares | 933 | — |
| 5. Animal husbandry | | | |
| (i) New veterinary dispensaries centres opened | Numbers | 17 | 13 |
| (ii) Wool extension centres | " | 10 | 14 |
| (iii) Milk collection centres | " | 60 | 21 |
| (iv) No. of cross breed lambs born | " | 1,397 | 71 |
| 6. Employment generated | Lakh man-days | 20·02 | 2·27 |

*Source* : Ministry of Rural Development, Government of India.

year 1983-84, an outlay of Rs.200 crores has been provided for this Programme in the Central Government Plan which would be matched by an equal amount from the State Governments. In addition, the State Governments have been permitted to utilise the unspent balance of Rs.154·26 crores carried over from the previous year. As per latest available information, upto end-January 1984, the reported utilisation has been at Rs.173·68 crores. Besides achieving its basic objectives, the Programme has also helped in ensuring payment of minimum wages to the rural labourers, improving nutritional standards by providing foodgrains as part of the wages and in arresting the exodus of the rural population to the cities and towns to a considerable extent. The improvement in communications due to construction of roads has boosted the trade and commerce. Available information about implementation of this Programme is set out in Table III-27.

**Rural Landless Employment Guarantee Programme**

In order to tackle more directly and specifically the problem of unemployment among the landless, a new Programme called the Rural Landless Employment Guarantee Programme (RLEGP) was launched in different States/Union Territories on August 15, 1983. The basic objectives of the Programme are :

(i) to improve and expand employment opportunities for rural landless with a view to providing employment for atleast one member of every landless labour household upto 100 days in a year and (ii) creation of durable assets for strengthening the rural infrastructure which will lead to rapid growth of rural economy. An amount of Rs.100 crores has been allocated to the States and Union Territories for 1983-84 and a provision of Rs.400 crores has been made for the year 1984-85 under this Programme. Under the Programme, 60 million additional mandays

**Table III—27 : Progress of National Rural Employment Programme during 1981- 82 to 1983-84**

| Items | Units | 1981-82 | 1982-83 | 1983-84 (Upto January 23, 1984) |
|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. |
| 1. Foodgrains Components | | | | |
| (i) Allocation | Lakh tonnes | 5·06 | 3·92 | 3·22 |
| (ii) Releases | " | 2·78 | 2·48 | 1·84 |
| (iii) Utilisation | " | 2·28 | 1·59 | 0·74 |
| 2. Cash Components | | | | |
| (i) Allocation by the Centre | Rs. crores | 166·94 | 200·45 | 200·00 |
| (ii) Allocation by the States | " | 166·14 | 198·78 | 201·65 |
| (iii) Unutilised balance from previous year | " | 128·79 | 142·66 | 154·26 |
| (iv) Utilisation | " | 317·98 | 387·64 | 173·68 |
| 3. Employment generated | Million mandays | 354·52 | 350·01 | 158·68* |

* Upto end-December 1983.

*Source* : Ministry of Rural Development, Government of India.

are expected to be generated during the current year 1983-84 and 300 million mandays during 1984-85 which will be in addition to the creation of 300-400 million mandays of work annually under NREP. The State/Union Territory Governments are required to prepare specific projects which would be relevant to the 20-Point Programme and the Minimum Needs Programme, such as construction of rural link roads, field irrigation channels, land development, reclamation of waste land, social forestry and soil and water conservation, for approval and sanction by a Central Committee. The wage component in a project would not be less than 50 per cent of the total cost of the project. While preparing the projects, priority is being given to works in backward areas having a predominant population of unemployed landless labourers, especially, from the scheduled castes and scheduled tribes, works in areas where bonded labour exists, works in areas which are low wage pockets and works which would benefit women. The wages, under this Programme, would be fixed by the State Government and paid partly in cash and partly in kind (foodgrains) at subsidised rates. So far, 90 projects at an estimated cost of Rs.329·85 crores have been approved by the Central Sanctioning Committee.

## Chapter IV

# Industrial Production

### Trends in Industrial Production during 1983-84

*Overall Trends*

Industrial production as measured by the average of monthly general indices of industrial production (Base : 1970 = 100) compiled by the Central Statistical Organisation (CSO) at 183·3 recorded a higher growth rate of 5·5 per cent during the financial year 1983-84 (April-March) compared with 3·9 per cent in 1982-83 (Table IV-1). This higher growth was contributed by all the three sectors, viz., 'mining and quarrying', 'manufacturing' and 'electricity' which recorded rises of 11·5 per cent, 4·3 per cent and 7·6 per cent, respectively, as compared to 10·8 per cent, 2·5 per cent and 6·8 per cent, respectively, in the preceding year. The improvement in the performance of the industrial sector was facilitated by certain favourable factors such as better performance of infrastructural industries like coal, cement, electricity, etc., record agricultural production inducing increased demand for industrial goods, improvement in labour situation, and measures adopted by Government to assist industries by offering concessions/incentives, etc.

The performance would perhaps have been still better but for operation of certain factors which impeded industrial production. Among these mention may be made of still persisting large gap between supply and demand for critical infrastructural inputs like electricity, coal, steel, etc., disturbed conditions in Punjab; long drawn out strike in jute mills of West Bengal; sluggishness in demand for certain products both at home and abroad; strike of port and dock workers in March-April 1984 which further affected exports; and slow pace of modernisation of outdated machinery and technology in certain important industries like textiles, steel, power, etc.

It is also necessary to bear in mind that the current official index of industrial production with the base period of 1970 does not fully reflect the performance of some of the rapidly growing industries such as petroleum, petrochemicals, electronics, polyester filament yarn, nylon tyre cord, etc., which are either not covered or have low weights in the index. Besides, the index is based largely on data-furnished by registered manufacturing organisations to CSO; data relating to production in the unregistered manufacturing sector does not get

**Table IV—1 : 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 | | |
|---|---|---|---|---|
| | | 1981 - 82 | 1982-83 (p) | 1983-84 (p) |
| 1. | 2 | 3 | 4 | 5 |
| **General Index (Crude)** | **100·00** | **+ 8·6** | **+ 3·9** | **+ 5·5** |
| 1. Mining and Quarrying | 9·69 | +15·8 | +10·8 | +11·5 |
| 2. Manufacturing | 81·08 | + 7·5 | + 2·5 | + 4·3 |
| 3. Electricity | 9·23 | + 9·1 | + 6·8 | + 7·6 |
| **A. Use-based Classification :** | | | | |
| 1. Basic Industries | 32·28 | +12·7 | + 8·1 | +6·9 |
| 2. Capital Goods Industries | 15·25 | + 7·1 | –2·7 | +10·8 |
| 3. Intermediate Goods Industries | 20·95 | + 4·2 | +2·6 | +6·1 |
| 4. Consumer Goods Industries | 31·52 | + 8·2 | +3·7 | –0·3 |
| 5. (a) Durables | 3·41 | + 0·7 | +2·9 | +2·3 |
| (b) Non-durables | 28·11 | + 9·2 | +3·8 | –0·6 |
| **B. Input-based Classification:** | | | | |
| 1. Agro-based Industries | 33·68 | + 6·1 | +2·7 | +1·8 |
| 2. Metal-based Industries | 21·93 | + 5·7 | – 1·0 | +8·6 |
| 3. Chemical-based Industries | 12·86 | +13·4 | +3·1 | +5·5 |
| **C. Sectoral Indicators:** | | | | |
| 1. Transport Equipment and Allied Industries | 10·79 | +11·1 | +1·1 | +12·0 |
| 2. Electricity and Allied Industries | 14·53 | +8·0 | +3·4 | +7·0 |
| 3. Energy Output @ | 18·51 | +13·7 | +10·4 | +7·4 |

P: Provisional.
@ Consists of coal and lignite, petroleum crude and products and electricity.

fully reflected in the index. Thus, the true overall growth in industrial production could be understated by the movement in this index. In view of this, Government have already appointed a panel under the chairmanship of the Director General of CSO to examine the issues such as structure, coverage, composition and relative weights of different industries in the index of industrial production and to make recommendations for a revised weightage pattern.

During 1983-84, industries accounting for a combined weight of 70·25 per cent in the index of industrial production showed increases in their output compared to industries with a combined weight of 60·55 per cent in the previous year. Moreover, industries with a combined weight of 39·90 per cent recorded growth rates of 10 per cent and above during 1983-84 compared to industries with a combined weight of 24·28 per cent only in the previous year (Table IV-2). Thus, the growth in industrial production during 1983-84 was more broad-based than in 1982-83, and the combined weight of industries showing fall in their output was lower at 27·12 per cent compared to 36·82 per cent in 1982-83.

The six infrastructure-industries (*viz.*, electricity, coal, cement, petroleum crude, petroleum refinery products and saleable steel) together with a weight of 23·29 per cent in the general index, recorded overall growth of 6·7 per cent during 1983-84 on top of the growth of 8·8 per cent achieved during the preceding year. This increase would have been still higher but for a

**Table IV—2 : 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 | |
|---|---|---|
| | 1982 - 83(P) | 1983 - 84(P) |
| 1 | 2 | 3 |
| **A. Increase** | | |
| 1. Moderate : Less than 5% | 16·56 | 13·69 |
| 2. Marked : 5% and above | 43·99 | 56·56 |
| Of which : | | |
| 10% and above | 24·28 | 39·90 |
| 3. Total Weight (1 + 2) | 60·55 | 70·25 |
| **B. Decline** | | |
| 1. Moderate : Less than 5% | 20·73 | 6·07 |
| 2. Marked : 5% and above | 16·09 | 21·05 |
| Of which : | | |
| 10% and above | 12·42 | 11·51 |
| 3. Total Weight (1 + 2) | 36·82 | 27·12 |
| **Total (A + B)** | 97·37 | 97·37 |

P : Provisional.

significant fall of 12·3 per cent in the output of saleable steel during the year in contrast to an increase of 0·5 per cent last year. In the case of saleable steel, the Steel Authority of India Ltd. (SAIL) adopted a deliberate 'go- slow' policy in production with a view to reducing accumulated stocks arising out of slackness in demand. The SAIL, however, increased production of pig iron by 27·4 per cent during the year to meet the requirements of mini steel plants and brought about a shift in production pattern to high value sophisticated items with a view to effecting import substituation.

Electricity generation increased by 7·6 per cent in 1983-84 on top of 6·8 per cent in 1982-83. However, the gap between demand and supply of power increased to 10·8 per cent in 1983-84 from 9·2 per cent in 1982-83 due to rise in demand from agriculture, industry and transport sectors. Output of coal recorded higher increase of 6·1 per cent in 1983-84 as compared to 4·6 per cent in the preceding year. The coal industry continued to face heavy coal stocks which rose to 22·9 million tonnes at the end-March 1984 from 22·0 million tonnes at the end of same month last year. During 1983-84 output of petroleum crude increased by 23·6 per cent on top of 30·1 per cent in the previous year, of cement by 16·6 per cent on top of 9·5 per cent, and of petroleum refinery products by 5·9 per cent on top of 10·2 per cent.

There was a nominal increase in the revenue earning freight carried by the railways. Total goods carried by the railways during 1983-84 at 229·5 million tonnes (provisional) increased by 0·3 per cent as compared to 3·0 per cent during 1982-83 and 12·3 per cent in 1981-82. The lower rate of growth during the year under review was accounted for by the fall in tonnage of raw material for steel plants (-3·25 million tonnes), pig iron and finished steel from steel plants (-0·57 million tonnes) and iron ore for export (- 0·82 million tonnes) and 'others' (–4·49 million tonnes).

The Government of India, took following measures during 1983-84 to encourage industrial production.

1. The scheme of re-endorsement of capacities on the basis of past production was extended to 1983-84. In case of units whose production during 1982-83 was higher than the capacity already re-endorsed, re-endorsement

was permitted on the basis of production during 1982-83 plus 1/3rd thereof. Government also announced that further re-endorsement of capacity would be allowed during 1984-85 in the case of units which are able to achieve production higher than capacity already endorsed during 1983-84.

2. Government intensified the efforts of industrialising backward areas by announcing various subsidies including concessional finance and initiated special schemes for development of 'No Industry Districts'.

3. Central subsidy to States for the development of infrastructural facilities in 'No Industry Districts' upto one third of the total cost subject to a maximum of Rs.2 crores per district was also announced by Government.

4. The Industrial Development Bank of India (IDBI) liberalised its credit facilities to cover all industries for implementation of modernisation programmes.

5. The Industrial Finance Corporation of India (IFCI) has also broad-based its subsidy scheme to promote adoption of indigenously developed technology to cover all tiny, small and medium projects irrespective of source of assistance.

6. The Union Budget for 1984-85 provided excise duty concessions in respect of *khandsari* sugar, polyester cotton, blended fabrics, cotton fabrics, certain engineering goods, electronic and household appliances, printing and writing paper, kraft paper, etc. in order to encourage demand for these goods.

7. Custom duty on CNC system was reduced so as to enable indigenous machine tool manufacturers to offer CNC machine tools on competitive terms. Besides, custom duties on import of wood chips for making pulp for manufacturing paper and paper board were totally removed to encourage production of these goods.

8. The Government of India revised upwards prices of administered products such as coal, steel and cement to enable these industries to cover increases in the cost of production.

9. In the context of severe power constraints, Government encouraged the private sector units to install power generating sets. Suitable incentives, like reduction in levy quota in respect of cement, were provided to different industries which installed captive power plants to meet high cost of power generation.

*Industry Group-wise Analysis*

The groupwise trends in industrial production during the last three financial years are presented in Table IV-1.

The use-based classification of industrial production data show that the increase in growth rate of industrial production from 3·9 per cent in 1982-83 to 5·5 per cent in 1983-84 was contributed by three out of the four broad industrial groups, *viz.*, basic, capital goods, and intermediate goods industries. Production of the fourth group *viz.*, consumer goods industries, on the other hand, recorded a marginal decline.

Among the said three groups which contributed to increase in industrial production, the highest growth was achieved by capital goods industries. This group, which had made a negative contribution of 11 per cent in 1982-83, made a positive contribution of 33 per cent in 1983-84 to the overall increase in industrial production. Contribution of intermediate goods industries improved from 14 per cent in 1982-83 to 25 per cent in 1983-84. On the other hand, contribution of basic goods industries declined from 67 per cent to 44 per cent and that of consumer goods industries turned from positive 30 per cent to negative 2 per cent during the same period.

The basic industries group with a weight of 32·28 per cent in the general index registered a smaller growth of 6·9 per cent during 1983-84 compared to 8·1 per cent in the previous year. Within this group, output of electricity, coal, non-ferrous metal and cement recorded higher growth rates of 7·6 per cent, 6·1 per cent, 11·2 per cent and 16·6 per cent, respectively, compared to 6·8 per cent, 4·6 per cent, 5·6 per cent and 9·5 per cent, respectively, in 1982-83. On the other hand, petroleum crude and fertilisers (phosphatic and nitrogenous) recorded lower growth rates of 23·6 per cent and 3·6 per cent, respectively, compared to 30·1 per cent and 7·1

per cent, respectively, in the previous year. Production of steel metals declined by 9·0 per cent in contrast to the rise of 5·0 per cent last year, while that of ferro-alloys was lower by only 0·7 per cent as against the sharp decline of 22·3 per cent in 1982-83.

The next large group, viz., consumer goods industries (weight 31·52 per cent), registered a fall of 0·3 per cent during 1983-84 in contrast to an increase of 3·7 per cent in 1982-83. Under this group, consumer durables (weight 3·41 per cent) recorded a growth of 2·3 per cent compared with 2·9 per cent in 1982-83, while consumer non-durables (weight 28·11 per cent) registered a fall of 0·6 per cent in contrast to a rise of 3·8 per cent in the previous year; as a result the growth rate of this group turned out to be negative.

Within the sub-group of consumer durables, many industries showed further improvement in their production during 1983-84 compared to last year. Output of motor cycles and bicycles increased by 11·5 per cent in 1983-84 over and above the increase of 10·6 per cent in the previous year. Production of motor cars was higher by 7·6 per cent and that of jewellery by 23·9 per cent, compared to 2·3 per cent and 20·5 per cent, respectively during 1982-83. Production of electric fans rose by 12·1 per cent in 1983-84 as against 2·0 per cent in 1982-83.

Among the sub-group of consumer non-durable goods industries, output of cotton and blended/mixed fabrics (mill sector) showed a substantial increase of 14·0 per cent in contrast to a fall of 17·8 per cent in 1982-83. Production of electric lamps increased by 1·4 per cent compared to 2·5 per cent, while that of drugs and pharmaceuticals rose by 2·4 per cent as against a fall of 4·1 per cent during the previous year. Output of soaps and glycerine showed a higher rise of 7·2 per cent during 1983-84 than that of 5·4 per cent in the previous year. The industries which recorded fall in their production were : sugar (16·6 per cent in 1983-84 in contrast to a sharp increase of 31·4 per cent in 1982-83), tobacco manufactures (7·2 per cent as against a growth of 4·0 per cent in the preceding year), rubber footwear (6·7 per cent in contrast to a rise of 8·5 per cent) and dairy products (4·3 per cent in contrast to a high increase of 15·9 per cent in 1982-83). Writing and printing paper industry whose production was nearly stagnant in 1982-83 recorded a decline of 2·9 per cent in 1983-84.

The intermediate goods industries group (weight 20·95 per cent) registered a growth rate of 6·1 per cent in 1983-84 compared to only 2·6 per cent in the previous year. In this group, cotton and blended yarn and man-made fibres (including cellulose) registered increases of 12·6 per cent and 10·9 per cent respectively, during 1983-84, in contrast to a fall of 2·7 per cent and 3·9 per cent, respectively, during the previous year. Production of petroleum refinery products, and tyres and tubes rose by 5·9 per cent and 12·2 per cent compared to 10·2 per cent and 2·4 per cent, respectively, in the previous year. Output of metal products rose by 10·8 per cent as against the sharp increase of 29·6 per cent last year. Some intermediate goods industries registered declines in output. These included industries such as jute textiles (18·6 per cent as against a nominal rise of 0·3 per cent in 1982-83), asbestos cement (8·7 per cent compared to decline of only 4·1 per cent), grinding wheels and abrassives (17·0 per cent in contrast to a rise of 2·9 per cent), dry cells (1·8 per cent compared to a decline of 1·3 per cent) and tannaries and leather finishing plants (2·2 per cent compared to a fall of 8·3 per cent).

The capital goods industries group (weight : 15·25 per eent), which had shown a decline of 2·7 per cent in 1982-83, recorded a significant increase of 10·8 per cent during 1983-84. Among the industries which contributed to this improvement, mention may be made of railway rolling stock (15·9 per cent in contrast to a fall of 12·3 per cent), equipments for generation, transmission and distribution of electricity including transformers (25·0 per cent as against a fall of 10·4 per cent), textile machinery (7·3 per cent in contrast to a fall of 8·4 per cent), ship building and repairing (224·6 per cent in contrast to a fall of 15·4 per cent), buses, trucks and jeeps (3·4 per cent in contrast to a fall of

equal magnitude), etc. However, there were a few other industries which recorded declines in their output during 1983-84, such as railway locomotives (4·1 per cent in contrast to a rise of 6·9 per cent), internal combustion engines (5·2 per cent over and above the decline of 7·6 per cent), hand tools and small tools (7·4 per cent in contrast to a rise of 6·6 per cent) and electrical machinery (4·6 per cent as against a rise of 1·5 per cent).

**Industrial Growth during April-June 1984**

The uptrend in the growth of industrial production which set in from the second quarter (July-September) of 1983-84 continued during the remaining period of 1983-84 as well as during the first quarter (April-June) of the current financial year 1984-85. The average monthly index of industrial production during April-June 1984 at 183·1 recorded an increase of 6·3 per cent-nearly double the increase (3·4 per cent) during the corresponding quarter of 1983. This higher growth was contributed by all the three sectors covering the general index of industrial production. The growth rate during April-June 1984 was, however, lower than that of 7·8 per cent recorded in the preceding (January-March) quarter of 1984.

Sectorwise, output of 'mining and quarrying' and 'electricity' during the quarter was significantly higher by 15·8 per cent and 15·5 per cent respectively, compared to 5·3 per cent and 2·5 per cent, respectively, during the corresponding quarter of the previous year. 'Manufacturing' sector also recorded a growth of 3·6 per cent as compared with 3·3 per cent in April-June 1983. In the 'mining and quarrying' sector, the output of coal (excluding lignite) and petroleum crude recorded growth rates of 14·8 per cent and 22·4 per cent, respectively, as against a fall of 1·8 per cent and rise of 19·8 per cent, respectively, in April-June 1983.

The six infrastructure industries (viz., electricity, coal exclusive of lignite, petroleum crude, petroleum refinery products, saleable steel and cement) with a weight of 23·29 per cent in the general index of industrial production recorded a substantial increase of 14·7 per cent during April-June 1984 in contrast to a nominal decline of 0·7 per cent in the corresponding period of 1983.

In the manufacturing sector, some of the major industries recording higher production during April-June 1984 were : yarn (5·0 per cent on top of a rise of 11·0 per cent during the corresponding quarter of 1983), jute textiles (18·3 per cent in contrast to a fall of 9·9 per cent), commercial vehicles (10·3 per cent in contrast to a fall of 12·1 per cent), paper and paper products including newsprint (18·1 per cent in contrast to a fall of 8·4 per cent), nitrogenous fertilisers (22·6 per cent as against a fall of 12·7 per cent), phosphatic fertilisers (39·1 per cent in contrast to a fall of 12·5 per cent), aluminium (54·2 per cent as against a fall of 24·6 per cent), cigarettes (12·4 per cent in contrast to a fall of 22·6 per cent) and railway wagons (9·6 per cent in contrast to a fall of 2·6 per cent). Other industries which showed increases in production included power transformers (4·0 per cent over and above an increase of 10·7 per cent) and auto tyres (17·3 per cent as compared to 0·4 per cent).

The pick-up in production of these industries was the result of combination of several factors such as better availability of raw materials and infrastructural inputs, pick-up in demand following record agricultural output and improvement in labour situation. The performance of the manufacturing sector would have been even better if there were no declines in output of a few other industries. The industries which recorded declines in their output were streptomycin and penicillin (31·5 per cent and 0·5 per cent, respectively, in contrast to a rise of 36·9 per cent and 0·8 per cent, respectively), steel castings (9·8 per cent in contrast to a rise of equal magnitude), boilers and bolts, nuts and rivets (12·5 per cent and 21·8 per cent respectively, as against a rise of 15·1 per cent and 8·7 per cent, respectivley) and radio receivers (8·1 per cent over and above a fall of 20·9 per cent).

Further, while output of paper and pulp machinery, rubber machinery and electric

motors declined by 37·6 per cent, 8·2 per cent and 14·2 per cent, respectively, during the first quarter of 1984-85 in contrast to a significant improvement of 39·3 per cent, 73·8 per cent and 21·2 per cent, respectively, during the corresponding period of previous year, that of earth moving equipment and road rollers declined further by 17·2 per cent and 72·4 per cent, respectively, over and above the declines of 9·3 per cent and 55·9 per cent, respectively, during the first quarter of 1983-84.

**Capacity Utilisation**

Data on capacity utilisation available in respect of 50 industries accounting for a total weight of 39·09 per cent in the general index of industrial production are presented in Table IV-3. During 1983-84, while capacity utilisation improved in 27 out of those 50 industries but deteriorated in the remaining 23 industries.

*Basic Industries*

In this group, soda ash industry recorded the highest utilisation of capacity at 102·7 per cent as compared to 89·2 per cent during 1982-83. The other industries which improved their capacity utilisation were cement (from 75·9 per cent to 76·3 per cent), copper blister (from 72·5 per cent to 75·0 per cent), phosphatic fertilisers (from 68·6 per cent to 70·4 per cent), nitrogenous fertilisers (from 66·3 per cent to 67·5 per cent) and zinc (from 55·8 per cent to 64·9 per cent). In the case of saleable steel, capacity utilisation was deliberately kept low with a view to reducing accumulated stocks as also in keeping with the emphasis on higher production of pig iron to meet the demand of mini steel plants. The other industries whose capacity utilisation decreased during the year included steel castings, steel ingot, aluminium (virgin metal), caustic soda and lead.

*Capital Goods Industries*

In this group industries which improved their capacity utilisation were railway wagons (from 52·2 per cent during 1982-83 to 60·9 per cent during 1983-84), agricultural tractors (from 69·3 per cent to 84·0 per cent), power transformers and electric motors (from 54·4 per cent and 69·0 per cent to 71·0 per cent and 78·5 per cent, respectively) and sugar machinery (from 60·4 per cent to 68·0 per cent). Capacity utilisation, was however, lower during 1983-84 compared to the last year in the case of commercial vehicles, road rollers, machine tools, ball and roller bearings and cement machinery industries.

*Intermediate Goods Industries*

All industries under this group excepting polyester fibre and dry cells (excluding graphite electrodes and anodes) increased their capacity utilisation during 1983-84. Capacity utilisation exceeded cent per cent in nylon filament yarn industry and reached 104·2 per cent compared to 87·5 per cent during the previous year mainly due to increased demand. Capacity utilisation in newsprint industry improved substantially from 40·7 per cent in 1981-82 to 52·6 per cent in 1982-83 and further to 76·5 per cent in 1983-84 mainly due to full scale production in new mills Despite closure of many mills in Gujarat, capacity utilisation in the case of spinning of yarn improved to 68·0 per cent during 1983-84 from previous year's level of 62·2 per cent mainly due to end of the prolonged strike in Bombay mills. Automobile and bicycle tyres, petroleum products, viscose staple fibre, storage batteries, paints and varnishes, caprolactum and welding electrodes were the other industries which improved their capacity utilisation during the year. However, in the case of polyester fibre and dry cells, capacity utilisation declined from 75·9 per cent and 71·3 per cent in 1982-83 to 67·6 per cent and 71·0 per cent, respectively, in 1983-84.

*Consumer Goods Industries*

In this group, consumer durable goods industries such as scooters, motor cycles and mopeds, bicycles and domestic refrigerators recorded substantial improvement in capacity utilisation during 1983-84 compared with the previous year. Reflecting mainly the creation of

**Table IV—3 : Production, Installed Capacity and Capacity Utilisation Ratios of Selected Industries $**

| Group/Industry | Accounting Unit | April – March 1981 - 82 (Monthly Average) Production | Installed Capacity | Ratio (%) | 1982 - 83 (Monthly Average) Production | Installed Capacity | Ratio (%) | 1983 - 84 (Monthly Average) Production | Installed Capacity | Ratio (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **I. Basic Industries** | | | | | | | | | | |
| 1. Cement (Hydraulic) + + | '000 Tonnes | 1695·2 | 2438·2 | 69·5 | 1931·4 | 2545·2 | 75·9 | 2225·5 | 2915·8 | 76·3 |
| 2. Steel Castings ≡ | - do - | 6·8 | 13·9 | 48·9 | 7·2 | 13·9 | 51·8 | 7·5 | 15·4 | 48·7 |
| 3. Saleable Steel * | - do - | 604·7 | 725·0 | 83·4 | 607·8 | 725·0 | 83·8 | 533·1 | 745·0 | 71·6 |
| 4. Ingot Steel * | - do - | 716·5 | 950·0 | 75·4 | 718·8 | 950·0 | 75·7 | 660·7 | 963·3 | 68·6 |
| 5. Aluminium (Virgin Metal) ≡ | - do - | 17·3 | 26·8 | 64·6 | 17·4 | 26·8 | 64·9 | 18·3 | 30·2 | 60·6 |
| 6. Copper (Blister) ≡ | - do - | 2·3 | 4·0 | 57·5 | 2·9 | 4·0 | 72·5 | 3·0 | 4·0 | 75·0 |
| 7. Zinc + | - do - | 4·8 | 7·7 | 62·3 | 4·3 | 7·7 | 55·8 | 5·0 | 7·7 | 64·9 |
| 8. Caustic Soda ≡ | - do - | 51·0 | 64·8 | 78·7 | 50·2 | 68·1 | 73·7 | 54·2 | 80·8 | 67·1 |
| 9. Soda Ash ≡ | - do - | 52·6 | 52·8 | 99·6 | 50·6 | 56·7 | 89·2 | 65·1 | 63·4 | 102·7 |
| 10. Nitrogenous Fertilisers ≡ (N content) | - do - | 262·0 | 393·3 | 66·6 | 284·0 | 428·3 | 66·3 | 291·0 | 430·8 | 67·5 |
| 11. Phosphatic Fertilisers ($P_2O_5$) ≡ | - do - | 79·0 | 117·5 | 67·2 | 81·2 | 118·3 | 68·6 | 87·4 | 124·2 | 70·4 |
| 12. Lead + | - do - | 1·2 | 1·5 | 80·0 | 1·2 | 1·5 | 80·0 | 1·2 | 2·5 | 48·0 |
| **II. Capital Goods Industries** | | | | | | | | | | |
| 1. Commercial Vehicles ≡ (Buses and Trucks) | '000 Nos. | 7·6 | 8·6 | 88·4 | 7·2 | 8·6 | 83·7 | 7·4 | 9·1 | 81·3 |
| 2. Railway Wagons ≡ (In terms of 4 wheelers) | - do - | 1·4 | 2·3 | 60·9 | 1·2 | 2·3 | 52·2 | 1·4 | 2·3 | 60·9 |
| 3. Road Rollers ≡ | Nos. | 83·4 | 150·0 | 55·6 | 96·1 | 150·0 | 64·1 | 47·8 | 150·0 | 31·9 |
| 4. Agricultural Tractors ≡ | '000 Nos. | 7·0 | 8·3 | 84·3 | 5·2 | 7·5 | 69·3 | 6·3 | 7·5 | 84·0 |
| 5. Power Transformers ≡ | '000 KVA | 1749·3 | 2880·0 | 60·7 | 1567·5 | 2880·0 | 54·4 | 1951·7 | 2750·0 | 71·0 |
| 6. Electrical Motors ≡ | '000 H.P. | 381·5 | 559·0 | 68·2 | 386·3 | 560·0 | 69·0 | 458·0 | 583·3 | 78·5 |
| 7. Machine Tools ≡ | Rs. crores | 21·7 | 19·2 | 113·0 | 23·2 | 26·1 | 88·9 | 22·3 | 28·3 | 78·8 |
| 8. Sugar Machinery ≡ | - do - | 2·2 | 4·3 | 51·2 | 2·9 | 4·8 | 60·4 | 3·4 | 5·0 | 68·0 |
| 9. Ball and Roller Bearings ≡ | Lakh Nos. | 31·4 | 37·5 | 83·7 | 30·6 | 41·7 | 73·4 | 33·9 | 50·0 | 67·8 |
| 10. Cement Machinery ≡ | Rs. crores | 3·6 | 4·7 | 76·6 | 3·5 | 5·7 | 61·4 | 3·5 | 6·2 | 56·5 |
| **III. Intermediate Goods Industries** | | | | | | | | | | |
| 1. Tyres-Automobiles ≡ | '000 Nos. | 630·4 | 866·7 | 72·7 | 619·1 | 941·7 | 65·7 | 701·3 | 958·3 | 73·2 |
| 2. Tyres - Cycles ≡ | - do - | 2171·9 | 2833·3 | 76·7 | 2283·5 | 2833·3 | 80·6 | 2727·5 | 2833·3 | 96·3 |
| 3. Petroleum Products £ | Million Tonnes | 2·4 | 2·5 | 96·0 | 2·6 | 3·2 | 81·2 | 2·7 | 3·2 | 84·4 |
| 4. Viscose Staple Fibre + | '000 Tonnes | 7·0 | 8·8 | 79·5 | 4·1 | 10·4 | 39·4 | 6·8 | 10·4 | 65·4 |
| 5. Polyster Fibre ≡ | - do - | 2·4 | 2·9 | 82·8 | 2·2 | 2·9 | 75·9 | 2·3 | 3·4 | 67·6 |
| 6. Nylon Filament Yarn ≡ | - do - | 1·9 | 2·0 | 95·0 | 2·1 | 2·4 | 87·5 | 2·5 | 2·4 | 104·2 |
| 7. Storage Batteries ≡ | '000 Nos. | 164·7 | 222·0 | 74·2 | 157·8 | 232·0 | 68·0 | 168·1 | 220·8 | 76·1 |

— (Contd.)

**Table IV-3 : Production, Installed Capacity and Capacity Utilisation Ratios of Selected Industries$ *(concld.)***

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| 8. Dry Cells ≡ (Excluding graphite electodes and anodes) | Million Nos. | 92·2 | 125·3 | 73·6 | 92·9 | 130·3 | 71·3 | 89·0 | 125·3 | 71·0 |
| 9. Paints and Varnishes ≡ | Lakh Kgs. | 80·8 | 124·7 | 64·8 | 91·7 | 125·4 | 73·1 | 93·3 | 125·4** | 74·4 |
| 10. Caprolactum + | '000 Tonnes | 0·8 | 1·7 | 47·1 | 1·1 | 1·7 | 64·7 | 1·3 | 1·7 | 76·5 |
| 11. Welding Electodes ≡ | MRM | 43·3 | 61·8 | 70·1 | 51·3 | 61·8 | 83·0 | 57·9 | 61·8 | 93·7 |
| 12. Cotton Spinning | — | — | — | 75·5 | — | — | 62·2 | — | — | 68·0 |
| 13. News Print + + + | '000 Tonnes | 5·1 | 12·5 | 40·7 | 10·1 | 19·2 | 52·6 | 14·7 | 19·2 | 76·5 |
| **IV. Consumer Goods Industries** | | | | | | | | | | |
| *(a) Durables* | | | | | | | | | | |
| 1. Passenger Cars ≡ | '000 Nos. | 3·5 | 4·4 | 79·6 | 3·6 | 4·4 | 81·8 | 3·9 | 6·1 | 63·9 |
| 2. Electric Fans ≡ | - do - | 334·5 | 408·0 | 82·0 | 341·2 | 376·0 | 90·7 | 382·6 | 500·0 | 76·5 |
| 3. Bicycles ≡ | - do - | 405·4 | 433·3 | 93·6 | 406·8 | 575·0 | 70·7 | 463·4 | 583·3 | 79·4 |
| 4. Typewriters ≡ | - do - | 8·0 | 11·7 | 68·4 | 9·6 | 12·2 | 78·7 | 8·7 | 13·0 | 66·9 |
| 5. Domestic Refrigerators ≡ | - do - | 27·3 | 28·3 | 96·5 | 30·7 | 46·9 | 65·5 | 41·4 | 46·9 | 88·3 |
| 6. Sewing Machines ≡ | - do - | 28·8 | 46·3 | 62·2 | 27·4 | 47·8 | 57·3 | 28·3 | 47·8 | 59·2 |
| 7. Scooters, Motor Cycles & Mopeds + | - do - | 43·8 | 56·0 | 78·2 | 52·8 | 62·5 | 84·5 | 65·4 | 66·7 | 98·1 |
| *(b) Non-durables :* | | | | | | | | | | |
| 1. Vanaspati ≡ | '000 Tonnes | 72·1 | 115·4 | 62·5 | 73·7 | 117·9 | 62·5 | 74·1 | 121·7 | 60·9 |
| 2. Synthetic Detergents ≡ (Organised Sector) | - do - | 13·7 | 20·0 | 68·5 | 14·1 | 23·1 | 61·0 | 12·0 | 23·9 | 50·2 |
| 3. Sugar ≡ | Million Tonnes | 0·5 | 0·5 | 100·0 | 0·7 | 0·6 | 116·7 | 0·6 | 0·6 | 100·0 |
| 4. Leather Footwear ≡ (Organised Sector) | Lakh Pairs | 12·1 | 17·9 | 67·6 | 10·9 | 16·8 | 64·9 | 11·9 | 18·8 | 63·3 |
| 5. Rubber Footwear ≡ | - do - | 31·5 | 47·5 | 66·3 | 34·1 | 47·5 | 71·8 | 31·9 | 46·9 | 68·0 |
| 6. Cloth Weaving (Mill sector) | — | — | — | 73·7 | — | — | 54·5 | — | — | 67·0 |
| 7. Paper and Paper Boards × × × (Excluding Newsprint) | '000 Tonnes | 101·5 | 151·4 | 67·0 | 101·5 | 169·6 | 63·6 | 98·5 | 180·4 | 54·6 |
| 8. Electric Lamps ≡ (Incandescent Filament excluding flourescent) | Million Nos. | 22·2 | 21·4 | 103·7 | 22·8 | 23·2 | 98·3 | 22·9 | 28·7 | 79·8 |

$ Figures are provisional. Data used in the Table may vary with those given in the last year's Report on Currency and Finance due to differences in Sources.

** – Last year's figure is repeated.

*Sources:* + Production data from DGTD and installed capacity data from Mid-term Appraisal, Sixth Plan.

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

* Steel Authority of India Ltd.

+ + Cement Manufacturers' Association.

+ + + Production data from DGTD and installed capacity data from Indian Paper Mills' Association.

× × × Production data from CSO and installed capacity data from Indian Paper Mills' Association.

£ Ministry of Energy, Department of Petroleum.

additional capacity during 1983-84; the utilisation ratio in the case of passenger cars came down significantly to 63·9 per cent from 81·8 per cent during 1982-83. In the case of typewriters, the utilisation ratio declined on account of shift in demand from portable typewritors to electric/electronic typewriters. As regards consumer non-durable goods industries, only cloth weaving (mill sector) recorded a higher capacity utilisation from 54·5 per cent during 1982-83 to 67·0 per cent during 1983-84. Capacity utilisation declined from 63·6 per cent to 54·6 per cent in paper and paper board and from 98·3 per cent to 79·8 per cent in electric lamps industries. Other non-durable consumer goods showing lower capacity utilisation were vanaspati, sugar, leather footwear and rubber footwear.

Frequency distribution of 50 industries according to their capacity utilisation ratio is presented in Table IV-4. It is observed that only 10 industries recorded more than 80 per cent capacity utilisation in 1983-84 as compared to 13 in 1982-83.

**Small-Scale Sector**

Total value of production in the small- scale sector in 1983-84 has been estimated at Rs.30,200 crores at 1979-80 prices showing a growth of 9·0 per cent in 1983-84 as compared to the growth of 6·9 per cent in 1982-83 (Table IV-5). In the field of exports, this sector occupies a significant position and its contribution to the total exports of the country is estimated to be nearly one-fourth. This sector exceeded the target for production and employment fixed for 1983-84. The target of production for 1984-85 has been fixed at Rs.32,873 crores which implies a growth rate of 8·9 per cent.

As regards developments in the small scale sector, during 1983-84, 12 new branch Small Industries Services Institutes were sanctioned of which 11 started functioning. Besides, extension services were further strengthened during the year. An Advisory Committee was constituted to recommend items for reservation in the small sector. Another important development was increase in the rate of subsidy from 50 per cent to 75 per cent for transport activities.

With a view to providing self-employment to educated unemployed youths (who are atleast matriculates and are between the age group of 18 years to 35 years), a scheme was introduced in August 1983 for providing loan assistance upto Rs.25,000 per applicant. As against the target of 2·5 lakh entrepreneurs to be covered under this scheme during 1983-84, over 4·3 lakh applications were recommended to financial institutions for such loans. Over Rs.400 crores of assistance was sanctioned to more than 2·4 lakh loan applicants.

A National Board for Entrepreneurial Development and an Institute for Enterpreneurship and Small Business Development were established for laying down policies and programmes in the field of entrepreneurship development.

From 1983-84 National Awards scheme has been introduced with a view to giving recognition and encouragement to entrepreneurs in the small-scale sector as part of implementation of the New 20 Point Programme. For 1983-84, 19 State Governments and Union Territories recommended 72 applications to the National Level Selection Committee for grant of awards.

**District Industries Centres**

The number of District Industries Centres (DICs) sanctioned by the Government remained unchanged at 395 during 1983-84,these covered 408 districts out of a total of 413 districts in the country (except the four metropolitan cities of Bombay, Calcutta, Delhi and Madras which are outside the purview of the DIC programme).

Under the aegis of District Industries Centres, an estimated 4·38 lakh new units (comprising 3·50 lakh artisan-based units and 0·88 lakh small-scale units) were established during 1983-

**Table IV–4 : Frequency Distribution of Capacity Utilisation Ratios of Selected Industries**

| Range of Capacity Utilisation Ratio in 1983-84 | Industry | Capacity Utilisation Ratio % April-March | | | Percentage Variation | |
|---|---|---|---|---|---|---|
| | | 1983-84 (p) | 1982-83 (p) | 1981-82 (p) | 1983-84 over 1982-83 | 1982-83 over 1981-82 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | **A. Basic Industries** | | | | | |
| Above 80 | 1. Soda Ash | 102·7 | 89·2 | 99·6 | + 15·1 | – 10·4 |
| Between 70 and 80 | 2. Cement (Hydraulic) | 76·3 | 75·9 | 69·5 | + 0·5 | + 9·2 |
| | 3. Copper Blister | 75·0 | 72·5 | 57·5 | + 3·4 | + 26·1 |
| | 4. Saleable Steel | 71·6 | 83·8 | 83·4 | – 14·6 | + 0·5 |
| | 5. Phosphatic Fertilisers ($P_2O_5$) | 70·4 | 68·6 | 67·2 | + 2·6 | + 2·1 |
| Between 60 and 70 | 6. Ingot Steel | 68·6 | 75·7 | 75·4 | – 9·4 | + 0·4 |
| | 7. Caustic Soda | 67·1 | 73·7 | 78·7 | – 9·0 | – 6·4 |
| | 8. Nitrogenous Fertilisers (N Content) | 67·5 | 66·3 | 66·6 | + 1·8 | – 0·5 |
| | 9. Zinc | 64·9 | 55·8 | 62·3 | + 16·3 | – 10·4 |
| | 10. Aluminium (Virgin Metal) | 60·6 | 64·9 | 64·6 | – 6·6 | + 0·5 |
| Below 60 | 11. Steel Castings | 48·7 | 51·8 | 48·9 | – 6·0 | + 5·9 |
| | 12. Lead | 48·0 | 80·0 | 80·0 | – 40·0 | – |
| | **B. Capital Goods Industries** | | | | | |
| Above 80 | 1. Agricultural Tractors | 84·0 | 69·3 | 84·3 | + 21·2 | – 17·8 |
| | 2. Commercial Vehicles (Buses & Trucks) | 81·3 | 83·7 | 88·4 | – 2·9 | – 5·3 |
| Between 70 and 80 | 3. Machine Tools | 78·8 | 88·9 | 113·0 | – 11·4 | – 21·3 |
| | 4. Electric Motors | 78·5 | 69·0 | 68·2 | + 13·8 | + 1·2 |
| | 5. Power Transformers | 71·0 | 54·4 | 60·7 | + 30·5 | – 10·4 |
| Between 60 and 70 | 6. Sugar Machinery | 68·0 | 60·4 | 51·2 | + 12·6 | + 18·0 |
| | 7. Ball and Roller Bearings | 67·8 | 73·4 | 83·7 | – 7·6 | – 12·3 |
| | 8. Railway Wagons (In terms of 4 wheelers) | 60·9 | 52·2 | 60·9 | + 16·7 | – 14·3 |
| Below 60 | 9. Cement Machinery | 56·5 | 61·4 | 76·6 | – 8·0 | – 19·8 |
| | 10. Road Rollers | 31·9 | 64·1 | 55·6 | – 50·2 | + 15·3 |
| | **C. Intermediate Goods Industries** | | | | | |
| Above 80 | 1. Nylon Filament Yarn | 104·2 | 87·5 | 95·0 | + 19·1 | – 7·9 |
| | 2. Tyres–Cycles | 96·3 | 80·6 | 76·7 | + 19·5 | + 5·1 |
| | 3. Welding Electrodes | 93·7 | 83·0 | 70·1 | + 12·9 | + 18·4 |
| | 4. Petroleum-Products | 84·4 | 81·2 | 96·0 | + 3·9 | – 15·4 |
| Between 70 and 80 | 5. Newsprint | 76·5 | 52·6 | 40·7 | + 45·4 | + 29·2 |
| | 6. Caprolactum | 76·5 | 64·7 | 47·1 | + 18·2 | + 37·4 |
| | 7. Storage Batteries | 76·1 | 68·0 | 74·2 | + 11·9 | – 8·4 |
| | 8. Paints and Varnishes | 74·4 | 73·1 | 64·8 | + 1·8 | + 12·8 |
| | 9. Tyres–Automobiles | 73·2 | 65·7 | 72·7 | + 11·4 | – 9·6 |
| | 10. Dry Cells (Excluding graphite electrodes and anodes) | 71·0 | 71·3 | 73·6 | – 0·4 | – 3·1 |
| Between 60 and 70 | 11. Cotton–Spinning | 68·0 | 62·2 | 75·5 | + 9·3 | – 17·6 |
| | 12. Polyester Fibre | 67.6 | 75·9 | 82·8 | – 10·9 | – 8·3 |
| | 13. Viscose Staple Fibre | 65·4 | 39·4 | 79·5 | + 66·0 | – 50·4 |

(contd.)

**Table IV–4 : Frequency Distribution of Capacity Utilisation Ratios of Selected Industries**—*(Concld.)*

| Range of Capacity Utilisation Ratio in 1983-84 | Industry | Capacity Utilisation Ratio % April-March | | | Percentage Variation | |
|---|---|---|---|---|---|---|
| | | 1983-84 (P) | 1982-83 (P) | 1981-82 (P) | 1983-84 over 1981-82 | 1982-83 over 1982-83 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | **D. Consumer Goods Industries** | | | | | |
| | *(a) Durables :* | | | | | |
| Above 80 | 1. Scooters, Motor Cycles & Mopeds | 98·1 | 84·5 | 78·2 | + 16·1 | + 8·1 |
| | 2. Domestic Refrigerators | 88·3 | 65·5 | 96·5 | + 34·8 | -32·1 |
| Between 70 & 80 | 3. Bicycles | 79·4 | 70·7 | 93·6 | + 12·3 | - 24·5 |
| | 4. Electric Fans | 76·5 | 90·7 | 82·0 | - 15·7 | + 10·6 |
| Between 60 & 70 | 5. Typewriters | 66·9 | 78·7 | 68·4 | - 15·0 | + 15·1 |
| | 6. Passenger Cars | 63·9 | 81·8 | 79·6 | - 21·9 | + 2·8 |
| Below 60 | 7. Sewing Machines | 59·2 | 57·3 | 62·2 | + 3·3 | - 7·9 |
| | *(b) Non-durables :* | | | | | |
| Above 80 | 1. Sugar | 100·0 | 116·7 | 100·0 | - 14·3 | + 16·7 |
| Between 70 & 80 | 2. Electric lamps (Incandescent Filament) | 79·8 | 98·3 | 103·7 | - 18·8 | - 5·2 |
| Between 60 & 70 | 3. Rubber and Canvas Footwear | 68·0 | 71·8 | 66·3 | - 5·3 | + 8·3 |
| | 4. Cloth weaving | 67·0 | 54·5 | 73·7 | + 22·9 | - 26·1 |
| | 5. Leather Footwear (Organised Sector) | 63·3 | 64·9 | 67·6 | - 2·5 | - 4·0 |
| | 6. Vanaspati | 60·9 | 62·5 | 62·5 | - 2·6 | - |
| Below 60 | 7. Paper and Paper Boards (excl. Newsprint) | 54·6 | 63·6 | 67·0 | - 14·2 | - 5·1 |
| | 8. Synthetic Detergents (Organised Sector) | 50·2 | 61·0 | 68·5 | - 17·7 | - 10·9 |

*P* Provisional

84 (April-March) as compared to 3·65 lakh new units (2·91 lakh artisan oriented units and 74 thousand small-scale units) during 1982-83 (Table IV-6). The new units were expected to generate additional employment opportunities for about 13·80 lakh persons as compared to 11·82 lakh persons during the previous year. The credit assistance provided by banks and other financial institutions amounted to Rs.560·32 crores during 1982-83.

## Industrial Sickness

Latest data (upto June 1983) on industrial sickness show further rise in the 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, increased to 463 at end-June 1983 from 435 as at end-June 1982 (Table IV-7). The bank credit outstanding against these units amounted to Rs.1,913·10 crores at end-June 1983 as compared to Rs.1,728·95 crores a year ago, showing an increase of Rs.184·15 crores. Industry-wise, the incidence of sickness was high in the case of textiles. The number of sick units in this industry increased from 111 to 119, and the amount outstanding against them rose from Rs.515·55 crores at the end of June 1982 to Rs.579·83 crores at the end of June 1983. In the case of iron and steel and sugar, the number of sick units declined marginally but the amount of bank credit outstanding against them increased by Rs.4·12 crores and Rs.30·77 crores,respectively. State-wise, West Bengal, Maharashatra, Uttar Pradesh, Gujarat, Tamil Nadu and Karnataka together accounted for 363 sick units involving total outstanding bank credit of Rs.1,603·61 crores (83·82 per cent of total outstanding bank credit) at the end of June 1983; a year ago they had 349 sick units involving outstanding bank credit of Rs.1,453·69 crores (84·08 per cent of total outstanding bank credit). (Table IV-7 A).

**Table IV–5 : Small-scale Sector**

| Item | (April–March) 1980-81 | 1981-82 | 1982-83 (Estimated) | 1983-84 (Anticipated) | 1984-85 (Target) |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Production (Rupees Crores at 1979-80 Prices) | 23,566 | 25,920 | 27,700 | 30,200 | 32,873 |
| Exports (Rupees Crores) | 1,549 | 2,067 | 2,095 | N.A. | 1,850 |
| Employment (Lakh persons) | 71 | 75 | 79 | 84 | 89 |

N.A. = Not available.
*Source* : Office of the Development Commissioner, Small-Scale Industries, Ministry of Industry.

The number of sick industrial units identified by banks in the small-scale sector more than doubled, rising to 64,388 units at end-June 1983 from 26,973 at end-June 1982. Bank credit outstanding against these units rose to Rs.626·52 crores at end-June 1983 from Rs.393·67 crores a year ago. Out of 64,388 small sick units, 5,983 units with outstanding credit of Rs.194·50 crores were considered by banks as potentially viable and 50,384 units with outstanding credit of Rs.354·63 crores as non-viable units. Banks have yet to assess the viability of the remaining 8,021 units with outstanding credit of Rs.77·39 crores. Of the viable units, 2,257 units were under banks' nursing programme.

As regards overall incidence of sickness in industrial units (small and big) financed by the banking system, there were 66,062 sick units involving an amount of Rs.2,792·67 crores which constituted 7·9 per cent of banks' total advances.

In order to curtail sickness among small-scale units, a number of remedial measures were taken by the Reserve Bank, Industrial Development Bank of India, other financial institutions, etc. Under the Margin Money Scheme for revival of sick units, a sum of Rs.54 lakhs was sanctioned to five State Governments for 1983-84. The All-India Small Scale Industries Board constituted a Standing Committee on Industrial Sickness to suggest remedial measures for rehabilitation of sick units.

The Tiwari Committee appointed by the Reserve Bank to look into legal and other difficulties faced by banks and other financial institutions in rehabilitation of sick industrial undertakings and to suggest remedial measures, including changes in law, submitted its final report in July 1983 which is under consideration of the Government of India.

In December 1983, the Government of India decided to set up a Guidance Committee to examine cases of production units beset with problems of temporary nature and suggest various alternative measures for resolving their problems. The Committee will examine cases referred to it by the Reserve Bank, public financial institutions, commerical banks and Administrative Ministries /Departments of the Central Government; it will not, however consider cases of units taken over by the Government under the provisions of the Industries (Development and Regulation) Act, 1951 and cases of nationalised units.

With a view to making it the principal credit agency for revival of sick units, the Industrial Reconstruction Corporation of India (IRCI) would be converted into a statutory corporation to be known as Industrial Reconstruction Bank of India (IRBI). A Bill introduced in the Lok

**Table IV-6 : Performance of District Industries Centres**

| Item | Total Achievements (April-March) | | | Per DIC Achievement (April-March) | |
|---|---|---|---|---|---|
| | 1981-82 | 1982-83 | 1983-84@ | 1981-82 | 1982-83 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. No. of DICs reporting | 333 | 379 | 395 | – | – |
| 2. New Registration done (Nos.) : | 1,88,195 | 2,69,691 | N. A. | 565 | 712 |
| 3. New Units established : | | | | | |
| *i) Artisans* | 2,38,241 | 2,91,466 | 3,49,970 | 716 | 769 |
| *ii) SSI* | 69,980 | 73,777 | 88,480 | 210 | 195 |
| Total | 3,08,221 | 3,65,243 | 4,38,450 | 926 | 964 |
| 4. Sick Units assisted (Nos.) | 485 | 5,594 | N.A | 1·5 | 15 |
| 5. Credit assistance provided by financial institutions (Rupees in crores) | 424·38 | 560·32 | N.A. | 1·27 | 1·48 |
| 6. Additional Employment generated (No. of Persons) | 9,57,215 | 11,82,260 | 13,80,000 | 2,875 | 3,119 |
| 7. Units given technical and other assistance (Nos.) | 1.88,558 | 40,468 | N.A. | 566 | 107 |

N.A. Not available.
@ Expected Achievements.
*Sources :* Office of the Development Commissioner, Small-Scale Industries, Ministry of Industry.

Sabha for this purpose was passed on August 7, 1984. The IRBI's functions would cover not only reconstruction assistance to sick units but also developmental assistance combined with merchant banking. The new institution would be empowered to take certain decisions in confirmity with MRTP and FERA rules so as to permit large multinational houses to participate in reconstruction plans for sick units. Besides, it would be empowered to expedite cases of amalgamation. The IRCI could take over any sick unit under its assistance but the proposed IRBI would be empowered to take over any sick unit under its assistance for the purpose of managing and running it.

**Industrial Licensing Policies**

During 1983-84, a number of policy changes were made by the Government to foster industrial growth and accelerate its pace as also to keep abreast of changes in other sectors of Government activity. Some of the important policy changes were as follows :

(1) The scheme of re-endorsement of capacities on the basis of past production introduced in April 1982 was extended to 1983-84 and further to 1984-85. Re-endorsement of capacities during the year 1983-84 was to be done on the basis of the highest level of production achieved during the last five years ending 1982-83 plus one-third thereof in the case of industrial undertakings which had not availed of the scheme during 1982-83. In the case of units whose production during 1982-83 was higher than the capacity already re-endorsed, re-endorsement was to be done on the basis of production during 1982-83 plus one-third thereof. In April 1984, the Government announced that further re-endorsement of capacity would be allowed during 1984-85 in the case of undertakings which would be able to achieve production higher than the capacity already endorsed during 1983-84. This has been done with a view to enabling the industrial undertakings to maximise production without any capacity constraints. These facilities, however, have not been made available in respect of reserved items and industries subject to special regulation and licensing whether due to shortage of raw materials or due to structural policy of the Government. For MRTP/FERA companies these facilities would be restricted to items in Appendix I of the Industries (Development and Regulation) Act, 1951.

**Table IV–7 : Sick Industrial Units and Outstanding Bank Credit.**

*(Rupees crores)*

| Industry | End-June 1982 | | End-June 1983 | |
|---|---|---|---|---|
| | 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 | 91 | 345·23 | 101 | 365·74 |
| 2. Iron and Steel | 39 | 138·33 | 38 | 142·45 |
| 3. Textiles | 111 | 515·55 | 119 | 579·83 |
| 4. Chemicals | 25 | 194·13 | 27 | 209·24 |
| 5. Sugar | 45 | 149·34 | 44 | 180·11 |
| 6. Jute | 37 | 111·35 | 37 | 120·53 |
| 7. Rubber | 15 | 100·41 | 16 | 108·33 |
| 8. Cement | 3 | 12·08 | 3 | 9·23 |
| 9. Miscellaneous | 69 | 162·53 | 78 | 197·64 |
| **Total** | **435** | **1,728·95** | **463** | **1,913·10** |

**Table IV-7A : State-wise Classification of Sick Industrial Units and Outstanding Bank Credit**

*(Rupees crores)*

| States/Union Territories | End-June 1982 | | End-June 1983 | |
|---|---|---|---|---|
| | No. of units | Amount of outstanding Bank Credit | No. of units | Amount of outstanding Bank Credit |
| 1 | 2 | 3 | 4 | 5 |
| 1. Andhra Pradesh | 13 | 31·64 | 17 | 35·25 |
| 2. Assam | 2 | 2·28 | 2 | 1·86 |
| 3. Bihar | 13 | 41·16 | 13 | 44·27 |
| 4. Delhi | 1 | 7·82 | 2 | 5·01 |
| 5. Goa | 4 | 7·32 | 5 | 9·92 |
| 6. Gujarat | 42 | 131·73 | 42 | 151·95 |
| 7. Haryana | 6 | 12·43 | 9 | 22·11 |
| 8. Karnataka | 20 | 140·64 | 27 | 173·11 |
| 9. Kerala | 17 | 73·51 | 16 | 71·32 |
| 10. Madhya Pradesh | 16 | 35·58 | 20 | 54·00 |
| 11. Maharashtra | 88 | 355·22 | 92 | 405·48 |
| 12. Orissa | 3 | 18·36 | 3 | 18·97 |
| 13. Pondicherry | 2 | 5·78 | 2 | 3·28 |
| 14. Punjab | 3 | 4·31 | 4 | 6·31 |
| 15. Rajasthan | 6 | 35·07 | 7 | 37·19 |
| 16. Tamil Nadu | 35 | 216·33 | 40 | 228·24 |
| 17. Uttar Pradesh | 53 | 183·60 | 54 | 220·89 |
| 18. West Bengal | 111 | 426·17 | 108 | 423·94 |
| **Total** | **435** | **1,728·95** | **463** | **1,913·10** |

(2) Certain industries of national importance have been exempted from the provisions of Sections 21 and 22 of the MRTP Act implying that the MRTP units engaged in either substantial expansion or setting up of new capacities in these industries will not need MRTP clearance. This is subject to the condition that the promotor's contribution should not be less than 20 per cent of the project cost and debt equity ratio is not higher than 2:1.

(3) In order to promote equitable regional dispersion of industries and to relieve congestion of thickly populated urban areas, the industrially backward areas have been classified into three categories, viz., A, B and C (see last year's Report). A major impediment to industrialisation of backward regions, especially the 'No-Industry Districts,' is the absence of infrastructural facilities. In this context, a scheme has been drawn up by the Central Government for assisting State Governments to take up infrastructural development in one or more identified growth centres in each 'No-Industry District'. The assistance from the Central Government is limited to one-third of the total cost of infrastructural development, subject to a maximum of Rs.2 crores per district. The IDBI has also drawn up a scheme for supplementing the efforts of State Governments through loan assistance.

(4) The Government also initiated the Nucleus Plant Programme in selected backward areas. This programme is based on the consideration that industrialisation of backward areas would be facilitated by establishing such industries with strong ancillarisation possibilities. The nucleus plant would be under obligation to provide technology, design, documentation and training as well as new raw materials to its ancillaries. Nucleus plants located in cateogry 'A' districts would receive government subsidy at the rate of 25 per cent, while those in categories 'B' and 'C' districts, would receive a subsidy at the rate of 20 per cent and 15 per cent, respectively. Nucleus plants are also eligible for certain other facilities like exemption from sales tax liability, interest- free sales tax loan, capital investment subsidy from State funds, etc.

(5) During the year, the Industries (Development and Regulation) Act, 1951 and all rules and orders issued under it have been extended to the State of Sikkim from April 1983. All entrepreneurs, wishing to establish an industry in Sikkim, have to obtain industrial licence under the Act.

(6) With a view to protecting environment- especially in the vicinity of national parks, sanctuaries and national monuments- essential particulars are now being obtained from applicants for industrial licences.

(7) The Industries (Development and Regulation) Act, 1951 was amended in 1984 to confer specific powers on the Central Government to define 'Small Scale Undertakings' and to reserve specific items for exclusive production by such undertakings. Where existing industrial undertakings are already manufacturing 'reserved' items, the Government will call for their industrial licences and endorse thereon production capacity of the units.

(8) With effect from April 1, 1983, the quantum of transport subsidy for industrial units located in hilly, remote and inaccessible areas for expenditure incurred on movement of raw materials and finished goods to and from designated rail-heads to actual sites of industrial units has been raised from 50 per cent to 75 per cent.

(9) For expeditious clearance of all investment proposals emanating from non-resident Indians, a Special Approval Committee has been constituted. This Committee will decide and clear at a single point all proposals relating to industrial investment by non-resident Indians which involve (a) grant of industrial licence, registration and any other similar permission; (b) foreign collaboration; and (c) import of capital goods. The procedures have been so streamlined that all applications would be processed and finalised within 45 days.

**Annual Plan 1984-85 - Outlay for Industry, Minerals and Power**

The Annual Plan outlay on "Industry, minerals and power" in the Central sector for 1983-84 was originally fixed at Rs.7,776·93 crores but was later pruned to Rs.7,675·22 crores or by 1·3 per cent (Table IV-8). This was done as per the directions given by the Prime Minister in January 1984 to all Ministries to effect a 5 per cent cut in the approved plan outlays with a view to curbing the rising prices and strengthening fiscal discipline. Accordingly, a reduction of over Rs. 100 crores was effected in the Central Plan outlay for 1983-84 without affecting the tempo of development. The Planning Commission, threfore, identified 35 big projects to be spilled over to the VII Plan. Following this, the outlays on 'non-ferrous metals', 'petroleum' and 'power' were reduced by 20·2 per cent, 13·8 per cent and 3·0 per cent, respectively. However, to maintain the tempo of development, the outlays on 'iron and steel', 'petro-chemicals' and 'paper and newsprint' were enhanced by 24·1 per cent, 11·0 per cent and 10·6 per cent, respectively. The Annual Plan 1984-85 provided for an outlay of Rs.9,669·94 crores for industry, minerals and power, showing an increase of 26·0 per cent over the revised outlay for 1983-84. The infrastructure industries continued to receive priority in allocation of plan outlays as compared to

**Table IV-8 : *Outlay for Selected Industries in the Central Sector under Annual Plan***

(Rupees crores)

| Industry | 1982-83 | (April–March) 1983-84 | | 1984-85 |
|---|---|---|---|---|
| | | Original Outlay | Revised Outlay | |
| 1 | 2 | 3 | 4 | 5 |
| 1. Iron and Steel | 870·31 (+9·4) | 820·37 | 1,018·26 (+17·0) | 1,086·78 (+6·7) |
| 2. Petroleum | 2,023·66 (+67·7) | 2815·00 | 2,427·64 (+20·0) | 3,126·63 (+28·8) |
| 3. Coal and Lignite | 872·16 (+27·8) | 946·17 | 968·60 (+11·1) | 1,117·00 (+15·3) |
| 4. Power | 1,035·74 (+48·4) | 1,222·47 | 1,186·29 (+14·5) | 1,764·42 (+48·7) |
| 5. Fertilisers | 327·57 (+20·0) | 398·60 | 381·35 (+16·4) | 573·43 (+50·4) |
| 6 Non-ferrous Metals | 293·81 (+50·0) | 451·98 | 360·79 (+22·8) | 582·68 (+61·5) |
| 7. Petro-chemicals | 115·58 (+56·5) | 112·00 | 124·36 (+7·6) | 124·61 (+0·2) |
| 8. Cement | 32·00 (−1·1) | 30·76 | 30·76 (−3·9) | 70·00 (+127·6) |
| 9. Paper and Newsprint | 97·30 (−5·7) | 84·52 | 93·52 (−3·9) | 104·06 (+11·3) |
| 10. Drugs and Pharmaceuticals | 12·30 (−58·8) | 13·80 | 12·73 (+3·5) | 15·79 (+24·0) |
| 11. Textiles | 17·33 (−3·7) | 22·00 | 21·25 (+22·6) | 28·00 (+31·8) |
| 12. Other industries | 685·57 | 859·26 | 1,049·67 | 1,076·54 |
| **Total for Industry, Minerals and Power** | **6,383·33 (+29·3)** | **7,776·93** | **7,675·22 (+20·2)** | **9,669·94 (+26·0)** |

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

*Source* : Plan Budget, Government of India.

other industries. The combined allocation for power, coal, iron and steel, petroleum and cement was increased from Rs.5,631·55 crores in 1983-84 to Rs.7,164·83 crores in 1984-85, and accounted for more than 74 per cent of the total plan outlay. While making industry-wise allocation of funds, emphasis was laid on completion of on-going projects in time and commissioning of new projects as per schedule.

In addition to Central Government, State Governments and Union Territories also allocate outlays for power and industry and minerals. The plan outlay for 1984-85 in respect of States and Union Territories was fixed at Rs.4,091·41 crores compared with Rs.3,968·80 crores in 1983-84 or higher by 3·1 per cent. The outlay to be provided by States was increased from Rs.3,890·75 crores in 1983-84 to Rs.3,999·82 crores in 1984-85 or by 2·8 per cent and that by Union Territories from Rs.78·05 crores to Rs.91·59 crores or by 17·3 per cent.

**Selected Industries : A Review**

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

*A. Basic Industries*

(a) **Coal**

The steady increase in coal production achieved since the start of the Sixth Five Year Plan (1980-81 to 1984-85) continued in the fourth year of the Plan. Coal production (excluding lignite) reached the level of 138·6 million tonnes during 1983-84 (April-March) as compared to 130·6 million tonnes in 1982-83 and 124·9 million tonnes in 1981-82 (Table IV-9). The growth rate which declined from 9·6 per cent in 1981-82 to 4·6 per cent in 1982-83 improved during 1983-84 to 6·1 per cent. However, the target of 142·0 million tonnes of coal production fixed for 1983-84 could not be reached. The target for 1984-85 has been fixed at 152·0 million tonnes as against the expected demand of 155·7 million tonnes. Output of coal (excluding lignite) during April-June 1984 at 33·4 million tonnes was higher by 4·3 million tonnes (14·8 per cent) than that of 29·1 million tonnes in the corresponding period of 1983.

Government took various steps to raise production of coal. These included improved power supply to coal mines through better generation by the Damodar Valley Corporation (DVC) and installing captive generation units; control over absenteeism by taking action under relevant labour laws; close monitoring of performance of collieries at all levels; and improvement in law and order situation in coalfields.

The Coal India Limited (CIL), which accounts for 90 per cent of coal production in the country, produced 121·6 million tonnes of coal in 1983-84, higher by 6·9 million tonnes than the previous year's output of 114·7 million tonnes. Overall capacity utilistaion of collieries under CIL improved to 89·0 per cent during 1983-84 from 84·0 per cent in 1982-83. However, CIL failed to reach its production target of 123·0 million tonnes fixed for 1983-84 due mainly to power shortage and labour troubles in its two subsidiary companies, i.e., Eastern Coalfields Ltd. and Bharat Coking Coal Ltd. During the year 1983-84, output per manshift (OMS) in CIL stood at about 0·80 tonne, the level attained in the last year.

Despatches of coal during 1983-84 rose by 6·0 per cent to 130·9 million tonnes from 123·5 million tonnes in 1982-83 mainly due to stepping up of coal loading by the railways. Consequently, the daily average coal loading from CIL increased from 9,134 wagons in 1982-83 to 9,882 wagons in 1983-84, registering an increase of 8·2 per cent during the year.

However, pit-head coal stocks increased to 22·9 million tonnes at end-March 1984 from 22·0 million tonnes at end-March 1983 and from 21·1 million tonnes at end- March 1982.

An important development in the industry during 1983-84 was the sanction of 26 coal

**Table IV–9 : Performance of Coal Industry**

(Million tonnes)

| Item | April – March | | |
|---|---|---|---|
| | 1981-82 | 1982-83 (P) | 1983-84 (P) |
| 1 | 2 | 3 | 4 |
| **1. Production** | | | |
| (a) Coal (i + ii) | 124·9 (+9·6) | 130·6 (+4·6) | 138·6 (+6·1) |
| i) Coking Coal | 35·5 (+12·0) | 37·7 (+6·2) | 36·1 (–4·2) |
| ii) Non-coking Coal | 89·5 (+8·7) | 93·0 (+3·9) | 102·5 (+10·2) |
| (b) Lignite | 6·3 (+23·5) | 6·9 (+9·5) | 6·8 (–1·4) |
| **2. Imports (Coking Coal)** | **0·7** | **1·4** | **0·5** |
| **3. Despatches (i + ii)** | **113·6 (+11·7)** | **123·5 (+8·7)** | **130·9 (+6·0)** |
| i) Coking Coal | 31·1 (+16·5) | 36·3 (+16·7) | 47·7 (+31·4) |
| ii) Non-coking Coal | 82·6 (+10·1) | 87·2 (+5·6) | 83·1 (–4·7) |
| **4. Exports** | **0.2** | **0.2** | **0.1** |
| **5. Year-end Pit—head Stocks (i + ii)** | **21·1 (+15·3)** | **22·0 (+4·3)** | **22·9 (+4·1)** |
| i) Coking Coal | 9·0 (+12·5) | 8·0 (–11·1) | 7·1 (–11·2) |
| ii) Non-coking Coal | 12·1 (+17·5) | 14·0 (+15·7) | 15·8 (+12·9) |

P : Provisional.

*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.

projects with a total capacity of 40·94 million tonnes per annum and two coal washeries with total capacity of 5·5 million tonnes. As on December 31, 1983, 128 coal mining projects under CIL and Singareni Collieries Company Ltd. (SCCL) were in the construction stage with a capacity of 180·0 million tonnes per annum. In order to improve the quality of coal, CIL has set up 50 major coal handling plants and 100 mini coal handling plants which can handle 47·0 per cent of coal production. It is proposed by CIL to construct another 48 plants during 1984-85. A large number of coal stock yards in various States to distribute coal and soft coke to industrial and domestic consumers were opened by CIL and SCCL.

Owing to steep increase in cost of inputs and enhanced wages of coal workers, pithead prices of various grades of coal were raised with effect from 8th January, 1984 by the Government, after considering the report of the Bureau of Industrial Costs and Prices. The average price of coal produced by CIL was raised to Rs.183·00 per tonne from Rs.145·90 per tonne and that produced by SCCL to Rs.192·00 per

tonne from Rs.154·75 per tonne. These prices will be in force till March 31,1985. The price of soft coke, which is used as a domestic fuel, has been kept unchanged at Rs.175·00 per tonne in order to avoid increase in burden on domestic consumers.

**(b) Iron Ore**

Production of iron ore declined by 11·9 per cent from 42·7 million tonnes in 1982 to 37·6 million tonnes in 1983 (Table IV-10). Pit-head stocks of iron ore as at the end of December 1983 at 6·0 million tonnes were higher by 9·1 per cent as against a marginal decline of 1·8 per cent in the preceding year. This situation resulted from lower demand from domestic steel industry and decline in export demand. The share of public sector mines in total production in 1983 was higher at 53·0 per cent as compared to 48·0 per cent last year. Output of iron ore from captive mines of steel plants constituted 39·0 per cent of total production in 1983 compared to 35·0 per cent in 1982. Despatches of iron ore for internal consumption in 1983 at 15·7 million tonnes were lower by 1·0 million tonnes than in 1982.

Despatches of iron ore for exports declined by 14·1 percent in 1983 compared to an increase of 1·2 percent in 1982; in absolute terms, the decline was from 24·8 million tonnes in 1982 to 21·3 million tonnes in 1983. This was due to world-wide recession in steel industry. Sales of iron ore by the National Mineral Development Corporation (NMDC) during 1983-84 (April-March) for exports were also lower at 6·2 million tonnes as against 6·4 million tonnes in 1982-83 due to cut in imports by Japanese steel plants. Prospects for exports of iron ore for 1984-85 do not seem to be bright in view of continuing recession in world steel industry. However, to stabilise exports of iron ore, the Minerals and Metals Trading Corporation (MMTC) concluded a 10 year long-term agreement with Japanese steel mills in December 1983 for a guaranteed off-take of 34·6 million tonnes of iron ore during the period. Besides, Japan has agreed to re-commence shipments through Paradip port after a lapse of two years. Efforts are being made to export more iron ore to Pakistan, South Korea and China.

**(c) Cement**

Cement production increased by 3·8 million tonnes from 23·1 million tonnes in 1982-83 to 26·9 million tonnes in 1983-84 (Table IV-11). Despite this increase, the production fell short of the targeted production of 28·0 million tonnes by 1·1 million tonnes. The growth rate in cement production which declined from 16·6 per cent in 1981-82 to 9·5 per cent in last year, again rose

**Table IV—10 : Performance of Iron Ore Industry**

(Million tonnes)

| Item | January - December | | |
|---|---|---|---|
| | 1981 | 1982 (P) | 1983 (P) |
| 1 | 2 | 3 | 4 |
| Production | 41·6 | 42·7 | 37·6 |
| | ( –0·7) | ( +2·6) | ( –11·9) |
| Despatches for Exports | 24·5 | 24·8 | 21·3 |
| | ( –5·4) | ( +1·2) | ( –14·1) |
| Year-end Stocks | 5·6 | 5·5 | 6·0 |

P : Provisional.

*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 available.

*Source* : Indian Bureau of Mines.

to 16·6 per cent in 1983-84 mainly due to addition of 4·4 million tonnes to installed capacity, and to some extent, installation of additional captive power plants by cement producing units during the year.

The number of cement producing units in the public sector rose from 18 in 1982-83 to 19 in 1983-84 and their installed capacity increased from 6·5 million tonnes to 6·9 million tonnes during this period with the addition by Cement Corporation of India Ltd. (CCI) unit at Adilabad with an installed capacity of 0·4 million tonnes.

Total output of public sector units during the year was 4·3 million tonnes showing an increase of 7·5 per cent over the production in 1982-83. The share of public sector units in total cement production in the country was 16·0 per cent in 1983-84 as compared to 17·3 per cent last year.

The increase in production coupled with higher imports at 2·5 million tonnes against 1·5 million tonnes in 1982-83, improved significantly domestic availability of cement during the year.

With the addition of 4·4 million tonnes during 1983-84, total installed capacity reached a level of almost 35·0 million tonnes at the end of March 1984 registering an increase of 14·6 per cent as against the growth of 4·4 per cent and 8·4 per cent in 1982-83 and 1981-82, respectively. It is expected that installed capacity in the cement industry will reach 44·2 million tonnes by the end of 1984-85 and exceed Sixth Plan target of 43·0 million tonnes. The production target for 1984-85 has been set at 34·5 million tonnes against an estimated demand of 38·0 million tonnes. Production during the first quarter of 1984-85 (April-June) at 7·0 million tonnes recorded an increase of 14·8 per cent over that of 6·1 million tonnes in the same quarter last year. The capacity utilisation ratio of the industry showed marginal improvement from 75·9 per cent in 1982-83 to 76·3 per cent in 1983-84 mainly due to availability of power from captive power plants.

Cement despatches recorded an increase of 14·8 per cent to 26·6 million tonnes in 1983-84 from 23·1 million tonnes in 1982-83. The year-end stocks of cement increased from 0·37 million tonnes at end-March 1983 to 0·47 million tonnes at end-March 1984.

**Table IV—11 : Performance of Cement Industry**

(Million tonnes)

| Item | April - March | | |
|---|---|---|---|
| | 1981 - 82 | 1982 - 83(P) | 1983 - 84(P) |
| 1 | 2 | 3 | 4 |
| Installed Capacity | 29·26 | 30·54 | 34·99 |
| | (+8·4) | (+4·4) | (+14·6) |
| Production | 21·06 | 23·07 | 26·89 |
| | (+16·6) | (+9·5) | (+16·6) |
| Despatches | 20·79 | 23·13 | 26·55 |
| Capacity Utilisation Ratio (per cent) | 69·5 | 75·9 | 76·3 |
| Imports | 1·60 | 1·54 | 2·54 |
| Year-end Stocks | 0·33 | 0·37 | 0·47 |

P : Provisional.

*Notes* : 1. Figures in brackets represent percentage variations over the preceding year.
2. Capacity utilisation ratio due to revision may vary from those published in the Report on Currency and Finance, 1982 - 83.

*Sources:* 1. Data on production : Central Statistical Organisation.
2. Data on installed capacity, despatches, capacity utilisation, imports and year-end stocks : Cement Manufacturers' Association.

The industry has a programme of massive investment for modernisation of 63 units at a cost of Rs.1,150 crores. Of this, an amount of Rs.100 crores has already been incurred. A few units plan to switch over from wet-process to dry-process technique as the latter has been found to be more fuel efficient.

An important development during 1983-84 was the grant of concession, available to new cement units in respect of fixation of levy quota to sick units.Sick units were allowed to sell their production equivalent to 50 per cent of installed capacity in the open market. In all, 16 units with installed capacity of over 6·0 million tonnes declared as sick by the Government were eligible for availing of the concession. This concession, available with effect from September 1983, remained in effect till February 1984. Further, all cement plants, including sick units, having captive power plants were allowed to sell 22 per cent of the additional production achieved by them due to installation of such plants in the open market so as to enable them to absorb the high cost of power generation.

The price of levy cement was raised twice during 1983-84. The free-on-rail (f.o.r) price of levy cement was increased by Rs.52 per tonne from Rs.728·96 per tonne to Rs.780·96 per tonne with effect from July 2, 1983 in order to cover increase in rail freight and packing charges. Subsequently, with effect from January 1, 1984,the price was raised to Rs.796·73 per tonne mainly to cover increase in cost of packing charges.

As a consumer protection measure, the Government amended the Cement (Quality Control) Order in June 1983 with a view to making ISI certificate marking compulsory for all cement producers including mini-cement plants. Similarly, cement producers were advised to stamp on every non-levy cement bag, its maximum price and minimum weight as per the provisions of Standards of Weight and Measure (Packaging Commodities) Rules, 1977.

**(d) Iron and Steel**

The iron and steel industry suffered a further setback in 1983-84. Production of steel ingot, saleable steel as well as finished steel declined sharply by 8·1 per cent, 12·3 per cent and 12·8 per cent, respectively, as compared to the nominal growth of 0·3 per cent, 0·5 per cent and 0·1 per cent, respectively last year (Table IV-12). The decline in production was mainly due to basic constraints, *viz.*, power shortage, poor quality of coking coal and, to a limited extent, shortage of railway wagons. Among the integrated steel plants, Rourkela steel plant was the worst affected due to severe power restrictions imposed by the Orissa State Electricity Board (OSEB) throughout the year.Besides, sluggish domestic demand and mismatch of the product-mix with the pattern of demand adversely affected the industry. The industry also suffered from high accumulation of stocks in the first half of the year.

Production of *saleable steel* in the six integrated steel plants declined from 7,292 thousand tonnes in 1982-83 to 6,397 thousand tonnes in 1983-84 (-12·3 per cent). Whereas the combined output of five integrated steel plants under the Steel Authority of India Ltd. (SAIL), *viz.*, Bhilai, Durgapur, Rourkela, Bokaro and IISCO, registered a decline of 900 thousand tonnes (—15·9 per cent) from 5,671 thousand tonnes in 1982-83 to 4,771 thousand tonnes in 1983-84, production by the Tata Iron and Steel Co. Ltd. (TISCO) increased nominally by 0·3 per cent, from 1,621 thousand tonnes in 1982-83 to 1,626 thousand tonnes in 1983-84.

At the total rated capacity of 8,940 thousand tonnes, capacity utilisation of six integrated plants declined significantly from 83·8 per cent in 1982-83 to 71·6 per cent in 1983-84 due to fall in production as a result of poor demand and power shortages. For 1984-85, a lower production target of 7,090 thousand tonnes (compared to 7,267 thousand tonnes for 1982-83) comprising 5,440 thousand tonnes for SAIL plants and 1,650 thousand tonnes for TISCO was fixed. Production of saleable steel in the first

**Table IV—12 : Production of Steel**

(Thousand tonnes)

| Year (April-March) | Bhilai | Durgapur | Rourkela | Bokaro | TISCO | IISCO | Total (2 to 7) | VISL | ASP | Total (9+10) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **Production of Steel Ingot** | | | | | | | | | | |
| 1981 - 82 | 2115 | 930 | 1203 | 1792 | 1956 | 600 | 8598≡ (+16·9) | 104 | 86 | 190 (+6·7) |
| 1982 - 83(P) | 2130 | 952 | 1144 | 1829 | 1946 | 624 | 8625 (+0·3) | 94 | 81 | 175 (-7·9) |
| 1983 - 84 (P) | 1837 | 806 | 1088 | 1681 | 1973 | 543 | 7928 (-8·1) | 69 | 67 | 136 (-22·3) |
| **Production of Saleable Steel** | | | | | | | | | | |
| 1981 - 82 | 1819 | 782 | 1091 | 1472 | 1605 | 488 | 7257 (+15·5) | 77 | 52 | 129 (+4·9) |
| 1982 - 83(P) | 1838 | 812 | 992 | 1529 | 1621 | 500 | 7292 (+0·5) | 64 | 47 | 111 (-14·0) |
| 1983 - 84(P) | 1575 | 602 | 862 | 1288 | 1626 | 444 | 6397 (-12·3) | 59 | 44 | 103 (-7·2) |
| **Production of Finished Steel** | | | | | | | | | | |
| 1981 - 82 | 1145 | 504 | 1063 | 1392 | 945 | 428 | 5477 (+23·7) | 77 | 52 | 129 (+4·9) |
| 1982 - 83(P) | 1362 | 467 | 956 | 1483 | 871 | 345 | 5484 (+0·1) | 64 | 47 | 111 (-14·0) |
| 1983 - 84(P) | 1107 | 339 | 823 | 1283 | 879 | 350 | 4781 (-12·8) | 59 | 44 | 103 (-7·2) |

≡ : Rounded off

P : Provisional.

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

*Source* : Steel Authority of India Ltd.

quarter of 1984-85 (April-June 1984) at 1,392·3 thousand tonnes, however, recorded an improvement of 9·9 per cent as against the decline of 18·8 per cent in the corresponding quarter of the previous year.

Production of *ingot steel* in the integrated steel plants during the year declined by 8·1 per cent to 7,928 thousand tonnes compared to the marginal growth of 0·3 per cent last year. As a result, capacity utilisation in respect of ingot steel in the integrated plants declined from 75·7 per cent to 68·6 per cent.

The electric arc furnace units–popularly known as mini-steel plants–along with re-rolling mills produce alloy, special and stainless steel in addition to mild steel. During 1983-84 there were 174 mini-steel plants holding licences/ letters of intent with a total capacity of 464 thousand tonnes per annum compared to 165 mini-steel plants with annual installed capacity of 410 thousand tonnes during 1982-83. Out of 174 mini-steel plants, 149 plants with installed capacity of 415 thousand tonnes were in operation during the year under review. The mini-steel plants produced 2,040 thousand tonnes of steel ingots during 1982-83. During April-December 1983 their production was 1,516 thousand tonnes (provisional). The rolling industry which achieved a production of 1,530 thousand tonnes in 1982-83, is estimated to have attained a production level of 1,756 thousand tonnes during 1983-84.

In order to increase capacity utilisation and to improve economic viability of mini-steel units, Government granted substantial expansion upto a maximum of 100 per cent to those units which achieved 80 per cent of their licensed capacity during any of the previous two years. Likewise, units which attained 110 per cent or more of their licensed capacity were permitted an expansion upto 50 per cent in addition to the facility relating to 100 per cent expansion as above. Further, mini plants were permitted to freely diversify their production into all grades of carbon and alloy steel including stainless steel.

As the stocks of steel had substantially increased from 1,183 thousand tonnes at end-March 1982 to 1,671 thousand tonnes at end-March 1983, Government took several measures during 1983-84 to reorient the pattern of production of steel plants and to streamline the distribution policy for improving the demand. Inspite of these measures, despatches of steel items of main producers declined by 9·3 per cent from 7,060 thousand tonnes in 1982-83 to 6,400 thousand tonnes in 1983-84 due to persistent sluggishness in demand. The decline in despatches should have normally resulted in accumulation of stocks but because of sharp fall in production the stocks also declined. The stocks of steel items with the main producers declined sharply by 46·9 per cent to 888 thousand tonnes at the end of March 1984. Owing to better availability, imports of steel items declined from 1,326 thousand tonnes in 1982-83 to 710 thousand tonnes in 1983-84.

As a result of the decision taken by Government in April 1982, prices of pig iron and all categories of steel produced by the integrated steel plants are announced by the Joint Plant Committee (JPC) without approval from Government. Prices of pig iron and steel items were increased by Rs.105 and Rs.160 per tonne, respectively, with effect from 1st April, 1983 in order to cover the rise in freight rates announced in the Railway Budget. Further, effective from 23rd July, 1983, JPC raised prices of iron by Rs.185 per tonne and steel items by 1·1 per cent to 32·7 per cent to cover increase in input costs and higher wage bill following a new wage agreement. JPC announced a 15 per cent average increase in prices of iron and steel with effect from June 24, 1984; this revision was also necessitated by increase in cost of inputs like coal, railway freight, etc. The liberalisation introduced by JPC in its distribution policy in 1981-82 was continued during 1983-84 also in order to encourage demand for steel items. This included :

(i) relaxations in restrictions relating to end-use of iron and steel material under the Iron and Steel Control Order, 1956;
(ii) abolition of entitlement formula governing the distribution of steel items on the basis of capacity, production, past off-take, etc; and
(iii) reduction in the minimum quantity of off-take limit of 100 tonnes for enabling small scale industries to avail of the facility of direct supplies from producers.

To improve off-take and to reduce stocks, SAIL introduced schemes in the form of credit facilities to customers in respect of slow moving items, rebates on certain items, instant and forward package deals, and disposal of deteriorated items in stock through public notice. During 1983-84 SAIL (including IISCO) had a network of 53 stock-yards having 60 delivery points throughout the country. TISCO had 12 stock-yards and 13 consignment agents. Distribution of products of mini-steel plants, re-rollers and secondary producers was done by producers themselves.

The Union Budget for 1984-85 provided a sum of Rs.1,086·78 crores for the iron and steel sector for the terminal year of the Sixth Five Year Plan. Nearly half of this sum was earmarked for the continuing/new schemes of SAIL plants. These included expansion of Bhilai and Bokaro steel plants to a capacity of 400 thousand tonnes ingot each, construction of Visakhapattanam steel project of 325 thousand tonnes of ingot capacity in two stages, increase in capacity of the alloy steels plant at Durgapur to 260 thousand tonnes, modernisation of

Rourkela and Durgapur steel plants and additional power generation capacity at Bokaro, Durgapur, Rourkela, and Bhilai.

**(e) Electricity**

Total electricity generation during 1983- 84 (April-March) at 139·9 billion kwh was higher by 7·6 per cent compared with 130·0 billion kwh in 1982-83 (Table IV-13). All three principal sources of electric power generation, *viz.*, thermal, hydel and nuclear, contributed to this increase. The growth rate of electric power generation which had declined from 9·1 per cent in 1981-82 to 6·8 per cent in 1982-83, improved to 7·6 per cent in 1983-84. The target of 144·3 billion kwh (revised) set for 1983-84 could not, however, be attained due to deceleration in thermal power generation, which accounts for about 62 per cent of total power output; the growth rate of thermal power output declined from 15·3 per cent in 1982-83 to 8·6 per cent in 1983-84. Hydel power generation, which accounts for a little over one-third of total power generation, recorded an increase of 3·3 per cent in 1983-84 as against the decline of 2·6 per cent in the preceding year. Nuclear power generation increased appreciably by 72·6 per cent in 1983-84 as against a decline of 33·0 per cent last year, despite the closure of a unit of Rajasthan Atomic Power Station, mainly on account of commencement of the 235 MW unit at Kalpakkam in Tamil Nadu.

The main reasons for deceleration in thermal generation were the poor performance of the 200/210 MW units (which account for a total capacity of 9,010 MW) and decline in capacity utilisation due to long forced outages in a number of major units, particularly in the Northern and Eastern regions, for want of spare parts in time and effective management. In addition, the occurance of lower plant load factor (PLF) due to transmission set-backs and backing down of thermal stations on occasions owing to low demands or availability of excess hydel power also hampered the performace of thermal units. The PLF of thermal power units fell from 49·4 per cent in 1982-83 to 47·9 per cent in 1983-84. Another factor responsible for low PLF in thermal plants is the low quality of coal having high ash content as well as variation in the quality supplied to power plants. Power generation was to some extent also affected by a major fire in October 1983 at Obra thermal power station (U.P.).

**Table IV—13 : Source-wise Break-up of Generation of Electric Power**

(Million Kilo Watt Hours)

| Sources | April - March 1981 - 82 | | 1982 - 83 (P) | | 1983 - 84 (P) | |
|---|---|---|---|---|---|---|
| | Power Generation | Percentage | Power Generation | Percentage | Power Generation | Percentage |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. Thermal | 69,129 (+11·4) | 56·8 | 79,686 (+15·3) | 61·3 | 86,535 (+8·6) | 61·9 |
| 2. Hydel | 49,558 (+6·5) | 40·7 | 48,273 (−2·6) | 37·1 | 49,867 (+3·3) | 35·6 |
| 3. Nuclear | 3,021 (+0·4) | 2·5 | 2,024 (−33·0) | 1·6 | 3,494 (+72·6) | 2·5 |
| **Total** | **121,708 (+9·1)** | **100·0** | **129,983 (+6·8)** | **100·0** | **139,896 (+7·6)** | **100·0** |

P : Provisional.

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

*Source* : Central Electricity Authority.

The measures taken by Government during the year to raise power generation in the thermal plants included : (i) creation of a task force in the Central Electricity Authority to identify constraints in stabilisation of newly commissioned 200/210 MW units and to formulate time-bound action plans for eliminating them; (ii) visits to power stations by 'Roving Teams'; (iii) continuous and close monitoring of coal supply; (iv) agreement between some State Electricity Boards (SEBs) and coal companies on joint sampling of coal at supply and delivery ends for improving quality of coal supplies to power plants; and (v) incentives to SEBs and workers in thermal power stations for improving thermal generation.

Region-wise, during 1983-84 the highest growth of 11·8 per cent in thermal generation was recorded by the Northern region, followed by the Western and North-Eastern regions with 11·1 per cent and 9·2 per cent, respectively. The highest growth in hydel power generation was recorded by the Eastern region (25·7 per cent), followed by the Western region (18·7 per cent). The Southern region, on the other hand, recorded a decline of 3·6 per cent on top of a decline of 5·2 per cent last year due to weak monsoon in two successive years. The growth in overall electricity generation was highest in the Western region (12·9 per cent) and lowest in the Southern region (0·8 per cent).

The total power availability during 1983-84 increased at a lower rate of 4·3 per cent compared to 7·8 per cent in 1982-83 due to transmission losses and lower capacity utilisation in thermal plants. At the same time, estimated power demand rose by 6·2 per cent in 1983-84 compared with 5·9 per cent last year. Consequently, the overall gap between demand and supply of power increased to 10·8 per cent (estimated) in 1983-84 from 9·2 per cent in 1982-83.

In the context of severe power constraints in different States, Government continued to encourage entrepreneurs in the private sector to install captive power generating sets to meet atleast a part of their requirments. Suitable incentives were provided to different industries, which had installed captive power plants, to meet the high cost of captive power generation. Public sector units in different industries were also permitted to install captive power plants.

An important development in the field of power generation was the creation of additional generating capacity of the order of 4,054 MW during 1983-84 raising total installed generating capacity to 38,684 MW (Table IV-14). Of the new capacity added, maximum was allocated to thermal power (2,766 MW), followed by hydel power (1,053 MW) and nuclear power (235 MW). The tentative target fixed for power generation for 1984-85 is 154·0 billion kwh. Additional capacity proposed to be created during 1984-85 is 3,399 MW, in which the share of thermal, hydel and nuclear generation would be 2,562 MW, 602 MW and 235 MW, respectively. Electricity generation during April-June 1984 at 37·3 billion kwh was higher by 15·5 per cent than that of 32·3 billion kwh in the same period last year.

To minimise transmission losses and to ensure optimal utilisation of energy sources, a series of steps such as setting up of National Power Grid through interconnecting regional grid systems by constructing 400 kv lines, have been taken. Measures have been initiated for saving electricity in agriculture, industry and transport sectors, etc. A decision has also been taken to set up a revolving fund to finance energy conservation programme in industries. To review the energy situation continuously in the global context and to formulate an integrated energy policy, an Advisory Board on Energy was set up in March 1983. The Board will suggest (i) optimal demand and supply management approach keeping in view the technology options in industry and transport, etc., (ii) measures to conserve resources as well as environment, and (iii) pricing policies for all forms of energy resources keeping in view their *inter-se* availability, opportunity costs and need for conservation.

**Table IV—14 : Installed Plant Capacity**

( Mega Watt )

| Year ( April-March ) | Hydel | Thermal | Nuclear | Total |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1981 - 82 ... ... | 12,105 | 18,570 | 860 | 31,535 |
| | ( +3·3) | ( +9·5) | (—) | ( +6·8) |
| 1982 - 83 ( P) ... ... | 12,710 | 21,060 | 860 | 34,630 |
| | ( +5·0) | ( +13·4) | (—) | ( +9·8) |
| 1983 - 84 ( P) ... ... | 13,763 | 23,826 | 1,095 | 38,684 |
| | ( +8·3) | ( +13·1) | ( +27·3) | ( +11·7) |

P : Provisional.
*Note* : Figures in brackets indicate percentage variations over the preceding year.
*Source* : Central Electricity Authority.

### (f) Crude Oil and Petroleum Refinery Products

The uptrend in production of crude oil, which commenced since 1981-82, continued during 1983-84 when production touched a new high of 26·0 million tonnes registering an increase of 23·6 per cent compared with 30·1 per cent in 1982-83 (Table IV-15). The target of crude oil for 1983-84 was fixed at 9·2 million tonnes from onshore fields and 17·0 million tonnes from offshore fields. Agency-wise, latest available data indicate that 88·5 per cent of total output of 19·2 million tonnes during April-December 1983 was accounted for by Oil and Natural Gas Commission (ONGC), 12·7 million tonnes (66·1 per cent) from offshore wells and 4·3 million tonnes (22·4 per cent) from onshore wells; the balance of 2·2 million tonnes (11·5 per cent) was accounted for by Oil India Limited (OIL). The sustained increase in indigenous output of crude oil was largely due to accelerated production programmes during the year by ONGC. A record number of 28 new structures were taken up by the ONGC for exploration during 1983-84. Total output of crude oil is targeted to go up further to 29·6 million tonnes in 1984-85. Output of crude oil at 7·1 million tonnes in the first quarter of 1984-85 (April-June) was higher by 1·3 million tonnes (or 22·4 per cent) compared to that in the corresponding quarter last year.

Exploration activities of ONGC during the year were rewarded by the discovery of hydrocarbons at Razole in Andhra Pradesh, Gotaru in Rajasthan, Borsilla in Assam and Saldi in Gujarat in onshore areas and B-33 structure in West Coast and G-1 structure in Krishna-Godavari basin in offshore areas. Another achievement was the commissioning of the new offshore rig 'Sagar Jyoti' which commenced drilling in Bombay High in April, 1983.

Owing to increase in indigenous production, imports of crude oil during 1983-84 at 16·0 million tonnes were marginally lower (by 0·9 million tonne) than last year's imports. As the certain types of crude oil produced at Bombay High could not be processed in indigenous refineries, their exports had become inevitable. Such exports increased from 4·4 million tonnes in 1982-83 to 5·0 million tonnes in 1983-84. Consequently, net imports during the year at 11·0 million tonnes also recorded a decline of 1·6 million tonnes over last year's net imports of 12·6 million tonnes. Net imports of crude oil are expected to decline further to 9·8 million tonnes in 1984-85.

Total production of petroleum refinery products at 32·9 million tonnes during 1983-84 was 5·9 per cent higher than that in 1982-83. Output during April-June 1984 was 7·7 million tonnes or the same as in the corresponding period last

**Table IV—15 : Crude Oil and Petroleum Refinery Products**

(Thousand tonnes)

| Item | April - March | | |
|---|---|---|---|
| | 1981 - 82 | 1982 - 83 (P) | 1983 - 84(P) |
| 1 | 2 | 3 | 4 |
| **A. Crude Oil** | | | |
| **(a) Production (i + ii)** | **16,194** | **21,061** | **26,026** |
| | **(+54·1)** | **(+30·1)** | **(+23·6)** |
| (i) On-shore | 8,219 | 8,185 | 8,634 |
| | (+48·8) | (−0·4) | (+5·5) |
| (ii) Off-shore | 7,975 | 12,876 | 17,392 |
| | (+60·0) | (+61·5) | (+35·1) |
| **(b) Imports** | **15,298** | **16,949** | **15,967** |
| | **(−5·8)** | **(+10·8)** | **(−5·8)** |
| **B. Petroleum Refinery Products** | | | |
| **(a) Production** | **28,182** | **31,067** | **32,886** |
| | **(+16·8)** | **(+10·2)** | **(+5·9)** |
| *Of which* | | | |
| (i) Naphtha | 3,004 | 2,986 | 3,580 |
| | (+42·0) | (−0·6) | (+19·9) |
| (ii) Kerosene | 2,907 | 3,393 | 3,528 |
| | (+21·3) | (+16·7) | (+4·0) |
| (iii) High speed Diesel Oil | 9,642 | 9,761 | 10,865 |
| | (+30·8) | (+1·2) | (+11·3) |
| **(b) Imports** | **4,884** | **5,028** | **4,052** |
| | **(−33·0)** | **(+2·9)** | **(−19·4)** |
| *Of which* | | | |
| (i) Naphtha | 114 | 101 | 129 |
| | (−50·6) | (−11·4) | (+27·7) |
| (ii) Kerosene | 1,969 | 1,881 | 1,955 |
| | (−4·6) | (−4·5) | (+3·9) |
| (iii) High Speed Diesel Oil | 1,838 | 2,582 | 1,604 |
| | (−42·9) | (+40·5) | (−37·9) |

P : Provisional.

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

*Source* : Ministry of Energy ( Department of Petroleum ).

year. As at the end of 1982, total installed capacity of refinery products in the country was 37·8 million tonnes spread over 12 refineries. With the completion of ongoing expansion programmes in 4 refineries, *viz.*, Cochin Refineries Ltd., Bharat Petroleum Corporation Ltd., Madras Refineries Ltd. and Hindustan Petroleum Corporation Ltd., total installed capacity of refinery products is expected to increase by 7·8 million tonnes to 45·6 million tonnes by the end of 1985. Imports of petroleum refinery products at 4·1 million tonnes in 1983-84 recorded a decline of about 1·0 million tonnes (or 19·4 per cent) as against a marginal increase of 0·1 million tonnes (2·9 per cent) in 1982-83.

An important development during the year was the uniformity in ex-storage point prices of all major products at all refineries brought about with efffect from April 1, 1983 for achieving simplification. The price of motor spirit (petrol) was raised by 10 paise per litre from September 1, 1983 following Government's decision to replace motor spirit (petrol) of 83 octane grade by improved grade motor spirit of 87 octane. Government set up in July 1983 a Cost Review Committee to review costs and current pricing policies for petroleum products and other related matters, such as re-examination of the current concept of return on capital employed, feasibility of introducing

uniform prices or charging differential prices on end use. The Committee was expected to submit its final report by the end of April 1984.

*B. Capital Goods Industries*

**(a) Engineering Industries**

The engineering industry, having a weight of about 30 per cent in the general index of industrial production, improved its performance by registering an increase of 6·0 per cent in production compared to an increase of only 1·8 per cent in the preceding year. The rise in output of engineering industries was due to increase in availability of infrastructural inputs, particularly steel and power. The performance of engineering industry would have been still better but for the slackening demand especially in African, West Asian and European Countries and port and dock workers' strike in March-April 1984.

The performance of the selected engineering industries is briefly reviewed 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, output of automobile industry registered an increase of 4·6 per cent during 1983-84 in contrast to a fall of 1·9 per cent in the previous year (Table IV-16). This was mainly on account of the increase of 7·6 per cent in passenger cars and 6·4 per cent in jeeps and landrovers. Output of commercial vehicles also increased by 2·7 per cent in contrast to a fall of 5·6 per cent in 1982-83. During April- June 1984 production of commerical vehicles at 22·4 thousand recorded an increase of 10·3 per cent in contrast to a fall of 12·1 per cent during the corresponding period of 1983. Improvement in output of automobiles during the period under review was the result of a pick-up in demand mainly due to relaxation of credit to private operators by the Reserve Bank, availability of IDBI finance for State Transport Corporations, excise duty relief granted to automobile industry, resumption of coal movement by technology trucks, expansion and adoption of new technology by existing units, and commissioning of a few new units.

Production of *passenger cars* increased by 7·6 per cent during the year compared to a moderate increase of 2·3 per cent in 1982-83. During April-June quarter of 1984, output of pasenger cars was higher by 22·9 per cent compared to the rise by 6·9 per cent in the corresponding quarter of 1983. Expansion, technological upgradation and modernisation carried out by large existing units resulted in higher output. Further, some new units having technical collaborations with Japan, West Germany and France have also commenced production. Output of *Jeeps and landrovers* at 23·2 thousands was higher by 6·4 per cent compared with an increase of 5·3 per cent in 1982-83. During the quarter April-June 1984, production of jeeps and landrovers, however, declined by 7·7 per cent in contrast to a substantial increase of 30·0 per cent in the same quarter of 1983. Production of *scooters* went up by 5·1 per cent on top of an increase of 33·4 per cent in 1982-83 on account of improvement in labour situation. During April-June quarter of 1984, production of scooters increased by 16·0 per cent compared to an increase of 46·6 per cent in the same quarter of 1983. Production of *railway wagons* also increased substantially by 22·0 per cent, in contrast to a decline of 19·0 per cent in 1982-83, principally owing to increase in orders from railways as well as for exports. Railway wagons production during April-June 1984 was also higher by 9·6 per cent in contrast to a decline of 2·6 per cent in the corresponding quarter of 1983. In the case of *road rollers*, output declined sharply by 50·3 per cent during the year against an increase of 15·2 per cent in the previous year. Production of *machine tools* (in terms of value) declined by 3·8 per cent in contrast to an increase of 6·6 per cent in the previous year. During April-June 1984, production of machine tools increased by 12·5 per cent as against a decline of 5·6 per cent in the corresponding period of 1983. Output of *diesel engines* (stationary) recorded a further decline of 4·4 per cent in 1983-84 over and above the

**Table IV—16 : Output of Selected Heavy Mechanical Engineering Industries**

| Item | Unit | April - March 1981 - 82 | 1982 - 83 (P) | 1983 - 84 (P) |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1. Automobiles ( i + ii + iii) | '000 Nos. | 154·4 | 151·4 | 158·4 |
| | | ( +28·1) | ( -1·9) | ( +4·6) |
| (i) Passenger Cars | " | 42·6 | 43·6 | 46·9 |
| | | ( +36·1) | ( +2·3) | ( +7·6) |
| (ii) Commercial Vehicles ( Buses and Trucks) | " | 91·1 | 86·0 | 88·3 |
| | | ( +27·8) | ( -5·6) | ( +2·7) |
| (iii) Jeeps and Land-rovers | " | 20·7 | 21·8 | 23·2 |
| | | ( +15·6) | ( +5·3) | ( +6·4) |
| 2. Scooters | " | 199·6 | 266·2 | 279·7 |
| | | ( -5·7) | ( +33·4) | ( +5·1) |
| 3. Light, Medium and Heavy Structurals | '000 tonnes | 97·5 | 112·6 | 128·6 |
| | | ( +7·4) | ( +15·5) | ( +14·2) |
| 4. Steel Castings ( including ferro-alloys) | " | 336·0 | 299·7 | 302·0 |
| | | ( +3·5) | ( -10·8) | ( +0·8) |
| 5. Diesel Engines ( Stationary) | '000 Nos. | 176·0 | 160·8 | 153·8 |
| | | ( +15·0) | ( -8·6) | ( -4·4) |
| 6. Railway Wagons ( in terms of 4 wheelers) | " | 17·4 | 14·1 | 17·2 |
| | | ( +41·5) | ( -19·0) | ( +22·0) |
| 7. Road Rollers | Nos. | 1,001 | 1,153 | 573 |
| | | ( +11·8) | ( +15·2) | ( -50·3) |
| 8. Machine Tools | Rs. Crores | 260·9 | 278·0 | 267·3 |
| | | ( +28·3) | ( +6·6) | ( -3·8) |

P : Provisional
*Note* : Figures in brackets represent percentage variations over the preceding year.
*Source* : Central Statistical Organisation.

decline of 8·6 per cent in 1982-83. During the period April-June 1984, production of diesel engines increased by 17·5 per cent as against an increase of 15·4 per cent in the corresponding period of last year because of pick-up in the demand from agriculturists following a good agricultural season. Among other heavy engineering goods, while output of *light, medium and heavy structurals* showed significant increase of 14·2 per cent on top of an increase of 15·5 per cent in 1982-83, that of *steel castings* (including ferro-alloys) recorded marginal increase of 0·8 per cent as against a decline of 10·8 per cent in the year 1982-83.

*(ii) Light Mechanical Engineering Industries*

Among the selected light mechanical engineering industries, in (Table IV-17), production of *typewriters* recorded a decline of 9·4 per cent during 1983-84 in contrast to a substantial rise of 20·4 per cent in 1982-83 mainly on account of fall in demand for portable typewriters. The current trend, is to prefer electronic and electric typewriters to coventional typewriters. During April-June 1984, production of typewriters, recorded a marginal rise of 0·6 per cent in contrast to a decline of 8·9 per cent in the same period of last year. There are seven units with an installed capacity of 153·4 thousand typewriters per annum, with a further capacity of 50 thousand typewriters under implementation. Production of *hurricane lanterns* registered a further sharp decline of 42·6 per cent on top of a decline of 10·7 per cent in 1982-83. Production of *razor blades* was higher by 20·4 per cent during 1983-84 compared to the rise of 14·5 per cent in 1982-83 mainly due to some new units going into production during the year as also increase in production capacity of some existing units. During April-June 1984, production of razor

**Table IV—17 : Output of Selected Light Mechanical Engineering Industries**

| Item | Unit | April - March 1981 - 82 | 1982 - 83 (P) | 1983 - 84 (P) |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1. Typewriters | '000 Nos. | 95·7 | 115·2 | 104·4 |
| | | ( +0·7) | ( +20·4) | ( -9·4) |
| 2. Bicycles | " | 4,864·2 | 4,881·8 | 5,561·0 |
| | | ( +16·8) | ( +0·4) | ( +13·9) |
| 3. Sewing Machines | " | 346·2 | 328·9 | 339·2 |
| | | ( +6·2) | ( -5·0) | ( +3·1) |
| 4. Hurricane Lanterns | " | 2,389 | 2,134 | 1,224 |
| | | ( +3·0) | ( -10·7) | ( -42·6) |
| 5. Razor Blades | Million Nos. | 1,397 | 1,600 | 1,927 |
| | | ( +16·7) | ( +14·5) | ( +20·4) |
| 6. Stoves ( Pressure Type) | Nos. | 1,044 | 1,044 | 1,044 |
| | | ( -12·1) | (—) | (—) |

P : Provisional.
*Note* : Figures in brackets represent percentage variations over the preceding year.
*Source* : Central Statistical Organisation.

blades went up further by 6·6 per cent compared to 19·9 per cent in the same period of 1983. As against the target of 5,600 thousand *bicycles*, production during 1983-84 was 5,561 thousand showing an increase of 13·9 per cent as against a marginal rise of 0·4 per cent in 1982-83. During the quarter April-June 1984, production of bicycles went up by 2·0 per cent only compared to an increase of 31·9 per cent in the corresponding quarter of 1983. There are at present 10 units having manufacturing capacity of 71·6 lakh complete bicycles. In addition, a capacity of 65·6 lakh bicycles is expected to be added by nine units.

Production of *sewing machines* increased during the year by 3·1 per cent in contrast to a decline of 5·0 per cent in 1982-83. Production increased by 1·1 per cent during the quarter April-June 1984 as against a fall of 2·3 per cent in the same quarter of 1983. At present there are five major units with installed capacity of 474 thousand sewing machines. Besides, a substantial quantity is produced in the small scale sector, since manufacture of domestic sewing machines is reserved for this sector. In the case of industrial sewing machines, there is great scope for existing units both for expansion and diversification in the manufacture of automatic zig-zag machines and other types of industrial machines in view of the growing ready-made garments industry and leather goods industry.

*(iii) Electrical Engineering Industries*

Excepting radio receivers and dry cells (excluding graphite electrodes and anodes), output of all other light electrical engineering goods recorded increases during 1983-84 (Table IV-18). Output of *domestic refrigerators* increased by 34·9 per cent compared to 12·5 per cent in 1982-83. During April-June quarter of 1984, however, the rise in production was lower at 16·8 per cent compared to 23·8 per cent in the same period of 1983. A tentative production target of 390 thousand refrigerators has been fixed for 1984-85. Output of *electric fans* recorded a growth of 12·1 per cent- substantially higher than the rise of 2·0 per cent in 1982-83. During April-June quarter of 1984, production moved up by 7·0 per cent compared with an increase of 14·1 per cent in the same quarter of 1983. Output of *electric lamps* (*GLS* and others) increased marginally by 0·8 per cent during 1983-84 as against the rise of 2·3 per cent in the last year. Production of flourescent lamps increased by 6·6 per cent as compared to 4·4 per cent in the year 1982-83.

**Table IV—18 : Output of Selected Electrical Engineering Industries**

| Item | Unit | April - March | | |
|---|---|---|---|---|
| | | 1981-82 | 1982-83 (P) | 1983-84 (P) |
| 1 | 2 | 3 | 4 | 5 |
| **A. Light Electrical Engineering** | | | | |
| 1. Electrical Lamps | | | | |
| (i) GLS and Others | Million Nos. | 266·9 | 273·9 | 275·2 |
| | | (+32·5) | (+2·3) | (+0·8) |
| (ii) Flourescent | " | 31·8 | 33·2 | 35·4 |
| | | (+12·8) | (+4·4) | (+6·6) |
| 2. Electric Fans | '000 Nos. | 4,013·6 | 4,095·0 | 4,591·0 |
| | | (−3·6) | (+2·0) | (+12·1) |
| 3. Radio Receivers | " | 1,744·8 | 1,505·1 | 1,299·8 |
| | | (−10·2) | (−13·7) | (−13·6) |
| 4. Storage Batteries | " | 1,977 | 1,894 | 2,017 |
| | | (+12·5) | (−4·2) | (+6·5) |
| 5. Dry Cells (Excluding graphite electrodes and anodes) | Million Nos. | 1,106·5 | 1,115·0 | 1,068·1 |
| | | (+11·3) | (+0·8) | (−4·2) |
| 6. Domestic Refrigerators | '000 Nos. | 327·6 | 368·7 | 497·4 |
| | | (+12·9) | (+12·5) | (+34·9) |
| **B. Heavy Electrical Engineering** | | | | |
| 1. Power Transformers | '000 KVA | 20,991 | 18,810 | 23,420 |
| | | (+7·9) | (−10·4) | (+24·5) |
| 2. Electric Motors | '000 HP | 4,578 | 4,636 | 5,496 |
| | | (+11·3) | (+1·3) | (+18·6) |

P : Provisional.
*Note* : Figures in brackets represent percentage variations over the preceding year.
*Source* : Central Statistical Organisation.

During the quarter April-June 1984, output of electric lamps (GLS and others) and flourescent lamps rose further by 8·1 per cent and 7·1 per cent compared with a marginal fall of 1·9 per cent and a rise of 14·2 per cent, respectively, during the corresponding quarter of 1983. Output of *storage batteries* recorded a rise of 6·5 per cent in contrast to a fall of 4·2 per cent during 1982-83. During the quarter April-June 1984, output of storage batteries rose further by 26·3 per cent in contrast to a decline of 7·1 per cent in the same quarter of 1983. Output of *radio receivers* recorded a decline of 13·6 per cent in 1983-84, or by almost of the same proportion as last year. Output of *dry cells* which had shown a marginal increase of 0·8 per cent in 1982-83 declined by 4·2 per cent in 1983-84. During April-June 1984, production of radio receivers went down by 8·1 per cent compared to a decline of 20·9 per cent in the same period of last year while output of dry cells recorded an increase of 4·0 per cent in contrast to a decline of 11·1 per cent.

Among selected heavy electrical engineering industries, the performance of both *power transformers* and *electric motors* was most encouraging. Output of power transformers increased by 24·5 per cent and that of electric motors by 18·6 per cent during the year 1983-84 compared to a decline of 10·4 per cent in the case of power transformers and a rise of 1·3 per cent in the case of electric motors in 1982-83. During the quarter April-June 1984, while production of power transformers increased by 4·0 per cent, that of electric motors recorded a fall of 14·2 per cent compared to an increase of 10·7 per cent and 21·2 per cent, respectively, during the

corresponding quarter of 1983. The better performance of power transformer industry was due to increased demand from State Electricity Boards following larger funds made available to them by IDBI and banks and that of electric motor industry was due to new units going into production and larger demand from consuming industries. Since major products of the engineering goods industry faced demand constraints during 1982-83 and this situation continued even in 1983-84, Government took measures to encourage demand for the industry's products. For instance, excise duties were reduced with effect from October 1, 1983 on commercial vehicles, refrigerators, airconditioner parts, batteries and household appliances. In July 1983, the interest rate charged by IDBI to State Electricity Boards and State Road Transport Corporations under the bill discounting scheme was reduced to enable these bodies to utilise credit for purchases of electrical goods. Again, to improve the demand for trucks, concessional rate of interest available for purchase of one truck was extended to purchase of six trucks.

In view of growing importance of electronic industry and its potential for employment and exports, substantial reductions were annouced, with effect from August 1983. Excise duty relief was given in respect of record players, radio sets of 3 bands or more, tape-recorders, black and white T.V. sets and computers, etc.

**(b) Metallurgical Industries ( other than Iron and Steel)**

Production of non-ferrous metals showed improvement during 1983-84 as against a mixed trend witnessed in the preceding year.

Production of *aluminium* increased to 220·0 thousand tonnes in 1983-84 from 209·3 thousand tonnes in 1982-83 but fell short of the target of 250·0 thousand tonnes (Table IV-19). Power shortage and failure of one of the generating sets of Hindustan Aluminium Company Ltd. were mainly responsible for the shortfall in attaining the target. The capacity utilisation of the industry recorded a decline to 60·6 per cent from 64·9 per cent last year.

The domestic demand for alluminium which showed a declining trend since 1980-81, registered a modest recovery during 1983-84. Consequently, to meet the domestic demand adequately, the Mineral and Metals Trading Corporation (MMTC) was authorised to import about 30 thousand tonnes of aluminium during 1983-84.

The target of aluminium production for 1984-85 was fixed at 285·0 thousand tonnes against an estimated demand of 310·0 thousand tonnes. By the end of the Seventh Plan (1989-90), the demand for aluminium is estimated to be at 421·0 thousand tonnes and production at 471·0 thousand tonnes.

With a view to augumenting availability of aluminium, Government allowed full exemption of import duty on aluminium from end-June 1984 and also reduced the additional import duty on it from 20 per cent to 10 per cent. The countervailing duty remained unchanged. With a view to covering the increases in the cost of power and other inputs, Government, on the basis of recommendations of the Bureau of Industrial Costs & Prices, raised prices of aluminium by more than 16 per cent with effect from May 9, 1984.

Production of *blister copper* by the operating units of Hindustan Copper Limited (HCL), the only copper producing company in the country, increased to 35·4 thousand tonnes in 1983-84 from 34·6 thousand tonnes in the previous year, showing a rise of 2·3 per cent compared to a rise of 26·3 per cent witnessed in 1982-83. The production target of 40·0 thousand tonnes fixed for 1983-84 could not be attained due to power cut, shortage of explosives and deteriorating industrial relations in the unit of Khetri Copper Complex (KCC) in Rajasthan. In addition, the Smelter Plant, Tank House and Wire Bar casting plant were shut down for major repairs and overhauling work for about two months during the year. This affected growth rate of productic of copper blister.

**Table IV—19 : Production of Non-Ferrous Metals**

(Thousand tonnes)

| Item | April - March | | |
|---|---|---|---|
| | 1981-82 | 1982-83 (P) | 1983-84 (P) |
| 1 | 2 | 3 | 4 |
| **Virgin Metals** | | | |
| 1. Aluminium | 208·2 | 209·3 | 220·0 |
| | (+3·9) | (+0·5) | (+5·1) |
| 2. Copper | 27·4 | 34·6 | 35·4 |
| | (+7·9) | (+26·3) | (+2·3) |
| 3. Lead | 14·5 | 14·8 | 15·0 |
| | (−2·7) | (+2·1) | (+1·4) |
| 4. Zinc | 57·7 | 52·0 | 60·3 |
| | (+26·8) | (−9·9) | (+16·0) |
| **Semi-Manufacturers** | | | |
| 1. Aluminium | | | |
| *(a)* Sheets and Circles-Rolled Products | 52·8 | 55·3 | 62·9 |
| | (+13·8) | (+4·7) | (+13·7) |
| *(b)* Wire rods for ACSR. | 20·0 | 14·8 | 15·3 |
| | (−32·4) | (−26·0) | (+3·4) |
| 2. Copper Sheets and Circles -Rolled products | 1·2 | 1·3 | 1·5 |
| | (−20·0) | (+8·3) | (+15·4) |
| 3. Brass Sheets and Circles -Rolled products | 11·3 | 12·6 | 14·6 |
| | (−8·1) | (+11·5) | (+15·9) |
| 4. Zinc Sheets and Strips | 9·3 | 10·7 | 9·7 |
| | (−3·1) | (+15·1) | (−9·3) |

P : Provisional.

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

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

The second stage of Malanj Khand Copper Project with production capacity of 2 million tonnes of ore per annum was expected to be completed as per schedule by June 1984. By 1985, production of copper from HCL is expected to reach 44,000 tonnes per year. It is estimated that by the end of Seventh Plan (1989-90), the demand for copper (refined) at 141·4 thousand tonnes would far exceed indigenous production of 65·0 thousand tonnes.

Production of *lead* at 15·0 thousand tonnes during 1983-84 increased by 1·4 per cent over the last year's output of 14·8 thousand tonnes. It is estimated that production of lead will be of the order of 24·7 thousand tonnes in 1984-85. The demand for lead by the end of the Seventh Plan (1989-90) is estimated to reach 80·0 thousand tonnes and indigenous production to 48·0 thousand tonnes.

Prodution of *zinc* during 1983-84 from two units, viz., Hindustan Zinc Ltd. and Cominco Binani Zinc Ltd. showed an increase of 16·0 per cent to 60·3 thousand tonnes as against a decline of 9·9 per cent to 52·0 thousand tonnes in the preceding year, largely due to better power supply to Rajasthan- based units. However, production fell short of the target of 65·5 thousand tonnes for 1983-84. The target for 1984-85 has been fixed at 69·5 thousand tonnes.

*C. Intermediate Goods Industries*

**(a) Jute Textiles**

Output of jute textiles at 10·89 lakh tonnes recorded a substantial decline of 18·6 per cent during 1983-84 in contrast to a marginal increase of 0·3 per cent in 1982-83 (Table IV-20). Production during April-June 1984,

**Table IV—20 : Jute Textiles**

(Thousand tonnes)

| Item | Year (April - March) | Hessian | Sacking | Carpet Backing | Others | Total |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Production | 1981 - 82 | 348·9 | 725·1 | 84·1 | 175·5 | 1,333·6 |
| | | ( -13·2) | ( -0·9) | ( +25·5) | ( -8·3) | ( -4·2) |
| | 1982 - 83 (P) | 323·4 | 782·9 | 56·2 | 175·3 | 1,337·8 |
| | | ( -7·3) | ( +8·0) | ( -33·2) | ( -0·1) | ( +0·3) |
| | 1983 - 84 (P) | 227·5 | 658·1 | 30·4 | 172·9 | 1,088·9 |
| | | ( -29·7) | ( -15·9) | ( -45·9) | ( -1·4) | ( -18·6) |
| Exports | 1981 - 82 | 239·2 | 68·0 | 76·0 | 21·6 | 404·8 |
| | | ( -17·4) | ( +53·8) | ( +26·5) | ( -53·0) | ( -8·0) |
| | 1982 - 83 (P) | 214·1 | 36·0 | 51·4 | 28·0 | 329·5 |
| | | ( -10·5) | ( -47·1) | ( -32·4) | ( +29·6) | ( -18·6) |
| | 1983 - 84 (P) | 157·0 | 17·2 | 30·0 | 28·6 | 232·8 |
| | | ( -26·7) | ( -52·2) | ( -41·6) | ( +2·1) | ( -29·3) |
| Domestic Consumption + + | 1981 - 82 | 122·9 | 633·7 | — | 156·2 | 912·8 |
| | | ( +1·5) | ( -2·1) | | ( +1·6) | ( -1·0) |
| | 1982 - 83 (P) | 118·6 | 731·9 | — | 151·5 | 1,002·0 |
| | | ( -3·5) | ( +15·5) | | ( -3·0) | ( +9·8) |
| | 1983 - 84 (P) | 106·7 | 683·4 | — | 157·1 | 947·2 |
| | | ( -10·0) | ( -6·6) | | ( +3·7) | ( -5·5) |
| Year-end Stocks | 1981 - 82 | 37·1 | 54·7 | 12·4 | 15·4 | 119·6 |
| | | ( -15·5) | ( +37·1) | ( -18·4) | ( -16·8) | ( +1·8) |
| | 1982 - 83 (P) | 33·4 | 62·6 | 10·0 | 16·2 | 122·2 |
| | | ( -10·0) | ( +14·4) | ( -19·4) | ( +5·2) | ( +2·2) |
| | 1983 - 84 (P) | 12·1 | 14·5 | 4·0 | 7·1 | 37·7 |
| | | ( -63·8) | ( -76·8) | ( -60·0) | ( -56·2) | ( -69·1) |

— Nil

+ + Figures represent despatches from mills for internal consumption.

P : Provisional.

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

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

however, recorded a significant rise of 18·3 per cent in contrast to a fall of 9·9 per cent during the corresponding period of the previous year mainly on account of improvement in labour relations in 1984.

The reasons for the substantial decline in the output of jute goods during the year 1983-84 were total closure of all jute mills in West Bengal and Raigarh owing to long-drawn out strike, acute shortage of raw jute and its high price consequent to two successive short crops, power cuts and sluggishness in export demand for jute goods especially on account of stiff competition from Bangladesh.

Construction-wise, output of carpet backing and hessian declined steeply to 30·4 thousand tonnes and 227·5 thousand tonnes during 1983-84 or by 45·9 per cent and 29·7 per cent, respectively. Production of sacking, which increased by 8·0 per cent and helped jute goods to achieve a marginal growth during 1982-83, also declined significantly by 15·9 per cent to 658·1 thousand tonnes in 1983-84. Output of other jute goods also declined by 1·4 per cent during 1983-84.

Domestic consumption of jute goods during 1983-84 at 947·2 thousand tonnes declined by 5·5 per cent compared to a substantial rise of 9·8 per cent in 1982-83. The bargemen's strike of

two and a half months duration since mid-August 1983 as well as the prolonged strike in the industry since January 16, 1984 gave a severe setback to the domestic market by pushing up prices of jute goods to high levels and considerably affected domestic consumption. The fall in the level of consumption would have been still sharper but for the continuation of Government's policy in regard to compulsory use of gunny bags for packing of cement and purchase of B. Twill bags in fixed quota by DGS&D for packing fertilisers, sugar, etc.

Exports of jute goods suffered further setback and fell to 232·8 thousand tonnes in 1983-84 from 329·5 thousand tonnes in the previous year recording a decline of 29·3 per cent over and above the decline of 18·6 per cent during 1982-83 Construction-wise,exports of the three main varieties, *viz.*, hessian, sacking and carpet backing, registered further declines of 26·7 per cent, 52·2 per cent and 41·6 per cent, respectively, during the year on top of declines of 10·5 per cent, 47·1 per cent and 32·4 per cent, respectively, in the previous year. Exports of other jute goods, however, continued an upward trend and rose by 2·1 per cent on top of an increase of 29·6 per cent last year.

Shortages and high cost of raw materials, high interest rates leading to escalation in costs and higher inventory build up- all resulting in uncompetitiveness of jute products abroad on the one hand, and fall in prices of jute goods abroad on the other, were the factors mainly responsible for the decline in exports of jute goods. The decline was further aided by intense competition from other jute producing countries, especially Bangladesh, and competition from synthetic substitutes for their requirements by many countries. Exports of jute goods to Japan are likely to suffer in future due to duty-free status given to Bangladesh exports by the Japanese government.

Following sharp fall in output of jute goods, steady consumption demand from Government agencies and large purchases of hessian by the U. S. S. R., stocks of jute goods declined substantially to 37·7 thousand tonnes at end-March 1984 from 122·2 thousand tonnes at end-March 1983 or by 69·1 per cent. Stocks of all the three main constructions of jute goods registered declines;—the largest declines being in case of sacking (76·8 per cent), followed by hessian (63·8 per cent) and carpet backing (60·0 per cent). Stocks of other jute goods also fell by 56·2 per cent in contrast to an increase of 5·2 per cent in 1982-83.

With a view to promoting exports of jute goods, Government increased with effect from June 20, 1983 the rate of Cash Compensatory Support (CCS) to hessian and sacking to 10 per cent and 15 per cent, respectively, in respect of exports made by STC and JMC. As a short-term measure, the rate of CCS was again raised from 6 per cent to 18 per cent in the case of different varieties of jute goods especially carpet backing effective for the period May 9, 1984 to March 31, 1985. Moreover, CCS was extended to new varieties of jute goods like Japanese rice bags, yarn, twine and jute decoratives. A new cess was levied on all jute goods at the rate of one per cent effective from May 1, 1984 and the amount thus collected is to be handed over to Jute Manufacturers' Development Council (JMDC) for Research and Development and market promotion activities of jute goods. Further, JMDC has been entrusted with the task of revitalising the jute industry through measures like market promotion, cost reduction, streamlining production and R & D activities.

The Planning Commission has set up a 12-member Working Group on Jute textiles for the Seventh Five Year Plan to review present status of the industry, assess capacity and production, determine domestic and export demand by 1989-90, as also to suggest measures needed for export promotion. The Bureau of Industrial Costs and Prices which was entrusted by Government to prepare an in-depth report on fair cost structure of representative constructions of jute products submitted its report to Government in February 1984. The Reserve Bank has also undertaken a study on categorisation of jute mills and assessment of each mill's financial requirement.

An International Jute Organization was formed on January 9, 1984 with its headqurters at Dhaka (Bangladesh) with the object of bringing about cooperation among jute exporting countries. Another important development was Government of India's success in reduction/removal of tariff and non-tariff barriers on jute exports in the main consuming countries. The European Economic Community (EEC) removed all tariff and non-tariff barriers on jute imports from January 1, 1984.

**(b) Rubber and Rubber Manufactures**

Production of *natural rubber* during the 1983-84 reached a level of 175·3 thousand tonnes compared to 165·8 thousand tonnes in 1982-83 but the growth rate of production during the year at 5·7 per cent was, however, lower than 8·4 per cent achieved in 1982-83 (Table IV-21). The increase in production was on account of rise in acreage under tapping as well as improvement in productivity. Production would have been still higher but for labour unrest in Kanyakumari and drought conditions during major part of the year in rubber growing areas. During the year, average yield per hectare is also estimated to have increased from 830 kgs. in 1982-83 to 860 kgs. Production of natural rubber during the first quarter of the current financial year (1984-85) recorded an increase of 9·4 per cent in contrast to a fall of 5·4 per cent in the same quarter of the previous year.

Consumption of natural rubber increased to 209·5 thousand tonnes in 1983-84 from 195·5

**Table IV—21 : Rubber**

(Thousand tonnes)

| Item | April - March | | |
|---|---|---|---|
| | 1981 - 82 | 1982 - 83 (P) | 1983 - 84 (P) |
| 1 | 2 | 3 | 4 |
| **Production** | | | |
| Natural | 152·9 | 165·8 | 175·3 |
| | ( –0·1) | ( +8·4) | ( +5·7) |
| Synthetic | 28·5 | 30·3 | 32·3 |
| | ( +12·6) | ( +6·3) | ( +6·6) |
| Reclaimed | 28·8 | 28·8 | 30·7 |
| | ( –1·7) | (—) | ( +6·6) |
| **Imports** | | | |
| Natural | 41·3 | 33·4 | 35·9 |
| | ( +344·1) | ( –19·1) | ( +7·5) |
| Synthetic | 23·4 | 18·8 | 16·0 |
| | ( +48·1) | ( –19·7) | ( –14·9) |
| **Consumption** | | | |
| Natural | 188·4 | 195·5 | 209·5 |
| | ( +8·5) | ( +3·8) | ( +7·2) |
| Synthetic | 46·4 | 49·6 | 55·0 |
| | ( +2·7) | ( +6·9) | ( +10·9) |
| Reclaimed | 28·2 | 29·2 | 30·7 |
| | ( +4·8) | ( +3·5) | ( +5·1) |
| **Year-end Stocks** | | | |
| Natural | 39·7 | 43·4 | 45·2 |
| | ( +17·8) | ( +9·3) | ( +4·1) |
| Synthetic | 16·2 | 15·7 | 9·0 |
| | ( +48·6) | ( –3·1) | ( –42·7) |
| Reclaimed | 2·4 | 2·0 | 2·6 |
| | ( –14·3) | ( –16·7) | ( +30·0) |

P : Provisional

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

*Source* : Rubber Board, Government of India.

thousand tonnes in 1982-83 showing a higher growth of 7·2 per cent than 3·8 per cent in 1982-83. As indigenous production of natural rubber fell short of total demand, the Government sanctioned import of 44·0 thousand tonnes in 1983-84. Actual imports (including under replenishment licences) during the year however, aggregated 35·9 thousand tonnes. The year-end stocks of natural rubber at 45·2 thousand tonnes were higher by 4·1 per cent compared with the stocks 43·4 thousand tonnes at the end of 1982-83. The gap between supply and demand for natural rubber is likely to continue owing to ever increasing demand from consumer industries. It is expected that production of natural rubber would be about 183 thousand tonnes during 1984-85 as against estimated demand of about 230 thousand tonnes.

Output of *synthetic rubber* at 32·3 thousand tonnes during 1983-84 recorded a higher growth of 6·6 per cent compared with 6·3 per cent during 1982-83. During (April-June) 1984, growth of output was very high at 107·9 per cent in contrast to a fall of 43·9 per cent in the corresponding period of the previous year. Consumption of synthetic rubber at 55·0 thousand tonnes during 1983-84 was higher by 10·9 per cent compared to 6·9 per cent in 1982-83. Imports of synthetic rubber were however, lower at 16·0 thousand tonnes compared to 18·8 thousand tonnes in 1982-83. As a result of higher consumption and lower imports, stocks of synthetic rubber at the end of March 1984 were much lower at 9·0 thousand tonnes compared to 15·7 thousand tonnes, a year ago.

Production trends in selected rubber goods during 1983-84 are given in Table IV-22. The number of units in organised sector engaged in the production of rubber goods increased to 116 during 1983-84 from 110 in the previous year. Production of *automobile tyres* went up substantially by 13·3 per cent in 1983-84 in contrast to a fall of 1·7 per cent in the preceding year mainly due to significant increase in production of automobiles of all varieties. Production of *cycle tyres* recorded a higher increase of 19·5 per cent during 1983-84 compared to 5·1 per cent in 1982-83. Production of *rubber footwear* was lower by 6·7 per cent.

The Government has set up a Committee to study production pattern, raw material requirements, employment generation, improvement in quality and other aspects of automobile tyres and tubes industry. The committee will also advise on cost reduction, its rationalisation and as also on improving the availability of these products in relation to demand.

**(c) Chemicals and Chemical Products**

Production of Chemicals and chemical products, which have weight of 10·90 per cent in the general index of industrial production showed a higher growth rate of 6·1 per cent during 1983-84 compared to only 2·4 per cent last year.

Among selected items in this group, production of *fertilisers (nitrogenous* and *phosphatic)* showed a small rise of 3·6 per cent during 1983-84 compared to 7·1 per cent in 1982-83. Consequently, imports of fertilisers had to be increased during 1983-84 to 2·66 million tonnes from 0·49 million tonnes in 1982-83. Output of nitrogenous fertilisers at 3,492 thousand tonnes (in terms of nutrients) showed a marginal increase of 2·5 per cent compared to 8·4 per cent in 1982-83 (Table IV-23). Output of *phosphatic fertilisers* increased to 1,049 thousand tonnes showing a rise of 7·7 per cent in 1983-84 compared to 2·7 per cent in 1982-83. The deceleration in output of fertiliser industry was largely attributed to acute power shortage faced by some units and the water shortage experienced by units in the Southern region and Orissa. To minimise production losses due to unstable power supply, captive power-plants were reported to be under installation at Barauni, Namrup and Durgapur.

Capacity utilisation in respect of nitrogenous fertilisers and phosphatic fertilisers increased marginally to 67·5 per cent and 70·4 per cent in 1983-84 from 66·3 per cent and 68·6 per cent in 1982-83, respectively.

**Table IV—22 : Production of Tyres, Tubes and Footwear**

(lakh numbers)

| Year (April-March) | Automobile Tyres | | Automobile Tubes | Cycle Tyres | Cycle Tubes | Rubber Footwear (pairs) |
|---|---|---|---|---|---|---|
| | Total | *Of which* Giant Tyres | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1981 - 82 | 75·6 | 40·5 | 60·3 | 260·6 | 122·1 | 377·6 |
| | ( +11·5) | ( +9·5) | ( +3·8) | ( −5·2) | ( −6·4) | ( −14·5) |
| 1982 - 83 (P) | 74·3 | 42·2 | 62·1 | 274·0 | 140·7 | 409·7 |
| | ( −1·7) | ( +4·2) | ( +3·0) | ( +5·1) | ( +15·2) | ( +8·5) |
| 1983 - 84 (P) | 84·2 | 45·8 | 72·8 | 327·3 | 171·8 | 382·3 |
| | ( +13·3) | ( +8·5) | ( +17·2) | ( +19·5) | ( +22·1) | ( −6·7) |

P : Provisional.
*Note* : Figures in brackets represent percentage variations over the preceding year.
*Source* : Central Statistical Organisation.

In 1983-84, there were 36 large fertiliser units producing a wide range of straight nitrogenous complex and phosphatic fertilisers, 40 small units producing single super phosphate, and six units producing ammonium sulphate as by-product from steel plants. The installed capacity at the end of 1982-83 was 5·14 million tonnes of nitrogenous and 1·42 million tonnes of phosphatic fertlisers. With the commissioning of Tuticorin (expansion) plant, capacity is estimated to have increased to 5·17 million tonnes of nitrogenous and 1·49 million tonnes of phosphatic fertilisers.

The present 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, it is felt that establishment of coal-based fertiliser plants could be taken up after gaining experience in coal gasification technology employed in Talcher and Ramagundam plants and assessing its viability in large-scale fertiliser production.

Production of *alcohol* during the alcohol year 1982-83 (December-November) at 536 million litres was higher by 4·1 per cent than in the previous year. With a carry over stock of 41·11 million litres, total availability of alcohol during 1982-83 at 576·70 million litres was expected to be more than sufficient to meet estimated demand of 547·51 million litres. According to the Central Molasses Board, availability about 47,229 lakh tonnes of molasses would be more than adequate to meet the requirements for different uses, including production of alcohol.

During 1983-84, three working groups were set up by Government to examine different aspects concerning development of alcohol and alcohol based industries. The Central Molasses Board has advised central Government to constitute a Task Force to implement recommendations of two working groups, namely, working groups on levies and on storage of molasses.

Production of *sulphuric-acid*, one of the main raw materials used in production of single super phosphate and phospheric acid, at 2·08 million tonnes during 1983-84, i.e., showed no change over the level attained in the preceding year. At present, 88 sulphuric acid units using sulphur and six units utilising pyrites/metallurgical gases as raw material are operating with a total of 4·3 million tonnes of installed capacity. An additonal capacity of 1·34 million tonnes was in various stages of implementation.

During 1983-84, production of *caustic soda* estimated at 651 thousand tonnes, showed an

**Table IV—23 : Production of Major Chemicals and Chemical Products**

( Thousand tonnes)

| Item | April - March | | |
|---|---|---|---|
| | 1981-82 | 1982-83 ( P) | 1983-84 ( P) |
| 1 | 2 | 3 | 4 |
| 1. Nitrogeneous Fertilisers ( N Content) | 3,144 | 3,408 | 3,492 |
| | ( +38·6) | ( +8·4) | ( +2·5) |
| 2. Phosphatic Fertilisers ( $P_2O_5$) | 948 | 974 | 1,049 |
| | ( +13·5) | ( +2·7) | ( +7·7) |
| 3. Sulphuric Acid | 2,098 | 2,076 | 2,076 |
| | ( +8·3) | ( −1·0) | ( —) |
| 4. Caustic Soda | 612 | 602 | 651 |
| | ( +7·7) | ( −1·6) | ( +8·1) |
| 5. Soda Ash | 631 | 607 | 781 |
| | ( +24·0) | ( −3·8) | ( +28·7) |
| 6. Paints and Varnishes ( Organised Sector) | 97 | 110 | 112 |
| | ( +6·6) | ( +13·4) | ( +1·8) |
| 7. Soaps ( Organised Sector) | 328 | 342 | 371 |
| | ( +4·1) | ( +4·3) | ( +8·5) |
| 8. Synthetic Detergents ( Organised Sector) | 165 | 169 | 144 |
| | ( +5·8) | ( +2·4) | ( −14·8) |
| 9. Drugs and Pharmaceuticals ( Rs. Crores) | | | |
| (i) Bulk Drugs | 289 | 325 | 345* |
| | ( +20·4) | ( +12·5) | ( +6·2) |
| (ii) Formulations | 1,430 | 1,600 | 1,660* |
| | ( +19·2) | ( +11·9) | ( +3·8) |
| 10. Alcohol ( Million litres) – | 515 | 536 | N.A. |
| | ( +27·5) | ( +4·1) | |

– Data relate to alcohol year, i.e. December – November.
* Anticipated.
N.A. : Not Available
P : Provisional.
*Note* : Figures in brackets represent percentage variations over the preceding year.
*Sources* : Central Statistical Organisation and Ministry of Chemicals & Fertilisers, Government of India.

increase of 8·1 per cent over the previous year's production at 602 thousand tonnes. Due to inclusion of caustic soda under Open General Licence (for actual industrial users) for import purposes, availability of caustic soda remained comfortable during the year.

As regards *soda ash*, its production at 781 thousand tonnes in 1983-84 was higher by 28·7 per cent than the previous year's level of 607 thousand tonnes.

Government took various measures to monitor availability and distribution of soda ash. Further, import is permitted under OGL for actual industrial users. As a result, supply position of the product improved considerably during the year.

Production of *soaps* in the organised sector increased from 342 thousand tonnes in 1982-83 to 371 thousand tonnes in 1983-84. There are 48 units manufacturing soap in the organised sector with an installed capacity of 336 thousand tonnes. Output of synthetic detergents in the organised sector declined to 144 thousand tonnes in 1983-84 from a level of 169 thousand tonnes in 1982-83. There are 18 units with an installed capacity of 278 thousand tonnes of synthetic detergents in the organised sector and about 500 units in the small-scale sector with an installed capacity of 135 thousand tonnes.

Production of *drugs and pharmaceuticals* registered smaller increases during 1983-84 than in the preceding year. Total value of production amounted to Rs.345 crores in respect of bulk drugs and Rs.1,660 crores in the case of formulations, compared to Rs.325 crores and Rs.1,600 crores,respectively, in 1982-83. The growth rate of production decelerated in the case of bulk drugs from 12·5 per cent in 1982-83 to 6·2 per cent in 1983-84 and from 11·9 per cent to 3·8 per cent in the case of formulations. Most of the drugs including a wide range of antibiotics are now being manufactured within the country. During the year under review, efforts were made to step up production of ampicillin and chloroquin phosphate to meet domestic demand. Production of vitamin B6 was undertaken for the first time in the country.

An important development during the year was reduction in prices of seven essential drugs, *viz.*, sodium penicillin (five lakh units), sodium penicillin (ten lakh units), penicillin tetracycline (100 capsule packet), tetracycline (1,000 capsule packet), oxytetracycline injection and idimox capsules by 10 to 15 per cent to make these cheaper for the masses. Also, prices of 24 bulk drugs were revised downwards, and those of other 8 bulk drugs were fixed for the first time under the Drugs (Price Control) Order, 1979.

*D. Consumer Goods Industries*

**(a) Sugar :**

Sugar production during 1983-84 season (October-September) was lower at 58·89 lakh tonnes as against 82·30 lakh tonnes in 1982-83. The fall in production was attributed to comparatively low recovery in Uttar Pradesh and fall in sugarcane production, particularly in Tamil Nadu, Andhra Pradesh and Maharashtra, where last year's drought had adversely affected the cane crop. The crop in some parts of Maharashtra was also affected by floods.

With the decline in production, total availability during 1983-84 sugar season was lower at 104·76 lakh tonnes as against 114·93 lakh tonnes in the previous year. Total offtake during the season was 81·01 lakh tonnes, comprising of 74·53 lakh tonnes for internal consumption and 6·48 lakh tonnes for exports, as against total offtake of 69·06 lakh tonnes consisting of 64·81 lakh tonnes for internal consumption and 4·25 lakh tonnes for exports in 1982-83 season. Stocks of sugar with the mills at the end of 1983-84 season were lower at 23·75 lakh tonnes than 45·87 lakh tonnes at the end of 1982-83 season. Data on sugar production, consumption etc., for 1983-84 season are given in Table IV 24.

India exported 7·2 lakh tonnes of sugar till end-December 1983, as against the allotted quota of 7 lakh tonnes raw value (6·5 lakh tonnes in terms of white crystal sugar) by the International Sugar Organisation. The International Sugar Agreement entered into in the year 1977 and currently in force is due to expire by the end of December 1984. In order to review the position and to fix country-wise export quota, negotiations were held on June 11, 1984. Because of different stands taken by several countries, no agreement could be reached. Hence, after December 1984, there will be free trade in sugar and world sugar exports and prices would be determined largely by world supply and demand position.

Government decided to continue for 1983-84, the policy of partial control with dual pricing system keeping the ratio of levy and free sale sugar unchanged at 65:35. The quantum of monthly releases of levy sugar was raised from 2·94 lakh tonnes to 3·13 lakh tonnes in October 1983 and was maintained at that level throughout the season except for additional 50,000 tonnes released in October 1983 and September 1984 to meet the festival demand. On the other hand, monthly releases of free sale sugar were maintained at a higher level as compared to those during the corresponding months last season. Monthly releases of sugar since October 1982 both for levy and free sale quota are indicated in Table IV-25.

**Table IV— 24 : Availability and Consumption of Sugar**

(In lakh tonnes)

| Items | 1980-81 | 1981-82 | 1982-83 | 1983-84 |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1. Opening Stock | 5·97 | 7·77 | 32·63 | 45·87 |
| 2. Production | 51·42 | 84·32 | 82·30 | 58·89 |
| 3. Total supply (1 + 2) | 57·39 | 92·09 | 114·93 | 104·76 |
| 4. Internal consumption | 49·02 | 55·31 | 64·81 | 74·53 |
| 5. Exports | 0·60 | 4·15 | 4·25 | 6·48 |
| 6. Total offtake(4 + 5) | 49·62 | 59·46 | 69·06 | 81·01 |
| 7. Closing stock(3–6) | 7·77 | 32·63 | 45·87 | 23·75 |

*Source :* Indian Sugar Mills' Association.

Following the high sugar production of 82·30 lakh tonnes in 1982-83, Government raised the buffer stock of sugar from 5 lakh tonnes to 10 lakh tonnes with effect from October 1,1983. However, beginning from June 1984, Government started releasing some portion of the buffer stock for free sale quota.

During 1982-83 season, in view of the sharp increase in sugar production and mounting stocks with factories, Government had raised the stock holding limits of sugar for dealers. However, following the subsequent decline in sugar production and rise in sugar prices in 1983-84, Government reduced the stock holding limits and also issued orders for quick disposal of stocks. On May 22, 1984 Government issued an order lowering the limits on stock holding by recognised dealers in places and in excess of quantities as detailed below (figures in brackets are previous limits fixed on April 29, 1982) :

(I) in Calcutta and extended area–

(a) recognised dealers who import sugar from outside West Bengal– 3,500 quintals (7,500 quintals);

(b) other recognised dealers -250 quintals;

(II) in other places-

(a) in cities and towns with a population of one lakh or more–250 quintals (500 quintals);

(b) in other towns with a population of less than one lakh-100 quintals (250 quintals).

Further, under the same Order, Government stipulated that no recognised dealer shall hold any stock of sugar for a period exceeding ten days from the date of receipt. This Order does not, however, apply to stocks of sugar held on Government account or by authorised dealers nominated by State Governments or by the Food Corporation of India.

The levy sugar price (all-India average), worked out on the basis of statutory minimum price for various zones was fixed by the Government at Rs.293·73 per quintal for 1982-83 season. For 1983-84 season, average levy sugar price works out to Rs.311·07 per quintal. Following the increase in statutory minimum price of sugarcane by 50 paise and consequential increase in the cost of production of sugar from Rs.293·73 per quintal to Rs.311·07 per quintal, Government raised the issue price of levy sugar with effect from February 1, 1984 by 25 paise a kg. from Rs.3·75 per kg to Rs.4·00 per kg.

As on December 31, 1982, the licensed capacity of the sugar industry was 85·05 lakh tonnes spread over 391 sugar factories. The installed capacity during the current crushing

**Table IV-25 : Sugar Releases during 1982-83 and 1983-84 Seasons**

(In lakh tonnes)

| Month | 1982-83 | | | 1983-84 | | |
|---|---|---|---|---|---|---|
| | Levy | Free sale | Total | Levy | Free sale | Total |
| October | 3·44 * | 3·20 | 6·64 | 3·63 * | 3·30 | 6·93 |
| November | 2·94 | 3·20 | 6·14 | 3·13 | 3·30 | 6·43 |
| December | 2·94 | 3·00 | 5·94 | 3·13 | 3·00 | 6·13 |
| January | 2·94 | 2·50 | 5·44 | 3·13 | 3·25 | 6·38 |
| February | 2·94 | 2·00 | 4·94 | 3·13 | 3·25 | 6·38 |
| March | 2·94 | 1·50 | 4·44 | 3·13 | 3·55 | 6·68 |
| April | 2·94 | 1·50 | 4·44 | 3·13 | 3·35 | 6·48 |
| May | 2·94 | 1·70 | 4·64 | 3·13 | 3·10 | 6·23 |
| June | 2·94 | 2·30 | 5·24 | 3·13 | 3·40 | 6·53 |
| July | 2·94 | 2·60 | 5·54 | 3·13 | 3·40 | 6·53 |
| August | 2·94 | 2·80 | 5·74 | 3·13 | 3·40 | 6·53 |
| September | 2·94 | 3·20 | 6·14 | 3·63 * | 3·70 | 7·33 |

* Including 50,000 tonnes additional sugar for the festival season.

season (1983-84) is expected to be higher at 70·52 lakh tonnes as against 65·90 lakh tonnes during 1982-83 due to opening of 12 new factories and completion of 16 expansion projects. Thus, the number of sugar factories under operation increased from 327 during 1982-83 to 339 by the end of 1983-84 season.

During 1983-84, a sum of Rs.76 crores was credited to the Sugar Development Fund compared to Rs.40 crores during 1982-83, thereby raising the total amount credited to the fund to Rs.116 crores.

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 1983-84, a sum of Rs.8·5 lakhs was recovered from sugar mills and credited to this fund bringing the total amount credited to Rs.6·81 crores since the establishment of the fund. In addition, the Food Corporation of India, under orders of courts has so far collected, by way of such recovery from sugar mills a sum of Rs.11·79 crores.

**(b) Textiles-Cotton and Synthetic**

Production of textile industry, which was adversely affected during the last two years largely on account of the prolonged labour strike in the textile mills of Bombay, improved appreciably during 1983-84. Output of the mill sector as well as of the decentralised sector increased substantially during 1983-84.Thirteen textile mills of Bombay were taken over by Government in October 1983. The number of mills closed, which rose from 27 units as on March 31, 1983 to 53 units as on December 31, 1983, declined to 48 units at the end of March 1984. The number of workers rendered unemployed due to closure of these mills shot up from 39,691 as on March 31, 1983 to 82,818 as at the end of March 1984. The factors which have been affecting the textile industry in general and sick textile units in particular are both of short-term and long-term nature. The short-term problems facing the industry are high prices and shortage of raw materials, liquidity problems due to poor sales, and large accumulation of stocks as a result of poor demand. The long-term problems

are slow pace of modernisation of age-old plants and machinery, increasing sickness, outdated technology resulting in low productivity, high cost of production, and low profitability.

Total production of *yarn* (cotton, blended/mixed and 100 per cent man-made fibre spun yarn) registered an increase of 10·3 per cent during 1983-84 as against a fall of 2·5 per cent in 1982-83 (Table IV-26), mainly owing to re-opening of almost all the composite mills in Bombay after calling off the strike by textile workers. Indigenous output of cotton yarn rose from 999 million kgs. in 1982-83 to 1,127 million kgs. in 1983-84, showing a rise of 12·8 per cent. During 1983-84, production of blended/mixed yarn was 145 million kgs. compared to 137 million kgs. in 1982-83 showing an increase of 5·8 per cent.

Output of 100 per cent man-made fibre spun yarn, however, continued to show a downtrend. It fell from 93 million kgs. in 1981-82 to 82 million kgs. in 1982-83 and further to 72 million kgs. in 1983-84.

Domestic consumption of *all* yarn increased during 1983-84 to 1,169 million kgs. from 1,074 million kgs. in 1982-83 registering a rise of 8·8 per cent. As demand did not increase in proportion rise in production, unsold stocks of all yarn with mills by end-March 1984, rose to 19·5 million kgs. from 17·9 million kgs. a year ago. During the first quarter of 1984-85,

**Table IV-26: Production, Consumption and Exports of Yarn**

**(Million Kgs.)**

| Item | April-March | | |
|---|---|---|---|
| | 1981-82 | 1982-83 (P) | 1983-84 (P) |
| 1 | 2 | 3 | 4 |
| A.Production (i + ii + iii) | 1,249 | 1,218 | 1,344 |
| | (- 3·8) | (- 2·5) | (+ 10·3) |
| (i)Cotton Yarn | 989 | 999 | 1,127 |
| | (- 7·3) | (+ 1·0) | (+ 12·8) |
| (ii)Blended Mixed Yarn | 167 | 137 | 145 |
| | (+ 16·0) | (-18·0) | (+ 5·8) |
| (iii)100 per cent Man-made | 93 | 82 | 72 |
| Fibre Spun Yarn | (+ 6·9) | (- 11·8) | (- 12·2) |
| B.Exports * | | | |
| Value (Rs.Crores) | 15·00 | 18·32 | 22·65 |
| Quantity | 5 | 6 | .. |
| C.Domestic Consumption (all yarn) (i + ii) | 1,148 | 1,074 | 1,169 |
| i)Mill Sector + | 474 | 381 | 437 |
| ii)Decentralised Sector @ | 674 | 693 | 732 |
| D.Year-end Stocks (Unsold) (all yarn) | 20·0 | 17·9 @@ | 19·5 |

P: Provisional.
* Relates to cotton yarn only.
\+ Relates to consumption for weaving cloth only.
@ Relates to civil deliveries of spun yarn to the decentralised sector.
@@ Excluding Bombay city.
.. Not available
*Notes*: 1) Figures of yarn excludes filament yarn.
2) Figures in brackets represent percentage variations over the preceding year.
*Sources*: Office of the Textile Commissioner and Indian Cloths Mills' Federation.

output of all yarn recorded a rise of 5·0 per cent compared to 11·0 per cent in the corresponding quarter of the previous year. At the end of June 1984 unsold stocks of all yarn increased further to 24·3 million kgs.

With a spindleage of 23·04 million spindles at the end of January 1984, the target of 22·78 million set for the terminal year of the Sixth Plan (1984-85) was achieved a year ahead of schedule. schedule.

Total output of *cloth* (cotton, blended/mixed and 100 per cent man-made fibre fabrics) (in mill and decentralised sector) went up significantly by 12·7 per cent to 11,957 million metres in 1983-84 from 10,614 million metres in 1982-83 when it had declined by 3·3 per cent over 1981-82 (Table IV-27). The significant improvement in the output of cotton textiles was mainly due to restoration of normal working in all the mills in Bombay. The mill sector's cloth output recorded a rise of 14·0 per cent to 3,571 million metres in 1983-84 from 3,132 million metres in 1982-83 and that of decentralised sector increased by 12·1 per cent to 8,386 million metres from 7,482 million metres. Production of cotton fabrics, which forms a major part of output of both the sectors,.went up by 15·0 per cent to 2,753 million metres in the case of mill sector and by 8·2 per cent to 6,018 million metres in the case of decentralised sector. Cloth production during the first quarter of 1984-85 (April-June) recorded a fall of 4·0 per cent in contrast to a significant rise of 12·9 per cent during the same period a year ago, mainly on account of shortage and high prices of short and medium staple cotton as well as accumulation of huge unsold stocks.

**Table IV—27 : Production, Consumption and Exports of Cotton and Man-made Textiles**

(Million metres)

| Item | April -March | | |
|---|---|---|---|
| | 1981 - 82 | 1982 - 83 (P) | 1983 - 84 (P) |
| 1 | 2 | 3 | 4 |
| A. Production ( *i* + *ii*) | 10,981 | 10,614 | 11,957 |
| | ( -0·1) | ( -3·3) | ( +12·7) |
| *(i)* Mill Sector ( a + b + c) | 3,808 | 3,132 | 3,571 |
| | ( -8·6) | ( -17·8) | ( +14·0) |
| *(a)* Cotton Fabrics | 2,923 | 2,393 | 2,753 |
| | ( -14·9) | ( -18·1) | ( +15·0) |
| *(b)* Blended/Mixed Fabrics | 877 | 733 | 818 |
| | ( +20·1) | ( -16·4) | ( +11·6) |
| *(c)* 100 per cent Man-made Fibre Fabrics | 8 | 6 | Neg. |
| | ( +100·0) | ( -25·0) | |
| *(ii)* Decentralised Sector ( a + b + c) | 7,173 | 7,482 | 8,386 |
| | ( +5·2) | ( +4·3) | ( +12·1) |
| *(a)* Cotton Fabrics | 5,060 | 5,560 | 6,018 |
| | ( +2·6) | ( +9·9) | ( +8·2) |
| *(b)* Blended/Mixed Fabrics | 658 | 560 | 500 |
| | ( +21·9) | ( -14·9) | ( -10·7) |
| *(c)* 100 per cent Man-made Fibres Fabrics | 1,455 | 1,362 | 1,868 |
| | ( +8·1) | ( -6·4) | ( +37·2) |
| B. Exports @( Rs. Crores) | 1,379 | 1,073 | 1,180 |
| | ( +15·2) | ( -22·2) | ( +10·0) |
| C. Domestic Consumption ( all cloth) * | 10,143 | 9,690 | 11,033 |
| | ( +0·7) | ( -4·5) | ( +13·9) |
| D. Year-end Stocks ( unsold) ( all cloth) + | 160 | 134 | 216 |
| | ( +31·1) | ( -16·2) | ( +61·2) |

P : Provisional.
@ Includes Cotton Textiles, Handloom Textiles, Ready-made Garments, Man-made Textiles, etc.
* Relates to total availability.
\+ Relates to mill sector only.
Neg : Negligible.
*Note* : Figures in brackets represent percentage variations over the preceding year.
*Sources:* Office of the Textile Commissioner and Indian Cotton Mills' Federation.

Total value of exports of all textiles, including cotton textiles, handloom textiles, ready-made garments, knitwear, etc., increased to Rs.1,180 crores during 1983-84 from Rs.1,073 crores in 1982-83 or by 10·0 per cent. The rise in exports of textiles during the year in contrast to a sharp fall in 1982-83 (about 22·2 per cent) was the result of higher production as well as policy measures adopted by Government from time to time and promotional activities undertaken by export promotion councils. Government has been providing assistance to the industry by way of CCS against its exports. Exports of cotton fabrics during 1983-84 at Rs.223·9 crores were higher by 27·8 per cent than in 1982-83. During 1983-84, exports of readymade garments including hosiery/knitwear of all varieties at Rs.734·6 crores reached a record level; in the year 1982-83, exports of these items amounted to Rs.629·2 crores.

During 1983-84, the National Textile Corporation (NTC) took over management of 13 mills in Bombay, bringing the total number of mills under its control to 125 as against 112 in 1982-83. NTC mills (excluding 13 taken over in Bombay in October 1983) produced 70·0 million kgs. of market yarn and 902·0 million metres of cloth during 1983-84 compared to 66 million kgs. of market yarn and 761·0 million metres of cloth in 1982-83. During the first quarter (April- June) of 1984-85, these mills produced an estimated market yarn at 17·0 million kgs. and 198·8 million metres of cloth.

Exports by NTC amounted to Rs.14·0 crores during 1983-84 compared to Rs. 10·8 crores in 1982-83 and Rs.3·6 crores in 1981-82.

It was proposed to expand spindleage in NTC mills by 6·4 lakh spindles during the Sixth Plan period. However, owing to escalation in prices of machinery and constraints of budgetary support the expansion programme has now been pruned to 2·4 lakh spindles.

Under the controlled cloth scheme of 1981, the responsibility for production of 650 million square metres of cheaper varieties of cloth annually was to be shouldered eqully by NTC and the handloom sector. The scheme visualised gradual rise in the share of the handloom sector in production of controlled cloth with the proportionate reduction in the share of NTC. From August 1983, the scheme has been extended to include production of polyester-cotton blended shirting and this has to be produced by NTC mills. Accordingly, the Department of Textiles has allocated a quota of 360 million square metres for the handloom sector and 290 million square metres including 8 million square metres of polyester-cotton blended shirting for NTC. For 1983-84, NTC had an obligation to produce 290 million square metres of controlled cloth including 8 million square metres of polyster-cotton bleached shirting. In terms of value, this production amounted to Rs.615 crores as against Rs.480 crores in the previous year recording an increase of 28·1 per cent. Varieties like sarees, dhoties and long cloth are produced by NTC mills and sarees and dhoties under the Janata Cloth Scheme are produced in the handloom sector.

NTC suffered a loss of Rs.78 crores during 1982-83 due to increase in prices of raw material and other inputs, shortage of power, sluggish market conditions, prolonged strikes and obsolete plant and machinery, etc. NTC has prepared a plan of modernisation to be implemented in phases. As on 30th June 1984, total amount sanctioned for modernisation expansion of NTC mills was nearly Rs.347 crores and total amount invested so far amounted to Rs.287 crores.

With a view to enabling the industry to modernise its production capacity, Government took several policy measures which included, among others, reduction of import duty on import of a number of sophisticated textile machineries, reduction abolition of excise duty on certain items like polyester fine and superfine yarn, etc. Facilities have also been extended to textile machinery manufacturers to modernise with the help of foreign collaborations, and to procure modern machinery from indigenous sources. Import of high technology machines not available indigenously is also allowed for which soft loan facility has been extended to

textile mills. To avoid raw material shortage, import of man-made fibre has been placed under OGL.

With a view to ensuring regular and adequate supply of yarn to individual weavers in the decentralised sector, NTC has decided to open yarn banks in all important weaving centres. Considering the growing demand for polyester yarn from handloom, Government has arranged with Petrofills to supply such yarn to apex bodies on credit. Petrofills has also agreed to supply yarn to weaving co-operative societies at prices lower by 15 per cent than market rates.

Government has recently decided not to allow further increase in powerlooms and restrict the growth of unauthorised powerlooms in the decentralised sector in order to protect the mill sector from stiff competition from this sector.

With a view to making cloth cheaper, Government provided in the Union Budget for 1984-85 substantial relief to the textile industry by way of reduction in excise duty on polyester/cotton blended yarn and fabrics. Further, Government announced in June 1984 a reduction in excise duty on fine and superfine counts of yarn to induce mills to step up their consumption of these varieties. This measure would bring down prices of these varieties which mills can use in place of short and medium staple yarn which is in short supply at present. Government also reduced the basic duty on cotton yarn and cellulosic spun yarn above 35 counts thereby reducing the incidence of excise duty on this yarn by 25 per cent.

An important development relating to the textile industry was the appointment of a Standing Committee by Government under the Chairmanship of Secretary (Textiles) to monitor sickness in the industry. A Committee under the chairmanship of an executive of IDBI was set up to look into closed and sick mills in Gujarat and Government has now worked out a comprehensive package of incentives and concessions to rehabilitate mills. Assistance to be given by the IDBI and other banks has been finalised. Besides, the State Government has also offered various reliefs like deferring recovery of sales and purchase tax and electricity dues for a period of five years; some mills will be exmepted from power cuts.

**(c) Paper, Paper Boards and Newsprint**

*(i) Paper and Paper Products*

Production of paper and paper boards declined by 3·0 per cent to 11·82 lakh tonnes in 1983-84 (April-March) (Table IV-28). Production of wrapping paper declined from 2·84 lakh tonnes in 1982-83 to 2·76 lakh tonnes in 1983-84, and that of writing and printing paper and paper boards from 7·22 lakh tonnes and 2·07 lakh tonnes respectively, to 7·01 lakh tonnes and 2·01 lakh tonnes, respectively; the production of special varieties of paper also declined from 0·45 to 0·46 lakh tonnes last year. The main reasons for the decline in output of paper and paper boards were inadequate supply of raw materials, shortage of coal and power, industrial disputes and stabilisation problems in case of new units. For 1984-85, a production target of 15·0 lakh tonnes has been fixed. Production of paper and paper boards during the first quarter (April-June) of 1984-85, however, recorded a significant increase of 18·2 per cent in contrast to a decline of 10·8 per cent during the same quarter last year.

During 1983, 45 new small units with an installed capacity of 2·50 lakh tonnes were established. Consequently, the number of units and installed capacity in the paper and paper board industry increased from 175 and 19·15 lakh tonnes, respectively, as at end-December 1982 to 220 and 21·65 lakh tonnes, respectively as at end-December 1983. However, capacity utilisation in the industry declined from 67·0 per cent in 1981-82 to 63·6 per cent in 1982-83 and further to 54·6 per cent in 1983-84, due to inadequate availability of raw materials, industrial disputes, power shortage leading to high cost of production and rapid increase in installed capacity by small paper units which generally operate at lower capacity utilisation.

**Table IV—28 : 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** | | | | |
| 1981 - 82 | 157 | 1,817 | 1,218 ( + 10·3) | 67·0 |
| 1982 - 83 ( P) | 175 | 1,915 | 1,218 (—) | 63·6 |
| 1983-84 ( P) | 220 | 2,165 | 1,182 ( -3·0) | 54·6 |
| **B. Newsprint** | | | | |
| 1981 - 82 | 2 | 150 | 61 ( + 19·6) | 40·7 |
| 1982 - 83 ( P) | 3 | 230 | 121 ( + 98·4) | 52·6 |
| 1983 - 84 ( P) | 3 | 230 | 176 ( + 45·5) | 76·5 |

P : Provisional.

*Notes* : 1. Figures in brackets indicate percentage variations over the preceding year.
2. Data relating to number of units and installed capacity in case of Paper and Paper Boards indicate the position as at the end of the calendar year.

*Sources* : Number of units and installed capacity — Indian Paper Mills' Association.
Production — Paper and Paper Boards from CSO and Newsprint from DGTD.

Low capacity utilisation in both large and small units has resulted in high cost of production and losses.

In order to revive the paper industry which at present is passing through a critical period of financial crisis, Government reduced, in the Union Budget for 1984-85,the basic excise duty by Rs.425 per tonne on printing and writing paper and granted exemption in customs duty on imported wood chips and pulp. Government has also encouraged use of secondary raw materials like bagasse, cereal straws and waste paper for manufacturing paper and paper boards as there is an acute shortage of conventional raw materials like wood pulp and chips. Besides, steps are also being taken to develop plantations specific to the requirements of the paper industry.

During the year under review, Government announced a hike in the price of white printing paper to Rs.6,400 per tonne with effect from May 11, 1984 in order to compensate the industry for the rise in cost of raw materials, chemicals, coal and power tariffs since the last revision in April 1983. This was according to the recommendations of the Bureau of Industrial Costs and Prices (BICP).

*(ii) Newsprint*

There are at present 3 units producing newsprint with a total installed capacity of 230 thousand tonnes. During the Sixth Plan period, significant progress has been made towards achieving self-reliance in the manufacture of newsprint. Till recently, The National Newsprint and Paper Mills (NEPA) was the only unit manufacturing newsprint with a capacity of 67,500 tonnes. Two more units, *viz.*, Hindustan Newsprint Limited, Kerala (having a capacity of 80,000 tonnes) and Mysore Paper Mills Ltd., Karnataka (having a capacity of 75,000 tonnes) have gone into production, while the production capacity of NEPA has been raised to 75 thousand tonnes.

Production of newsprint during 1983-84 was 176 thousand tonnes compared to 121 thousand tonnes in 1982-83. This substantial increase of 45·5 per cent in output was the result of attaining the rated production of new units as also high capacity utilisation ratio during 1983-84. Establishment of captive power plants by the units also facilitated the uptrend in output. Capacity utilisation ratio of newsprint industry rose significantly to 76·5 per cent during 1983-84 from 52·6 per cent in 1982-83. Although production of newsprint increased substantially in 1983-84, it suffered to large extent by power cuts imposed by various States. Government, therefore, has drawn up a scheme estimated to cost Rs.35·41 crores for setting up of new 10 MW power plants for captive generation and renovation of existing power plants for a sustained 5 MW power supply. During April-June quarter of 1984 output of newsprint was 45·88 thousand tonnes com pared to 39·53 thousand tonnes in the corresponding period of 1983–higher by 16·1 per cent.

Demand for newsprint during 1983-84 was placed around 360 thousand tonnes and as a result imports of about 175 thousand tonnes were arranged to meet the shortfall in indigenous production. For 1984-85 demand has been estimated at around 3·85 lakh tonnes, of which 2·00 lakh tonnes would be met from indigenous production. Government has decided to fill up this gap by importing an estimated quantity of 1·85 lakh tonnes. The Government has also decided to regulate shipments to ensure import of about 25,000 tonnes of newsprint every month. This is expected to meet the demand for newsprint for newspapers and help STC to build-up adequate buffer stocks to take care of delay in arrivals. The two new units, *viz.*, Tamil Nadu Newsprint and Paper Ltd. and Century Pulp and Paper Mills, are expected to achieve optimum capacity utilisation in 1984-85.

## Chapter V

# Price Trends and Price Policy

**Price Trends :** *The Main Features*

During the year 1983-84 (April-March) the index number of wholesale prices for 'all commodities' (1970-71 = 100) rose from 295·3 at end-March 1983 to 322·2 at end-March 1984, indicating an increase, on a point-to-point basis, of 9·1 per cent in the general price level as compared to lower increases of 6·6 per cent and 2·4 per cent, respectively, in 1982-83 and 1981-82. The rise was, however, much lower than that of 16·7 per cent recorded in 1980-81. On an average basis, the increase in the general price index at 9·4 per cent in 1983-84, although significantly higher than the rise of 2·6 per cent in 1982-83, was almost of the same magnitude (9·3 per cent) as in 1981-82 and substantially lower than the rise of 18·2 per cent in 1980-81.

The upward movement in prices continued during the first quarter of 1984-85 also, although the rate of price rise was lower than that in the corresponding quarter of the previous year.

The index of wholesale prices (all commodities) rose from 322·2 at end-March 1984 to 337·5 at end-June 1984 or by 4·7 per cent. The rate of increase was lower compared to that of 5·1 per cent in the corresponding period of 1983-84. On an average basis also, the increase in the index during the quarter April-June 1984 was lower at 8·1 per cent compared with 8·5 per cent in the same period last year.

The year 1983-84 witnessed three distinct phases in the movement of the wholesale price index. During the first five months of the year, the index rose, on a point-to-point basis, by 8·3 per cent upto August 20, 1983 as compared to a rise of 6·3 per cent in the corresponding period of 1982-83. The principal commodities which contributed to this rise were cereals, pulses, milk and milk products, oilseeds, edible oils and gur. The index was more or less stationary during the period August 20, 1983 to December 24, 1983. The general index recorded only a marginal increase of 0·1 per cent during this period as against a decline of 2·2 per cent in the

**Table V—1 : Month-wise Percentage Variations in 'All Commodities' Index (1970 - 71 = 100)**

| Year | April | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1982 - 83 | −0·1 | +0·4 | +2·8 | +2·0 | +1·0 | −1·3 | −0·3 | +0·2 | −0·6 | +0·7 | +0·6 | +0·9 |
| 1983 - 84 P | +1·1 | +2·9 | +0·6 | +1·2 | +1·6 | +0·3 | −0·1 | — | −0·1 | +1·2 | +0·3 | −0·1 |
| 1984 - 85 P | +0·1 | +1·3 | +2·0 | | | | | | | | | |

P : Provisional.

same period in the previous year. This was because increases in the prices of pulses, tea, raw jute and jute textiles during this period were offset by declines in gur, fruits and vegetables and cereals. In the third phase *i.e.* from the week ended December 24, 1983 upto the week ended March 31, 1984, the general index recorded a mild increase of 0·8 per cent in comparison with the rise of 2·1 per cent in the corresponding period of the previous year. The rise in the general index was brought about mainly by the uptrend in the prices of gur, raw cotton, raw jute and jute textiles. During the previous year some of the commodities listed above such as milk and milk products, edible oils, oilseeds, tea, raw jute and jute textiles had exerted considerable pressure on the price level. In addition, 'milk and milk products' and 'beverages, tobacco and tobacco products' had also shown noticeable increase in prices.

The monthly variations in the wholesale price index during the two years 1982-83 and 1983-84 are presented in Table V-1. As may be seen from the table, the index showed a continuous uptrend in the two quarters from April to September in 1983-84. The monthly rate of increase during this period varied between 0·3 per cent and 2·9 per cent. During the next quarter, the index showed marginal declines of 0·1 per cent each in October and December while in November it remained stationary. The index moved up by 1·2 per cent and 0·3 per cent in January and February 1984, respectively, but declined marginally by 0.1 per cent in March 1984. In the first two quarters of 1982-83 the index had exhibited a rising trend except in April and September. The monthly rise during the period from May to August was within the range of 0·4 per cent and 2·8 per cent. In the third quarter the index moved down in October and December whereas in November it had shown an uptrend. Subsequently throughout the last quarter of the year the index continued to display a steady uptrend with the rate of increase varying between 0·6 per cent and 0·9 per cent. The average monthly rate of inflation in 1983-84 was 0·7 per cent as compared with 0·5 per cent in 1982-83.

The price rise in 1983-84 occurred despite favourable trends in agricultural production. The delayed impact of the drought in 1982 might have been responsible to some extent for the rise in prices in 1983-84. Excess liquidity in the banking system also exerted some inflationary pressure on the economy. Several measures were taken by the Government in 1983-84 to contain inflationary pressures. On the demand side, steps were taken for mopping up excess liquidity in the banking system and curtailing government expenditure to the extent possible. On the supply side, special incentives were given in sensitive areas with a view to increasing production. Efforts were made to widen the public distribution system to ensure the availability of essential commodities at reasonable prices. Supplies of certain essential commodities were augmented by imports while releases of sugar were made in larger quantities.

**Table V—2 : Extent of Price Rise Based on Wholesale Price Index (1970 - 71 = 100)**
(Major group-wise)

| Items | Weight | Percentage variations 1982 - 83 | Percentage variations 1983 - 84 | Weighted contribution 1982 - 83 | Weighted contribution 1983 - 84 |
|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. |
| **ALL COMMODITIES** | **1000·00** | **+ 6·6** | **+ 9·1** | **+ 100·0** | **+ 100·0** |
| Primary Articles | 416·67 | + 8·0 | + 9·8 | + 47·7 | + 42·8 |
| Fuel, Power, Light and Lubricants | 84·59 | + 10·6 | + 5·1 | + 21·4 | + 7·8 |
| Manufactured Products | 498·74 | + 4·3 | + 9·7 | + 30·9 | + 49·4 |

*Commodity/Group-wise Trends*

The rise in the general index was brought about by the increase in the index of each of the three major groups of commodities. (Table V-2). The rates of increase in the indices of primary articles and manufactured products in 1983-84 were higher than in 1982-83. However, while primary articles moved up by 9·8 per cent in 1983-84 as compared with 8·0 per cent in the previous year, manufactured products recorded a more noticeable increase from 4·3 per cent in 1982-83 to 9·7 per cent in 1983-84. Fuel, power, light and lubricants moved up at a lower rate of 5·1 per cent in 1983-84 than 10·6 per cent in the previous year. In the result, among these groups the weighted contribution to the rise in the general index in 1983-84 was the highest from manufactured products (49·4 per cent), followed by primary articles (42·8 per cent) and fuel, power, light and lubricants (7·8 per cent) as compared with 30·9 per cent, 47·7 per cent and 21·4 per cent, respectively, in the previous year. The main commodities which significantly contributed to the rise in the general index in 1983-84 were pulses, milk and milk products, tea, raw cotton, oilseeds, sugarcane, coal, gur and edible oils. The weighted contribution of these commodities to the rise in the general index was about 65 per cent.

*Primary Articles*

The indices of all the three sub-groups of 'primary articles', namely, 'food articles','non-food articles' and 'minerals' recorded increases during the year [Table V-3(a)]. Food articles went up by 7·1 per cent as compared to a higher rate of 12·0 per cent in the preceding year. Non-food articles rose sharply by 21·6 per cent as against a lower rise of 7·4 per cent in 1982-83. Minerals which had recorded a decline of 11·3 per cent in 1982-83 moved up by 2·1 per cent in 1983-84.

Among 'food articles', foodgrains rose modestly by 0·9 per cent against a much higher rise of 12·1 per cent in the preceding year. The two components of foodgrains, namely, cereals and pulses, displayed divergent trends. While cereals declined by 5·3 per cent as against a substantial rise of 16·4 per cent in the preceding year, pulses which had recorded a decline of 3·2 per cent in 1982-83 moved up sharply by 28·0 per cent. The decline in the index of cereals in 1983-84 reflected the favourable impact of the record production of rice and wheat during the year. While the decline in the case of rice was marginal at 0·8 per cent, that of wheat was significant at 12·4 per cent. The index for bajra decreased by 7·7 per cent. Jowar, however, rose by 2·0 per cent. The uptrend in pulses was due to pressure of demand in the face of paucity of supplies.

Other sub-groups of 'primary articles' exhibited somewhat mixed trends. Fruits and vegetables went up at a lower rate of 2·5 per cent in 1983-84 compared to 16·7 per cent in the preceding year. On the other hand, milk and milk products which had shown a modest rise of 1·0 per cent in 1982-83 moved up sharply by 18·1 per cent in 1983-84. The index of eggs, fish and meat showed a fall of 4·5 per cent as against the rise of 14·7 per cent in 1982-83. Condiments and spices shot up by 40·4 per cent as against the decline of 4·5 per cent in the preceding year. Under other food articles, the prices of both tea and coffee continued to rise during the year, the index numbers moving up by 36·1 per cent and 33·6 per cent, respectively, as compared with the rise of 50·3 per cent and 7·7 per cent, respectively, during 1982-83. The rise in tea prices resulted from buoyancy in demand both in domestic and international markets. The increase in the index of coffee was caused mainly by acute shortage of supplies on account of failure of crop.

Commodities under the sub-group 'non-food articles' generally showed an uptrend in the price levels. Raw cotton index moved up substantially by 26·1 per cent as against a decline of 0·1 per cent in the previous year. The rise in the price may be attributed to decline in supplies of raw cotton following poor crop.

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

(Base : 1970 - 71 = 100)

| Items | Weight | Index Numbers | | | Percentage Variations | | Weighted Contribution (Per cent) | |
|---|---|---|---|---|---|---|---|---|
| | | End-March 1982 | End-March 1983 | End-March 1984 | End-March 1983 over end-March 1982 | End-March 1984 over end-March 1983 | 1982 - 83 | 1983 -84 |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| **ALL COMMODITIES** | **1000·00** | **277·1** | **295·3** | **322·2** | **+6·6** | **+9·1** | **+100·0** | **+100·0** |
| **PRIMARY ARTICLES** | **416·67** | **260·7** | **281·6** | **309·2** | **+8·0** | **+9·8** | **+47·7** | **+42·8** |
| **A. FOOD ARTICLES** | **297·99** | **234·9** | **263·2** | **281·8** | **+12·0** | **+7·1** | **+46·2** | **+20·5** |
| Foodgrains | 129·22 | 235·4 | 263·9 | 266·3 | +12·1 | +0·9 | +20·2 | +1·2 |
| *(i)* CEREALS | 107·43 | 221·9 | 258·2 | 244·4 | +16·4 | –5·3 | +21·4 | –5·5 |
| Rice | 51·31 | 232·3 | 274·3 | 272·0 | +18·1 | –0·8 | +11·8 | –0·4 |
| Wheat | 34·17 | 204·0 | 239·8 | 210·0 | +17·5 | –12·4 | +6·7 | –3·8 |
| Jowar | 8·39 | 223·5 | 230·5 | 235·0 | +3·1 | +2·0 | +0·3 | +0·1 |
| Bajra | 6·64 | 219·2 | 237·9 | 219·6 | +8·5 | –7·7 | +0·7 | –0·5 |
| *(ii)* PULSES | 217·9 | 302·1 | 292·4 | 374·4 | –3·2 | +28·0 | –1·2 | +6·6 |
| Gram | 5·24 | 313·7 | 272·9 | 390·1 | –13·0 | +42·9 | –1·2 | +2·3 |
| *(iii)* FRUITS AND VEGETABLES | 61·32 | 230·6 | 269·1 | 275·8 | +16·7 | +2·5 | +13·0 | +1·5 |
| Vegetables | 24·86 | 192·2 | 220·0 | 235·0 | +14·5 | +6·8 | +3·8 | +1·4 |
| Fruits | 36·46 | 256·7 | 302·5 | 305·3 | +17·8 | +0·9 | +9·2 | +0·4 |
| *(iv)* MILK AND MILK PRODUCTS | 61·50 | 226·6 | 228·8 | 270·3 | +1·0 | +18·1 | +0·7 | +9·5 |
| *(v)* EGGS, FISH & MEAT | 18·97 | 315·4 | 361·7 | 345·3 | +14·7 | –4·5 | +4·8 | –1·2 |
| Fish | 6·31 | 375·6 | 475·9 | 395·6 | +26·7 | –16·9 | +3·5 | –1·9 |
| Meat | 8·46 | 341·2 | 375·6 | 399·4 | +10·1 | +6·3 | +1·6 | +0·7 |
| *(vi)* CONDIMENTS & SPICES | 10·94 | 174·2 | 166·4 | 233·6 | –4·5 | +40·4 | –0·5 | +2·7 |
| *(vii)* OTHER FOOD ARTICLES | 16·04 | 225·8 | 315·9 | 431·4 | +39·9 | +36·6 | +7·9 | +6·9 |
| Tea | 11·49 | 246·2 | 370·1 | 503·7 | +50·3 | +36·1 | +7·8 | +5·7 |
| Coffee | 1·61 | 141·7 | 152·6 | 203·8 | +7·7 | +33·6 | +0·1 | +0·3 |

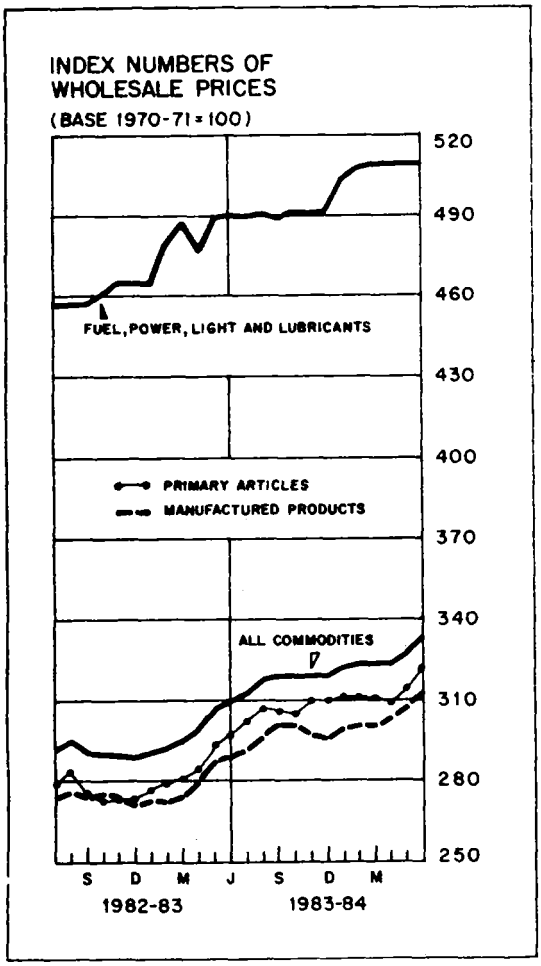
— *(Contd.)*

**Table V—3(a) : Index Numbers of Wholesale Prices : Primary Articles** *(Concld.)*

(Base:1970 - 71 = 100)

| Items | Weight | Index Numbers | | | Percentage variations | | Weighted Contribution (Per cent) | |
|---|---|---|---|---|---|---|---|---|
| | | End-March 1982 | End-March 1983 | End-March 1984 | End-March 1983 over end-March 1982 | End-March 1984 over end-March 1983 | 1982 - 83 | 1983 - 84 |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| **B. NON-FOOD ARTICLES** | **106·21** | **232·6** | **249·9** | **303·8** | **+7·4** | **+21·6** | **+10·1** | **+21·3** |
| *(i)* FIBRES | 31·73 | 197·4 | 207·6 | 259·9 | +5·2 | +25·2 | +1·8 | +6·2 |
| Raw Cotton | 22·46 | 199·6 | 199·5 | 251·6 | –0·1 | +26·1 | — | +4·4 |
| Raw Jute | 4·29 | 145·0 | 208·6 | 295·6 | +43·9 | +41·7 | +1·5 | +1·4 |
| *(ii)* OILSEEDS | 42·01 | 227·5 | 245·3 | 314·3 | +7·8 | +28·1 | +4·1 | +10·8 |
| Groundnuts | 18·21 | 242·2 | 262·1 | 308·0 | +8·2 | +17·5 | +2·0 | +3·1 |
| Rape & Mustard seed | 8·22 | 220·0 | 241·6 | 286·7 | +9·8 | +18·7 | +1·0 | +1·4 |
| Copra | 4·49 | 168·7 | 219·6 | 454·2 | +30·2 | +106·8 | +1·3 | +3·9 |
| *(iii)* OTHER NON-FOOD ARTICLES | 32·47 | 273·6 | 297·4 | 333·3 | +8·7 | +12·1 | +4·2 | +4·3 |
| Sugarcane | 16·42 | 187·1 | 194·0 | 205·9 | +3·7 | +6·1 | +0·6 | +0·7 |
| Rubber | 1·28 | 319·4 | 297·4 | 349·9 | –6·9 | +17·7 | –0·2 | +0·2 |
| Logs, Timber & Bamboo | 3·34 | 748·8 | 780·2 | 971·7 | +4·2 | +24·5 | +0·6 | +2·4 |
| Raw Tobacco | 8·07 | 150·7 | 238·9 | 233·7 | +58·5 | –2·2 | +3·9 | +1·0 |
| **C. MINERALS** | **12·47** | **1115·0** | **989·4** | **1010·5** | **–11·3** | **+2·1** | **+8·6** | **+1·0** |
| *(i)* METALLIC MINERALS | 2·29 | 252·2 | 285·4 | 290·0 | +13·2 | +1·6 | +0·4 | — |
| Iron Ore | 1·56 | 236·5 | 271·3 | 271·3 | +14·7 | — | +0·3 | — |
| *(ii)* OTHER MINERALS | 4·16 | 302·2 | 293·5 | 354·2 | –2·9 | +20·7 | –0·2 | +0·9 |
| Lime Stone | 2·30 | 300·0 | 300·0 | 394·8 | — | +31·6 | — | +0·8 |
| *(iii)* PETROLEUM CRUDE AND NATURAL GAS | 6·02 | 2006·4 | 1739·5 | 1739·5 | –13·3 | — | –8·8 | — |

The crop was damaged by the widespread incidence of pests in certain States. Raw jute moved up sharply by 41·7 per cent although the increase was slightly lower than 43·9 per cent in 1982-83. The rise in the price level was due to paucity of supplies on account of poor crop for the second year in succession. Among oilseeds, groundnuts and grape and mustard seeds recorded higher increases of 17·5 per cent and 18·7 per cent, respectively, as compared with 8·2




per cent and 9·8 per cent, respectivley, in the previous year. The index for copra showed a record rise of 106.8 per cent compared with 30·2 per cent in the previous year. The rise in price was the result of deficient supplies caused by drought in Kerala. As regards other non-food articles, the index of sugarcane rose by 6·1 per cent compared with a lower rise of 3·7 per cent in 1982-83. Price index of raw tobacco fell by 2·2 per cent as against a steep rise of 58·5 per cent in 1982-83.

The index of the sub-group 'minerals' showed a rise of 2·1 per cent as against the decline of 11·3 per cent in the preceding year. The index for petroleum crude and natural gas which had declined by 13·3 per cent in 1982-83 remained stationary in 1983-84.

*Fuel, Power, Light and Lubricants*

This sub-group comprises commodities, the prices of which are administered by the Government. The index for the sub-group rose by 5·1 per cent as compared with a higher rise of 10·6 per cent in the preceding year (Table V-3 (b)). The rise in 1983-84 was brought about mainly by coal and electricity, the indices of which recorded increases of 25·2 per cent and 5·6 per cent, respectively, compared with 18·7 per cent and 27·5 per cent, respectively, in the preceding year. The rise in the index for coal was due to the enhancement of its price by 25 per cent made by the Union Government in January 1984.

*Manufactured Products*

The index for this group registered a larger increase of 9·7 per cent as compared with 4·3 per cent in the preceding year (Table V-3(c)). Most of the commodities covered by this group contributed to the increase. The index for food products went up sharply by 20·9 per cent in contrast to a decline of 0·1 per cent in the preceding year. Under this sub-group, the combined index for sugar, khandsari and gur rose by 28·5 per cent in contrast to the decline of 5·5 per cent in the previous year. The major contributory factor to the increase was the steep rise in the index of gur which spurted up by 41·1 per cent in contrast to the decline of 3·6 per cent in the preceding year. The index for sugar moved up by 4·8 per cent as against a decline of 7·8 per cent in 1982-83. The index of edible oils rose at a higher rate of 16·0 per cent compared with 5·9 per cent in the preceding year. The index of vanaspati declined by 0·7 per cent compared with the decrease of 1·3 per cent in the preceding year. However, while groundnut oil showed a higher rise of 11·2 per cent compared to 6·3 per cent in the previous year, mustard oil went up by 13·0 per cent in contrast to a decline of 1·4 per cent in 1982-83.

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

(Base: 1970 - 71 = 100)

| Items | Weight | Index Numbers | | | Percentage variations | | Weighted Contribution (Per cent) | |
|---|---|---|---|---|---|---|---|---|
| | | End-March 1982 | End-March 1983 | End-March 1984 | End-March 1983 over end-March 1982 | End-March 1984 over end-March 1983 | 1982-83 | 1983-84 |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| **FUEL, POWER, LIGHT AND LUBRICANTS** | **84·59** | **437·7** | **484·0** | **508·6** | **+10·6** | **+5·1** | **+21·4** | **+7·8** |
| A. COAL MINING | 11·47 | 424·4 | 504·7 | 631·9 | +18·9 | +25·2 | +5·0 | +5·5 |
| Coal | 10·39 | 432·1 | 512·7 | 641·9 | +18·7 | +25·2 | +4·6 | +5·1 |
| Coke | 0·75 | 382·8 | 463·5 | 575·2 | +21·1 | +24·1 | +0·3 | +0·3 |
| B. MINERAL OILS | 49·12 | 512·8 | 534·7 | 537·5 | +4·3 | +0·5 | +5·9 | +0·5 |
| Kerosene | 8·35 | 324·3 | 341·1 | 343·2 | +5·2 | +0·6 | +0·8 | +0·1 |
| Petrol | 8·56 | 519·0 | 516·4 | 526·6 | –0·5 | +2·0 | –0·1 | +0·3 |
| Aviation spirit | 4·55 | 593·4 | 593·4 | 593·4 | — | — | — | — |
| Light Diesel oil | 3·44 | 755·2 | 800·1 | 800·1 | +5·9 | — | +0·8 | — |
| High speed Diesel oil | 13·74 | 385·9 | 414·9 | 414·9 | +7·5 | — | +2·2 | — |
| Lubricating oil | 6·48 | 420·4 | 453·4 | 457·9 | +7·8 | +1·0 | +1·2 | +0·1 |
| Furnace oil | 4·00 | 1179·5 | 1228·1 | 1228·1 | +4·1 | — | +1·1 | — |
| C. ELECTRICITY | 24·00 | 290·4 | 370·2 | 390·8 | +27·5 | +5·6 | +10·5 | +1·8 |

**Table V—3(c) : Manufactured Products**

(Base: 1970 - 71 = 100)

| Items | Weight | Index Numbers | | | Percentage variations | | Weighted Contribution (Per cent) | |
|---|---|---|---|---|---|---|---|---|
| | | End-March 1982 | End-March 1983 | End-March 1984 | End-March 1983 over end-March 1982 | End-March 1984 over end-March 1983 | 1982 - 83 | 1983 - 84 |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| **MANUFACTURED PRODUCTS** | **498·74** | **263·5** | **274·8** | **301·4** | **+4·3** | **+9·7** | **+30·9** | **+49·4** |
| A. FOOD PRODUCTS | 133·22 | 247·6 | 247·4 | 299·2 | –0·1 | +20·9 | –0·1 | +25·8 |
| *a)* SUGAR, KHANDSARI & GUR | 72·41 | 247·6 | 233·9 | 300·5 | –5·5 | +28·5 | –5·5 | +18·0 |
| Sugar | 21·91 | 241·2 | 222·5 | 233·1 | –7·8 | +4·8 | –2·3 | +0·9 |
| Khandsari | 4·92 | 266·2 | 230·2 | 249·6 | –13·5 | +8·4 | –1·0 | +0·4 |
| Gur | 45·58 | 248·7 | 239·8 | 338·4 | –3·6 | +41·1 | –2·2 | +16·7 |
| *b)* MISCELLANEOUS FOOD PRODUCTS | 49·16 | 247·5 | 262·8 | 302·9 | +6·2 | +15·3 | +4·1 | +7·3 |
| *i)* EDIBLE OILS | 37·16 | 251·0 | 265·7 | 308·3 | +5·9 | +16·0 | +3·0 | +5·9 |
| Vanaspati | 7·52 | 258·2 | 254·8 | 253·0 | –1·3 | –0·7 | –0·1 | –0·1 |
| Groundnut oil | 14·15 | 266·0 | 282·7 | 314·5 | +6·3 | +11·2 | +1·3 | +1·7 |
| Mustard oil | 6·68 | 246·1 | 242·6 | 274·2 | –1·4 | +13·0 | –0·1 | +0·8 |
| B. BEVERAGES, TOBACCO & TOBACCO PRODUCTS | 27·08 | 216·8 | 239·3 | 251·4 | +10·4 | +5·1 | +3·4 | +1·2 |
| C. TEXTILES | 110·26 | 228·0 | 240·6 | 261·2 | +5·5 | +8·6 | +7·8 | +8·5 |
| *i)* COTTON TEXTILES | 81·02 | 231·0 | 242·4 | 248·9 | +4·9 | +2·7 | +5·1 | +2·0 |
| Cotton Yarn | 13·82 | 258·0 | 259·0 | 274·8 | +0·4 | +6·1 | +0·1 | +0·8 |
| Cotton Cloth (Mills) | 38·04 | 235·6 | 248·1 | 252·6 | +5·3 | +1·8 | +2·6 | +0·6 |
| *ii)* JUTE, HEMP & MESTA TEXTILES | 12·14 | 184·4 | 208·4 | 330·8 | +13·0 | +58·7 | +1·6 | +5·5 |
| D. PAPER & PAPER PRODUCTS | 8·51 | 302·0 | 302·0 | 335·9 | — | +11·2 | — | +1·1 |
| E. LEATHER & LEATHER PRODUCTS | 3·85 | 357·8 | 373·6 | 408·8 | +4·4 | +9·4 | +0·5 | +0·5 |

**Table V—3(c) : Manufactured Products**

(Base: 1970 - 71 = 100)

| Items | Weight | Index Numbers | | | Percentage variations | | Weighted Contribution (Per cent) | |
|---|---|---|---|---|---|---|---|---|
| | | End-March 1982 | End-March 1983 | End-March 1984 | End-March 1983 over end-March 1982 | End-March 1984 over end-March 1983 | 1982 - 83 | 1983 - 84 |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| F. RUBBER & RUBBER PRODUCTS | 12·07 | 303·2 | 306·9 | 326·4 | +1·2 | +6·4 | +0·4 | +0·9 |
| G. CHEMICALS& CHEMICAL PRODUCTS | 55·48 | 269·2 | 273·4 | 284·6 | +1·6 | +4·1 | +1·5 | +2·4 |
| FERTILISERS | 12·52 | 277·8 | 277·7 | 262·5 | — | –5·5 | — | –0·7 |
| H. NON-METALLIC MINERAL PRODUCTS | 14·15 | 365·3 | 389·7 | 413·5 | +6·7 | +6·1 | +2·1 | +1·3 |
| CEMENT, LIME & PLASTER | 7·07 | 365·2 | 399·7 | 432·3 | +9·4 | +8·2 | +1·3 | +0·9 |
| I. BASIC METALS, ALLOYS & METAL PRODUCTS | 59·74 | 334·4 | 366·9 | 389·4 | +9·7 | +6·1 | +10·9 | +5·1 |
| *a)* IRON, STEEL & FERRO ALLOYS | 34·73 | 354·1 | 398·6 | 419·1 | +12·6 | +5·1 | +8·5 | +2·6 |
| Pig Iron | 1·67 | 317·0 | 388·2 | 451·6 | +22·5 | +16·3 | +0·7 | +0·4 |
| Structurals | 4·72 | 278·1 | 367·2 | 381·1 | +32·0 | +3·8 | +2·3 | +0·2 |
| Steel Plates & Sheets | 5·97 | 282·2 | 333·8 | 351·5 | +18·3 | +5·3 | +1·7 | +0·4 |
| Bars & Rods | 7·31 | 448·3 | 475·3 | 495·3 | +6·0 | +4·2 | +1·1 | +0·5 |
| *b)* NON-FERROUS METALS & THEIR ALLOYS | 11·78 | 319·7 | 327·5 | 367·6 | +2·4 | +12·2 | +0·5 | +1·8 |
| Aluminium | 4·29 | 361·9 | 362·8 | 381·2 | +0·2 | +5·1 | -- | +0·3 |
| *c)* METAL PRODUCTS | 13·23 | 295·6 | 318·9 | 330·9 | +7·9 | +3·8 | +1·7 | +0·6 |
| J. MACHINERY & TRANSPORT EQUIPMENT | 67·18 | 272·8 | 282·2 | 291·1 | +3·4 | +3·2 | +3·7 | +2·3 |
| *a)* NON-ELECTRICAL MACHINERY | 30·91 | 283·1 | 297·3 | 314·4 | +5·0 | +5·8 | +2·4 | +2·0 |
| *b)* ELECTRICAL MACHINERY | 19·54 | 227·7 | 233·2 | 241·2 | +2·4 | +3·4 | +0·6 | +0·6 |
| *c)* TRANSPORT EQUIPMENT | 16·73 | 306·4 | 311·6 | 306·5 | +1·7 | –1·6 | +0·5 | –0·3 |
| K. MISCELLANEOUS PRODUCTS | 7·20 | 243·1 | 252·1 | 260·6 | +3·7 | +3·4 | +0·6 | +0·3 |

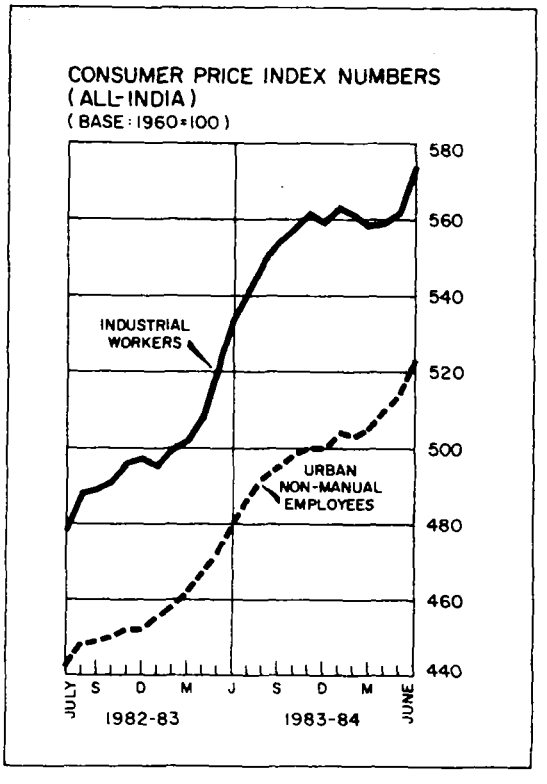
The index of textiles advanced by 8·6 per cent compared to the lower rise of 5·5 per cent in the preceding year. While cotton textiles moved up at a lower rate of 2·7 per cent compared to the rise of 4·9 per cent in the preceding year, the index of jute, hemp and mesta textiles rose steeply by 58·7 per cent as against the rise of 13·0 per cent in the preceding year, mainly on account of a sharp increase in the prices of raw jute. The index of paper and paper products which had remained stable in 1982-83 moved up by 11·2 per cent in 1983-84 mainly due to the substantial increase permitted by the Government in the price of white printing paper in April 1983 and subsequent rise in the prices of paper and paper board in December 1983. The indices of the sub-groups 'leather and leather products' and 'rubber and rubber products' went up by 9·4 per cent and 6·4 per cent, respectively, compared to the lower increases of 4·4 per cent and 1·2 per cent, respectively, in the preceding year.

The index of 'chemicals and chemical products' increased by 4·1 per cent compared to the lower increase of 1·6 per cent in 1982-83. The index of 'basic metals, alloys and metal products' moved up by 6·1 per cent compared to the larger rise of 9·7 per cent in the preceding year. Iron, steel and ferro alloys, a component of the above sub-group rose by 5·1 per cent compared to a higher increase of 12·6 per cent in the preceding year. Under the same sub-group, the index of 'non-ferrous metals and their alloys' showed a much larger increase of 12·2 per cent compared to 2·4 per cent in the previous year. This was due to the revisions in the ex-godown selling prices of non-ferrous metals made by the official pricing committee on non-ferrous metals from time to time during the year.

Other groups which recorded increases in their prices were: (1) beverages, tobacco and tobacco products (5·1 per cent compared with 10·4 per cent in the previous year), (2) non-metallic mineral products (6·1 per cent compared with 6·7 per cent), (3) machinery and transport equipment (3·2 per cent compared with 3·4 per cent) and (4) miscellaneous products (3·4 per cent compared with 3·7 per

*Consumer Price Indices*

The all-India consumer price index for industrial workers (Base: 1960 = 100) showed a rise of 11·2 per cent in 1983-84. In 1982-83 the index had recorded a lower increase of 9·8 per cent. On an average basis, the increase during 1983-84 was 12·6 per cent as compared to a lower rise of 7·8 per cent in the previous year (Table V-4). The index exhibited a continuous upward trend upto November 1983 rising from 502 in March 1983 to 561 in November. It declined slightly to 559 in December but reached the highest level in the year in January 1984 at 563. During the next two months it showed a down-trend and stood at 558 in March 1984. Centre-wise analysis indicates that the rate of increase in the index was the highest in Alleppey (19·5 per cent), followed by Bangalore (14·9 per cent), Sholapur (14·6 per cent) and Calcutta (14·0 per cent). The increase was the lowest at 6·0 per cent in Jaipur.



The consumer price index for urban non-manual employees (1960 = 100) rose from 462 in March 1983 to 505 in March 1984 or by 9·3 per cent. In 1982-83 the rise in the index was marginally lower at 9·2 per cent. On an average basis, the index recorded a rise of 10·5 per cent in 1983-84 as compared to a lower rise of 8·0 per cent in the previous year (Table V-4). Centre-wise, Ahmedabad showed the largest increase (13·2 per cent), followed by Nagpur (12·1 per cent), Bangalore (11·7 per cent) and Bombay (11·2 per cent). The lowest increase was recorded at Jaipur (5·8 per cent).

*Price Trends in First Quarter of 1984-85*

The indices of three groups, namely, 'primary articles', 'fuel, power, light and lubricants' and 'manufactured products' increased by 6·0 per cent, 0·3 per cent and 5·0 per cent, respectively, during the period end-March 1984 to end-June 1984 compared with 6·0 per cent, 1·2 per cent and 5·6 per cent, respectively, in the corresponding period of the preceding year (Table V-5). Under 'primary articles', the index of the sub-group 'food articles' moved up by 6·7 per cent compared with 6·6 per cent in the corresponding period of last year. While cereals rose modestly by 1·0 per cent compared with 1·6 per cent last year, 'pulses' and 'fruits and vegetables' recorded larger increases of 8·8 per cent and 16·7 per cent, respectively, compared to 7·8 per cent and 14·5 per cent, respectivley, in the previous year. Under 'manufactured products' the index of 'sugar, khandsari and gur' advanced by 14·2 per cent compared to a much larger rise of 25·3 per cent in the preceding year. The index of 'iron, steel and ferro alloys' spurted up by 11·5 per cent compared to a lower increase of 2·8 per cent in the preceding year on account of the upward revision made by the Government in the prices of certain categories of iron and steel products in June 1984.

The consumer price index for industrial workers rose further from 558 in March 1984 to 574 in June 1984 or by 2·9 per cent. The consumer price index for urban non-manual employees also rose from 505 in March to 523 in June 1984 or by 3·6 per cent. The increases in the indices during the period were lower than those recorded in the corresponding period of 1983-84 at 6·2 per cent and 3·7 per cent, respectively.

## Price Policies

During the period April 1983-June 1984, the Union Government announced certain measures in respect of a number of commodities which had a bearing on their prices and also made certain modifications in export/import policies in relation to certain commodities taking into account the developments in the domestic and international markets. The important measures taken by the Government are listed below :

During 1983-84 the Joint Plant Committee had revised the prices of iron and steel twice:

**Table V—4 : Consumer Price Indices**

(April-March Average)

| | 1981 - 82 | 1982 - 83 | 1983 - 84 |
|---|---|---|---|
| 1. | 2. | 3. | 4. |
| 1. Consumer Price Index for Industrial Workers (1960 = 100) | 451 | 486 | 547 |
| 2. Per cent variation in (1) | (+12·5) | (+7·8) | (+12·6) |
| 3. Consumer Price Index for Urban Non-Manual Employees (1960 = 100) | 413 | 446 | 493 |
| 4. Per cent variation in (3) | (+11·9) | (+8·0) | (+10·5) |

**Table V—5 : Variations in Index Numbers of Wholesale Prices (1970 - 71 = 100)**

| Items | Weights | Percentage variations (Point-to-point) 1983-84 End-June over End-March | 1984-85 End-June over End-March |
|---|---|---|---|
| 1. | 2. | 3. | 4 |
| **ALL COMMODITIES** | **1000·00** | **+5·1** | **+4·7** |
| I. Primary Articles | 416·67 | +6·0 | +6·0 |
| Food Articles | 297·99 | +6·6 | +6·7 |
| *a)* Cereals | 107·43 | +1·6 | +1·0 |
| *i.* Rice | 51·31 | +8·4 | +3·5 |
| *ii)* Wheat | 34·17 | –11·5 | –2·2 |
| *b)* Pulses | 21·79 | +7·8 | +8·8 |
| *c)* Fruits & Vegetables | 61·32 | +14·5 | +16·7 |
| *d)* Milk & Milk Products | 61·50 | +4·9 | +1·1 |
| *e)* Other food articles | 16·04 | +20·2 | +14·1 |
| Tea | 11·49 | +18·7 | +4·1 |
| Fibres | 31·73 | +8·5 | +15·4 |
| Raw cotton | 22·46 | +10·0 | +7·6 |
| Oil seeds | 42·01 | +14·6 | +7·6 |
| Minerals | 12·47 | +0·1 | +0·2 |
| Petroleum crude and natural gas | 6·02 | — | — |
| II. Fuel, Power, Light and Lubricants | 84·59 | +1·2 | +0·3 |
| Coal | 10·39 | — | — |
| Mineral oils | 49·12 | +0·4 | +0·4 |
| III Manufactured Products | 498·74 | +5·6 | +5·0 |
| Sugar, Khandsari & Gur | 72·41 | +25·3 | +14·2 |
| *i* Sugar | 21·91 | +5·1 | +4·9 |
| *iii)* Gur | 45·58 | +34·9 | +17·0 |
| *iii* Khandsari | 4·92 | +19·3 | +17·3 |
| Edible oils | 37·16 | +7·6 | +9·1 |
| Textiles | 110·26 | +0·7 | +1·8 |
| Paper & Paper Products | 8·51 | +6·6 | +6·0 |
| Cement | 7·03 | –0·2 | +0·7 |
| Chemicals & Chemical products | 55·48 | +2·8 | +1·2 |
| Iron, Steel & Ferro Alloys | 34·73 | +2·8 | +11·5 |

once on April 1, 1983 to take care of the increase in railway freight and upward freight classifications and for the second time on July 23, 1983 to meet the increased costs of production. The revision in July 1983 was between Rs.60 and Rs.1,770 per tonne. The price of pig iron had been raised by Rs. 185 per tonne. The increase in most of the railway items was Rs. 3,200 per tonne. Again on June 21, 1984 the Joint Plant Committee raised the base prices of pig iron and steel by 15 per cent on an average for all despatches and deliveries made by plants and stockyards. The enhancement in the prices was mainly necessitated by the increase in the costs of inputs/production of the main steel plants.

In July 1983, the Government pricing committee fixed the selling price of imported rubber at Rs.16,062 per tonne for grade RSS III and Rs.15,574 a tonne for grade SMR- 20 which were considerably lower than those of indigenous rubber varieties then ruling at around Rs. 17,220 per tonne for Lot Rubber and Rs. 17,800 per tonne for RMA-IV. The Government decided in February 1984 to import 24,000 tonnes of natural rubber in order to meet the shortfall in domestic market.

Keeping in view the steep increase in the prices of imported oil and other inputs like coal, the Government allowed the manufacturers of vanaspati in May 1984 to raise the price of vanaspati by Rs.1·40 per kg from June 1984. The revised prices for tins of 15 kgs., 1 kg. (pouch) and $\frac{1}{2}$ kg. (pouch) were fixed at Rs.234, Rs. 16 and Rs. 8·25, respectively, excluding local taxes. The new prices made applicable uniformly throughout the country would remain effective till January 31, 1986.

In view of the record production of sugar in the last two seasons, the Government decided in September 1983 to raise the buffer stock of sugar from 5 lakh tonnes to 10 lakh tonnes with effect from October 1, 1983. The expenditure on this enhanced buffer stock is to be met from out of the Food Department's budget and not from the Sugar Development Fund as in the case of the initial buffer stock of 5 lakh tonnes. The Government increased the issue price of levy sugar for public distribution by Rs. 25 to Rs.400 per quintal from February 1, 1984. With a view to arresting the increases in the prices of sugar and *khandsari* and also to curb speculative hoarding, the Government re imposed certain trade restrictions concerning stock limits and disposal of stocks of sugar and khandsari in May 1984. The Government reduced maximum stock holding limits of recognised dealers of sugar and khandsari. The maximum quantity of sugar that can be held at a time by a recognised dealer in cities and towns with a population of one lakh or more would be 250 quintals and in cities and towns with a population of less than one lakh, 100 quintals. The limit of khandsari dealers was also reduced from 1,000 quintals to 250 quintals. In order to curb the holding tendency of the sugar and khandsari dealers, it was made obligatory for them to turn over their stocks within 10 days of receipts. The producers of khandsari were also required to declare their stocks as on May 31, 1984 on or before June 3, 1984 and dispose of the entire existing stock as well as the stock to be produced upto the end of September 1984 latest by October 31, 1984. They were also required to ensure that quantities sold during each month from June to September 1984 were not less than 20 per cent of the opening stocks for that month.

The Government had 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. Again in August 1983, the Government announced a further reduction of 10 per cent in the consumer prices of urea and di-ammonia phosphate lying with the Food Corporation of India for more than 2 years on the date of sale.

In view of the sharp increase in the railway freight over the past two years and also in packing charges, the Government raised the price of levy cement by Rs.52 per tonne with effect from July 2, 1983. In the result,the F.O.R. price of ordinary portland cement and portland

slag cement was fixed at Rs.492 per tonne and portland pozzolana cement at Rs.477 per tonne. The retail market price of cement went up by Rs.2·60 (plus local taxes) per bag. With a view to safeguarding the interest of the consumer, the provisions of the Packaged Commodities Rules were applied to the cement industry, under which the units were required to stamp on the non-levy cement bags the maximum price and minimum weight of cement. By an amendment to the Cement Control Order, 1967, the ISI certification was also made compulsory with effect from August 1, 1983.

In August 1983, the Government revised the prices of multi-vitamin formulations falling under Schedule V of the Drugs and Cosmetics Act. The prices of over 740 formulations were brought down by 30 per cent on an average. All patent and proprietory medicines became costlier by at least 10 per cent, following the amendment of the Central Excise Rules by the Government with effect from October 12, 1983.

In September 1983, octane of petrol was upgraded by the Government to 87 octane with a view to achieving some saving in the consumption of petrol in the country and also for meeting the requirements of newer models of car. Because of this upgradation, the oil companies were allowed to make an increase of 10 paise per litre exclusive of taxes, in the price of petrol effective from September 1, 1983. The Union Government decided to raise the prices of some of the petroleum products, including petrol, diesel oil and cooking gas at varying rates with effect from June 1,1984 with a view to compensating the oil companies for the under recoveries being suffered by them on account of the levy of sales tax/local taxes on inter—company stock transfer of petroleum products in States of Haryana, Punjab, Karnataka, the Union territory of Delhi and Greater Bombay.

In August 1983, the Government raised the import duty on polyester chips, the basic raw material for polyester filament yarn and polyester staple fibre, to 250 per cent from 175 per cent. The basic duty was raised to 200 per cent and auxiliary duty to 50 per cent. In December 1983 the Government permitted the export of rayon yarn in a bid to relieve domestic glut. The Government raised the import duty on rayon filaments from 15 per cent to 40 per cent in December 1983 in order to revive the demand for indigenously produced yarn. Later, the excise duty on cotton yarn of finer counts was reduced effective June 6, 1984. The off-take of fine and super fine varieties of cotton is expected to improve as a result of this measure.

In October 1983, the Government imposed a blanket ban on the import of any tallow of animal origin for the manufacture of fatty acids, amines, greases or any other purposes. The import of mutton tallow through the State Trading Corporation (STC) was also disallowed. In January 1984, the STC was directed to import 12,900 tonnes of fatty acids to meet the demand of soap manufacturers. The import duty on palm fatty acid and palm stearin fatty acid was lowered in February 1984 from 95 per cent *ad valorem* to 15 per cent *ad valorem* as these items could be used as substitutes for tallow. The measure was aimed at giving relief to small-scale soap units in the non-power sector which were badly affected by the ban on imports of tallow.

In November 1983, the Government announced a substantial discount of Rs. 340 per tonne for newsprint supplied to all newspapers. Later, the Newsprint Price Fixation Advisory Committee increased the selling prices of imported newsprint by Rs.400 per tonne for the quarter April-June 1984. With this increase the price of standard newsprint (high sea sales) went up to Rs.5,750 a tonne from Rs.5,350 a tonne in the previous two quarters. The selling price of newsprint from the buffer stock maintained by the State Trading Corporation also rose to Rs.5,800 a tonne as against Rs.5,400 per tonne earlier. The increase in the selling prices effected by foreign suppliers and the appreciation of US dollar were stated to be the main reasons for the increases in the selling prices of newsprint. Keeping in view the

newsprint shortage, the Government originally planned to import 1·6 lakh tonnes of newsprint which was revised to 1·8 lakh tonnes in November 1983. In May 1984, the Government decided to maintain a buffer stock of 30,000 tonnes of imported newsprint to ensure that the newspaper industry did not face any shortage of newsprint till March 1985.

Taking into account the reduction in excise duty effected by the Union Government in the budget for the year 1984-85, the paper industry decided in April 1984 to reduce the prices of common varieties of paper by about Rs.425 per tonne for the benefit of the consumers. The new price was fixed at Rs.9,825 per tonne for creamwove paper and Rs. 9,175 per tonne for kraft paper.

Based on the report submitted by the Bureau of Industrial Costs and Prices which indicated cost escalation due to various factors, the Government decided to increase the average pit-head prices of coal for Coal India Ltd., and Singareni Collieries Co. Ltd. from Rs. 145·90 per tonne and Rs. 154·75 per tonne to Rs. 183 and Rs. 192 per tonne, respectively. This resulted in an increase in coal prices of the order of around 25 per cent as compared with previous price levels.

The Government imposed a ban on the export of CTC tea with effect from December 26, 1983 to ensure its adequate availability for internal consumption during the January- March 1984 period and also made it obligatory for all the tea dealers to register themselves with the State Government if the stock of tea with them exceeded 1,000 kgs. In March 1984, the Government lifted the ban on export of CTC tea in respect of the contracts entered into prior to the imposition of the ban. The ban on exports of CTC tea was lifted finally from May 13, 1984.

The Government increased the statutory prices of aluminium by over 16 per cent with effect from May 9, 1984. The last price revision was effected on December 3, 1981. Since then there had been an increase in the cost of power as well as other inputs. With a view to increasing domestic availability of aluminium, the Government resorted to imports of 10,000 tonnes of aluminium in November 1983 and further 14,000 tonnes in December 1983 in addition to the 6,000 tonnes of aluminium imported earlier in the year. Thus, the total quantitiy of aluminium imported in 1983-84 was 30,000 tonnes. In June 1984, the Government allowed full exemption of import duty on aluminium and also reduced the additional import duty on it from 20 per cent to 10 per cent. The countervailing duty remained unchanged. It was also decided to create a buffer stock of 10,000 tonnes of aluminium.

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 VI

# Monetary Developments

## Overall Trends

During the fiscal year 1983-84, the pace of monetary expansion was slightly faster than in 1982-83 according to all the four measures of money supply *viz.* $M_1$, $M_2$, $M_3$, and $M_4$. Monetary expansion continued during the first quarter of the current financial year also. However, the pace of growth of $M_1$ and $M_2$ was relatively faster in the first quarter of 1984-85 than in the corresponding quarter of 1983-84, compared to that of $M_3$ and $M_4$.

## Money Supply

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) showed a larger expansion in 1983-84, increasing by Rs.12,699 crores or 17·4 per cent as compared with an increase of Rs.10,442 crores (16·7 per cent) in 1982-83. Similarly 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.4,491 crores or 15·7 per cent as against an increase of Rs.3,806 crores (15·4 per cent) last year. The growth in $M_2$ ($M_1$ + post office savings bank deposits) though larger at Rs.4,543 crores than that of Rs.3,951 crores last year, was the same in percentage terms (14·6 per cent). $M_4$ ($M_3$ + total post office deposits) showed a rise of Rs.13,413 crores (16·5 per cent) as compared with Rs.11,268 crores (16·1 per cent) last year (Table VI-1).

The components that showed relatively large increases during 1983-84 were time deposits with banks and currency with the public, followed by 'other' deposits with RBI. While the growth in time deposits was Rs.8,208 crores (18·5 per cent) as compared to an increase of Rs.6,636

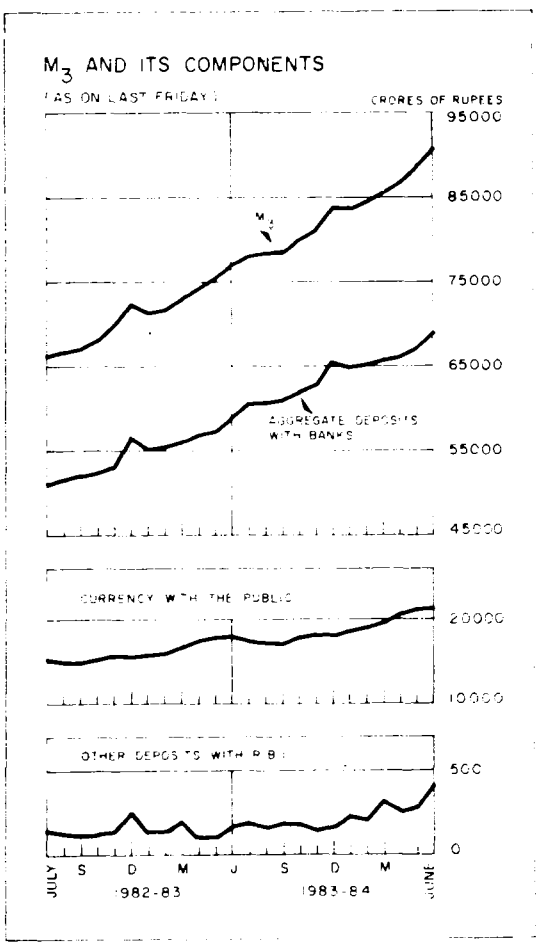


**Table VI—1 : Money Supply and its Components**

(Rupees crores)

| Items | Outstandings as on last Friday of | | | | | | Variations during | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 1981 - 82 | | 1982 - 83 | | 1983 - 84 | | March 1983 to June 1983 | | March 1984 to June 1984 | |
| | March 1981 | March 1982 | March 1983 | March 1984 @ | June 1983 @ | June 1984 @ | A | P | A | P | A | P | A | P | A | P |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| **$M_1$ (a + b + c)** | **23,117** | **24,729** | **28,535** | **33,026** | **30,111** | **35,311** | **+1,612** | **+ 7·0** | **+3,806** | **+15·4** | **+ 4,491** | **+15·7** | **+1,576** | **+ 5·5** | **+2,285** | **+ 6·9** |
| (a) Currency with the public | 13,464 | 14,492 | 16,659 | 19,573 | 17,948 | 21,178 | +1,028 | + 7·6 | + 2,167 | +15·0 | + 2,914 | +17·5 | +1,289 | + 7·7 | +1,605 | + 8·2 |
| (b) Demand deposits with banks | 9,336 | 10,087 | 11,690 | 13,136 | 11,996 | 13,720 | + 751 | + 8·0 | + 1,603 | +15·9 | + 1,446 | +12·4 | + 306 | + 2·6 | + 584 | + 4·4 |
| (c) Other deposits with RBI | 317 | 150 | 186 | 317 | 167 | 413 | - 167 | - 52·7 | + 36 | +24·0 | + 131 | +70·4 | - 19 | - 10·2 | + 96 | +30·3 |
| Post Office Savings Bank Deposits | 2,238 | 2,351 | 2,496 | 2,548 | 2,409 | 2,548 | + 113 | + 5·0 | + 145 | + 6·2 | + 52 | + 2·1 | - 87 | - 3·5 | — | — |
| **$M_2$ ($M_1$ + Post Office Savings Bank Deposits)** | **25,355** | **27,080** | **31,031** | **35,574** | **32,520** | **37,859** | **+1,725** | **+ 6·8** | **+ 3,951** | **+14·6** | **+ 4,543** | **+ 14·6** | **+1,489** | **+ 4·8** | **+2,285** | **+6·4** |
| Time deposits with banks | 32,241 | 37,697 | 44,333 | 52,541 | 46,938 | 55,273 | +5,456 | +16·9 | + 6,636 | +17·6 | + 8,208 | +18·5 | + 2,605 | + 5·9 | +2,732 | + 5·2 |
| **$M_3$ ($M_1$ + Time deposits with banks)** | **55,358** | **62,426** | **72,868** | **85,567** | **77,049** | **90,584** | **+7,068** | **+12·8** | **+10,442** | **+16·7** | **+12,699** | **+17·4** | **+4,181** | **+ 5·7** | **+ 5,017** | **+ 5·9** |
| Total Post Office Deposits | 6,512 | 7,470 | 8,296 | 9,010 | 8,317 | 9,010 | + 958 | +14·7 | + 826 | +11·1 | + 714 | + 8·6 | + 21 | + 0·3 | — | — |
| **$M_4$ ($M_3$ + Total Post Office Deposits)** | **61,870** | **69,896** | **81,164** | **94,577** | **85,366** | **99,594** | **+8,026** | **+13·0** | **+11,268** | **+16·1** | **+13,413** | **+16·5** | **+4,202** | **+ 5·2** | **+5,017** | **+5·3** |

@ Data are provisional. A = Absolute increase/decrease. P = Percentage variation.

crores (17·6 per cent) in 1982-83, currency with the public rose by Rs.2,914 crores or 17·5 per cent as compared to a rise of Rs.2,167 crores (15·0 per cent) last year. Demand deposits with banks, on the other hand, showed a lower increase of Rs.1,446 crores or 12·4 per cent than that of Rs.1,603 crores (15·9 per cent) last year. 'Other' deposits with RBI moved up by Rs.131 crores as against an increase of Rs.36 crores in 1982-83. While the share of currency with the public in the expansion of $M_3$ increased from 20·8 per cent in 1982-83 to 22·9 per cent in 1983-84, that of aggregate deposits declined from 78·9 per cent to 76·0 per cent. The share of time deposits in $M_3$ expansion increased from 63·6 per cent in 1982-83 to 64·6 per cent in 1983-84 while the share of demand deposits declined from 15·4 per cent to 11·4 per cent over the year.

The increase in reserve money during the year at Rs.5,712 crores (24·6 per cent) was more than double that of Rs.2,647 crores (12·9 per cent) in 1982-83. There were substantial increases both in currency with the public and bankers' deposits with RBI.

**Sources of Change in Money Supply**

The expansion in $M_3$ of Rs.12,699 crores during 1983-84 which was higher than that of Rs.10,442 crores in the previous year was brought about by a sharper rise in net bank credit to Government and a lower contractionary impact of the fall in net foreign exchange assets of the banking sector. The smaller increase in the banking sector's net non-monetary liabilities also contributed to the acceleration in $M_3$ growth. Bank credit to commercial sector, on the other hand, recorded a lower increase than last year (Table VI-2).

Net bank credit to Government recorded a higher increase of Rs.5,818 crores or 16·7 per cent during the year than that of Rs.4,734 crores (15·7 per cent) in the preceding year. This was wholly on account of a larger expansion of Rs.4,311 crores (19·3 per cent) in RBI's net credit to Government as compared to that of Rs.2,772 crores (14·1 per cent) last year. The increase in other banks' credit to Government was lower at Rs.1,507 crores (12·1 per cent) than that of Rs.1,962 crores (18·7 per cent) in 1982-83.

The expansion in bank credit to the commercial sector of Rs.7,929 crores (15·5 per cent) was lower than that of Rs.8,796 crores (20·5 per cent) recorded in 1982-83. Both Reserve Bank's credit to the commercial sector and commercial and co-operative banks' credit to that sector recorded lower increases of Rs.451 crores and Rs.7,478 crores as against Rs.564 crores and Rs.8,232 crores, respectively, in 1982-83. Of the increase of Rs.5,504 crores in commercial banks' credit in 1983-84 the share of food procurement advances was Rs.1,057 crores (Rs.838 crores in the previous year), and that of non-food credit Rs.4,447crores (Rs.4,974 crores in 1982-83).

The decline in net foreign exchange assets of the banking sector at Rs.104 crores was considerably less than that of Rs.895 crores in 1982-83. Net non-monetary liabilities of the banking sector (other than time deposits with banks) increased by Rs.981 crores as compared with the substantial rise of Rs.2,218 crores in 1982-83. Net non-monetary liabilities of the Reserve Bank decreased by Rs.458 crores in contrast to an increase of Rs.239 crores last year.

**Seasonal Trends**

Table VI-3 presents seasonal variations in $M_3$ as also in its sources during the last two slack and busy seasons. In the 1983 slack season (end-April to end-October) $M_3$ registered a larger expansion of Rs.5,713 crores or 7·9 per cent as compared with the expansion of Rs. 3,937 crores (6·2 per cent) in the 1982 slack season, the major component contributing to the higher rise being aggregate deposits with banks (Rs.5,232 crores against Rs.3,926 crores in the 1982 slack season). Source-wise, a higher increase of Rs.3,544 crores was recorded by bank credit to the commercial sector as against Rs.3,008 crores in the previous slack season. Both RBI credit and commercial and co-operative banks' credit to commercial sector were responsible for the sharper rise. Non-food credit made available by commercial

**Table VI—2 : Sources of Money Stock ($M_3$)**

(Rupees crores)

| Items | Outstanding as on last Friday | | | | | | Variations during | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 1981 - 82 | | 1982 - 83£ | | 1983 - 84@ | | March to June 1983@ | | March to June 1984 @ | |
| | March 1981 | March 1982 | March 1983 | March 1984 @ | June 1983 @ | June 1984 @ | A | P | A | P | A | P | A | P | A | P |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| **Sources of Money Stock ($M_3$) (1+2+3+4-5)** | **55,358** | **62,426** | **72,868** | **85,567** | **77,049** | **90,584** | **+7068** | **+12·8** | **+10,442** | **+16·7** | **12,699** | **+17·4** | **+4,181** | **+5·7** | **+5,017** | **+5·9** |
| **1. Net Bank Credit to Government (A + B)** | **24,731** | **30,139** | **34,748** | **40,566** | **38,267** | **44,901** | **+5,408** | **+21·9** | **+4,734** | **+15·7** | **+5,818** | **+16·7** | **+3,519** | **+10·1** | **+4,335** | **+10·7** |
| (A) RBI's Net Credit to Government (i - ii) | 15,232 | 19,667 | 22,314 | 26,625 | 24,382 | 29,249 | +4,435 | +29·1 | +2,772 | +14·1 | +4,311 | +19·3 | +2,068 | +9·3 | +2,624 | +9·9 |
| (i) Claims on Government (a + b) | 16,020 | 19,943 | 26,172 | 26,878 | 25,926 | 32,181 | +3,923 | +24·5 | +6,354 | +31·9 | +706 | +2·7 | -246 | -0·9 | +5,303 | +19·7 |
| (a) Central Government | 15,421 | 18,037 | 25,906 | 25,633 | 24,934 | 31,720 | +2,616 | +17·0 | +7,869 | +43·6 | -273 | -1·1 | -972 | -3·8 | +6,088 | +23·8 |
| (b) State Governments | 599 | 1,906 | 266 | 1,245 | 992 | 460 | +1,307 | +218·2 | -1,515 | -79·5 | +979 | +368·0 | +726 | +272·9 | -785 | -63·1 |
| (ii) Government Deposits with RBI (a + b) | 788 | 276 | 3,858 | 253 | 1,544 | 2,932 | -512 | -65·0 | +3,582 | +1,297·8 | -3,605 | -93·4 | -2,314 | -60·0 | +2,679 | +1,058·9 |
| (a) Central Government | 777 | 273 | 3,844 | 248 | 1,535 | 2,919 | -504 | 64·9 | +3,571 | +1,308·1 | -3,596 | -93·5 | -2,309 | -60·1 | +2,671 | +1,077·0 |
| (b) State Governments | 11 | 3 | 14 | 5 | 9 | 13 | -8 | -72·7 | +11 | +366·7 | -9 | -64·3 | -5 | -35·7 | +8 | +160·0 |
| (B) Other banks' credit to Government | 9,499 | 10,472 | 12,434 | 13,941 | 13,885 | 15,652 | +973 | +10·2 | +1,962 | +18·7 | +1,507 | +12·1 | +1,451 | +11·7 | +1,711 | +12·3 |
| **2. Bank Credit to Commercial Sector (A + B)** | **36,236** | **42,913** | **51,161** | **59,090** | **52,053** | **61,371** | **+6,677** | **+18·4** | **+8,796** | **+20·5** | **+7,929** | **+15·5** | **+892** | **+1·7** | **+2,281** | **+3·9** |
| (A) RBI's credit to commercial sector* | 1,703 | 1,909 | 1,925 | 2,376 | 1,921 | 2,391 | +206 | +12·1 | +564 | +29·5 | +451 | +23·4 | -4 | -0·2 | +15 | +0·6 |
| (B) Other banks' credit to commercial sector ( i + ii + iii) | 34,533 | 41,004 | 49,236 | 56,714 | 50,132 | 58,980 | +6,471 | +18·7 | +8,232 | +20·1 | +7,478 | +15·2 | +896 | +1·8 | +2,266 | +4·0 |
| (i) Bank credit by commercial banks | 25,377 | 29,688 | 35,500 | 41,004 | 36,014 | 43,065 | +4,311 | +17·0 | +5,812 | +19·6 | +5,504 | +15·5 | +514 | +1·4 | +2,061 | +5·0 |
| (ii) Bank credit by co-operative banks | 4,811 | 5,939 | 7,050 | 7,382 | 7,192 | 7,382 | +1,128 | +23·4 | +1,111 | +18·7 | +332 | +4·7 | +142 | +2·0 | -- | -- |
| (iii) Investments by commercial and co-operative banks in other securities | 4,345 | 5,377 | 6,686 | 8,328 | 6,926 | 8,533 | +1,032 | +23·8 | +1,309 | +24·3 | +1,642 | +24·5 | +240 | +3·6 | +205 | +2·5 |

(Continued)

**Table VI–2 : Sources of Money Stock ($M_3$)–*(Concld.)***

(Rupees crores)

| Items | Outstanding as on last Friday | | | | | | Variations during | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 1981 - 82 | | 1982 - 83£ | | 1983 - 84@ | | March to June 1983@ | | March to June 1984@ | |
| | March 1981 | March 1982 | March 1983 | March 1984 @ | June 1983 @ | June 1984 @ | A | P | A | P | A | P | A | P | A | P |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| **3. Net Foreign Exchange Assets of the Banking Sector (A + B)** | **4,665** | **2,579** | **1,684** | **1,580** | **1,833** | **1,667** | **–2,086** | **–44·7** | **–895** | **–34·7** | **–104** | **–6·2** | **+149** | **+8·8** | **+87** | **+5·5** |
| (A) RBI's net foreign exchange assets (i - ii) | 4,710 | 2,623 | 1,729 | 1,624 | 1,878 | 1,712 | –2,087 | –44·3 | –894 | –34·1 | –105 | –6·1 | +149 | +8·6 | +88 | +5·4 |
| (i) Gross foreign assets | 4,983 | 3,498 | 4,491 | 5,723 | 4,965 | 5,989 | –1,485 | –29·8 | +993 | +28·4 | +1,232 | +27·4 | +474 | +10·6 | +266 | +4·6 |
| (ii) Non-monetary foreign liabilities | 273 | 874 | 2,762 | 4,099 | 3,087 | 4,277 | +601 | +220·1 | +1,888 | +216·0 | +1,337 | +48·4 | +325 | +11·8 | +178 | +4·3 |
| (B) Other banks' net foreign exchange assets | –45 | –45 | –45 | –45 | –45 | –45 | — | — | — | — | — | — | — | — | — | — |
| **4. Government's Currency Liabilities to the Public** | **619** | **657** | **682** | **719** | **694** | **731** | **+38** | **+6·1** | **+25** | **+3·8** | **+37** | **+5·4** | **+12** | **+1·8** | **+12** | **+1·7** |
| **5. Banking Sector's Net Non-monetary Liabilities other than Time Deposits (A + B)** | **10,893** | **13,862** | **15,407** | **16,388** | **15,798** | **18,086** | **+2,969** | **+27·3** | **+2,218** | **+16·0** | **+981** | **+6·4** | **+391** | **+2·5** | **+1,698** | **+10·4** |
| (A) Net-monetary liabilities of RBI | 4,741 | 6,116 | 5,565 | 5,107 | 5,803 | 5,790 | +1,375 | +29·0 | +239 | +3·9 | –458 | –8·2 | +238 | +4·3 | +683 | +13·4 |
| (B) Net non-monetary liabilities of other banks (derived) | 6,152 | 7,746 | 9,842 | 11,281 | 9,995 | 12,296 | +1,594 | +25·9 | +1,979 | +25·5 | +1,439 | +14·6 | +153 | +1·6 | +1,015 | +9·0 |

@ Data are provisional. A = Absolute increase/decrease P = Percentage variation .

* RBI's credit to commercial sector excludes, since the establishment of NABARD, its refinance to banks.

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

**Table VI—3 : Seasonal Variations in $M_3$ and its sources of change**

(Rupees crores)

| Items | Variations during | | | | | |
|---|---|---|---|---|---|---|
| | Slack Season | | Slack Season | | Busy Season | |
| | 1982 | 1983 | 1983 (May - June) | 1984 (May - June) | 1982 - 83 | 1983 - 84 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **I. $M_3$ (a + b + c)** | **+3937** | **+5713** | **+2813** | **+3820** | **+6324** | **+6815** |
| | **(+6·2)** | **(+7·9)** | **(+3·8)** | **(+4·4)** | **(+9·3)** | **(+8·5)** |
| (a) Currency with the public | +19 | +408 | +546 | +613 | +2150 | +2755 |
| | (+0·1) | (+2·3) | (+3·1) | (+3·0) | (+14·1) | (+15·5) |
| (b) Aggregate Deposits with Banks (i + ii) | +3926 | +5232 | +2212 | +3054 | +4189 | +3985 |
| | (+8·1) | (+9·2) | (+3·9) | (+4·6) | (+8·0) | (+6·4) |
| (i) Demand Deposits with Banks | +325 | +738 | +535 | +870 | +852 | +651 |
| | (+3·2) | (+6·4) | (+4·7) | (+6·8) | (+8·0) | (+5·3) |
| (ii) Time Deposits With Banks | +3601 | +4494 | +1677 | +2184 | +3337 | +3334 |
| | (+9·4) | (+9·9) | (+3·7) | (+4·1) | (+8·0) | (+6·7) |
| (c) Other Deposits with RBI | -8 | +73 | +55 | +153 | -15 | +75 |
| | (-5·9) | (+65·2) | (+49·1) | (+58·8) | (-11·8) | (+40·5) |
| **$M_1$(a + bi + c)** | | | | | | |
| **II. Sources of change in $M_3$ (1+2+3+4-5)** | +336 | +1219 | +1136 | +1636 | +2987 | +3481 |
| | (+1·3) | (+4·2) | (+3·9) | (+4·9) | (+11·5) | (+11·5) |
| **1. Net Bank Credit to Government (A + B)** | **+3295** | **+1679** | **+1373** | **+2358** | **+1720** | **+3970** |
| | **(+10·3)** | **(+4·6)** | **(+3·7)** | **(+5·5)** | **(+4·9)** | **(+10·3)** |
| (A) RBI's Net credit to Government (i-ii) | +2063 | +1022 | +1654 | +2490 | +202 | +3009 |
| | (+10·0) | (+4·5) | (+7·3) | (+9·3) | (+0·9) | (+12·7) |
| (i) Claims on Government (a + b) | +789 | +424 | +1945 | +5156 | +1298 | +2620 |
| | (+3·6) | (+1·8) | (+8·1) | (+19·1) | (+5·7) | (+10·7) |
| (a) Central Government | +2808 | +884 | +2216 | +6058 | +412 | +2061 |
| | (+14·4) | (+3·9) | (+9·8) | (+23·6) | (+1·8) | (+8·7) |
| (b) State Governments | -2019 | -460 | -271 | -902 | +886 | +559 |
| | (-80·1) | (-36·4) | (-21·5) | (-66·2) | (+235·0) | (+69·6) |
| (ii) Government Deposits with RBI (a+b) | -1274 | -598 | +291 | +2666 | +1096 | -389 |
| | (-89·0) | (-47·7) | (+23·2) | (+1002·3) | (+698·1) | (-59·4) |
| (a) Central Government | -1284 | -603 | +286 | +2656 | +1103 | -383 |
| | (-89·8) | (-48·3) | (+22·9) | (+1009·9) | (+755·5) | (-59·3) |
| (b) State Governments | +10 | +5 | +5 | +10 | -7 | -6 |
| | (+1000·0) | (+125·0) | (+125·0) | (+333·3) | (-63·6) | (-66·7) |
| (B) Other banks' credit to Government | +1232 | +657 | -281 | -132 | +1518 | +961 |
| | (+10·8) | (+4·6) | (-2·0) | (-0·8) | (+12·0) | (+6·5) |
| **2. Bank Credit to Commercial Sector (A + B)** | **+3008** | **+3544** | **+1023** | **+1881** | **+5363** | **+4916** |
| | **(+7·0)** | **(+6·9)** | **(+2·0)** | **(+3·2)** | **(+11·7)** | **(+9·0)** |
| (A) RBI's credit to commercial sector* | +298 | +323 | -5 | +14 | +147 | +128 |
| | (+14·7) | (+16·8) | (-0·3) | (+0·6) | (+8·3) | (+5·7) |
| (B)Other banks' credit to commercial sector ( i+ii+iii) | +2710 | +3221 | +1028 | +1867 | +5216 | +4788 |
| | (+6·6) | (+6·6) | (+2·1) | (+3·3) | (+11·9) | (+9·2) |
| (i) Bank credit by commercial banks | +1650 | +2134 | +854 | +1676 | +3841 | +4095 |
| | (+5·6) | (+6·1) | (+2·4) | (+4·0) | (+12·3) | (+11·0) |

*(Contd.)*

**Table VI-3 : Seasonal Variations in $M_3$ and its sources of change—*(Concld).***

(Rupees crores)

| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
|---|---|---|---|---|---|---|
| (ii) Bank credit by co-operative banks | +254 | +218 | –1 | — | +909 | –29 |
| | (+4·2) | (+3·0) | (Neg.) | — | (+14·5) | (–0·4) |
| (iii) Investments by commercial & co-operative banks in other securities | +806 | +869 | +175 | +191 | +466 | +722 |
| | (+14·7) | (+12·9) | (+2·6) | (+2·3) | (+7·4) | (+9·5) |
| **3. Net Foreign Exchange Assets of the Banking Sector (A + B)** | **–1129** | **–64** | **+182** | **+113** | **+126** | **–33** |
| | **(–42·5)** | **(–3·9)** | **(+11·0)** | **(+7·3)** | **(+8·3)** | **(–2·1)** |
| (A) RBI's Net Foreign Exchange Assets(i-ii) | –1130 | –64 | +182 | +113 | +127 | –33 |
| | (–41·9) | (–3·8) | (+10·7) | (+7·1) | (+8·1) | (–2·0) |
| (i) Gross Foreign Assets | –495 | +695 | +507 | +291 | +1079 | +545 |
| | (–12·8) | (+15·6) | (+11·4) | (+5·1) | (+13·9) | (+10·6) |
| (ii) Non-monetary Foreign Liabilities | +635 | +759 | +325 | +178 | +952 | +578 |
| | (+54·0) | (+27·5) | (+11·8) | (+4·3) | (+52·6) | (+16·4) |
| (B) Other Banks' Net Foreign Exchange Assets | — | — | — | — | — | — |
| **4. Government's Currency Liabilities to the Public** | **+ 7** | **+15** | **+8** | **+7** | **+16** | **+23** |
| | **(+1·1)** | **(+2·2)** | **(+1·2)** | **(+1·0)** | **(+2·4)** | **(+3·3)** |
| **5. Banking Sector's Net Non-monetary Liabilities other than Time Deposits with Banks (A + B)** | **+1244** | **–539** | **–227** | **+539** | **+901** | **+2061** |
| | **(+8·5)** | **(–3·4)** | **(–1·4)** | **(+3·1)** | **(+6·0)** | **(+13·3)** |
| (A) Net Non-monetary Liabilities of RBI | + 669 | 1025 | +285 | +586 | –412 | +711 |
| | (+11·1) | ( 18·6) | (+5·2) | (+11·3) | ( 6·9) | (+15·8) |
| (B) Net Non-monetary Liabilities of other banks (derived) | +575 | +486 | –512 | –47 | +1313 | +1350 |
| | (+6·8) | (+4·6) | ( 4·9) | ( 0·4) | (+14·3) | (+12·3) |

*Notes* : 1. Data are provisional. Neg = Negligible.
2. Figures within brackets represent percentage variations.
3. Data for April 1982 and October 1982 and April 1983 do not represent correctly all the transactions actually put thro the Reserve Bank during the period.

*. RBI's credit to commercial sector excludes, since the establishment of NABARD, its refinance to banks.

banks amounted to Rs.1,627 crores compared to Rs.1,384 crores in the preceding slack season. A smaller decline in net foreign exchange assets of the banking sector of Rs.64 crores as against a sharp fall of Rs.1,129 crores in the 1982 slack season and a fall of Rs.539 crores as against an increase of Rs.1,244 crores in banking sector's net non-monetary liabilities, were the other contributory factors for the higher increase in $M_3$. Net bank credit to Government showed a rise of Rs.1,679 crores which was about half the rise of Rs.3,295 crores in the previous slack season. Both RBI's net credit to Government and other banks' credit to Government registered smaller increases.

During the 1983-84 busy season (end-October 1983 to end-April 1984), the expansion in $M_3$ at Rs.6,815 crores was higher in absolute terms than that of Rs.6,324 crores in the 1982-83 busy season; in percentage terms, however, the growth rate was lower at 8·5 per cent as compared to 9·3 per cent. Component-wise, a larger increase in currency with the public at Rs.2,755 crores as against Rs.2,150 crores and a rise in 'other' deposits with RBI of Rs.75 crores in contrast to a decline of Rs.15 crores in the 1982-83 busy season were responsible for the higher expansion in $M_3$. Aggregate deposits recorded a lower growth of Rs.3,985 crores as compared to Rs.4,189 crores earlier.

Source-wise, whereas the increase in net bank credit to Government was more than double the increase in the previous busy season, the rise in bank credit to commercial sector was smaller. Net foreign exchange assets of the banking sector showed a decline in contrast to a rise earlier. Net bank credit to Government increased by Rs.3,970 crores or 10·3 per cent which was more than double the rise of Rs.1,720 crores or 4·9 per cent in the last busy season. Reserve Bank's net credit to Government rose sharply by Rs.3,009 crores as compared to the increase of a mere Rs.202 crores last year. The increase in other banks' credit to Government on the other hand, was smaller at Rs.961 crores as compared with Rs.1,518 crores. Bank credit to commercial sector showed a smaller expansion of Rs.4,916 crores or 9·0 per cent as compared to a higher increase of Rs.5,363 crores or 11·7 per cent in the previous busy season. RBI's credit to commercial sector showed a lower increase of Rs.128 crores as compared to Rs.147 crores. Similarly, the rise in other banks' credit to commercial sector was also smaller at Rs.4,788 crores as against Rs.5,216 crores in the preceding busy season. However, non-food credit made available by commercial banks recorded a slightly higher rise of Rs. 3,422 crores as against Rs.3,395 crores. Bank credit by co-operative banks declined marginally by Rs. 29 crores in contrast to a rise of Rs.909 crores in the 1982-83 busy season.

Net foreign exchange assets of the banking sector declined by Rs.33 crores as against an increase of Rs.126 crores in the last busy season. The banking sector's net non-monetary liabilities increased by Rs.2,061 crores which was more than double that of Rs.901 crores in the last busy season.

**Reserve Money**

There was further acceleration in the growth of reserve money during the fiscal year 1983-84, the increase at Rs.5,712 crores (24·6 per cent) amounting to more than double that of Rs.2,647 crores (12·9 per cent) in 1982-83. Currency with the public expanded by Rs.2,914 crores or 17·5 per cent as compared with a rise of Rs.2,167 crores or 15·0 per cent in 1982-83. Bankers' deposits with RBI moved up sharply by Rs.2,613 crores (49·4 per cent) as against the rise of only Rs.338 crores (6·8 per cent) last year. This was partly due to the enchancement in the cash reserve ratio effected in August 1983 and again in February 1984 and stipulation of incremental cash reserve ratio in November 1983. 'Other' deposits with RBI recorded an increase of Rs.131 crores as compared to Rs.36 crores in 1982-83. The rise in cash on hand with banks, on the other hand, was smaller at Rs.54 crores as compared with Rs.106 crores last year.

Source-wise, Reserve Bank's net credit to Government which increased substantially by Rs.4,311 crores (Rs.2,772 crores last year) was the major factor in the reserve money expansion. Reserve Bank's claims on scheduled commercial banks and state co-operative banks which had declined by Rs.732 crores during 1982-83 increased by Rs.516 crores in 1983-84. The expansion in RBI's credit to the financial institutions including NABARD, at Rs.495 crores was lower than Rs.1,716 crores in 1982-83. Government's currency liabilities to the public increased by Rs.37 crores during 1983-84 as compared to Rs.25 crores in 1982-83. The net non-monetary liabilities of RBI declined by Rs.458 crores in contrast to a rise of Rs.239 crores in 1982-83 (Table VI-4).

**Some Monetary Relationships**

The ratio of currency to aggregate deposits moved up marginally by 0·1 percentage point to 29·8 per cent during the year. The ratio of currency to $M_3$ remained unchanged at 22·9 per cent. However, the incremental ratio of currency to aggregate deposits rose sharply from 26·3 per cent in 1982-83 to 30·2 per cent in 1983-84 and the incremental ratio of currency to $M_3$ moved up from 20·8 per cent to 22·9 per cent. The sizeable increase in the rate of growth of currency with the public and a static growth rate in aggregate deposits with banks during 1983-84 led to a rise in the incremental ratios of currency to both aggregate deposits and to $M_3$, thus reflecting increased currency preference. During the five years 1979-80 to 1983-84, the ratio of

**Table VI—4 : Reserve Money : Components and sources of change**

(Rupees crores)

| Items | Outstanding as on last Friday of March, 1979 | Variations during 1979 - 80 | | 1980 - 81 | | 1981 - 82 | | 1982 - 83£ | | 1983 - 84@ | | Outstanding as on last Friday of March, 1984 @ | Variations during March 1983 to June 1983@ | | March 1984 to June 1984@ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | A | P | A | P | A | P | A | P | A | P | | A | P | A | P |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| **Reserve Money (1 + 2 + 3 + 4)** | **13,716** | **+2,749** | **+20·0** | **+2,323** | **+14·1** | **+1,675** | **+8·9** | **+2,647** | **+12·9** | **+5,712** | **+24·6** | **28,822** | **+1,369** | **+5·9** | **+2,323** | **+8·1** |
| 1. Currency with the Public | 10,212 | +1,475 | +14·4 | +1,777 | +15·2 | +1,028 | +7·6 | +2,167 | +15·0 | +2,914 | +17·5 | 19,573 | +1,289 | +7·7 | +1,605 | +8·2 |
| 2. Other Deposits with RBI | 203 | +208 | +102·5 | −94 | −22·9 | −167 | −52·9 | +36 | +24·0 | +131 | +80·4 | 317 | −19 | −10·2 | +96 | +30·3 |
| 3. Cash on hand with Banks | 615 | +67 | +10·9 | +162 | +23·8 | +30 | +3·6 | +106 | +12·1 | +54 | +5·5 | 1,034 | +156 | +15·9 | +252 | +24·4 |
| 4. Bankers' Deposits with RBI | 2,686 | +999 | +37·2 | +478 | +13·0 | +784 | +18·8 | +338 | +6·8 | +2,613 | +49·4 | 7,898 | −57 | −1·1 | +369 | +4·7 |
| **Sources of Reserve Money (1 + 2 + 3 + 4)** | | | | | | | | | | | | | | | | |
| **1. Reserve Bank's claims on (a + b + c + d + e)** | **10,919** | **+3,389** | **+31·0** | **+3,891** | **+27·2** | **+5,099** | **+28·0** | **+3,755** | **+16·1** | **+5,322** | **+20·3** | **31,586** | **+1,446** | **+5·5** | **+2,906** | **+9·2** |
| a) Government (net) | 8,568 | +2,966 | +34·6 | +3,698 | +32·1 | +4,435 | +29·1 | +2,772 | +14·1 | +4,311 | +19·3 | 26,625 | +2,068 | +9·3 | +2,624 | +9·9 |
| b) Scheduled Commercial Banks | 546 | +193 | +35·3 | −150 | −20·3 | +242 | +41·1 | −16 | −1·9 | +521 | +63·9 | 1,336 | −306 | −37·5 | +432 | +32·3 |
| c) State Co-operative Banks | 557 | −69 | −12·4 | +187 | +38·3 | +216 | +32·0 | −716 | −80·4 | −5 | −8·6 | 53 | −8 | −13·8 | −8 | −15·1 |
| d) Financial Institutions (i + ii + iii) | 1,248 | +191 | +15·3 | +261 | +18·1 | +209 | +12·3 | +1,716 | +89·9 | +495 | +16·1 | 3,572 | −308 | −10·0 | −142 | −4·0 |
| i) ARDC/NABARD | 209 | +68 | +32·5 | +31 | +11·2 | +52 | +16·9 | +1,340 | +372·2 | +44 | +3·8 | 1,196 | −304 | −26·4 | −157 | −13·1 |
| ii) IDBI | 868 | +212 | +24·4 | +223 | +20·6 | +187 | +14·4 | +338 | +22·7 | +257 | +14·1 | 2,085 | — | — | — | — |
| iii) Others | 171 | −89 | −52·0 | +7 | +8·5 | −30 | −33·7 | +38 | +64·4 | +194 | +200·0 | 291 | −4 | −4·1 | +15 | +5·2 |
| e) Internal Bills Purchased and Discounted | — | +108 | +100·0 | −105 | −97·2 | −3 | −100·0 | — | — | — | — | — | — | — | — | — |
| **2. Net Foreign Exchange Assets of RBI** | **5,506** | **−12** | **−0·2** | **−784** | **−14·3** | **−2,087** | **−44·3** | **−894** | **−34·1** | **−105** | **−6·1** | **1,624** | **+149** | **+8·6** | **+88** | **+5·4** |
| **3. Government's Currency Liabilities to the Public** | **604** | **−12** | **−2·0** | **+27** | **+4·6** | **+38** | **+6·1** | **+25** | **+3·8** | **+37** | **+5·4** | **719** | **+12** | **+1·8** | **+12** | **+1·7** |
| **4. Net Non-monetary Liabilities of RBI** | **3,312** | **+618** | **+18·7** | **+811** | **+20·6** | **+1,375** | **+29·0** | **+239** | **+3·9** | **−458** | **−8·2** | **5,107** | **+238** | **+4·3** | **+683** | **+13·4** |

@ Data are provisional. A = Absolute increase/decrease P = Percentage variation.

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

**Table VI—5 : Monetary Ratios and Money Multiplier**

(Based on data as on the last Friday of March)

| Items | 1979 - 80 | 1980 - 81 | 1981 - 82 | 1982 - 83 | 1983 - 84@ |
|---|---|---|---|---|---|
| **Monetary Ratios** | | | | | |
| (a) Currency/Aggregate Deposits | 33·7 | 32·4 | 30·3 | 29·7 | 29·8 |
| (b) Currency/$M_3$ | 25·0 | 24·3 | 23·2 | 22·9 | 22·9 |
| **Incremental Ratios** | | | | | |
| (a) Currency/Aggregate Deposits | 28·2 | 25·9 | 16·6 | 26·3 | 30·2 |
| (b) Currency/$M_3$ | 21·3 | 20·8 | 14·5 | 20·8 | 22·9 |
| **Money Multiplier** | | | | | |
| $M_3$/RM | 2·8 | 2·9 | 3·1 | 3·2 | 3·0 |
| **Incremental Money Multiplier** | | | | | |
| $M_3$/RM | 2·5 | 3·7 | 4·2 | 3·9 | 2·2 |

@Provisional

currency to aggregate deposits and currency to $M_3$ continued to decline till 1982-83. While the former moved up slightly in 1983-84, the latter remained at that level. The incremental ratio for currency to aggregate deposits and currency to $M_3$ recorded declines till 1981-82, the decline being sharp in that year. The ratio moved up again in the next two years (Table VI-5).

The money multiplier *i.e.*, the ratio of $M_3$ to reserve money,* showed a gradual rise from 2·8 in 1979-80 to 3·2 in 1982-83 and moved down marginally to 3·0 in 1983-84. The incremental money multiplier also rose from 2·5 in 1979-80 to 4·2 in 1981-82 and thereafter declined to 3·9 in 1982-83 and more precipitiously to 2·2 in 1983-84. This may be attributed to the fact that as against a very sharp increase in the rate of reserve money growth in 1983-84, the increase in $M_3$ growth rate was modest.

**Income Velocity of Money**

During the financial year 1983-84, the income velocity of broad money *i.e.*, the ratio of net national income at factor cost (at current prices) to average $M_3$ remained unchanged at 2·0 per cent. The annual percentage rise in $M_3$ in 1983-84 was lower at 17·1 as compared to that of 19·4 in net national income. The growth rates in both net national income and $M_3$ improved over the preceding year, the former more sharply (Table VI-6).

*. No adjustment has been made for changes in cash reserves.

**April-June 1984 Position**

The expansion in $M_3$ during the first three months (April-June) of the current financial year 1984-85 was higher at Rs.5,017 crores (5·9 per cent) as compared with Rs.4,181 crores (5·7 per cent) during the corresponding period of the preceding year; $M_1$ showed a rise of Rs.2,285 crores (6·9 per cent) as compared with Rs.1,576 crores (5·5 per cent) in the same period of the previous year. All the three components showed relatively larger expansions. Currency with the public increased by Rs.1,605 crores as against Rs.1,289 crores last year. The increase in aggregate deposits with banks amounted to Rs.3,316 crores as against Rs.2,911 crores in 1983-84. 'Other' deposits with the Reserve Bank moved up by Rs.96 crores in contrast to a fall of Rs.19 crores.

Source-wise, net bank credit to Government increased by Rs.4,335 crores (10·7 per cent) during April-June 1984 which was much higher than the rise of Rs.3,519 crores (10·1 per cent) during the corresponding period of the preceding year. Reserve Bank's net credit to Government rose by Rs.2,624 crores as against Rs.2,068 crores last year; the increase in commercial and co-operative banks' credit to Government amounted to Rs.1,711 crores as compared with the rise of Rs.1,451 crores last year. Bank credit to the commercial sector recorded a substantial rise of Rs.2,281 crores (3·9 per cent) as compared with Rs.892

**Table VI—6 : Income Velocity of Money**

(Amounts in Rupees crores)

| Financial Year | Net National Income at Factor Cost (at current prices) | | Aggregate in Monetary Resources($M_3$) | | Income Velocity of $M_3$ |
|---|---|---|---|---|---|
| | Amount | Percentage increase | Amount* | Percentage increase | |
| 1. | 2. | 3. | 4. | 5. | 6. |
| 1978 - 79 ... ... | 81,195 | 7·6 | 36,415 | 20·3 | 2·2 |
| 1979 - 80 ... ... | 88,506 | 9·0 | 43,756 | 20·2 | 2·0 |
| 1980 - 81 ... ... | 1,05,834 | 19·6 | 50,931 | 16·4 | 2·1 |
| 1981 - 82 ... ... | 1,21,989 | 15·3 | 59,766 | 17·3 | 2·0 |
| 1982 - 83@ ... ... | 1,34,066 | 9·9 | 68,328 | 14·3 | 2·0 |
| 1983 - 84@ ... ... | 1,60,103 | 19·4 | 80,013 | 17·1 | 2·0 |

* Average of outstandings as on last Friday of every month. @ Provisional

crores (1·7 per cent) during April-June 1983. This was due to a much larger expansion of Rs.2,266 crores in other banks' credit to commercial sector as compared with Rs.896 crores last year. Reserve Bank credit to that sector rose by Rs.15 crores in contrast to a fall of Rs.4 crores. The improvement in net foreign exchange assets of the banking sector during April-June 1984 was of a lower order at Rs.87 crores as compared to Rs.149 crores in April-June 1983. Net non-monetary liabilities of the banking sector increased by Rs.1,698 crores as compared with Rs.391 crores in the same period last year.

The growth in reserve money at Rs.2,323 crores continued to be higher at 8·1 per cent in the first quarter of 1984-85 fiscal year as compared to the same period of 1983-84 when it was Rs.1,369 crores or 5·9 per cent. Of the sources of reserve money, Reserve Bank's claims on scheduled commercial banks showed a rise of Rs.432 crores in contrast to a fall of Rs.306 crores in the comparable three months of 1983-84. RBI's claims on Government also rose by a bigger magnitude of Rs.2,624 crores as compared with Rs.2,068 crores last year.

**Currency and Coinage**

During fiscal 1983-84, currency in circulation expanded by Rs.2,967 crores or 16·8 per cent to Rs.20,607 crores as compared to the expansion of Rs.2,274 crores or 14·8 per cent to Rs.17,640 crores in the preceding year. The increase in notes in circulation, the predominant factor of currency, as appearing in the balance sheet of the Issue Department of the Reserve Bank was higher at Rs.2,931 crores (17·3 per cent) as compared to that of Rs.2,248 crores (15·3 per cent) in 1982-83. Circulation of rupee coins moved up by Rs. 24 crores as compared to a rise of Rs.11 crores in 1982-83; the increase in small coins was smaller at Rs.12 crores as against Rs.15 crores in the previous year.

The proportion of notes in total currency in circulation, which was 96·1 per cent at the end of March 1983, moved up to 96·5 per cent by end-March 1984. The proportion of rupee coins and small coins declined by 0·2 percentage point each to 1·9 per cent and 1·6 per cent, respectively, during the same period (Table VI-7).

During the first quarter of fiscal 1984-85 also, the expansion in currency in circulation was larger at Rs.1,857 crores than that of Rs. 1,444 crores in the corresponding quarter of 1983-84. The share of notes in circulation in total currency went up further to 96·7 per cent at the end of June 1984. It was 96·4 per cent a year ago.

During the year, the issue of notes of all denominations, with the exception of Rs.10 increased further. However, as a proportion of total currency issued, only notes in the denominations of Rs.5, Rs.50 and Rs.100 recorded increases. Notes in the denomination of Rs.100 recorded a smaller expansion of Rs.1,913 crores over the year than that of Rs.1,948 crores

**Table VI-7 : Details of Currency in Circulation**

(Rupees crores)

| Financial Year | Notes in Circulation | | Circulation of Rupees Coins | | Circulation of Small coins | | Currency in Circulation | | Of which with Banks | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Out-standing | Variations over the previous year | Out-standing | Variations over the previous year | Out standing | Variations over the previous year | Out-standing | Variations over the previous year | Out-standing | Variations over the previous year |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1981-82 | 14,709 (95·7) | +1,020 | 351 (2·3) | +18 | 306 (2·0) | +20 | 15,366 (100·0) | +1,059 | 874 | +30 |
| 1982-83 | 16,957 (96·1) | +2,248 | 362 (2·1) | +11 | 321 (1·8) | +15 | 17,640 (100·0) | +2,274 | 980 | +106 |
| 1983-84 | 19,888 (96·5) | +2,931 | 386 (1·9) | +24 | 333 (1·6) | +12 | 20,607 (100·0) | +2,967 | 1,034* | +54 |
| 1983-84 (upto June 1983) | 18,390 (96·4) | +1,433 | 371 (1·9) | +9 | 323 (1·7) | +2 | 19,084 (100·0) | +1,444 | 1,136* | +156 |
| 1984-85* (upto June 1984) | 21,733 (96·7) | +1,845 | 398 (1·8) | +12 | 333* (1·5) | – | 22,464 (100·0) | +1,857 | 1,286* | +252 |

*Provisional.

*Notes :* 1)Figures in brackets are proportion to total currency 2)Data relate to last Friday.

recorded during 1982-83. The percentage share of Rs.100 notes in the total which had increased from 50·6 per cent in March 1982 to 54·6 per cent in March 1983 moved up further to 56·5 per cent by the end of March 1984 (Table VI-8). Notes in the denomination of Rs.50 increased substantially during 1983-84, by Rs.610 crores as against the rise of Rs.292 crores in 1982-83; its share in the total also increased from 16·8 per cent at the end of March 1983 to 17·5 per cent by the end of March 1984. The issue of Rs.20 notes which stood at Rs.1,463 crores at the end of March 1984 showed a smaller increase of Rs.30 crores in 1983-84 than that of Rs.219 crores during 1982-83, its share in the total declining from 8·0 per cent to 7·1 per cent over the year. Notes in the denomination of Rs.10, which had declined by Rs.194 crores during 1982-83, moved down further by Rs.28 crores during 1983-84 and its share in the total declined to 8·6 per cent in March 1984 from 10·0 per cent in March 1983.

The issue of Rs.5 denomination notes increased both in absolute amount and as a proportion of total currency issued.The increase was of the order of Rs.188 crores in 1983-84 as against a smaller rise of Rs.114 crores in 1982-83, its share in the total moving up from 4·5 per cent in March 1983 to 4·8 per cent at the end of March 1984. Rs.2 denomination notes increased by Rs.19 crores in 1983-84 on top of a rise of Rs. 38 crores during 1982-83, their share in the total was, however, lower at 2·2 per cent than that of 2·4 per cent in March 1983.

**Demonetised High Denomination Notes**

As mentioned in the previous year's Report, of the 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 were tendered so far for exchange. Of these,the value of notes passed by the Reserve Bank for exchange into lower denomination notes upto the end of March 1984 was of the order of Rs.120 crores.

**Issue of Notes and Coins**

Decimal coins of various denominations valued at Rs.16 crores were minted during the financial year 1983-84. A new series of bank notes in the denomination Rs.2 (tiger design) with slight modification in the design and colour scheme, incorporating *'Satyameva Jayate'* (in Hindi) below the Asoka pillar emblem and Reserve Bank's bilingual seal was issued from September

**Table VI-8 : Percentage share of Rs. 10/-, Rs. 20/-, Rs. 50/-&Rs. 100/- Notes in total currency issued***

| End of March | Percentage Share | | | | Total |
|---|---|---|---|---|---|
| | Rs. 10 | Rs. 20 | Rs. 50 | Rs. 100 | (1 to 4) |
| | 1. | 2. | 3. | 4. | 5. |
| 1982 | 12·9 | 7·8 | 17·6 | 50·6 | 88·9 |
| 1983 | 10·0 | 8·0 | 16·8 | 54·6 | 89·4 |
| 1984 | 8·6 | 7·1 | 17·5 | 56·5 | 89·7 |

*Inclusive of circulation of small coins

1983. Government of India one-rupee currency notes with slight modification in design incorporating replica of new Re.1/- coin with *'Satyameva Jayate'* on the obverse and the year 1983 on the reverse were issued from October 1983.

Commemorative coins with the inscription 'National Integration' in the denomination of Rs.100/-, Rs.10/-, Rs.2/- and 50 paise were issued by the Government of India. While the coins in the denominations of Rs.2/- and 50 paise were issued for regular circulation through 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. Coins with the inscription 'International Year of the Child' in the denomination of Rs.100 were issued by India Government Mint, Bombay in uncirculated/proof sets. Coins in the denomination of 20 paise with the inscription 'Fisheries' were issued by the Reserve Bank and its agencies for regular circulation.

**Lost, Destroyed and Mutilated Notes**

During fiscal 1983-84, 2·5 lakh claims were received in respect of lost, destroyed and mutilated notes involving 162·08 lakh pieces as compared with 2·0 lakh claims for 108·36 lakh pieces in 1982-83. The value of the claims at Rs.13·27 crores during the year was also higher than Rs.8·56 crores in 1982-83. Claims approved for payment during the year aggregated Rs.12·42 crores and payment against approved claims (including those admitted during the previous year) amounted to Rs.13·17 crores.

**Note Forgeries**

The total number of forged notes including one rupee notes received by the Bank which had increased from 14,539 pieces in the calendar year 1981 to 19,742 pieces in 1982, dropped to 16,440 pieces in 1983. The value of the forged notes came to Rs.13·45 lakhs in 1983 as compared to Rs.13·49 lakhs during 1982 (Statement 124 of Vol.II)

**Trends in Gold and Silver Prices**

**Gold**

Prices of gold in the domestic market continued to rule generally firm during the fiscal year 1983-84, the uptrend becoming particularly sharp during the last quarter of the year. In the international markets, except for an initial upswing, gold prices remained more or less subdued during major part of the year. The trend in the domestic market was in continuation of the rise, though modest, witnessed in the previous year, but that in the London market was in contrast to the trend noticed in 1982-83, when prices had moved up substantially. During the first quarter of the 1984-85 fiscal year, whereas the domestic market displayed a somewhat easy trend after a further steep rise in April 1984, there was a further easing of prices in the international markets. The

monthly average price in the Bombay market ruled higher than the average price in the London market throughout the period, the premium widening from 31·1 per cent in March 1983 to 43·9 per cent in March 1984; it was 42·1 per cent in June 1984.

*Domestic Market*

Except during June and part of July 1983, gold prices in the Bombay market moved up more or less continuously during the fiscal year 1983-84. There was a sharp upswing initially, with prices of standard gold moving up from Rs.1,800 per 10 grammes at the close of March 1983 to Rs.1,890 by May 27. Apart from a rise in the international gold prices, the firmness in the domestic market was influenced by the reduced supplies from unofficial sources coupled with good seasonal upcountry demand. The sudden reversal in the subsequent month when the price declined by Rs.135 to Rs.1,755 per 10 grammes on June 30, 1983 was partly in sympathy with the bearish trend in the international market but mainly on reports of large-scale seizure of contraband gold which triggered nervous selling in the market. From July 1983 onwards there was a hardening tendency but the price movements were narrow and transactions were reported to be limited. Though stringent supply conditions prevailed in the market, the demand for the yellow metal was reported to be low as is usual at this time of the year. The increase during the four months July-October 1983 amounted to Rs.135 per 10 gms. The market remained generally subdued during the next two months. Price movements continued to be narrow and the underlying quiet tone was influenced by the international price trend which remained sluggish during this period. Market arrivals of the yellow metal through unoffical channels were reported to be substantial during this period.

The last quarter of the year witnessed a widespread revival of demand for gold from upcountry centres which was partly seasonal and partly boosted by a bumper agricultural production. Prices moved up more or less continously from Rs.1,875 per 10 grammes at the end of December 1983 to Rs.1,975 by end-March 1984. At this level, gold prices in Bombay recorded a rise of Rs.175 per 10 grammes or 9·7 per cent over the year as compared to a rise of Rs.155 or 9·4 per cent in 1982-83. The highest price for the year of Rs.1,985 per 10 grammes was reached on March 16, 1984 and the lowest price of Rs.1,755 on June 30, 1983. The highest and the lowest levels in the preceding year were Rs.1,800 on March 30, 1983 and Rs.1,615 on July 8, 1982.

*International Markets*

In the international gold markets, after an initial flare-up in the first two months (April-May) and a precipitous fall early in June, prices ruled more or less steady during June-August 1983 and relatively easy thereafter till the end of the financial year. In London, prices moved up from $414·25 per fine ounce at the end of March 1983 to $ 443·25 on May 11, the highest level of the year due to speculative buying induced by the middle east war situation. The sharp dip in prices to $402·25 in the first week of June 1983 was due to the strengthening of the US dollar in the foreign exchange markets. In the next three months, *i.e.*, till about the end of August 1983, prices remained more or less steady, ranging between $405 and $425 for most part of the period. Starting from September 1983, investors' interest in the yellow metal seemed to have waned as the dollar continued the upward movement in the international exchange markets and the US domestic interest rates also hardened. The occasional spurts were small and short-lived and followed the changing fortunes in the middle east war situation. The lowest level of the year of $ 364·25 was reached on January 9, 1984. There was some improvement thereafter, when prices moved up again to $406·85 on March 5, before closing at $ 388·50 for the year. At this level, gold prices in London recorded a fall of $ 25·75 per fine ounce (6·2 per cent) over the year in contrast to a rise of $ 93·75 or 29·3 per cent in 1982-83. The movements in the price of gold in international markets are discussed in detail in Chapter XI of the Report.

## Spread between Indian and International Prices

The monthly average prices of gold in Bombay (based on closing quotations) and in London (based on morning fixing and converted into rupees) for 1983-84 are given in Table VI-9. The premium commanded by gold price in the Bombay market over that in London widened from 31·1 per cent in March 1983 to 33·4 per cent in June. The premium declined to 30·0 per cent in July 1983 as the London prices edged up and the price in Bombay eased somewhat. Thereafter, the price disparity widened steadily, reaching the highest level of 47·5 per cent in November 1983. At 43·9 per cent in March 1984 the premium was higher by 12·8 percentage points over that in March 1983.

During the first quarter of the fiscal year 1984-85 the uptrend in gold prices in Bombay continued in April 1984, but was reversed in the two subsequent months. In Bombay, the firm trend in the gold market noticed towards the close of 1983-84 continued till about the middle of April, prices moving further to an all- time high of Rs.2,035 per 10 gms. on the 18th. Thereafter, prices eased gradually and reached the low of the quarter at Rs.1,875 on June 13 before closing at Rs.1,940 on June 30. At this level, there was a decline of Rs. 35 per 10 gms (1·8 per cent) over the March - end level. Increased offerings from the up- country centres for profit-taking at the higher level was reported to have caused the down- swing in the market. In the corresponding quarter of 1983-84 gold price had declined by Rs.45 or 2·5 per cent. In London there was further decline in gold

**Table VI—9 : Gold Prices in London and Bombay during 1983 - 84**

(Monthly Averages)*

(Rupees per 10 grammes)

| Month | London | Bombay | Spread between Bombay and London Prices | |
|---|---|---|---|---|
| | | | Absolute | Percentage |
| 1 | 2. | 3. | 4. | 5. |
| March 1983 ... ... | 1353·43 | 1774·96 | +421·53 | +31·1 |
| **1983-84** | | | | |
| April 1983 ... ... | 1393·36 | 1831·36 | +438·00 | +31·4 |
| May 1983 ... ... | 1409·76 | 1875·60 | +465·84 | +33·0 |
| June 1983 ... ... | 1342·89 | 1791·54 | +448·65 | +33·4 |
| July 1983 ... ... | 1375·74 | 1788·00 | +412·26 | +30·0 |
| August 1983 ... ... | 1365·37 | 1812·29 | +446·92 | +32·7 |
| September 1983 ... ... | 1354·60 | 1832·50 | +477·90 | +35·3 |
| October 1983 ... ... | 1300·32 | 1860·92 | +560·60 | +43·1 |
| November 1983 ... ... | 1272·65 | 1876·60 | +603·95 | +47·5 |
| December 1983 ... ... | 1311·74 | 1860·96 | +549·22 | +41·9 |
| January 1984 ... ... | 1282·31 | 1879·57 | +597·26 | +46·6 |
| February 1984 ... ... | 1331·76 | 1929·20 | +597·44 | +44·9 |
| March 1984 ... ... | 1364·19 | 1963·07 | +598·88 | +43·9 |
| **1984-85** | | | | |
| April 1984 ... ... | 1329·42 | 1995·90 | +666·48 | +50·1 |
| May 1984 ... ... | 1335·83 | 1973·05 | +637·22 | +47·7 |
| June 1984 ... ... | 1350·22 | 1918·08 | +567·86 | +42·1 |

* Based on morning fixing in London and closing quotations in Bombay.

prices from $388·50 per fine ounce at the end of March 1984 to $375·25 by June 30 or a fall of 3·4 per cent over the quarter.

**Silver**

The trends in silver prices during the financial year 1983-84 both in the domestic and international markets broadly followed the respective trends in gold prices in those markets recording net gains in Bombay and net losses in New York/London. During the first quarter of fiscal year 1984-85 the domestic market turned easy and the international markets recorded further declines.

*Domestic Market*

During the fiscal year 1983-84, silver prices in Bombay showed a mixed trend. A sharp increase in the first two months of the year was followed by a steep decline in the following month of June 1983 The next $2\frac{1}{2}$ months witnessed a bout of price increases and from the middle of September 1983 prices ruled easy till about the first week of January 1984. The last quarter of the year witnessed once again a hardening tendency, and on balance there was a substantial increase in silver prices over the year.

The price of silver in the Bombay market moved up sharply from Rs.3,105 per kg. at the end of March 1983 to Rs.3,740 by May 18. Higher overseas advices coupled with short supply of ready stocks influenced the market. Thereafter an easy trend set in, the decline being very sharp in the first week of June—from Rs.3,665 per kg. on May 31 to Rs.3,180 on June 8. This was in line with the international trend during the same period brought about by nervous unloading in the market on apprehension of a possible interest rates hike in the US Domestic demand for the white metal at this time of the year was also reported to be very low The market remained sluggish till about the middle of July 1983 with the price ranging between Rs.3,250 and Rs.3,350 for most of the period. From July 18 onwards a steady-to-firm trend was noticed, prices moving up gradually to Rs.3,802 by September 12, the highest level of the year There were reports of good enquiry for ready stocks for unofficial exports due to higher price differential between the domestic and international markets during July 1983. From the middle of September till mid-January 1984 the market ruled generally easy, prices coming down from Rs.3,802 on September 12, 1983 to Rs.3,380 on January 9, 1984 following the trend in the international markets. The market, however, closed for the year at a slightly higher level of Rs.3,570 on March 31, recording a net rise of Rs.465 or 15·0 per cent over the year. The increase in the preceding year had amounted to Rs.425 per kg. or 15·9 per cent (Table below )

*International Markets*

In the international markets also silver prices displayed a somewhat erratic movement during the year, the undertone remaining easy after the first two months. Starting from 1,063 cents per fine ounce at the end of March, silver prices in the New York market moved up initially to 1,360 cents by the end of May 1983 due to speculative buying in the wake of the middle east war situation. Despite occasional spurts, prices turned quiet thereafter, the easy trend becoming more pronounced after September, as investors' interest turned from the white metal to the U.S. dollar which was gaining ground in the foreign exchange markets. At 973 cents on March 30,

| As at the end of the month | Bombay | | London | | New York | |
|---|---|---|---|---|---|---|
| | Price in Rs. per kg | Percentage variation | Price in pence per ounce | Percentage variation | Price in cents per ounce | Percentage variation |
| March 1982 | 2680 | | 395·85 | | 706·00 | |
| March 1983 | 3105 | + 15·9 | 708·00 | + 78·9 | 1063·00 | + 50·6 |
| March 1984 | 3570 | + 15·0 | 670·15 | − 5·3 | 973·00 | − 8·5 |

1984 silver prices in New York registered a fall of 90 cents or 8·5 per cent over the year in contrast to a substantial rise of 357 cents (50·6 per cent) in 1982-83. The decline in the London market in 1983-84 was 37·85 pence per ounce (5·3 per cent) as against a sharp rise of 312·15 pence (78·9 per cent) last year.

*Spread Between Indian and international Prices*

The New York and London prices commanded premium over that of Indian market till the end of September 1983, but were quoted at a 'discount' from October onwards. The premium over Bombay, based on monthly average prices, widened initially from 12·6 per cent to 17·1 per cent in New York and from 12·9 per cent to 16·7 per cent in London between March and July 1983. It came down to 5·1 per cent and 5·5 per cent, respectively, by September. There was a reversal of the trend from October when New York and London prices were quoted at a 'discount' over that of Bombay, the 'discount' widening from 9·2 per cent to 17·8 per cent in New York and from 8·8 per cent to 17·6 per cent in London by January 1984. The disparity came down again in the subsequent months. In March

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

(Rupees per Kg.)

| Month | Bombay | London | New York | Price difference between London and Bombay (3 - 2) | | Price difference between New York and Bombay (4 - 2) | |
|---|---|---|---|---|---|---|---|
| | | | | Absolute | Percentage | Absolute | Percentage |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. |
| March 1980 | 2,975·00 | 6,584·06 | 6,422·83 | +3,609·06 | +121·3 | +3,447·83 | +115·9 |
| March 1981 | 2,666·68 | 3,247·17 | 3,259·76 | +580·49 | +21·8 | +593·08 | +22·2 |
| March 1982 | 2,683·61 | 2,163·98 | 2,158·84 | −519·63 | −19·4 | −524·77 | −19·6 |
| March 1983 | 3,033·80 | 3,424·31 | 3,416·07 | +390·51 | +12·9 | +382·27 | +12·6 |
| 1983 - 84 | | | | | | | |
| April 1983 | 3,355·91 | 3,772·69 | 3,776·90 | +416·78 | +12·4 | +420·99 | +12·5 |
| May 1983 | 3,608·52 | 4,172·62 | 4,197·17 | +564·10 | +15·6 | +588·65 | +16·3 |
| June 1983 | 3,313·65 | 3,822·01 | 3,818·95 | +508·36 | +15·3 | +505·30 | +15·2 |
| July 1983 | 3,359·60 | 3,919·77 | 3,935·59 | +560·17 | +16·7 | +575·99 | +17·1 |
| August 1983 | 3,580·42 | 3,953·99 | 3,965·59 | +373·57 | +10·4 | +385·17 | +10·8 |
| September 1983 | 3,725·32 | 3,928·62 | 3,915·64 | +203·30 | +5·5 | +190·32 | +5·1 |
| October 1983 | 3,575·08 | 3,260·09 | 3,245·03 | −314·99 | −8·8 | −330·05 | −9·2 |
| November 1983 | 3,554·60 | 2,940·12 | 2,949·03 | −614·48 | −17·3 | −605·57 | −17·0 |
| December 1983 | 3,512·04 | 3,100·87 | 3,083·38 | −411·17 | −11·7 | −428·66 | −12·2 |
| January 1984 | 3,441·39 | 2,835·92 | 2,830·08 | −605·47 | −17·6 | −611·31 | −17·8 |
| February 1984 | 3,495·16 | 3,146·56 | 3,147·31 | −348·60 | −10·0 | −347·85 | −10·0 |
| March 1984 | 3,547·88 | 3,333·78 | 3,335·30 | −214·10 | −6·0 | −212·58 | −6·0 |
| 1984 - 85 | | | | | | | |
| April 1984 | 3,541·29 | 3,221·19 | 3,210·23 | −320·10 | −9·0 | −331·06 | −9·3 |
| May 1984 | 3,492·83 | 3,175·05 | 3,182·63 | −317·78 | −9·1 | −310·20 | −8·9 |
| June 1984 | 3,415·19 | 3,127·69 | 3,123·21 | −287·50 | −8·4 | −291·98 | −8·5 |

*Note* : The quotations in pence per troy ounce in London and cents per troy ounce in New York have been converted into Rupees per Kg. 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.

1984, the 'discount' amounted to 6·0 per cent in both the markets over the price in Bombay.

It may be seen from Table VI-10 that over the four-year period March 1980 to March 1984, whereas silver prices in Bombay moved up by 19·3 per cent, those in New York and London declined (in terms of rupees) by 48·1 per cent and 49·4 per cent, respectively.

During the first quarter of 1984-85, both the domestic and international markets displayed a distinctly easy trend. The decline in Bombay amounted to Rs.210 per kg. or 5·9 per cent in contrast to a rise of Rs.200 per kg. or 6·4 per cent in the corresponding quarter of 1983-84. The decline in New York was steeper at 13·9 per cent as against a rise of 9·1 per cent in the same period of last year.

The disparity between the domestic and international prices widened further during the quarter, the 'discount' at which the New York price was quoted over Bombay (based on monthly average) increasing from 6·0 per cent to 8·5 per cent between March and June 1984.

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*Notes :*

1. During the fiscal year 1983-84 domestic production of gold at 2,062 kgs. recorded a fall of 8·0 per cent over the production of 2,241 kgs. in 1982-83. This was on top of a decline of 8·9 per cent in the previous year. The output of silver at 19,629 kgs. during 1983-84 was higher by 28·1 per cent than that of 15,318 kgs. in 1982-83 in contrast to a fall of 9·8 per cent recorded in 1982-83 over the previous year.
2. In supersession of the scheme of export of gold jewellery with facility of replenishment of imported gold in force since August 21, 1978, the Central Government introduced with effect from April 25, 1984 a new scheme known as "Gold Jewellery Export Promotion and Replenishment Scheme" for export of gold ornaments and articles (other than coin) as defined in the Gold Control Act, 1968 with facility of replenishment by imported gold. The details of the scheme are contained in Annexure- III to Appendix- 22 of the Import and Export Policy 1984-85 (Vol.I). The scheme for export of gold jewellery against gold supplied by the foreign buyers operated by the Handicrafts and Handlooms Export Corporation of India Ltd., as notified in Public Notice No.39-ITC (PN)/80 dated October 14, 1980, and included as Appendix- 22 Annexure- I to the Import and Export Policy for 1984-85 (Volume I) will co-exist along with the above scheme.
3. The Government raised, through an order issued in July 1983, the maximum quantity of gold ornaments which could be purchased by a certified goldsmith from 35 gms. to 100 gms.

Chapter VII

# Banking Developments

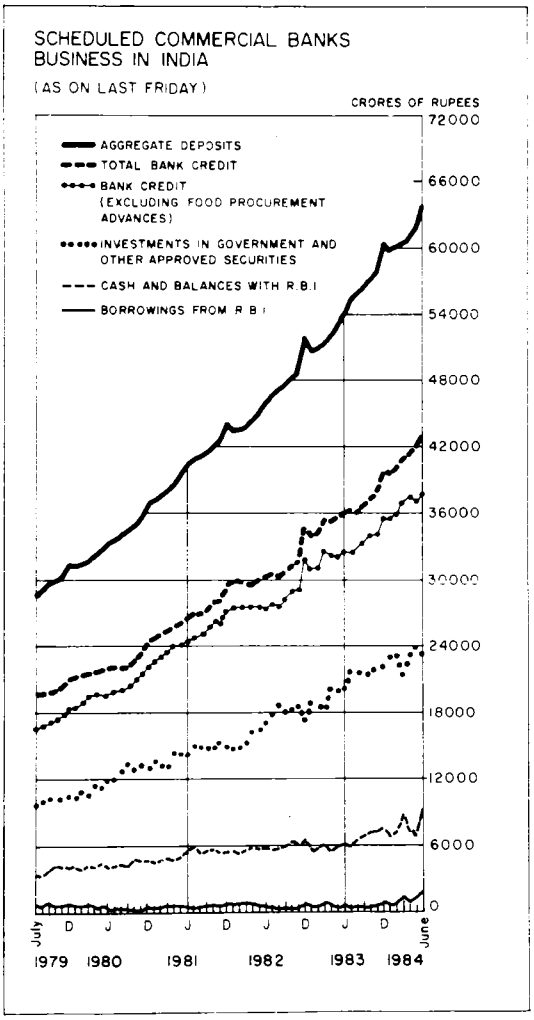
## OVERALL REVIEW

A striking feature of the operations of scheduled commercial banks during 1983-84 (April-March) was acceleration in deposit growth coupled with deceleration in credit expansion. Although growth rate of demand deposits slowed down considerably, that of time deposits – which constitute a larger proportion of aggregate deposits–increased; as a result, there was acceleration in growth rate of aggregate deposits. Notwithstanding larger expansion in food credit in response to rising scale of procurement operations following record out- put of foodgrains, total bank credit expansion in 1983-84 was markedly lower because of much smaller increase in non-food credit compared to that in the previous year. Data for the first quarter (April-June) of 1984-85, indicate a further acceleration in deposit growth as also a faster rise in credit expansion. During this quarter, non-food credit rose sharply in contrast to a decline in the corresponding quarter of 1983-84; besides, increase in food credit was almost twice that in the first quarter of 1983-84.

Against the backdrop of a large increase in primary money and its impact on growth of overall liquidity, the focus of credit policy was on moderating growth of primary money base and in immobilising primary money already created in the economy. The basic emphasis, however, continued to be on fully supporting all productive activities. During the 1983 slack season the Cash Reserve Ratio (C.R.R.) was raised with a view to smoothening liquidity over the year. As expansion in primary money and deposit growth continued to be large and the price situation was causing concern, the CRR was raised in May, July, August and November 1983 and again in February 1984. The cut-off point for food refinance which was Rs.2,500 crores at the beginning of the year, was raised in July 1983 and again in November 1983. * The export credit refinance formula was altered to provide a strong incentive to banks to expand credit to that sector. The growth of primary money and overall liquidity in the economy on the one hand and the disconcerting price situation despite record foodgrains production on the other, emphasised the need for moderating growth of liquidity and curbing inflationary expectations.With a view to providing resources for vital public sector investment, it was decided to raise the Statutory Liquidity Ratio (SLR) of banks from 35 per cent to 36 per cent in two stages from July 28 and September 1, 1984. It was also decided to release to the banks, in two equal instalments on September 29 and October 27, 1984 one-fifth of additional cash balances maintained under the stipulation of the 10 per cent.

* As also in September 1984 and November 1984.

incremental CRR as on October 31, 1980. * This was intended to enable banks to plan their resources allocation in a smooth manner before the onset of the 1984-85 busy season.




Banks made further progress towards achieving the national targets set for them, such as attaining priority sector financing ratio of 40 per cent of total advances by March 1985 and 60 per cent credit-deposit ratio in respect of rural and semi-urban offices. At the end of March 1984, priority sector advances constituted 38·0 per cent of total net bank credit. Banks' performance in the sphere of agricultural credit was particularly noteworthy; advances to agriculture at the end of March 1984 formed 15·7 per cent of net bank credit as against the subtarget of 16 per cent set for March 1985. Banks attained a credit-deposit ratio of 59·9 per cent and 50·8 per cent in respect of rural and semi-urban branches, respectively, at the end of June 1983. Advances granted by public sector banks under the New 20-Point Programme formed 9·9 per cent of their total credit at the end of December 1983.

Consistent with the branch licensing policy for the three-year period April 1982 - March 1985, which aims at improving banking facilities in rural and semi-urban areas–particularly unbanked rural areas, about 83 per cent of the 3,253 offices opened during the year July 1983 to June 1984, were located in rural areas.

## CREDIT POLICY

Credit policy responses during fiscal year 1983-84 reflected the concern at the large increase in reserve money and its impact on the growth of overall liquidity. Reserve money serves as the base for multiple credit and deposit creation by banks under the fractional reserve system and provides the wherewithal for an overall growth of liquidity in the system. To the extent that credit policy focuses on regulating the overall growth of liquidity, the measures, to be effective, have to work towards moderating the growth of the reserve money base and the immobilisation of the reserve money already created in the economy. Credit policy measures undertaken during the year were thus chiefly aimed at reducing the expansionary impact of a rapid growth in reserve money. While so doing, the basic tenet of credit policy continued to be one of fully supporting all productive activities with the observance of normal credit norms and discipline as an essential condition for the extension of credit.

* Subsequently postponed to October 27, 1984 and December 1, 1984, respectively.

**April 1983**

The credit policy measures, announced in the last week of April 1983 and covered in detail in the last year's Report are summarised below: (1) The Cash Reserve Ratio 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 interest rate payable on banks' cash balances with the Reserve Bank above the statutory minimum of 3 per cent (including 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. (2) With effect from July 1, 1983, banks were 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 provide a more purposeful thrust to the objectives of the 20-Point Programme, changes were effected in the lending rate structure for certain categories such as retail trade in fertilisers, units engaged in production and distribution of seeds, priority sector advances granted to professionals and self-employed persons belonging to scheduled castes and scheduled tribes (SC/ST) and professional and self-employed women.

**August 1983**

Despite the increase of one percentage point in CRR and implementation of the first phase of inclusion of accrued interest in liabilities for purposes of maintenance of reserve requirements, excess liquidity of the banking system continued to be large. With a view to ensuring effective management of excess liquidity of banks, the CRR of scheduled commercial banks was raised by one-half of one percentage point to 8·5 per cent with effect from the week beginning August 27,1983. The banks were also not allowed to withdraw the additional cash balances maintained with the Reserve Bank as on October 31, 1980 under the 10 per cent incremental CRR. The Reserve Bank undertook to provide on merits discretionary refinance for short periods to banks which might experience difficulty in meeting the enhanced reserve requirements to enable them to smoothly adjust to the higher cash reserve requirement.

**October 1983**

On the eve of the 1983-84 busy season when the monetary policy was reviewed in October 1983, a bumper *kharif* crop was on the anvil against the background of the favourable monsoon. Although industrial production had not shown signs of a strong revival, the sharp increase in agricultural output was, expected to strengthen the industrial revival in the latter part of the financial year 1983-84. The overall growth of output in the economy was at that time reckoned to be of the order of 6 to 7 per cent. At the same time the rate of growth of overall liquidity ($M_3$) in the economy in 1983-84 (upto the end of September 1983) had been larger than in the previous year. Though there was some abatement in the pace of increase in prices of vital commodities, the year over year rate of inflation at the end of September 1983 was around 10 per cent as compared with a rate of less than 2 per cent in the previous year. It was, therefore, considered necessary to moderate the growth of overall liquidity in 1983-84 without impairing, however, full support to all productive activity under normal credit norms and discipline.

(1) In this perspective, and as a part of the periodic adjustment of the base for calculating eligibility for refinance from the Reserve Bank, two changes were announced in October 1983. The cut off point of outstanding food credit at which 100 per cent refinance was available was raised from Rs.2,800 crores to Rs.3,300 crores with effect from November 25, 1983.

(2) With a view to providing a strong incentive to expand export credit over the previous year's level, export credit refinance was enlarged. Banks were provided with refinance to the extent of 125 per cent of the increase in export

credit over the monthly average level for 1982 effective from November 25, 1983. Earlier, refinance was available to them on a two-tier basis, namely, 50 per cent of the increase in export credit over the monthly average level of 1980 upto the monthly average level of 1981 plus 100 per cent of the increase over the monthly average level of export credit in 1981.

Other measures taken included the following :

(i) The size of the IDBI bills rediscounting facility for State Electricity Boards (SEBs) and State Road Transport Corporations (SRTCs) was enhanced from Rs.100 crores to Rs.150 crores and the scheme was extended upto the end of June 1984. This was intended to enable the IDBI to provide more effective support to SEBs/SRTCs, thereby stimulating further the demand for capital goods.

(ii) The ceiling on the banks' share in term loans for replacement/extension of fleets by SRTCs had been earlier enhanced in October 1982 for a period of one year from 25-30 per cent to 40 per cent of the term loan component of the project cost. This arrangement was continued for a further period of one year.

(iii) The cut-off point for working capital limits under the Credit Authorisation Scheme was raised from Rs.3 crores to Rs.4 crores.

(iv) While the basic structure of lending rates which came into effect on April 1, 1983 was not altered, a few changes were introduced to provide a more purposeful thrust to the objectives set out in the New 20-Point Programme and also to strengthen the redistributive effect of the credit policy. These changes were as follows :

(a) Short-term loans to agriculture were hitherto being charged interest rates varying with the size of loan. With a view to providing some relief to farmers, a new loan-size category (*viz.*, over Rs.5,000 and upto Rs.10,000) as indicated in the table below, was introduced affording reduction in the rate of interest charged.

| Short-term loans to farmers | Rate of interest (per cent per annum) | |
|---|---|---|
| | Rates prior to October 20, 1983 | Revised rates |
| 1) Up to Rs.5,000 | 11·5 | 11·5 |
| 2) Over Rs.5,000 and upto Rs.10,000 | Not exceeding 14·0 | 12·5 |
| 3) Over Rs.10,000 and upto Rs.25,000 | | Not exceeding 14·0 |
| 4) Above Rs.25,000 | Not exceeding 16·5 | Not exceeding 16·5 |

(b) Advances to transport operators owning a single vehicle were charged a concessional rate of interest of 12·5 per cent and those owning two or more vehicles were charged an interest rate of 15·0 per cent. The concessional rate of 12·5 per cent was extended to cover operators owning upto two vehicles; however, it was decided to continue to treat advances to operators owning up to six vehicles as priority sector lending.

(c) With the increasing emphasis on production of pulses and oilseeds and its inclusion in the New 20-Point Programme, Government had announced support prices for these commodities. In the case of advances to Central and State Government agencies entrusted with procurement of pulses and oilseeds at support prices fixed by Government, the rate of interest was fixed at 15·0 per cent as against the earlier rate of 16·5 per cent applicable to oilseeds.

**November 1983**

In the weeks immediately preceding the commencement of the 1983-84 busy season, growth of bank deposits had accelerated while the pick-up in credit was more subdued than visualised, and the banking system continued to have considerable excess liquidity. The expansion of reserve money was large and the price situation was causing concern; there was, therefore a need to further immobilise liquidity of the

banking system without in any way hindering the flow of credit for productive purposes.

With a view to achieving a better management of the liquidity of individual banks, the Reserve bank directed the scheduled commercial banks under Section 42(1A) of the Reserve Bank of India Act, 1934 to maintain with effect from the week beginning November 12,1983 an incremental Cash Reserve Ratio of 10 percent of the increase in net demand and time liabilities over the level as on Friday November 11, 1983. For the purpose of maintenance of the incremental CRR, the increase in deposit liabilities under the Foreign Currency (Non-resident) Accounts Scheme and Non-resident (External) Rupee Accounts Scheme were not to be taken into account. Further, banks were informed that they would not be allowed to withdraw the additional cash balances maintained with the Reserve Bank under the incremental CRR applicable between January 1977 and October 1980. Banks were not expected to have any difficulty in providing adequate credit during the busy season to support the acceleration of output. To the extent that individual banks faced liquidity problems, discretionary refinance was provided, on merits, for short periods.

**January 1984**

In the review of the credit policy in January 1984 it was observed that growth of reserve money was large. The inflation rate, on a year-on-year basis, was well over 10 per cent. In view of these developments there was an immediate need for further immobilisation of liquidity of the banking system without, in any way, hindering the seasonal flow of credit for supporting the utilisation of productive potential of the economy, and in particular the needs of the priority sector. In view of this, an increase in CRR was announced on January 27, 1984; the increase from 8·5 per cent to 9·0 per cent of net demand and time liabilities took effect from the week beginning February 4, 1984 and the incremental CRR of 10 per cent of the increase in net demand and time liabilities over the level as on November 11, 1983 was continued.

**April 1984**

The monetary and credit developments during 1983-84 were reviewed in the last week of April 1984 and against the emerging prospects for the economy, the changes in the credit policy for the first half of 1984-85 were announced on April 30, 1984. The overall of liquidity ($M_3$) in 1983-84 of over 17 per cent was uncomfortably high and there was also a very large increase in primary money. Though overall growth rate of the economy in 1984-85 could not be predicted at that time, it was considered realistic to assume that even under favourable weather conditions it would be significantly lower than in 1983-84. Taking into account the rapid growth of liquidity in recent years, a significant increase in primary money creation and a rise of nearly 9 per cent in wholesale prices in 1983-84 despite a record food crop, it was essential that a deceleration in the rate of growth of overall liquidity and of reserve money creation was regarded as an important objective of economic policy during 1984-85 in the interest of orderly economic management and reasonable price stability. As 1984-85 was the final year of the Sixth Plan, it was necessary to ensure that public sector investment in high priority industry proceeded smoothly but, at the same time, its financing did not lead to excessive generation of primary money. Credit policy had to ensure that adequate provision was made for meeting working capital requirements arising from the expected industrial expansion, together with credit needs of the vital priority sectors. Besides, it had to ensure that adequate finance was made available for the *rabi* 1984 food procurement.

Thus, given the national priorities and the needs of the essential public sector investments, and given also the large share of bank deposits in national savings, it was necessary to review the apportionment of resources represented by bank deposits as between the claims of different sectors of the economy. It was observed that in the period prior to April 1984 a number of banks had been defaulting in the maintenance of reserve requirements. As the sanctity of reserve

requirements has to be inviolate, banks were advised that an immediate rectification of shortfalls should be regarded as an overriding priority during the first quarter of 1984-85. The changes made in the credit policy were as follows :

(1) With a view to regulating liquidity in the first half of the financial year as well as to provide resources for vital public sector investment within the framework of national priorities without generating primary money, it was decided to raise the statutory liquidity ratio from 35 per cent to 36 per cent of total demand and time liabilities in two phases to 35·5 per cent effective from July 28, 1984 and to 36·0 per cent effective from September 1, 1984. Banks were assured that discretionary refinance would be provided, on merits, for short periods to banks needing such assistance to enable them to adjust to the higher reserve requirements.

(2) Under Section 42(1A) of the Reserve Bank of India Act, 1934, scheduled commercial bank were required to maintain an additional cash reserve of 10 per cent of the incremental net demand and time liabilities accruing between January 14, 1977 and October 31, 1980; these cash balances had remained impounded. It was felt that banks might face some degree of resource constraint as the year progressed, and with a view to enabling them to plan their resource allocation in a smooth manner before the onset of the busy season, it was decided to release in two equal instalments on September 29, 1984 and October 27, 1984, one-fifth of the additional cash balances maintained under the 10 per cent incremental CRR by each bank as on October 31, 1980. Since the impounded cash balances as on October 31, 1980 amounted to Rs.1,859 crores, the amount to be released worked out to approximately Rs.372 crores. (In view of the comfortable liquidity position at the end of August 1984 it was decided to postpone the release of cash balances by one month and accordingly, the release in two equal instalments, was rescheduled for October 27, 1984 and December 1, 1984).

(3) Hitherto prior authorisation by the Reserve Bank was required for granting, either singly or jointly with other banks, individual term loans (of more than three years)exceedingRs.50 lakhs to a private sector borrower and Rs.1 crore to a public sector borrower or a private sector export-oriented manufacturing unit. In the case of borrowers already covered under the CAS, prior authorisation is required for term loans repayable over more than three years irrespective of the amount of the loan. In order to provide greater discretion to banks in the case of private sector parties not covered by the CAS, the cut-off point for term loans (of over three years) which require prior authorisation by the Reserve Bank was raised from the level of Rs.50 lakhs to Rs.1 crore. Thus, the cut-off point for term loans for the purposes of credit authorisation by the Reserve Bank became uniformly Rs.1 crore.

The Reserve Bank also emphasised the desirability of timely achievement of various priority sector targets, by March 1985. Besides, the need to pay adequate attention to customer service and quality of assets of banks particularly their loan portfolio and the desirability of establishing an effective system of supervision and control over operations of their foreign branches was also stressed by the Reserve Bank.

**Other Policy Measures**

The other important banking policy measures taken by the Reserve Bank during the year included the following :

*Credit facilities to Scheduled Castes and Scheduled Tribes*

With a view to impressing upon banks the desirability of assessing, at periodic intervals, implementation by their branches of various guidelines issued to them by the Reserve Bank for increasing the flow of credit to scheduled caste scheduled tribe communities, banks were advised in August 1983 to set up special cells at their Head Offices for monitoring flow of credit

to these categories of beneficiaries. These cells are to be responsible for collection of relevant information data from branches, consolidation thereof and submission of requisite returns to the Reserve Bank and Government. The Boards of Directors of banks are required to review, on a quarterly basis, the measures taken to enhance the flow of credit to SC ST borrowers. Besides indicating actual performance, these reviews should also cover proposals to expand coverage of this sector in the context of bank's business potential and network of branches with particular reference to such schemes as the Differential Rate of Interest Scheme, Integrated Rural Development Programme, etc., and progress made in lending to SC ST communities directly or indirectly through State-level corporations.

*Prompt Payment by Medium and Large Units to Small Ancillary Suppliers*

The Reserve Bank issued further guidelines to banks in September 1983 to ensure prompt payment by medium and large industrial units to small ancillary suppliers. According to the guidelines issued earlier, in the case of borrowers having aggregate working capital limits of Rs.50 lakhs and over, banks had to ensure that the operating limits were automatically reduced, if sundry creditors rose above a stipulated level. In this context it was clarified that the term ('stipulated levels') meant levels as indicated at the time of assessment of credit limits of borrowers or as indicated periodically in the quarterly information. To ensure timely submission of quarterly returns and help in settlement of dues owed to small scale industrial units, certain measures were suggested to banks, such as levying penal interest/freezing of accounts for non-submission of returns and allowing large borrowers to operate their accounts only after satisfying that liabilities due to small-scale industrial units were discharged.

*Housing Finance*

Besides the overall quantum of Rs.150 crores earmarked for providing housing finance by the banking system to various categories of borrowers during 1983, an amount of Rs.10 crores was allocated to a consortium of 10 banks for assisting the flood victims of Gujarat State During the year, the Housing Development and Finance Corporation Ltd. (HDFC) was also allotted an additional amount of Rs.10 crores over and above the quota of Rs.10 crores already allotted to it. Besides, the Reserve Bank authorised the HDFC to raise a long term foreign currency loan of U.S. $ 20 million.

## BANKING TRENDS

The operations of scheduled commercial banks during 1983-84 (April-March) were characterised by acceleration in growth of aggregate deposits coupled with deceleration in expansion of credit As a result mainly of the raising of CRR by two percentage points during the year and imposition of 10 per cent incremental CRR from November 12, 1983, the increase in scheduled commercial banks' cash in hand and balances with the Reserve Bank was more than six times that in the previous year. Banks' investment portfolio however, recorded a smaller growth than in the previous year. During the first quarter (April-June) of 1984-85 also deposit growth continued to be higher and credit expansion was faster compared to the trends witnessed in the corresponding quarter of 1983-84.

### Deposit Growth

Accretion to aggregate deposits of scheduled commercial banks during 1983-84 (April-March) in absolute terms at Rs.9,179 crores was the highest recorded in any year so far, the corresponding amounts for 1982-83 and 1981-82 being Rs.7,625 crores and Rs.5,745 crores, respectively. In terms of growth rate, aggregate deposits rose by 17·9 per cent in 1983-84 compared with 17·4 per cent in 1982-83 and 15·1 per cent in 1981-82. Comparitively larger deposit growth than in last year was recorded, in absolute terms, in the first three quarters of the

**TABLE VII–1 : QuarterlyVariations in Deposits**

(Rs. crores)

| Quarter | Demand Deposits | | Time Deposits | | Total Deposits | |
|---|---|---|---|---|---|---|
| | 1982 - 83 | 1983 - 84 | 1982 - 83 | 1983 - 84 | 1982 - 83 | 1983 - 84 |
| April - June | 672 | 217 | 1,723 | 2,465 | 2,395 | 2,681 |
| | | | | | (5·5) | (5·2) |
| July - September | –177 | –32 | 1,614 | 2,215 | 1,437 | 2,183 |
| | | | | | (3·1) | (4·0) |
| October - December | 2,012 | 1,756 | 2,501 | 3,248 | 4,512 | 5,004 |
| | | | | | (9·5) | (8·9) |
| January - March | –906 | –570 | 186 | –119 | –719 | –689 |
| | | | | | (–1·4) | (–1·1) |
| **Total** | **1,601** | **1,371** | **6,024** | **7,808** | **7,625** | **9,179** |
| | | | | | **(17·4)** | **(17·9)** |
| | 1983-84 | 1984 - 85 | 1983 - 84 | 1984 - 85 | 1983 - 84 | 1984 - 85 |
| April - June | +217 | +583 | +2,465 | +2,732 | +2,681 | +3,315 |
| | | | | | (5·2) | (5·5) |

*Note* : 1) Figures in brackets indicate percentage growth rates.
2) Data from January 1984 onwards are provisional.

year as may be seen from Table VII-1. During the last quarter of the year i.e., January-March 1984, deposits declined, but by a smaller amount than in the corresponding quarter of 1982-83.

As in the previous year, time deposits accounted for the bulk of deposit growth during the year; these deposits increased by Rs.7,808 crores in 1983-84 compared with Rs.6,024 crores in 1982-83. The increase in demand deposits in 1983-84 at Rs.1,371 crores was lower than that of Rs.1,601 crores in the previous year. The seasonal varations in deposits as well as in other banking indicators are given in Table VII-2.

The sharp rise in deposits during 1983-84 has to be seen in the context of a sharp increase in national income, substantial growth of reserve money, large inflow of non-resident deposits and expansion in bank credit. In the first quarter of 1984-85, there was further sizeable expansion in deposits of Rs.3,315 crores or 5·5 per cent as

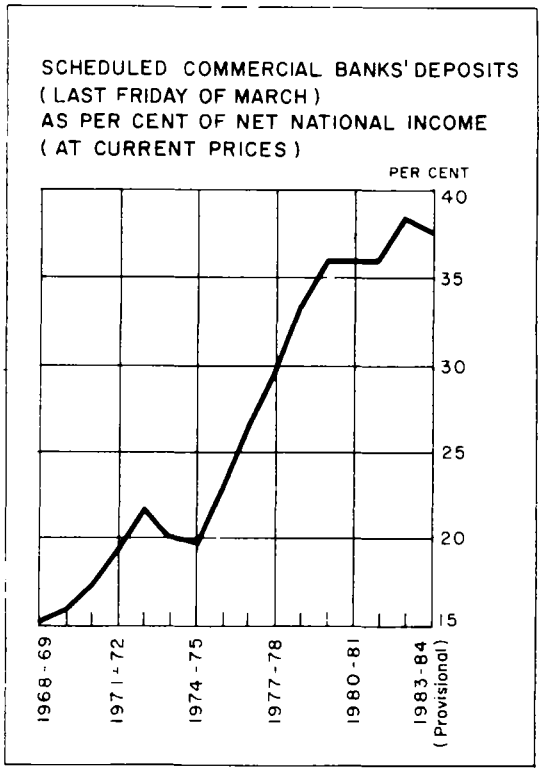


**TABLE VII·2 - Variations in Scheduled Commercial Banks' Data**
**(Seasonal and Annual)**

(Rupees crores)

| Items | Seasonal Variations | | | | Slack Season | | Annual Variations (April-March) | | Variation | Variation |
|---|---|---|---|---|---|---|---|---|---|---|
| | Slack Season 1982 | Busy Season 1982 - 83 | Slack Season 1983 | Busy Season 1983-84 @ | 1983 (upto June 24, 1983) | 1984 (upto June 29, 1984) | 1982 - 83 | 1983 - 84 @ | (April-June) 1983 | (April-June) 1984 @ |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1. Aggregate Deposits | + 3,783 | + 3,768 | + 5,147 | + 3,701 | + 2,088 | + 3,053 | + 7,625 | + 9,179 | + 2,681 | + 3,315 |
| | | | | | | | (17·4) | (17·9) | (5·2) | (5·5) |
| a) Demand | + 541 | + 727 | + 584 | + 755 | + 472 | + 870 | + 1,601 | + 1,371 | + 217 | + 583 |
| | | | | | | | (19·1) | (13·7) | (2·2) | (5·1) |
| b) Time | + 3,242 | + 3,042 | + 4,561 | + 2,947 | + 1,615 | + 2,183 | + 6,024 | + 7,808 | + 2,465 | + 2,732 |
| | | | | | | | (17·0) | (18·9) | (6·0) | (5·6) |
| 2. Borrowings from the RBI$ | - 270$ | + 127 | - 71 | + 463 | + 14 | + 882 | - 16 | + 521 | - 306 | + 433 |
| 3. Cash and Balances with the RBI | + 529 | - 945 | + 1,732 | + 127 | + 773 | + 2,042 | + 415 | + 2,623 | + 69 | + 575 |
| 4. Money at call and short notice | + 142 | - 113 | + 10 | + 199 | - 55 | - 236 | + 284 | + 63 | - 452 | - 487 |
| 5. Investments in Government and other approved securities | + 1,994 | + 1,943 | + 1,637 | + 1,407 | - 133 | + 60 | + 3,193 | + 2,956 | + 1,636 | + 1,917 |
| | | | | | | | (21·1) | (16·1) | (8·9) | (9·0) |
| a) Government Securities | + 1,193 | + 1,513 | + 809 | + 726 | - 271 | - 131 | + 1,921 | + 1,418 | + 1,455 | + 1,712 |
| | | | | | | | (18·9) | (11·7) | (12·0) | (12·7) |
| b) Other approved Securities | + 800 | + 431 | + 829 | + 680 | + 138 | + 191 | + 1,272 | + 1,538 | + 181 | + 205 |
| | | | | | | | (25·5) | (24·6) | (2·9) | (2·6) |
| 6. Bank Credit | + 1,649 | + 3,841 | + 2,220 | + 4,009 | + 853 | + 1,677 | + 5,812 | + 5,504 | + 513 | + 2,061 |
| | | | | | | | (19·6) | (15·5) | (1·4) | (5·0) |
| a) Food procurement advances | + 265 | + 446 | + 506 | + 773 | + 766 | + 1,136 | + 838 | + 1,057 | + 624 | + 1,216 |
| b) Other advances | + 1,384 | + 3,395 | + 1,714 | + 3,236 | + 87 | + 541 | + 4,974 | + 4,447 | - 111 | + 845 |
| | | | | | | | (18·1) | (13·7) | (0·3) | (2·3) |
| 7. Bills rediscounted with the RBI | — | — | — | — | - | — | — | — | — | — |
| 8. Gross Bank Credit (6 + 7) | + 1,649 | + 3,841 | + 2,220 | + 4,009 | + 853 | + 1,677 | + 5,812 | + 5,504 | + 513 | + 2,061 |

$ These variations take into account also RRB borrowings transferred to NABARD on July 12, 1982.

@ Partially revised

*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 March; 1983 data are as on March 31.

3. Figures in brackets indicate percentage changes over the previous corresponding period.

*Source* : Weekly returns submitted by banks under Section 42(2) of the R.B.I. Act, 1934.

compared with that of Rs.2,681 crores (5·2 per cent) in the same quarter of 1983-84. Both demand and time deposits recorded higher increases.

### Expansion in Bank Credit

During 1983-84 total bank credit expanded by Rs.5,504 crores or 15·5 per cent compared with Rs.5,812 crores or 19·6 per cent in 1982-83. In response to the rising scale of food procurement operations following the record output of food grains, the expansion in food credit at Rs.1,057 crores in 1983-84 was higher than that of Rs.838 crores in the previous year. On the other hand, expansion in non-food credit in 1983-84 by Rs.4,447 crores or 13·7 per cent was significantly lower than Rs.4,974 crores or 18·1 per cent in the previous year. The credit-deposit ratio at 67·7 per cent at the end of March 1984 was lower by 1·4 percentage points compared to the ratio a year ago. The incremental non-food credit-deposit ratio for 1983-84 at 48·4 per cent was considerably lower than that of 65·2 per cent for the previous year.

During the first quarter of 1984-85, however, the expansion in bank credit at Rs.2,061 crores was considerably higher than that of Rs.513 crores in 1983-84. Both food and non-food credit rose sharply, the former by Rs.1,216 crores as compared to Rs.624 crores in the first quarter of 1983-84 and the latter by Rs.845 crores in contrast to a contraction of Rs.111 crores in the same period last year. The credit-deposit ratio at the end of June 1984 at 67·4 per cent was higher than that of 66·6 per cent at the end of June 1983. The non-food credit-deposit ratio at the end of June 1984 at 59·2 per cent was, however, lower compared to 60·0 per cent at the end of June 1983.

### Variations in Other Assets and Liabilities

During 1983-84 the increase in scheduled commercial banks' investments in Government and other approved securities at Rs.2,956 crores was smaller than that of Rs.3,193 crores in 1982-83. Their investment-deposit ratio at the end of March 1984, was 35·2 per cent compared with 35·7 per cent a year ago.

Scheduled commercial banks' cash in hand and balances with the Reserve Bank increased substantially by Rs.2,623 crores compared to the modest rise of Rs.415 crores in the previous year. The steep rise in cash reserves was mainly the result of the successive increases in CRR viz., from 7 per cent to 7·5 per cent and to 8 per cent in May and July 1983, 8·5 per cent in August 1983 and 9 per cent in February 1984, and the imposition of incremental CRR of 10 per cent from November 1983. With the substantial increase in cash reserves of scheduled commercial banks, their cash-deposit ratio rose from 11·8 per cent at the end of March 1983 to 14·4 per cent at the end of March 1984.

Outstanding borrowings of scheduled commercial banks from the Reserve Bank increased from Rs.815 crores at the end of March 1983 to Rs.1,336 crores at the end of March 1984. During the first quarter of 1984-85 banks' borrowings from the Reserve Bank increased by Rs.433 crores in contrast to a decline of Rs.306 crores in the corresponding period of 1983-84.

The aggregate amount of participation certificates issued and outstanding declined from Rs.13 crores as on the last Friday of March 1983 to Rs.10 crores (provisional) by the last Friday of March 1984.

## SELECTIVE CREDIT CONTROL

The existing selective credit control measures in respect of advances against sensitive commodities continued to be in force. Certain additions were, however,made during the year to the categories of advances which are exempted from such control.

*Advances to sugar industry for off-season expenses*

Prior authorisation from the Reserve Bank was not required by scheduled commercial banks for releasing clean loans for off-season expenses not exceeding Rs.25 lakhs per unit to sugar mills facing cash deficits. The Reserve Bank advised scheduled commercial banks on July 14, 1983 that such clean loans for off-season expenses for the ensuing 1983-84 season should not necessarily be permitted as a general policy, individual cases should be dealt with on merits and banks should obtain the Reserve Bank's prior authorisation before release of any clean loans.

*Advances to sugar industry for 1983-84 crushing season*

Scheduled commerical banks were advised on November 7, 1983 that subject to the estimate of sugar production of individual sugar mills, banks could sanction, without prior authorisation of the Reserve Bank, need-based credit limits for the 1983-84 season (October-September) up to 110 per cent of the maximum amount availed of during the 1982 - 83 season (excluding temporary excess drawings). The actual drawings in the borrowal accounts are required to be regulated on the basis of the deficit disclosed in monthly cash budgets of mills. While suitable sub-limits could be fixed within the overall drawing limit and allowed as a cash credit against stocks of sugar pledged/hypothecated, bills purchased and discounted, etc., banks are not allowed to grant any other credit facilities outside the overall limit whether on clean basis or secured by assets such as spares, other raw materials, plant and machinery, etc. Prior authorisation of the Reserve Bank is necessary for sanctioning additional credit limit beyond that indicated above to individual sugar mills covered by the Credit Authorisation Scheme.

*Buffer stocks of sugar*

Consequent upon the Government's decision to add 5 lakh tonnes of free sale sugar to the existing buffer stocks to make a total of 10 lakh tonnes effective from October 1, 1983, the Reserve Bank advised all scheduled commercial banks on November 15, 1983 that the amount released as a result of providing 100 per cent drawings against stocks of free sale sugar added to the existing buffer should first be used to regularise the irregularities in the cash credit account of the sugar mills and thereafter for meeting cane dues.

*Valuation of sugar stocks*

Following the change in the basis of calculating excise duty on sugar from *ad valorem* to specific rates, the Government of India discontinued from March 1983 the practice of declaring for each month a tariff value for free sale sugar. In view of this change, the Reserve Bank advised scheduled commercial banks that effective August 5, 1983 they should value sugar stocks charged to them as security at cost or market price, whichever was lower, as is the normal banking practice. For this purpose, levy stocks had to be valued at levy price and free sale stocks including buffer component at market price; besides, the total of levy and free sale stocks including buffer component had to be valued uniformly at cost price. Banks were required to take lower of the two valuations, less appropriate margins, for determining the drawing power.

Effective January 30, 1984, there was a further modification in the method of valuation of stocks of levy and free sale sugar charged to banks as security for advances. Under the new method, stocks of levy sugar are to be valued at the levy price fixed by the Government and stocks of free sale sugar (including buffer stocks) at the average price realised in the preceding three months (moving average) or the current market price, whichever is lower. The prices to be taken into account for this purpose should be exclusive of excise duty. Banks were also advised to observe due care in arriving at the drawing power in respect of non-released free sale sugar stocks, in view of fluctuations in market prices of free sale sugar.

*Advances to IRDP beneficiaries*

With a view to enabling the beneficiaries of the Integrated Rural Development Programme (IRDP) to avail of the concessional facilities provided under the IRDP Scheme, the Reserve Bank advised all scheduled commercial banks on February 3, 1984 that advances sanctioned to IRDP beneficiaries against commodities covered by selective credit control would be completely exempt form the purview of such control.

*Advances to Educated Unemployed Youth*

Under the Scheme for providing self-employment to educated unemployed youth, scheduled commercial banks can sanction assistance up to Rs.25,000. With a view to enabling educated unemployed youth who may like to take up processing/manufacturing and/or trading activities in commodities covered by selective credit control, banks were advised on May 8, 1984 that advances sanctioned to such beneficiaries under the Scheme would be completely exempt from these controls.

*Advances under the Differential Rates of Interest (DRI) Scheme and other small advances.*

Scheduled commercial banks were advised on May 11, 1984 that advances against sensitive commodities coming under the purview of selective credit control granted to borrowers satisfying all conditions of the DRI Scheme would be exempted completely from such control.

Banks were also informed on May 11, 1984 that advances up to an aggregate limit of Rs.5,000 per borrower sanctioned against the stocks of sensitive commodities covered by selective credit control would be exempted from such control, provided the borrower dealt with only one bank.

The provisions of the directives on Selective Credit Control in force as on May 11, 1984 are summarised in Annexure I to this chapter.

*Advances against sensitive commodities*

Scheduled commercial banks' outstanding advances against selected 'sensitive' commodities amounted to Rs. 1,271 crores at the end of March 1984 showing a decline of Rs. 55 crores during 1983-84 in contrast to an increase of Rs.194 crores in 1982-83 (Table VII-3). Advances against these commodities (excluding raw jute) which are covered under the purview of selective credit control amounted to Rs.1,195 crores at the end of March 1984 and were lower by Rs.52 crores than the level a year ago. The decline was mainly accounted for by cotton and *kapas* (Rs. 91 crores) and sugar including *khandsari* (Rs. 21 crores). A part of this decline was offset by rise in advances against paddy and rice (Rs. 30 crores), other foodgrains (Rs. 14 crores) and vegetable oils (Rs. 9 crores). Of the total outstanding amount of Rs. 1,195 crores, advances against sugar (including *khandsari*), cotton and *kapas* and foodgrains accounted for Rs. 515 crores (43·1 per cent), Rs. 367 crores (30·6 per cent) and Rs. 239 crores (20 per cent), respectively, oilseeds, vegetable oils and vanaspati accounted for the balance of Rs. 74 crores (6·3 per cent). The proportion of scheduled commercial banks' advances against sensitive commodities to their total credit declined from 3·5 per cent at the end of March 1983 to 2·9 per cent at the end of March 1984.

The major beneficiaries of advances against selected commodities were mills/factories and industrial users; these two categories accounted for 84·7 per cent of total advances (including jute) at the end of March 1984 compared with 84·3 per cent a year ago (Table VII–4). Commodity-wise, these two categories of borrowers accounted for 98·3 per cent of advances against sugar (including *khandsari*), 94·1 per cent against vanaspati, 89·7 per cent against raw jute and 88·1 per cent against castor oil; in the case of linseed oil, all advances were granted to mills/factories.

**TABLE VII – 3 : Scheduled Commercial Banks' Outstanding Advances Against Selected Commodities**

(Amount in rupees crores)

| Commodities | As on last Friday of March 1982 | | | As on last Friday of March 1983 | | | March 1984 * | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount | Percentage to total 1 to 6 | Percentage to total Bank Credit | Amount | Percentage to total 1 to 6 | Percentage to total Bank Credit | Amount | Percentage to total 1 to 6 | Percentage to total Bank Credit |
| **1. Foodgrains (excluding food procurement advances)** | **1770·0** | **17·7** | **0·6** | **193·0** | **15·5** | **0·6** | **238·7** | **20·0** | **0·6** |
| a) Paddy and Rice | 120·6 | 12·0 | 0·4 | 129·3 | 10·4 | 0·4 | 159·3 | 13·3 | 0·4 |
| b) Wheat | 16·9 | 1·7 | 0·1 | 22·3 | 1·8 | 0·1 | 24·9 | 2·1 | 0·1 |
| c) Other Foodgrains | 39·5 | 3·9 | 0·1 | 41·4 | 3·3 | 0·1 | 54·5 | 4·6 | 0·1 |
| **2. Sugar (including Khandsari)** | **353·5** | **35·3** | **1·2** | **535·6** | **43·0** | **1·5** | **515·3** | **43·1** | **1·2** |
| **3. Oilseeds** | **16·6** | **1·7** | **0·1** | **9·6** | **0·8** | — | **16·8** | **1·4** | — |
| a) Groundnut | 7·2 | 0.7 | — | 3·5 | 0·3 | — | 10·3 | 0·9 | — |
| b) Rapeseed/Mustardseed | 8·2 | 0·8 | — | 4·9 | 0·4 | — | 5·3 | 0·5 | — |
| c) Linseed | 0·6 | 0·1 | — | 0·4 | — | — | 0·4 | — | — |
| d) Castorseed | 0·6 | 0·1 | — | 0.8 | 0.1 | — | 0·8 | 0·1 | — |
| **4. Vegetable Oils** | **27·3** | **2·7** | **0·1** | **24·9** | **2·0** | **0·1** | **34·2** | **2·9** | **0·1** |
| a) Groundnut Oil | 6·3 | 0·6 | — | 6·0 | 0·5 | — | 8·0 | 0·6 | — |
| b) Rapeseed/Mustard Oil | 11·9 | 1·2 | — | 9·2 | 0·7 | 0·1 | 12·6 | 1·1 | 0·1 |
| c) Castor Oil | 7·5 | 0.8 | — | 8·2 | 0.7 | — | 12·6 | 1·1 | — |
| d) Linseed Oil | 1·6 | 0·2 | — | 1·5 | 0·1 | — | 1·0 | 0·1 | — |
| **5. Vanaspati** | **16·2** | **1·6** | **0.1** | **25·4** | **2·0** | **0·1** | **23·7** | **2·0** | **0·1** |
| **6. Cotton and Kapas ‡** | **412·0** | **41·1** | **1·4** | **458·1** | **36·7** | **1·3** | **366·6** | **30·6** | **0·9** |
| a) Indigenous | 391·8 | 39·1 | 1·3 | 430·9 | 34·6 | 1·2 | 359·7 | 30·1 | 0·9 |
| b) Imported | 20·2 | 2·0 | 0·1 | 27·2 | 2·1 | 0·1 | 6·9 | 0·5 | — |
| **7. Total of 1 to 6** | **1002·6** | **100·0** | **3·4** | **1246·6** | **100·0** | **3·5** | **1195·3** | **100·0** | **2·9** |
| **8. Raw Jute +** | **129·7** | | **0·4** | **78·9** | | **0·2** | **75·4** | | **0·2** |
| **9. Total of 7 and 8** | **1132·3** | | **3·8** | **1325·5** | | **3·7** | **1270·7** | | **3·1** |
| **Total Bank Credit + +** | **29681·5** | | **100·0** | **35493·0** | | **100·0** | **40997·0** | | **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.

**TABLE VII – 4: Security-wise Advances to Mills/Factories and Industrial Users**

(As percentage to total credit against respective commodities)

| Sr. No. | Commodities | Last Friday of March 1984 @ | March 1983 @ |
|---|---|---|---|
| 1. | Linseed oil | 100·0 | 100·0 |
| 2. | Sugar (including *khandsari*) | 98·3 | 98·9 |
| 3. | Vanaspati | 94·1 | 96·9 |
| 4. | Raw Jute | 89·7 | 92·9 |
| 5. | Castor oil | 88·1 | 91·5 |
| 6. | Castor seed | 87·5 | 75·0 |
| 7. | Rapeseed Mustard oil | 80·2 | 73·9 |
| 8. | Wheat | 79·1 | 72·2 |
| 9. | Paddy and rice | 73·8 | 54·4 |
| 10. | Cotton and kapas | 73·4 | 73·6 |
| 11. | Rapeseed Mustard | 66·0 | 67·3 |
| 12. | Groundnut Oil | 65·0 | 70·0 |
| 13. | Other foodgrains | 60·4 | 62·1 |
| 14. | Groundnut | 33·0 | 80·0 |
| 15. | Linseed | 25·0 | 50·0 |
| | **All Selected Commodities** | **84·7** | **84·3** |

@ Provisional.
*Source* : Basic Statistical Return–3

## WORKING OF DIFFERENT SCHEMES

### (a) Credit Authorisation Scheme

Since 1965, the Credit Authorisation Scheme (CAS) has been playing a significant role as an effective instrument of credit regulation. Through the operation of the scheme, a close watch is kept on the flow of credit to large borrowers, both in private and public sectors, consistent with Plan priorities and in keeping with existing and emerging demands from various competing sectors on banks' resources. The scheme also helps to improve appraisal techniques in banks and has proved to be an important instrument for strengthening credit control and allocative measures.

*Changes in CAS*

*Raising of the cut-off point for prior authorisation* : The cut-off point for working capital limits for exemption from prior authorisation of the Reserve Bank, which was raised from Rs. 2 crores to Rs. 3 crores in respect of private sector and brought on par with that for public sector in August 1982, was further raised to Rs. 4 crores in Novemebr 1983 in respect of borrowers in private as well as public sector. While the cut-off point for export-oriented manufacturing units which was raised from Rs. 3 crores to Rs. 5 crores in November 1982 remained unchanged, that for individual term loans (repayable over a period exceeding 3 years) to private sector parties not covered by CAS (which was earlier raised from Rs. 25 lakhs to Rs. 50 lakhs) was further raised to Rs. 1 crore in April 1984 and brought on par with the cut-off point for public sector borrowers.

*New streamlined procedure for speedy release of funds under CAS*

In July 1983, the Committee appointed by the Reserve Bank to review the working of CAS from the point of view of its operational aspects submitted its report. The Reserve Bank has accepted the recommendations of the Committee with some modification and has indicated new streamlined procedures (which have come into effect from April 1, 1984) aimed at ensuring more speedy release of funds under CAS. The Reserve Bank's decision *vis-a-vis* major recommendations of the Committee are as under :

*Fast track proposals*

Subject to fulfilment of certain requirements relating to maintenance of adequate discipline in the use of bank credit, *viz.*, (1) reasonableness of estimates/projections of production, sales, current assets, etc.; (ii) proper classification of current assets and current liabilities in conformity with the Reserve Bank guidelines; (iii) maintenance of minimum current ratio of 1.33:1 (unless exempted); (iv) prompt submission of quarterly operating statements as also annual accounts by borrowers; and (v) regular annual review of credit facilities by banks,

proposals for sanction of working capital limits falling within the purview of CAS can be put on 'fast track' and banks can release funds at their discretion upto 50 per cent of proposed additional limits without waiting for prior authorisation of the Reserve Bank (upto 75 per cent in the case of predominantly export oriented manufacturing units).

All proposals seeking benefit of the 'fast track' would be subjected to normal process of scrutiny in the Reserve Bank as at present and, if it is found that the credit limits sanctioned by a bank were not need-based or were excessive, corrective action would have to be taken by that bank as directed by the Reserve Bank.

*Ad hoc limits*

Banks may grant *ad hoc* limits for periods upto three months to the extent of 10 per cent of existing working capital (other than packing credit) limits or 25 per cent of existing packing credit limits, subject to an overall ceiling of Rs. 75 lakhs as against the earlier ceiling of Rs.50 lakhs.

*Letters of Credit*

Letters of credit facilities covering capital as well as non-capital goods have been exempted from the requirement of the Reserve Bank's prior authorisation. However, certain norms have been laid down for grant of L/C facilities by banks.

Effective implementation of these procedures is, however, dependent upon certain changes in organisational set up in banks, having a bearing on quality and speed of disposal of CAS credit proposals. These relate, *inter alia*, to concentrating CAS accounts at selected specialised branch offices in metropolitan centres, reducing number of levels at each decision making tier, submission of comprehensive note to bank's management giving all relevant data about the proposal, paying special attention to staffing, job training, and having proper information system from borrowers to banks as also from banks to the Reserve Bank.

*IDBI Bills Rediscounting Scheme*

The Industrial Development Bank of India has raised the annual purchaser-wise limit under its Bills Rediscounting Scheme from Rs. 150 lakhs to Rs. 300 lakhs. Consequently, banks were advised in June 1984 that they can issue deferred payment guarantee (DPG) acceptances on behalf of buyers under the scheme upto the enhanced limit and sanction of such DPG acceptance limits under the scheme and also those outside the scheme but in conformity with the terms and conditions of IDBI scheme, will not require the Reserve Bank's prior authorisation under CAS. It was also clarified that if IDBI fixes higher purchaser-wise limits, as in the case of some public sector undertakings under its scheme, sanction of such facilities upto that limit will not require prior authorisation of the Reserve Bank.

*Working of CAS*

As at the end of March 1984, the parties covered under CAS numbered 751 as against 881 at the end of March 1983. The upward revision in the cut-off point (i.e., from Rs. 3 crores to Rs. 4 crores) for credit authorisation accounted for this sharp drop in coverage. The 751 parties covered under CAS according to the new cut-off point included 179 public sector undertakings. Total limits in force relating to parties covered under the scheme amounted to Rs. 17,251 crores at the end of March 1984 (Table VII-5) in which the share of public sector undertakings was 61·6 per cent. Working capital (including packing credit and bills) continued to claim a predominant share (92·1 per cent) of total limits in force; term finance and sale of machinery on deferred payment basis constituted 6·5 and 1·4 per cent, respectively.

**TABLE VII—5 : Distribution of Credit Limits by Type of Credit**

(Rupees crores)

| Type of Credit | As on March 31, 1982 | | As on March 31, 1983 | | As on March 31, 1984 | |
|---|---|---|---|---|---|---|
| | 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* | 13,075 | 6,808 | 14,376 | 8,665 | 15,887 | 10,040 |
| | (88·6) | (91·9) | (92·5) | (95·3) | (92·1) | (94·6) |
| *Of which* | | | | | | |
| (a) Bills purchased and discounted | 1,119 | 121 | 1,101 | 267 | 1,017 | 273 |
| | (7·6) | (1·6) | (7·1) | (2·9) | (5·9) | (2·6) |
| (b) Export Finance | 1,057 | 160 | 836 | 126 | 768 | 133 |
| | (7·2) | (2·2) | (5·4) | (1·4) | (4·5) | (1·3) |
| Sales of machinery on deferred payment basis | 390 | 81 | 226 | 55 | 245 | 56 |
| | (2·6) | (1·1) | (1·5) | (0·6) | (1·4) | (0·5) |
| Term finance | 1,300 | 522 | 939 | 370 | 1,119 | 524 |
| | (8·8) | (7·0) | (6·0) | (4·1) | (6·5) | (4·9) |
| **Total limits in force** | **14,765** | **7,411** | **15,541** | **9,091** | **17,251** | **10,620** |
| | **(100·0)** | **(100·0)** | **(100·0)** | **(100·0)** | **(100·0)** | **(100·0)** |
| Number of parties | 1,234 | 202 | 881 | 186 | 751 | 179 |

* 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.

Occupation-wise,the share of industry in total working capital limits in force as at the end of March 1984, was the largest at 58·0 per cent of which about one-half was accounted for by engineering, chemicals and chemical products and cotton textiles. (Table VII–6); the share of trade was 38·8 per cent. In the case of public sector units, the share of industry in total working capital limits was only 38·9 per cent, while that of trade was predominant at 58·1 per cent, a major part of the latter being for food procurement (41·0 per cent of total limits).

Applications received for the Reserve Bank's authorisation numbered 872 as against 993 in 1982-83 (April-March); the respective figures for public sector units were 192 and 224. The reduction in the number of applications was partly due to raising the cut-off point for credit authorisation. Applications approved numbered 391 during 1983-84 (595 in 1982-83) including 101 from public secor units. Out of total authorisation of Rs. 3,845 crores, public sector units accounted for Rs. 3,228 crores or 84·0 per cent (Table VII–7).

As at the end of June 1984, 764 parties were covered under the scheme, of which 180 were public sector undertakings. Total limits in force under the scheme on that date amounted to Rs.17,986 crores of which working capital (including packing credit and bills) limits accounted for 92·4 per cent. The share of industry in total working capital limits in force as at the end of June 1984, was 56·7 per cent and that of trade was 40·3 per cent.

Applications received for the Reserve Bank's authorisation during 1983-84 (July-June) numbered 811, including 176 from public sector

**TABLE VII—6 : Occupation-wise Distribution of Total Working Capital @ limits in force**
(As on March 31, 1984)

(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** | **143·27** | **0·90** | **21·77** | **0·20** |
| **1. Agriculture** | **22·65** | **0·10** | **15·45** | **0·15** |
| i) Direct finance | 6·50 | 0·01 | 6·50 | 0·06 |
| ii) Indirect finance | 16·15 | 0·09 | 8·95 | 0·09 |
| a) Distribution of Fertilisers | 16·15 | 0·09 | 8·95 | 0·09 |
| b) Others | — | — | — | — |
| **2. Plantations** | **120·62** | **0·8** | **6·32** | **0·06** |
| Tea | 120·62 | 0·8 | 6·32 | 0·06 |
| Others | — | — | — | — |
| **II. INDUSTRY** | **9224·47** | **58·0** | **3906·31** | **38·9** |
| **A. Mining and Quarrying** | **235·31** | **1·5** | **198·99** | **2·0** |
| Coal Mining | 162·89 | 1·0 | 154·89 | 1·5 |
| Iron ore | 32·94 | 0·2 | 5·60 | 0·1 |
| Others | 39·48 | 0·3 | 38·50 | 0·4 |
| **B. Manufacturing** | **8661·81** | **54·5** | **3430·88** | **34·2** |
| 1) Sugar | 656·16 | 4·1 | 132·61 | 1·3 |
| 2) Edible oils and vanaspati | 78·11 | 0·5 | 5·98 | 0·1 |
| 3) Food manufacturing and processing | 15·84 | 0·1 | — | — |
| 4) Tobacco processing & tobacco product manufacturing | 109·91 | 0·7 | 4·50 | 0·1 |
| 5) Cotton textile | 989·09 | 6·2 | 169·35 | 1·7 |
| 6) Jute textile | 119·80 | 0·7 | 9·50 | 0·1 |
| 7) Silk & Synthetic fibres | 315·42 | 2·0 | 12·25 | 0·1 |
| 8) Wool and Woollen Textiles | 98·52 | 0·6 | 44·20 | 0·4 |
| 9) Other textiles | 11·01 | 0·1 | — | — |
| 10) Paper & Paper Products | 137·99 | 0·9 | 35·55 | 0·4 |
| 11) Leather & leather products | 42·48 | 0·3 | — | — |
| 12) Rubber & rubber products | 169·07 | 1·1 | — | |
| 13) Manufacture of chemical and chemical products | 1282·44 | 8·1 | 567·58 | 5·6 |
| a) Heavy industrial chemicals | 158·22 | 1·0 | 24·00 | 0·2 |
| b) Fertiliser (production) | 667·36 | 4·2 | 497·80 | 5·0 |
| c) Drugs and Pharmaceuticals | 175·17 | 1·1 | 28·60 | 0·3 |
| d) Plastics and Plastic products | 31·05 | 0·2 | — | — |
| e) Others | 250·64 | 1·6 | 17·18 | 0·2 |
| 14) Petroleum | 729·50 | 4·6 | 729·50 | 7·3 |
| 15) Cement | 150·93 | 0·9 | 9·00 | 0·1 |
| 16) Basic metals and metal products | 782·75 | 4·7 | 537·49 | 5·4 |
| a) Iron and steel | 689·55 | 4·3 | 516·49 | 5·1 |
| b) Others | 98·20 | 0·6 | 21·00 | 0·2 |
| 17) Engineering (except transport equipment) | 2256·57 | 14·2 | 997·39 | 9·9 |
| a) Heavy engineering | 1487·78 | 9·4 | 918·00 | 9·1 |
| i) Machinery except electrical machinery | 776·91 | 4·9 | 347·09 | 3·5 |
| ii) Electrical machinery | 710·87 | 4·5 | 570·91 | 5·7 |
| b) Light Engineering (including light metal products) | 768·79 | 4·8 | 79·39 | 0·8 |

**TABLE VII—6 : Occupation-wise Distribution of Total Working Capital @ limits in force** *–concld.*
(As on March 31, 1984)

(Rupees crores)

| Industry | Total limits in force | | Of which public sector | |
|---|---|---|---|---|
| | Amount | Per cent to total | Amount | Per cent to total |
| 1 | 2 | 3 | 4 | 5 |
| 18) Manufacture of transport equipment | 528·05 | 3·3 | 146·58 | 1·4 |
| i) Railway equipment industry | 51·61 | 0·3 | 42·85 | 0·4 |
| ii) Others | 476·44 | 3·0 | 103·73 | 1·0 |
| 19) Manufacturing –others | 188·17 | 1·2 | 29·40 | 0·3 |
| C. Electricity generation and distribution | 300·14 | 1·9 | 264·44 | 2·6 |
| D. Construction companies | 27·21 | 0·2 | 12·00 | 0·1 |
| **III. TRADE** | **6163·36** | **38·8** | **5835·75** | **58·1** |
| a) Foodgrains | 4113·61 | 25·9 | 4113·61 | 41·0 |
| b) Fertilisers | 834·86 | 5·3 | 834·86 | 8·3 |
| c) Mineral oils | | | | |
| d) Raw cotton | 443·28 | 2·8 | 434·87 | 4·3 |
| e) Raw jute | 38·30 | 0·2 | 34·10 | 0·3 |
| f) Others | 733·31 | 4·6 | 418·31 | 4·2 |
| **IV. TRANSPORT/PUBLIC UTILITIES AND FINANCE** | **126·38** | **0·8** | **90·01** | **0·9** |
| 1. Transport and Communications | 75·32 | 0·5 | 59·06 | 0·6 |
| 2. Financial and developmental institutions | 43·08 | 0·2 | 22·97 | 0·2 |
| 3. Hotels, Restaurants and Tourism | — | — | — | — |
| 4. Municipalities & Administrative bodies | 7·98 | 0·1 | 7·98 | 0·1 |
| **V. ALL OTHERS** | **229·17** | **1·4** | **186·66** | **1·9** |
| **TOTAL** | **15886·65** | **100·0** | **10040·50** | **100·0** |

@Working capital includes cash credit overdrafts, bills purchased and discounted and export finance.

*Source* :Industrial and Export Credit Department, RBI.

**TABLE VII—7 : Particulars of applications received, approved, rejected and authorisations granted, etc., Under Credit Authorisation Scheme.**
(April-March)

| Particulars | 1981 - 82 | | 1982 - 83 | | 1983 - 84 | |
|---|---|---|---|---|---|---|
| | Total | Of which public sector | Total | Of which public sector | Total | Of which public sector |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| Applications received @ | 1289 | 218 | 993 | 224 | 872 | 192 |
| Applications approved | 899 | 168 | 595 | 126 | 391 | 101 |
| Applications rejected | 55 | 1 | 35 | 4 | 33 | 4 |
| Reporting cases | 1076 | 228 | 438 | 88 | 363 | 92 |
| Authorisation granted by RBI (Rs. crores) | 2128 | 1434 | 3452 | 2764 | 3845 | 3228 |
| Amount involved in applications rejected (Rs. crores) | 149 | 1 | 133 | 59 | 93 | 34 |
| Limits reported by banks* (Rs. crores) | -1220 | -1325 | -1023 | -1001 | -1569 | -1623 |

@ Excluding applications received for extention of period, authorisations for letters of credit or deferred payment guarantees, restorations, conversion of limits, etc.

* Represent changes in limits made by banks.

*Source* : Industrial & Export Credit Department, RBI

units. Out of total authorisation of Rs. 3,346 crores during this period, public sector units accounted for Rs.2,807 crores.

### (b) Differential Rate of Interest Scheme

Public Sector banks made further progress in lending under the Differential Rate of Interest (DRI) Scheme. During the year ended December 1982, the number of loan accounts under the scheme rose by 4·19 lakhs to 33·44 lakhs and loans outstanding by Rs. 54 crores to Rs. 312 crores. The average amount of loan under the scheme also increased from Rs. 880 to Rs. 932. There was also further improvement in coverage of scheduled castes and scheduled tribes (SC/ST) borrowers under the scheme. Between end-December 1981 and end-December 1982, the number of borrowal accounts of these categories increased from 13·76 lakhs to 16·36 lakhs and the outstanding amount of loans against these accounts rose from Rs.123 crores to Rs. 154 crores. The proportion of advances granted to SC/ST borrowers to total advances under the scheme increased to 49·6 per cent in December 1982 which was substantially higher than the target ratio of 40 per cent. By end-December 1982, public sector banks had attained a DRI advances ratio of 1·17 per cent of total advances (at the end of December 1981) as against the target of one per cent (Table VII-8 below).

**TABLE VII—8 : 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 at the end 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 |
| 1982 ... | 3344 | 311·50 | 1·17 |

*Source* : Rural Planning and Credit Department, RBI

At the end of December 1982, outstanding DRI advances of private sector banks aggregated Rs. 3·43 crores spread over 33,791 borrowal accounts. Of this total amount, an amount of Rs.1·04 crores covering 10,315 borrowal accounts was outstanding against SC/ST borrowers and it constituted 30·3 per cent of total DRI advances of these banks which was much below the target of 40 per cent.

Mention was made in the last year's Report about the task force on DRI scheme set up by the Government of India to examine various provisions of the DRI scheme, recovery experience of banks in respect of DRI loans, effectiveness and extent of guarantee cover for such loans and mechanism for regular monitoring and periodical evaluation of banks' performance in implementing the scheme. The task force has since finalised its report.

### (c) Self-employment Schemes for Educated Unemployed Youth

The Government of India have formulated, in consultation with the Reserve Bank, a scheme for providing self-employment to educated unemployed youth. The target group comprises of educated unemployed youth who are matriculates (i.e., those who have passed standard X examination) and above and who are within the age group of 18 to 35 years. The purpose of the scheme is to enable the target group to undertake self-employment ventures in industry, services and business. The scheme extends to all areas of the country except cities with more than one million population as per the 1981 Census and aims at providing self-employment to 2·50 lakh educated unemployed youth by August 15, 1984. The overall quantum of funds to be provided by the banking system under this scheme has been placed around Rs.325 crores which is about 1 per cent of total bank credit at the end of June 1983. Advances granted under the scheme will be eligible for inclusion in banks' priority sector advances. In implementing the scheme, District Industries Centres (DICs) would function as the nodal agency for motivating and selecting entrepreneur beneficiaries, and identifying and preparing schemes in trade, service establishments, and cottage and small scale industries. Selection of beneficiaries would be done by a Task Force to be set up by the DIC, which would include a representative of the lead bank. A composite loan not exceeding Rs. 25,000/- will be admissible to an eligible entrepreneur. The loan repayment will be in 3 to 7 years, with a moratorium of 6 to 18 months and the rate of interest will be 10 per cent per annum for backward areas and 12 per cent for other areas. The scheme is applicable to Indian public and private sector banks but not to RRBs. Beneficiaries will be eligible for Government capital subsidy of 25 per cent of loan amount. The subsidy will be held in term deposit in the name of the borrower for a minimum period of 3 years before it is adjusted against the loan account. The subsidy under the scheme is

administered through the Reserve Bank. As on March 31, 1984, 13,65,606 applications were received, of which 2,40,604 applications have been sanctioned loans aggregating Rs. 397 crores. The amount disbursed stood at Rs. 149 crores. The amount of subsidy released to the banks upto the end of June 1984 was Rs. 22·82 crores covering 53, 888 beneficiaries.

**(d) Lead Bank Scheme**

*Working Group to Review the Working of the Lead Bank Scheme*

Reference was made in the last year's Report to the acceptance (with a few modifications) by the Reserve Bank of the recommendations of the Working Group appointed to review the working of the Lead Bank Scheme and issuance of necessary instructions to State Governments and commercial banks. During the year certain recommendations of the Working Group relating to State Level Committees, etc., were referred to Government of India. The simplified formats for lead-bank information system have been approved by the Government and banks have been advised to introduce these forms from the quarter ended March 1985.

*District Credit Plans, 1983–85 : Preparation of Annual Action Plans, 1984*

In the light of the recommendation of the Working Group on the Lead Bank Scheme that a uniform period for Annual Action be adopted for ensuring a meaningful linkage between AAPs and banks' performance budgets, all banks were advised to prepare AAPs for the calendar year 1984 and not for a fifteen month period ending March 1985 as indicated in the guidelines. Accordingly, AAPs for 1984 were prepared and launched in most of the districts.

*Lead Responsibility for Newly Nationalised Banks*

During the year the newly nationalised banks, which had not been allocated any lead responsibility earlier, were assigned lead role in 9 districts. This was done by shifting lead responsibility from existing lead banks to newly nationalised banks as under :

| District | State | Existing lead bank | New lead bank |
|---|---|---|---|
| 1. Kodagu | Karnataka | Canara Bank | Corporation Bank |
| 2. Chikmagalur | " | " | " |
| 3. Dharwar | " | Syndicate Bank | Vijaya Bank |
| 4. Mandya | " | State Bank of Mysore | " |
| 5. Mohindergarh | Haryana | Punjab National Bank | New Bank of India |
| 6. Alwar | Rajasthan | " | " |
| 7. Ferozepur | Punjab | " | Oriental Bank of Commerce |
| 8. Sriganganagar | Rajasthan | State Bank of Bikaner & Jaipur | " |
| 9. Ludhiana | Punjab | United Commercial Bank | Punjab & Sind Bank |

*Lead Banks for newly constituted districts*

Consequent upon the reorganisation of some districts by State Governments, the lead responsibility for newly formed districts was entrusted to banks as shown below :

| State | Name of the old district from which the new district was formed or carved | Name/s of the new district/s | Lead Bank for the new district |
|---|---|---|---|
| Bihar | Ranchi | Gumla | Bank of India |
| | | Lohardagga | " |
| | Santhal Parganas | Deogear | State Bank of India |
| | | Dumka | " |
| | | Godda | " |
| | | Sahebgani | " |
| Manipur | Manipur Central | Imphal | United Bank of India |
| | | Bishenpur | " |
| | | Thoubal | " |

### (e) Integrated Rural Development Programme (IRDP)

This programme was launched in 1978-79 with the objective of helping households in the identified target groups to raise their income above the poverty line and creating substantial additional employment opportunities in rural areas. The Sixth Plan target is to assist 600 families per block per year i.e., 30 lakh families annually in the country, under IRDP. Total subsidy per year for this programme is estimated at Rs. 300 crores and expected credit support from banks (both commerical and co-operative banks) is about Rs.600 crores per year. The progress made by banks in extending credit support to IRDP is indicated in Table VII–9. The number of families assisted by banks under this programme increased from 34·55 lakhs in 1982-83 to 36·85 lakhs in 1983-84 and term loans disbursed by them increased from Rs. 714 crores to Rs. 774 crores during the same period. There was also an increase in the number of assisted scheduled castes/tribes families from 14·06 lakhs in 1982-83 to 15·37 lakhs in 1983-84.

**TABLE VII—9 : Progress in Assistance Provided by Banks under IRDP**

(Amount in rupees crores)

| | April - March | | |
|---|---|---|---|
| | 1981 - 82 | 1982 - 83 | 1983 - 84* |
| Subsidy allocated | 300·66 | 400·88 | 407·36 |
| Subsidy utilised | 264·65 | 359·59 | 406·09 |
| Term credit disbursed | 467·59 | 713·98 | 773·51 |
| Number of SC/ST families assisted | 10,00,597 | 14,05,660 | 15,36,743 |
| Total number of families assisted | 27,13,418 | 34,55,447 | 36,85,334 |

* Provisional

*Source* : Ministry of Rural Development, Government of India.

### (f) Export Credit

Between end-March 1983 and end-March 1984, outstanding export credit rose by Rs.316 crores to Rs.2,042 crores. This was in contrast to

a decline of Rs.70 crores between the corresponding period of 1982-83.

*Export Credit (Interest Subsidy) Scheme, 1968*

The Reserve Bank continued to disburse interest subsidy at 1·5 per cent per annum from Marketing Development Assistance of the Government of India (Ministry of Commerce) 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 (at 3/2/1½ per cent depending on type of credit) on behalf of the Ministry of External Affairs to Exim Bank and certain commercial banks in respect of certain special lines of credit extended to Bangladesh for its imports from India. During July 1983 to June 1984 special subsidy of Rs.80 lakhs and general subsidy of Rs. 18·56 crores were paid.

*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 provisonally certified by Customs authorities for 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 exporters. During the period November 1, 1983 to March 31, 1984, limits aggregating Rs. 18·02 crores were sanctioned to 30 banks. As on March 31, 1984 refinance availed of by these banks amounted to Rs.4·47 crores and further to Rs.6·13 crores by the end of June 1984. The amount outstanding at the end of June 1984 was Rs.1·36 crores.

Other important developments relating to export credit during the year under review were as under : (i) In response to the plea of cashew exporters in Kerala, the period of pre-shipment credit for cashew exporters was extended for a further period of 180 days in respect of all advances granted during March-September 1982. This period beyond 180 days will however, carry interest at 15 per cent per annum and the financing banks will be eligible for interest subsidy at 1·5 per cent per annum. Normally, no subsidy is payable in respect of pre-shipment credit for cashew exports for a period longer than 180 days.

(ii) For two years upto end-December 1985, 100 per cent export-oriented units registered with the Government and holding 'Green Cards' issued by the Ministry of Commerce are eligible for the same credit facilities from banks as are extended to units in free trade export promotion zones at Kandla(Gujarat) and Santa Cruz (Bombay). Banks were advised not to insist on production of letters of credit/firm orders at the time of granting packing credit, which would however have to be producedr later. Packing credit has to be granted from the stage of procuring raw materials, whether imported or purchased locally, for the purpose of processing, manufacturing, packing, etc. The outstandings in packing credit account are required to be adjusted as indicated in the Export Credit (Interest Subsidy) Scheme. Advances granted to these units are eligible for the interest subsidy of 1·5 per cent. A bank maintaining different accounts at various stages of processing / manufacturing, etc. (for example, hypothecation and pledge) may adjust the outstanding balance by transfer from one account to another and finally adjust the account in respect of exports effected within the stipulated period from the date of advance. It will have to mark off individual export bills as are received for negotiation against the earliest packing credit. No packing credit should remain outstanding for more than the stipulated period.

Banks were asked to ensure that the above facility is not misused by the units, especially because 25 per cent of production of such limits could be sold in the domestic market. The limits to be sanctioned to the units should, therefore, be need-based, keeping in view either their past export performance or export potential of their products. If part of the production is not exported but sold locally, banks are required to treat the relative finance as non-export credit which would be ineligible for concessive interest.

In cases where subsidy has already been paid, the same will have to be refunded.

### (g) Sick Industrial Undertakings

With a view to ascertaining the magnitude of and the reasons for industrial sickness, as also monitoring the performance of banks in rehabilitation of sick units, the Reserve Bank has prescribed submission of quarterly returns by banks.

According to the quarterly review note on sick units prepared by the Reserve Bank based on the data furnished by scheduled commercial banks, there were 463 (provisional) large sick industrial units (each with credit limit of Rs. 1 crore and above from the banking system) as at the end of June 1983. Outstanding bank credit in respect of these sick units aggregated Rs. 1,913·10 crores compared with Rs.1,728·95 crores in respect of 435 units at the end of June 1982. Out of the 463 large sick units identified by banks, viability studies in respect of 409 units were completed; of these, 345 units were considered as potentially viable, and 248 units were put under nursing programme. Table VII-10 shows industry-wise and state-wise distribution of these 463 units.

Further, according to the information furnished by scheduled commercial banks for the quarter ended June 1983, there were 64,388* small-scale sick units (provisional) involving bank finance of Rs. 626·52 crores compared with 26,973 sick units involving bank finance of Rs.393·67 crores at the end of June 1982. Out of the 64,388 units, 5,983 units were considered by banks as potentially viable and 50,384 units as non-viable. Banks had put 2,257 (out of 5,983) viable units under nursing programme.

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* The substantial increase in number of sick small-scale industrial units is due to change in classification of sick units by the State Bank of India beginning with the quarter ended September 1982.

## QUALITATIVE CHANGES IN BANK CREDIT DISTRIBUTION

### Sectoral Deployment of Credit

Data on sectoral deployment of credit as at the end of March 1984 in respect of 50 major banks which account for about 95 per cent of total gross bank credit are given in Table VII–11. The share of priority sector in total gross bank credit increased from 35·7 per cent at the end of March 1983 to 36·7 per cent by the end of March 1984. Over the same period, the share of public food procurement agencies increased from 8·6 per cent to 10·0 per cent, while those of medium and large industry and wholesale trade declined from 38·5 per cent to 37·0 per cent, and from 6·8 per cent to 5·8 per cent, respectively.

Within the priority sector, outstanding advances to agriculture at Rs.6,133 crores as at the end of March 1984 constituted 41·3 per cent of total priority sector advances and 15·2 per cent of gross bank credit. During 1983-84, agricultural advances increased by Rs. 858 crores compared with Rs.660 crores in the previous financial year. Advances to small-scale industries at Rs.5,412 crores at the end of March 1984 accounted for 13·4 per cent of total gross bank credit compared with 13·0 per cent at the end of March 1983. The share of small-scale industries in total priority sector advances at 36·5 per cent at the end of March 1984 was a shade higher than that a year ago.

The increase in non-food gross bank credit during 1983-84 at Rs. 4,897 crores was larger compared with that of Rs.4,492 crores last year. Of the incremental non-food gross bank credit of Rs.4,897 crores, priority sector's share was Rs. 2,512 crores or 51·3 per cent. The share of agriculture in incremental credit to priority sector was 34·1 per cent and that of small-scale industry was 36·9 per cent; other priority sectors accounted for the balance 29·0 per cent.

**TABLE VII—10 : State-wise and industry-wise classification of large sick industrial units* as at the end of June 1983**

(Amount in rupees crores)

| State/Union Territories | Engineering & Electricals | | Iron and Steel | | Textiles | | Chemicals | | Jute | | Sugar | | Cement | | Rubber | | Miscellaneous | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of units | Amount out-stand-ing | No. of units | Amount out-stand-ing | No. of units | Amount out-stand-ing | No. of units | Amount out-stand-ing | No. of units | Amount out-stand-ing | No. of units | Amount out-stand-ing | No. of units | Amount out-stand-ing | No. of units | Amount out-stand-ing | No. of units | Amount out-stand-ing | No. of units | Amount out-stand-ing |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| West Bengal | 28 | 109·60 | 8 | 75·36 | 8 | 19·41 | 4 | 9·69 | 36 | 118·54 | -- | -- | -- | -- | 5 | 24·90 | 19 | 66·44 | 108 | 423·94 |
| Maharashtra | 28 | 111·27 | 5 | 18·61 | 40 | 233·38 | 2 | 4·65 | -- | -- | 1 | 0·25 | -- | -- | 2 | 8·93 | 14 | 28·39 | 92 | 405·48 |
| Karnataka | 9 | 27·54 | 1 | 1·13 | 2 | 3·20 | 3 | 53·41 | -- | -- | 4 | 58·41 | -- | -- | 2 | 18·31 | 6 | 11·11 | 27 | 173·11 |
| Gujarat | 5 | 28·76 | 6 | 10·19 | 25 | 103·25 | 1 | 1·55 | -- | -- | -- | -- | -- | -- | -- | -- | 5 | 8·20 | 42 | 151·95 |
| Tamil Nadu | 8 | 18·34 | 3 | 3·46 | 10 | 63·28 | 8 | 116·27 | -- | -- | 4 | 11·11 | -- | -- | -- | -- | 7 | 15·78 | 40 | 228·24 |
| Andhra Pradesh | 3 | 2·66 | 3 | 8·90 | 3 | 6·77 | 1 | 1·51 | 1 | 1·99 | 2 | 4·95 | -- | -- | 1 | 1·84 | 3 | 6·63 | 17 | 35·25 |
| Bihar | 1 | 7·31 | 3 | 5·51 | -- | -- | -- | -- | -- | -- | 3 | 10·04 | 2 | 2·61 | -- | -- | 4 | 18·80 | 13 | 44·27 |
| Haryana | 3 | 4·23 | 1 | 2·65 | 2 | 7·30 | 1 | 1·49 | -- | -- | -- | -- | -- | -- | -- | -- | 2 | 6·44 | 9 | 22·11 |
| Rajasthan | 1 | 5·60 | -- | -- | 3 | 9·85 | -- | -- | -- | -- | -- | -- | 1 | 6·62 | 1 | 13·64 | 1 | 1·48 | 7 | 37·19 |
| Madhya Pradesh | 4 | 8·34 | 2 | 5·13 | 10 | 27·62 | 1 | 7·55 | -- | -- | 1 | 2·23 | -- | -- | -- | -- | 2 | 3·13 | 20 | 54·00 |
| Orissa | -- | -- | -- | -- | 2 | 15·94 | 1 | 3·03 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 3 | 18·97 |
| Uttar Pradesh | 5 | 30·89 | 5 | 8·89 | 8 | 75·83 | -- | -- | -- | -- | 29 | 93·12 | -- | -- | -- | -- | 7 | 12·16 | 54 | 220·89 |
| Kerala | 5 | 10·34 | -- | -- | 3 | 6·88 | 1 | 5·01 | -- | -- | -- | -- | -- | -- | 4 | 38·90 | 3 | 10·19 | 16 | 71·32 |
| Punjab | -- | -- | 1 | 2·62 | 1 | 1·52 | 2 | 2·17 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 4 | 6·31 |
| Assam | -- | -- | -- | -- | -- | -- | 1 | 1·08 | -- | -- | -- | -- | -- | -- | -- | -- | 1 | 0·78 | 2 | 1·96 |
| Delhi | 1 | 0·86 | -- | -- | 1 | 4·15 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 2 | 5·01 |
| Pondicherry | -- | -- | -- | -- | 1 | 1·45 | 1 | 1·83 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 2 | 3·28 |
| Goa | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 1 | 1·81 | 4 | 8·11 | 5 | 9·92 |
| **Total** | **101** | **365·74** | **38** | **142·45** | **119** | **579·83** | **27** | **209·24** | **37** | **120·53** | **44** | **180·11** | **3** | **9·23** | **16** | **108·33** | **78** | **197·64** | **463** | **1913·10** |

* Those individually enjoying aggregate bank credit limit of Rs. 1 crore or more from the banking system.

**TABLE VII—11 : Sectoral Deployment of Gross Bank Credit**
(As on the last Friday)

(Rupees crores)

| Sector | Outstanding | | Increase over the year | Outstanding | Increase over the year |
|---|---|---|---|---|---|
| | March 1982 | March 1983* | | March 1984@ | |
| 1. | 2. | 3. | 4. | 5. | 6. |
| **I. Public Food Procurement Credit** | **2,127** | **2,964** | **+837** | **4030** | **+1,066** |
| | **(7·3)** | **(8·6)** | | **(10·0)** | |
| **II. (a) Priority Sectors** | **10,676** | **12,322** | **+1,646** | **14,834** | **+2,512** |
| | (36·6) | (35·7) | | (36·7) | |
| i) Agriculture | 4,615 | 5,275 | +660 | 6,133 | +858 |
| | (15·8) | (15·3) | | (15·2) | |
| ii) Small-scale Industries | 3,901 | 4,486 | +585 | 5,412 | +926 |
| | (13·4) | (13·0) | | (13·4) | |
| iii) Other Priority Sectors | 2,160 | 2,561 | +401 | 3,289 | +728 |
| | (7·4) | (7·4) | | (8·1) | |
| (b) Industry (Medium and Large) | 11,155 | 13,276 | +2,121 | 14,964 | +1,688 |
| | (38·3) | (38·5) | | (37·0) | |
| (c) Wholesale Trade (other than food procurement) | 2,198 | 2,353 | +155 | 2,338 | −15 |
| | (7·5) | (6·8) | | (5·8) | |
| (d) Other Sectors | 3,006 | 3,576 | +570 | 4,288 | +712 |
| | (10·3) | (10·4) | | (10·6) | |
| **III. Non-Food Gross Bank Credit (a + b + c + d)** | **27,035** | **31,527** | **+4,492** | **36,424** | **+4,897** |
| | (92·7) | (91·4) | | (90·0) | |
| Export Credit (included under item III) | 1,796 | 1,726 | −70 | 2,042 | +316 |
| | (6·2) | (5·0) | | (5·1) | |
| **IV. Gross Bank Credit (I + III)** | **29,162** | **34,491** | **+5,329** | **40,454** | **+5,963** |
| | (100·0) | (100·0) | | (100·0) | |

* Relate to March 31, 1983

@ Provisional.

*Note* : 1) Data relate to major banks which account for about 95 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

Medium and large industry's share in incremental non-food gross bank credit during 1983-84 at 34·5 per cent was much smaller than that of 47·2 per cent in the previous year; credit to wholesale trade declined during the year as against a rise in 1982-83.

Data on sectoral deployment of scheduled commerical banks' credit based on Basic Statistical Returns are available upto December 1981. These are presented in Table VII–12 along with data as on March 31, 1968 based on 'Survey of Advances of Scheduled Commercial Banks according to Purpose'. Over the period March 1968 to December 1981, the share of large and medium industry in total outstanding credit dropped from 60·6 per cent to 36·9 per cent, while that of agriculture and allied activities rose from 2·2 per cent to 17·0 per cent and of small- scale industries from 6·9 per cent to 12·9 per cent.

**Industry-wise Deployment of Credit**

Data on industry-wise deployment of gross bank credit are given in Table VII–13. Gross bank credit to large, medium and small industry rose from Rs. 17,762 crores at the end of March 1983 to Rs. 20,376 crores by the end of March 1984–an increase of Rs.2,614 crores compared with that of Rs.2,706 crores in the previous year. The share of credit to industry in total outstanding gross bank credit declined from 51·5 per cent at the end of March 1983 to 50·4 per cent by the end of March 1984.

Of the incremental credit of Rs. 2,614 crores to industry, engineering industry accounted for Rs. 603 crores, followed by cotton textiles (Rs. 268 crores), other textiles (Rs. 234 crores), petroleum (Rs. 211 crores) and chemicals, dyes, paints, drugs and pharmaceuticals group (Rs. 201 crores). Credit to iron and steel industry and sugar industry, which had recorded large increases of Rs. 709 crores and Rs.185 crores, respectively in 1982-83, moved up only by Rs. 26 crores and Rs. 19 crores, respectively in 1983-84. On the other hand, credit to coal and electricity (generation and transmission) increased by Rs.72 crores and Rs. 58 crores respectively, as against merely Rs. 7 crores and Rs. 1 crore, in 1982-83. Credit to petroleum industry, which had declined by Rs. 268 crores in 1982-83 rose by Rs.211 crores in 1983-84.

Of the total outstanding credit to industry of Rs. 20,376 crores at the end of March 1984, the share of engineering industry was the highest at 24·4 per cent, followed by the group chemicals, dyes, etc. including fertilisers (10·3 per cent), cotton textiles (8·1 per cent), iron and steel (7·8 per cent) and other textiles (5·8 per cent). On the other hand, the share of industries such as coal and tobacco and tobacco products in outstanding credit to industry was less than one per cent.

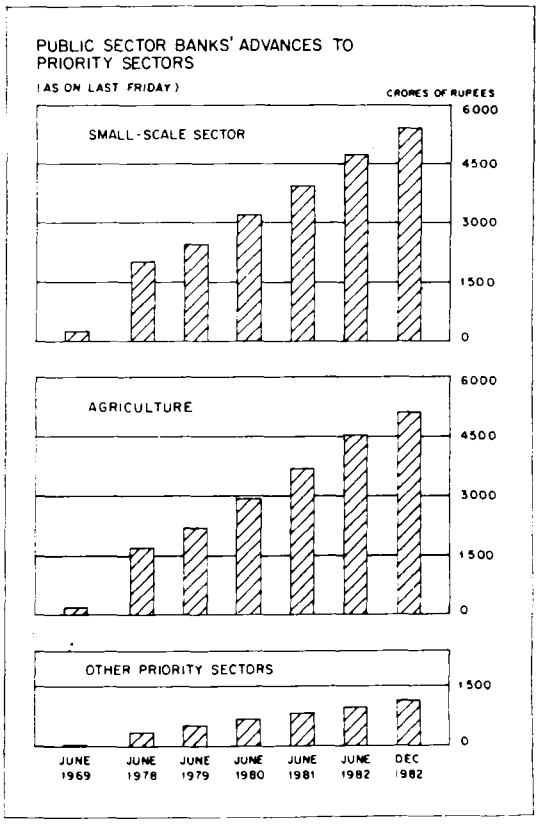


**TABLE VII--12 : Sectoral Classification of Scheduled Commercial Banks' Advances**

(Rupees crores)

| Sector | Outstanding as on | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | March 31, 1968 | | December 29, 1978 | | December 28, 1979 | | December 26, 1980 | | December 25, 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** | **8,562** | **48·3** | **9,863** | **47·8** | **11,555** | **48·8** | **14,204** | **49·8** |
| *(a)* Large and Medium Industries | 1,857 | 60·6 | 6,482 | 36·6 | 7,287 | 35·3 | 8,750 | 37·0 | 10,514 | 36·9 |
| *(b)* Small-scale Industries | 211 | 6·9 | 2,080 | 11·7 | 2,576 | 12·5 | 2,805 | 11·8 | 3,690 | 12·9 |
| **II. Agriculture and Allied activities** | **67** | **2·2** | **2,342** | **13·2** | **2,929** | **14·2** | **3,723** | **15·7** | **4,863** | **17·0** |
| *Of which :* | | | | | | | | | | |
| *(a)* Direct Finance | ... | ... | 1,802 | 10·2 | 2,314 | 11·2 | 2,887 | 12·2 | 3,756 | 13·2 |
| *(b)* Plantations | 58 | 1·9 | 295 | 1·7 | 320 | 1·6 | 359 | 1·5 | 421 | 1·5 |
| **III. Internal Trade** | **588** | **19·2** | **4,224** | **23·8** | **4,751** | **23·0** | **4,653** | **19·7** | **4,667** | **16·3** |
| a) Wholesale trade | | | | | | | | | | |
| *Of which :* | | | | | | | | | | |
| Food procurement | 109 | 3·5 | 2,384 | 13·4 | 2,699 | 13·1 | 2,041 | 8·6 | 2,313 | 8·1 |
| *(a)* Wholesale trade | 541 | 17·7 | 3,636 | 20·5 | 4,088 | 19·8 | 3,852 | 16·3 | 3,638 | 12·7 |
| *(b)* Retail trade | 47 | 1·5 | 588 | 3·3 | 663 | 3·2 | 801 | 3·4 | 1,029 | 3·6 |
| **IV. Services** | ... | ... | **369** | **2·1** | **439** | **2·1** | **527** | **2·2** | **737** | **2·6** |
| **V. Personal Loans** | ... | ... | **554** | **3·1** | **669** | **3·3** | **810** | **3·4** | **1,037** | **3·6** |
| **VI. All Others** | **341*** | **11·1** | **1,693** | **9·5** | **1,987** | **9·6** | **2,406** | **10·2** | **3,040** | **10·7** |
| **VII. Total** | **3,064** | **100·0** | **17,744** | **100·0** | **20,638** | **100·0** | **23,674** | **100·0** | **28,548** | **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 VII—13 : Industry-wise Deployment of Gross Bank Credit**
(Public and Private Sectors)
As on the last Firday (Rupees crores)

| Industry | Outstanding March 1982 | Outstanding March 1983* | Increase over the year 1982-83 (April-March) | Outstanding March 1984@ | Increase over the year 1983-84 (April-March) |
|---|---|---|---|---|---|
| | 1. | 2. | 3. | 4. | 5. |
| Coal | 53 | 60 | +7 | 132 | +72 |
| | (0·2) | (0·2) | | (0·3) | |
| Iron & Steel | 856 | 1,565 | +709 | 1,591 | +26 |
| | (2·9) | (4·5) | | (3·9) | |
| Other Metals & Metal products | 527 | 593 | +66 | 675 | +82 |
| | (1·8) | (1·7) | | (1·7) | |
| All Engineering | 3,817 | 4,375 | +558 | 4,978 | +603 |
| | (13·1) | (12·7) | | (12·3) | |
| Electricity (Generation & Transmission) | 259 | 260 | +1 | 318 | +58 |
| | (0·9) | (0·7) | | (0·8) | |
| Cotton Textiles | 1,281 | 1,380 | +99 | 1,648 | +268 |
| | (4·4) | (4·0) | | (4·1) | |
| Jute Textiles | 187 | 208 | +21 | 213 | +5 |
| | (0·6) | (0·6) | | (0·5) | |
| Other Textiles | 842 | 957 | +115 | 1,191 | +234 |
| | (2·9) | (2·8) | | (2·9) | |
| Sugar | 403 | 588 | +185 | 607 | +19 |
| | (1·4) | (1·7) | | (1·5) | |
| Tea | 265 | 265 | — | 244 | −21 |
| | (0·9) | (0·8) | | (0·6) | |
| Vegetable Oils (Including vanaspati) | 215 | 234 | +19 | 267 | +33 |
| | (0·7) | (0·7) | | (0·7) | |
| Tobacco & Tobacco products | 133 | 127 | −6 | 170 | +43 |
| | (0·5) | (0·4) | | (0·4) | |
| Paper & Paper Products | 357 | 407 | +50 | 483 | +76 |
| | (1·2) | (1·2) | | (1·2) | |
| Rubber & Rubber Products | 280 | 319 | +39 | 390 | +71 |
| | (1·0) | (0·9) | | (1·0) | |
| Chemicals, dyes, paints, drugs & pharmaceuticals | 1,672 | 1,891 | +219 | 2,092 | +201 |
| | (5·7) | (5·5) | | (5·2) | |
| Of which : fertilisers | 329 | 327 | −2 | 378 | +51 |
| | (1·1) | (1·1) | | (0·9) | |
| Cement | 158 | 205 | +47 | 231 | +26 |
| | (0·5) | (0·6) | | (0·6) | |
| Leather & leather Products | 220 | 237 | +17 | 265 | +28 |
| | (0·8) | (0·7) | | (0·7) | |
| Construction | 143 | 189 | +46 | 219 | +30 |
| | (0·5) | (0·5) | | (0·5) | |
| Petroleum | 431 | 163 | −268 | 374 | +211 |
| | (1·5) | (0·5) | | (0·9) | |

*(Contd.)*

**TABLE VII—13 : Industry-wise Deployment of Gross Bank Credit** *– (Concld.)*

(Public and Private Sectors)

As on the last Firday

(Rupees crores)

| Industry | Outstanding | | Increase over the year 1982-83 (April-March) | Outstanding March 1984@ | Increase over the year 1983-84 (April-March) |
|---|---|---|---|---|---|
| | March 1982 | March 1983* | | | |
| | 1. | 2. | 3. | 4. | 5. |
| SAFAUNS ** | 307 | 327 | +20 | 368 | +41 |
| | (1·1) | (1·0) | | (0·9) | |
| Residual | 2,650 | 3,412 | +762 | 3,920 | +508 |
| | (9·1) | (9·9) | | (9·7) | |
| **Total Credit to Industry** | **15,056** | **17,762** | **+2,706** | **20,,376** | **+2,614** |
| | (51·6) | (51·5) | | (50·4) | |
| **Total Gross Bank Credit** | **29,162** | **34,491** | **+5,329** | **40,454** | **+5,963** |
| | (100·0) | (100·0) | | (100·0) | |

* Relate to March 31, 1983.

@ Provisional

** Ships acquired from abroad under new scheme.

*Note* : Figures in brackets are percentages to total gross bank credit.

*Source* : Credit Planning Cell, RBI.

Table VII–14 furnishes data on percentage share of major industries in total advances of scheduled commerical banks as at the end of March 1968 based on Survey of Advances and as at the end of December 1978 to 1981 based on Basic Statistical Returns.

Table VII–15 presents data on certain ratios relating to inventories and bank borrowings of public limited companies in the private sector. In the case of large public limited companies, for which more recent data are available, it is observed that with the successive fall in the ratio of inventories in the form of raw materials, components, etc., to total inventories in 1981-82 and 1982-83, the ratio of short-term bank borrowings to total inventories also declined.

## 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 1981 and 1982 are furnished in Table VII–16. The number of priority sector borrowal accounts of public sector banks increased from 155 lakhs at the end of December 1981 to 166 lakhs by the end of December 1982. These banks' advances to priority sectors rose during 1982 by Rs. 1,410 crores or 13·7 per cent to Rs. 11,678 crores. The share of priority sectors in total bank credit, however, declined from 38·6 per cent at the end of December 1981 to 37·3 per cent at the end of December 1982. In June 1969, priority sector advances constituted only 14·6 per cent of total bank credit.

**TABLE VII—14 : Advances of Scheduled Commercial Banks to Major Industries**

(Percentage to total bank credit)

| Industry | March 31, 1968 | As on the last Friday of December | | | |
|---|---|---|---|---|---|
| | | 1978 | 1979 | 1980 | 1981 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. Basic metals and metal products | N.A. | 5·9 | 5·8 | 5·6 | 6·0 |
| Of which : | | | | | |
| Iron and Steel | 3·7 | 3·3 | 3·3 | 3·0 | 3·4 |
| 2. Beverage and tobacco | N.A. | 0·9 | 0·8 | 0·8 | 0·7 |
| 3. Cement | 1·3 | 0·5 | 0·5 | 0·5 | 0·6 |
| 4. Chemicals and chemical products | 6·0 | 5·4 | 5·8 | 6·0 | 6·0 |
| Of which : | | | | | |
| (a) Heavy industrial chemicals | N.A. | 0·8 | 0·8 | 0·8 | 0·9 |
| (b) Drugs and pharmaceuticals | N.A. | 1·0 | 1·1 | 1·1 | 1·0 |
| (c) Fertilisers | N.A. | 1·2 | 1·3 | 1·5 | 1·6 |
| 5. Coal | 0·8 | 0·3 | 0·4 | 0·3 | 0·2 |
| 6. Edible oils and vanaspati | 1·4 | 0·8 | 0·7 | 0·8 | 0·6 |
| 7. Engineering | 15·7 | 9·8 | 10·2 | 10·1 | 9·5 |
| (a) Heavy Engineering | 8·9 | 4·9 | 4·9 | 4·8 | 4·1 |
| (b) Light Engineering | 6·8 | 2·4 | 2·5 | 2·5 | 2·6 |
| (c) Others | N.A. | 2·5 | 2·8 | 2·8 | 2·8 |
| 8. Leather and leather products | N.A. | 0·8 | 0·8 | 0·7 | 0·7 |
| 9. Manufacture of basic minerals | N.A. | 0·6 | 0·4 | 2·3 | 2·7 |
| 10. Paper, paper products and printing | 1·6 | 1·5 | 1·6 | 1·8 | 1·7 |
| 11. Rice mills, flour and dal mills | N.A. | 1·3 | 1·1 | 0·9 | 1·0 |
| 12. Rubber and rubber products | 0·7 | 1·1 | 1·0 | 1·0 | 0·9 |
| 13. Sugar | 5·3 | 1·6 | 1·0 | 0·6 | 0·6 |
| 14. Textiles | 15·5 | 9·5 | 8·9 | 8·4 | 8·8 |
| Of which : | | | | | |
| (a) Cotton textiles | 10·3 | 5·2 | 4·7 | 4·3 | 4·1 |
| (b) Jute textiles | 3·1 | 0·8 | 0·7 | 0·6 | 0·8 |
| 15. Vehicles, vehicle parts and transport equipment | N.A. | 2·3 | 2·4 | 2·3 | 2·3 |
| 16. Other industries | 17·6 | 6·0 | 6·4 | 6·7 | 7·5 |
| **TOTAL CREDIT TO INDUSTRY** | **69·6** | **48·3** | **47·8** | **48·8** | **49·8** |
| **Total Bank Credit** | **100·0** | **100·0** | **100·0** | **100·0** | **100·0** |

N.A. : Not available.

*Source* : March 31, 1968 : Survey of Advances of Scheduled Commercial Banks according to purpose.
1978 - 81 : Basic Statistical Returns.

Within the priority sector, advances to agriculture rose by Rs.586 crores (13·0 per cent), small-scale sector by Rs. 698 crores (14·8 per cent) and other priority sectors by Rs. 125crores (12·6 per cent) during 1982. Nearly four-fifths of outstanding advances of Rs. 5,406 crores in respect of the small-scale sector as at the end of December 1982 were accounted for by small-scale industrial units and the balance mainly by road and water transport operators. Retail trade and small business and professional and self-employed persons were the main beneficiaries among other priority sectors and they accounted for 76 per cent and 22 per cent, respectively, of the advances of Rs. 1,115 crores to other priority sectors at the end of December 1982. Public sector banks' loans to SC/ST and weaker sections for housing stood at Rs.35 crores and consumption loans at Rs.16 crores, at the end of December 1982.

**TABLE VII-15 : 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 borrowing as percentage of total Inventories | total bank borrowings as percentage of total Inventories |
|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. |
| Medium and Large Public Limited Companies * | | | | |
| 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 £ | | | | |
| 486 Companies 1980 - 81 | 28·4 | 33·4 | 39·9 | 45·0 |
| 1981 - 82 | 28·5 | 32·7 | 37·8 | 43·9 |
| 1982 - 83 | 28·7 | 30·3 | 36·2 | 43·9 |

@ 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.

According to provisional data, assistance provided to by public sector banks to beneficiaries under the New 20-Point Programme amounted to Rs. 3,908 crores in 85·86 lakh accounts at the end of December 1983.

*Village Adoption Scheme*

As at the end of June 1983, banks had adopted 1,41,042 villages and had provided direct finance in respect of 50·96 lakh agricultural loan accounts against which an amount of Rs. 1,557 crores was outstanding; the comparable figures at the end of December 1982 were 1,30,792 adopted villages with financial involvement of Rs. 1,467 crores in 47·36 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 by them in rural/semi-urban areas by way of credit in those areas. The public sector banks were expected to attain this target by March 1979 and the private sector banks were also expected to achieve the same within a time bound programme. Region-wise and State-wise credit- deposit ratios as at the end of June 1983 of scheduled commercial banks, classified according to population groups, are given in Table VII–17.

**TABLE VII—16 : Public Sector Bank's Advances to Priority Sectors**
(As on the last Friday)

| Sector | No. of Accounts (in 000's) | | | Amount outstanding (Rs. crores) | | |
|---|---|---|---|---|---|---|
| | June 1969 | December 1981 | December 1982 | June 1969 | December 1981 | December 1982 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. Agriculture | 165 | 10,894 | 11,593 | 162 | 4,520 | 5,106 |
| *Of which* | | | | | | |
| (i) Direct Finance | 160 | 9,621 | 10,253 | 40 | 3,496 | 3,954 |
| (ii) Indirect Finance | 5 | 1,273 | 1,340 | 122 | 1,024 | 1,152 |
| 2. Small-scale Sector @ | 53 | 1,275 | 1,410 | 257 | 4,708 | 5,406 |
| *Of which* | | | | | | |
| (i) Road & Water Transport Operators @ | 2 | 339 | 385 | 6 | 916 | 1,142 |
| (ii) Small-scale Industries @ | 51 | 936 | 1,025 | 251 | 3,745 | 4,209 |
| (iii) Setting up of industrial estates | — | | | | 47 | 55 |
| 3. Other Priority Sectors | 42 | 2,995 | 3,224 | 22 | 990 | 1,115 |
| *Of which* | | | | | | |
| (i) Retail trade & small business | 33 | 2,001 | 2,150 | 19 | 755 | 845 |
| (ii) Professional & self-employed persons | 8 | 943 | 1,017 | 2 | 219 | 252 |
| (iii) Education | 1 | 45 | 47 | 1 | 13 | 15 |
| (iv) Indirect Finance in other Priority Sectors ‡ | — | 6 | 10 | | 3 | 3 |
| 4. Housing Loans to SC/ST ‡ and weaker sections | — | 142 | 138 | | 35 | 35 |
| 5. Consumption Loans ‡ | — | 223 | 201 | | 15 | 16 |
| **Total Priority Sector advances** | **260** | **15,529** | **16,566** | **441** | **10,268** | **11,678** |
| 6. Exports | | | | 204 | 1,646 | 1,448 |
| **Total Bank Credit** | | | | **3,016** | **26,627** | **31,282** |
| Percentage of Priority Sector Advances to Total Bank Credit | | | | 14·6 | 38·6 | 37·3 |

@ 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 from December 1981.

— = Nil or negligible.

*Source* : Banking Statistics, Government of India.

For the country as a whole, the credit-deposit ratio for rural branches of all scheduled commercial banks including Regional Rural Banks (RRBs) at 59·9 per cent at the end of June 1983 was almost the same as the targeted level of 60 per cent. In the case of semi-urban branches, however, the ratio at 50·8 per cent was much below this target. The credit-deposit ratio for rural branches of public sector banks (excluding RRBs) was 56·1 per cent and of private sector banks 48·6 per cent; for semi- urban branches the ratio of public and private sector banks was near about the same at 50·6 per cent and 50·4 per cent, respectively.

**TABLE VII—17 : State-wise Credit-Deposit Rations (%) of Offices of Public* and Private Sector Scheduled Commercial Banks According to Population Groups.**

(As on the last Friday of June 1983)

| Region State/ Union Territory | Rural | | | Semi-Urban | | | Urban/Metropolitan | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Public | Private | Total@ | Public | Private | Total@ | Public | Private | Total@ | Public | Private | Total@ |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| **I. Northern Region** | **49·0** | **39·6** | **50·8** | **51·6** | **54·2** | **51·8** | **74·5** | **63·2** | **73·4** | **66·2** | **59·1** | **65·9** |
| Haryana | 76·1 | 31·2 | 77·4 | 68·2 | 52·2 | 67·7 | 67·4 | 164·5 | 69·6 | 69·8 | 68·8 | 70·4 |
| Himachal Pradesh | 42·2 | 22·8 | 42·5 | 48·7 | 20·6 | 47·5 | — | — | — | 44·5 | 21·4 | 44·2 |
| J. ..nu and Kashmir | 38·3 | 47·3 | 44·4 | 49·2 | 62·8 | 54·3 | 38·0 | 59·0 | 47·0 | 39·5 | 55·9 | 47·1 |
| Punjab | 37·4 | 9·0 | 36·3 | 40·9 | 34·9 | 40·8 | 45·6 | 66·9 | 46·4 | 41·5 | 39·6 | 41·4 |
| Rajasthan | 78·2 | 74·4 | 88·1 | 59·3 | 62·2 | 60·1 | 74·2 | 56·7 | 71·9 | 70·2 | 60·9 | 71·3 |
| Chandigarh | 71·6 | — | 71·6 | 51·7 | — | 51·7 | 224·1 | 70·0 | 221·7 | 220·9 | 70·0 | 218·6 |
| Delhi | 34·9 | 25·3 | 34·0 | 13·3 | — | 13·3 | 70·4 | 64·0 | 69·8 | 70·0 | 63·5 | 69·4 |
| **II. North-Eastern Region** | **46·0** | **35·5** | **50·7** | **34·6** | **33·0** | **35·3** | **50·0** | **48·3** | **49·3** | **40·6** | **40·3** | **42·0** |
| Assam | 50·1 | 36·4 | 51·6 | 39·6 | 40·9 | 39·7 | 51·5 | 48·3 | 50·6 | 45·4 | 44·8 | 45·6 |
| Manipur | 62·8 | — | 63·7 | 71·3 | — | 71·3 | 35·9 | — | 36·2 | 42·7 | — | 43·1 |
| Meghalaya | 38·5 | — | 38·3 | 16·9 | 14·7 | 16·8 | — | — | — | 19·6 | 14·7 | 19·4 |
| Nagaland | 31·9 | — | 31·9 | 40·0 | 12·6 | 38·2 | — | — | — | 37·8 | 12·6 | 36·6 |
| Sikkim | 54·4 | — | 54·4 | 5·3 | — | 5·3 | — | — | — | 8·1 | — | 8·1 |
| Tripura | 80·1 | — | 108·0 | 53·4 | 16·7 | 60·8 | — | — | — | 59·0 | 16·7 | 74·1 |
| Arunachal Pradesh | 18·5 | 25·0 | 18·6 | 9·7 | — | 9·7 | — | — | — | 18·0 | 25·0 | 18·1 |
| Mizoram | 14·1 | — | 14·1 | 14·6 | — | 14·6 | — | — | — | 14·5 | — | 14·5 |
| **III. Eastern Region** | **44·7** | **26·3** | **54·8** | **34·3** | **23·6** | **34·5** | **65·4** | **55·6** | **64·2** | **55·2** | **53·9** | **56·2** |
| Bihar | 46·2 | — | 54·5 | 39·3 | 24·6 | 39·1 | 44·7 | 32·1 | 44·5 | 42·8 | 31·0 | 44·5 |
| Orissa | 91·9 | — | 116·0 | 60·4 | — | 61·3 | 84·9 | 86·2 | 84·3 | 78·5 | 86·2 | 85·0 |
| West Bengal | 28·5 | 26·3 | 32·6 | 22·9 | 23·5 | 23·3 | 68·5 | 56·0 | 66·7 | 57·9 | 54·4 | 57·8 |
| Andaman and Nicobar Islands | 34·3 | — | 34·3 | 31·4 | — | 31·4 | — | — | — | 32·0 | — | 32·0 |
| **IV. Central Region** | **56·7** | **30·5** | **59·6** | **55·3** | **35·6** | **54·3** | **45·9** | **59·7** | **46·4** | **50·4** | **47·7** | **51·2** |
| Madhya Pradesh | 64·7 | 32·4 | 70·2 | 55·2 | 37·9 | 55·0 | 60·0 | 97·2 | 60·3 | 59·5 | 70·1 | 60·7 |
| Uttar Pradesh | 54·3 | 30·5 | 56·5 | 55·4 | 35·5 | 54·0 | 41·5 | 57·8 | 42·3 | 47·5 | 46·6 | 48·2 |
| **V. Western Region** | **49·6** | **66·7** | **50·6** | **49·0** | **52·7** | **49·1** | **88·3** | **100·7** | **89·4** | **77·2** | **95·3** | **78·6** |
| Gujarat | 42·6 | — | 47·9 | 42·9 | 191·3 | 47·9 | 61·1 | 57·7 | 61·1 | 53·6 | 59·1 | 53·7 |
| Maharashtra | 69·5 | 66·6 | 70·5 | 53·1 | 51·8 | 53·0 | 94·9 | 101·8 | 95·7 | 89·2 | 96·3 | 89·9 |
| Dadra and Nagar Haveli | 97·0 | — | 97·0 | — | — | — | — | — | — | 97·0 | — | 97·0 |
| Goa, Daman and Diu | 24·4 | 77·8 | 24·4 | 39·8 | 59·8 | 40·3 | — | — | — | 34·1 | 60·2 | 34·5 |
| **VI. Southern Region** | **78·3** | **55·7** | **81·0** | **61·3** | **53·6** | **60·3** | **91·7** | **93·2** | **91·9** | **80·2** | **71·7** | **80·0** |
| Andhra Pradesh | 80·2 | 60·8 | 86·4 | 62·9 | 43·8 | 62·0 | 71·3 | 55·4 | 70·3 | 70·3 | 53·3 | 70·8 |
| Karnataka | 75·5 | 49·2 | 80·0 | 68·3 | 53·8 | 66·9 | 88·9 | 73·4 | 87·5 | 81·9 | 63·8 | 81·5 |
| Kerala | 55·0 | 52·5 | 61·7 | 48·8 | 55·5 | 50·8 | 102·8 | 101·4 | 102·4 | 65·8 | 65·2 | 66·9 |
| Tamil Nadu | 90·2 | 63·9 | 88·1 | 71·0 | 51·3 | 67·7 | 108·6 | 109·2 | 108·7 | 96·7 | 87·2 | 95·5 |
| Lakshadweep | 12·9 | — | 12·9 | — | — | — | — | — | — | 12·9 | — | 12·9 |
| Pondicherry | 83·5 | 44·9 | 82·1 | 36·8 | 16·7 | 36·1 | 58·9 | 60·9 | 59·0 | 59·8 | 54·8 | 59·6 |
| **All-India** | **56·1** | **48·6** | **59·9** | **50·6** | **50·4** | **50·8** | **76·4** | **78·6** | **76·5** | **67·4** | **69·8** | **68·1** |

* 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.

Among the different regions in the country, the Southern region attained the national target of 60 per cent both in rural and semi-urban areas. The central region, with credit-deposit ratio at 59·6 per cent for rural areas was also nearer to the target. In the case of Northern, North-Eastern, Eastern and Western regions the ratio for rural areas was between 51 and 54 per cent. As regards semi-urban areas, the credit-deposit ratio of all regions other than the southern region was much below the target and varied between 35 and 54 per cent. Statewise, the credit- deposit ratio was above the targeted level in 14 States/Union territories for rural branches and in 8 States/Union territories for semi-urban branches. On the other hand, the ratio was below 40 per cent for rural branches in 10 States/Union territories and for semi-urban branches in 11 States/Union territories.

Data on frequency distribution of districts based on credit-deposit ratios at the end of June 1983 and two previous years are furnished separately for rural and semi-urban offices in Table VII-18. At the end of June 1983, 218 out of 409 or 53·3 per cent of total districts achieved a credit- deposit ratio of 60 per cent or above in respect of rural offices compared with 211 out of 408 or 51·7 per cent of total districts a year ago. During this period the average size of deposit per district in this category also increased from Rs. 13 crores to Rs. 15 crores. In the case of semi-urban offices, 128 out of 367 districts achieved a credit-deposit ratio of 60 per cent and above compared with 125 out of 359 districts a year ago.

### Distribution of Credit according to Interest Range

Data available upto December 1981 on classification of loans and advances of scheduled commercial banks according to interest range are furnished in Table VII-19. The shift in distribution pattern of outstanding credit to higher interest ranges noticed following the introduction of 7 per cent interest tax in the Union Budget for 1980-81 continued, especially from the interest range of 10 to 12 per cent. The proportion of outstanding credit in the interest range of 10 to 12 per cent declined sharply from 25·8 per cent at the end of December 1980 to 11·7 per cent at the end of December 1981 while that in the interest range of 12 to 14 per cent increased from 15·0 per cent to 23·6 per cent during this period. There was also a sharp rise in the proportion of outstanding credit in the interest range of 18 to 20 per cent from 21·7 per cent at the end of December 1980 to 29·3 per cent at the end of December 1981.

## GEOGRAPHICAL AND FUNCTIONAL COVERAGE OF BANKS

### Branch Expansion

The main thrust of the branch licensing policy formulated by the Reserve Bank in consultation with Government of India for the three-year period April 1982 to March 1985 is on improving banking facilities in rural and semi-urban areas — particularly unbanked rural areas — and reducing inter-regional disparities in the spread of such facilities. The policy aims at achieving a coverage of population of 17,000 per bank office on an average in the rural and semi-urban areas by the end of March 1985. The branch expansion programmes for all States and 6 Union territories was finalised on the basis of recommendations in regard to identification of the rural unbanked centres. The Governments of Arunachal Pradesh and Lakshadweep have no plan for branch expansion in their territories. On the basis of suggestions made by State Governments as also individual applications received from banks, 9,610 rural and semi-urban centres have so far been allotted to banks. As at the end of June 1984, banks were holding authorisations/licences for opening offices at 5,100 centres in rural and semi-urban areas.

**TABLE VII—18: Frequency Distribution of Districts based on Credit-Deposit Ratios of Scheduled Commercial Banks**
(As on the last Friday)

(Rupees crores)

| Credit-Deposit Ratio | June 1981 | | | June 1982 | | | June 1983 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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** | | | | | | | | | |
| Up to 20% | 34 | 614 | 91 | 28 | 570 | 75 | 28 | 703 | 99 |
| | | (18) | | | (20) | | | (25 | |
| 20% - 30% | 41 | 641 | 160 | 33 | 844 | 209 | 27 | 782 | 195 |
| | | 16) | | | (26) | | | (29) | |
| 30% - 40% | 42 | 734 | 263 | 47 | 927 | 324 | 42 | 1,097 | 384 |
| | | (17) | | | (20) | | | (26) | |
| 40% - 50% | 56 | 792 | 356 | 51 | 901 | 405 | 43 | 981 | 454 |
| | | (14) | | | (18) | | | (23) | |
| 50% - 60% | 39 | 499 | 274 | 38 | 542 | 300 | 51 | 808 | 445 |
| | | (13) | | | (14) | | | (16) | |
| 60% and above | 188 | 1,974 | 1,888 | 211 | 2,680 | 2,479 | 218 | 3,286 | 3,011 |
| % to total number of districts | 47·0 | (11) | | 51·7 | (13) | | 53·3 | (15) | |
| **Total** | **400** | **5,254** | **3,032** | **408** | **6,464** | **3,792** | **409** | **7,657** | **4,588** |
| **Semi-Urban Offices** | | | | | | | | | |
| Up to 20% | 23 | 824 | 132 | 23 | 907 | 156 | 19 | 896 | 149 |
| | | (36) | | | (39) | | | (47) | |
| 20% - 30% | 42 | 1,241 | 316 | 36 | 1,219 | 310 | 41 | 1,527 | 386 |
| | | (30) | | | (34) | | | (37) | |
| 30% - 40% | 62 | 1,657 | 576 | 60 | 1,794 | 635 | 54 | 1,887 | 663 |
| | | (27) | | | (30) | | | (35) | |
| 40% - 50% | 66 | 1,795 | 809 | 62 | 2,228 | 1,013 | 63 | 2,591 | 1,148 |
| | | (27) | | | (36) | | | (41) | |
| 50% - 60% | 52 | 1,459 | 802 | 53 | 1,722 | 943 | 62 | 2,369 | 1,288 |
| | | (28) | | | (32) | | | (38) | |
| 60% and above | 112 | 2,509 | 2,023 | 125 | 2,918 | 2,334 | 128 | 3,622 | 2,912 |
| % to total number of districts | 31·4 | (22) | | 34·8 | (23) | | 34·9 | (28) | |
| **Total** | **357** | **9,485** | **4,658** | **359** | **10,788** | **5,391** | **367** | **12,892** | **6,546** |

@ Figures in brackets represent amount of district per deposits under each size class (in crores of rupees).

*Note* : The data are provisional

*Source* : Monthly Return on Aggregate Deposits and Gross Bank Credit.

During 1983-84 (July-June), commercial banks (including RRBs) opened 3,253 offices as against 2,902 in 1982-83. Of these, 2,733 offices were opened at unbanked centres as against 2,279 offices in 1982-83 (Table VII-20).

The total number of commercial bank offices in the country increased from 8,321 at the time of nationalisation of 14 major banks (July 1969) to 45,332 by the end of June 1984. Of the 37,011 offices added during this period, 66 per cent were in unbanked centres.

Out of 3,253 new offices opened in 1983-84, 83 per cent are located in rural areas (Table VII-21). As at the end of June 1984 the proportion of rural offices was 50 per cent in the case of State Bank of India and its associate banks, 48 per cent in the case of nationalised banks and 39 per cent in the case of other

**TABLE VII—19 : Distribution of Loans and Advances* of Scheduled Commercial Banks According to Interest Range.**

(Amount in Rupees crores)

| Interest Range | As on the last Friday of December 1978 | | December 1979 | | December 1980 | | December 1981 | |
|---|---|---|---|---|---|---|---|---|
| | No. of Accounts | Amount out-standing | No. of Accounts | Amount out-standing | No. of Accounts | Amount out-standing | No. of Accounts | Amount out-standing |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 6 per cent and less | 45,843 | 226·5 | 51,837 | 239·3 | 58,849 | 316·5 | 68,628 | 498·7 |
| | (5·3) | (1·9) | (5·0) | (1·7) | (4·8) | (2·0) | (4·6) | (2·4) |
| 6 to 10 per cent | 53,859 | 428·6 | 71,804 | 480·7 | 62,133 | 558·3 | 43,607 | 533·0 |
| | (6·2) | (3·5) | (6·9) | (3·4) | (5·0) | (3·4) | (2·9) | (2·6) |
| 10 to 12 per cent | 242,399 | 3211·4 | 358,088 | 4215·9 | 405,885 | 4162·8 | 276,008 | 2366·6 |
| | (27·9) | (26·5) | (34·4) | (29·6) | (33·0) | (25·8) | (18·5) | (11·7) |
| 12 to 14 per cent | 219,862 | 3400·5 | 235,165 | 2544·4 | 312,414 | 2424·5 | 520,170 | 4790·3 |
| | (25·3) | (28·1) | (22·6) | (17·9) | (25·4) | (15·0) | (34·8) | (23·6) |
| 14 to 15 per cent | 262,606 | 4213·6 | 163,433 | 2359·5 | 93,049 | 1074·8 | 224,348 | 1793·6 |
| | (30·3) | (34·8) | (15·7) | (16·6) | (7·6) | (6·6) | (15·0) | (8·8) |
| 15 to 16 per cent | 21,643 | 363·1 | 18,472 | 568·3 | 48,290 | 792·8 | 52,395 | 864·6 |
| | (2·5) | (3·0) | (1·8) | (4·0) | (3·9) | (4·9) | (3·5) | (4·3) |
| 16 to 17 per cent | 18,999 | 235;0 | 71,469 | 1,981·0 | 87,968 | 1,338·1 | 54,466 | 966·1 |
| | (2·2) | (1·9) | (6·9) | (13·9) | (7·1) | (8·3) | (3·6) | (4·8) |
| 17 to 18 per cent | 2,139 | 27·1 | 65,506 | 1,793·8 | 27,808 | 1,922·5 | 49,275 | 2,375·3 |
| | (0·2) | (0·2) | (6·3) | (12·6) | (2·3) | (11·9) | (3·3) | (11·7) |
| 18 to 20 per cent | 685 | 7·2 | 3,927 | 43·6 | 129,770 | 3,500·4 | 198,342 | 5,944·1 |
| | (0·1) | (0·1) | (0·4) | (0·3) | (10·5) | (21·7) | (13·3) | (29·3) |
| Above 20 per cent | 121 | 1·2 | 160 | 3·4 | 4,328 | 60·8 | 7,579 | 168·8 |
| | (–) | (–) | (–) | (–) | (0·4) | (0·4) | (0·5) | (0·8) |
| **TOTAL** | **868,156** | **12,114·2** | **1,039,861** | **14,229·9** | **1230,494** | **16151·5** | **1494,818** | **20301·1** |
| | **(100·0)** | **(100·0)** | **(100·0)** | **(100·0)** | **(100·0)** | **(100·0)** | **(100·0)** | **(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.

commercial banks. Over 90 per cent of offices of RRBs were in rural areas (Table VII–22).

Table VII–20 also gives State-wise average population per bank office as at the end of June 1969, June 1983 and June 1984. The national average of population per bank office which was 65,000 (1961 census) at the end of June 1969 came down to 15,000 (1981 census) by the end of June 1984.

*Urban/Metropolitan Centres :* The banks opened 192 and 141 offices in urban and metropolitan/port town areas, respectively, during July 1983- June 1984.

*Unbanked block headquarters :* Out of 675 centres identified as unbanked block headquarters in the country, 617 were covered by branches of commercial banks/RRBs. Of the remaining 58 centres, licences in respect of 50 were pending with banks. Banks have expressed certain difficulties in opening offices in 8 block

**TABLE VII—20: State-wise Distribution of Bank Offices and Population per Bank Office as at the end of June 1969, June 1983 and June 1984**

| State/Union Territory | No. of offices as at the end of | | | No. of offices opened during July-June@ | | | | Population per bank office (in thousands) as at the end of | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | June 1969 | June 1983 | June 1984 | 1982-83 | Of which at unbanked centres | 1983-84 | Of which at unbanked centres | June 1969 | June 1983 | June 1984 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Andhra Pradesh | 567 | 3,277 | 3,492 | 279 | 224 | 215 | 177 | 75 | 16 | 15 |
| Assam | 74 | 653 | 720 | 91 | 85 | 67 | 61 | 198 | 30 | 28 |
| Bihar | 273 | 3,050 | 3,195 | 243 | 219 | 145 | 123 | 207 | 23 | 22 |
| Gujarat | 752 | 2,606 | 2,763 | 154 | 111 | 157 | 132 | 34 | 13 | 12 |
| Haryana | 172 | 949 | 1,012 | 78 | 60 | 63 | 47 | 57 | 14 | 13 |
| Himachal Pradesh | 42 | 461 | 495 | 49 | 47 | 34 | 32 | 80 | 9 | 9 |
| Jammu & Kashmir | 35 | 585 | 630 | 39 | 30 | 45 | 40 | 114 | 10 | 9 |
| Karantaka | 756 | 3,150 | 3,451 | 177 | 143 | 301 | 259 | 38 | 12 | 11 |
| Kerala | 601 | 2,501 | 2,574 | 73 | 44 | 73 | 51 | 35 | 10 | 10 |
| Madhya Pradesh | 343 | 2,774 | 3,171 | 264 | 220 | 397 | 342 | 116 | 19 | 16 |
| Maharashtra | 1,118 | 4,116 | 4,394 | 228 | 154 | 278 | 222 | 44 | 15 | 14 |
| Manipur | 2 | 44 | 51 | 5 | 4 | 7 | 7 | 497 | 32 | 28 |
| Meghalaya | 7 | 79 | 98 | 12 | 9 | 19 | 18 | 147 | 17 | 14 |
| Nagaland | 2 | 50 | 56 | 5 | 5 | 6 | 4 | 205 | 15 | 14 |
| Orissa | 100 | 1,305 | 1,466 | 77 | 60 | 161 | 151 | 212 | 20 | 18 |
| Punjab | 346 | 1,778 | 1,844 | 106 | 84 | 66 | 51 | 42 | 9 | 9 |
| Rajasthan | 364 | 1,914 | 2,144 | 129 | 91 | 230 | 199 | 70 | 18 | 16 |
| Sikkim | — | 11 | 19 | 4 | 4 | 8 | 7 | — | 29 | 17 |
| Tamil Nadu | 1,060 | 3,394 | 3,612 | 170 | 110 | 218 | 179 | 37 | 14 | 13 |
| Tripura | 5 | 88 | 89 | 2 | 1 | 1 | 1 | 276 | 23 | 23 |
| Uttar Pradesh | 747 | 5,286 | 5,871 | 539 | 456 | 585 | 529 | 119 | 21 | 19 |
| West Bengal | 504 | 2,599 | 2,711 | 134 | 102 | 112 | 80 | 87 | 21 | 20 |
| Andaman and Nicobar Islands | 1 | 12 | 13 | — | — | 1 | 1 | 82 | 16 | 14 |
| Arunachal Pradesh | — | 31 | 36 | 6 | 5 | 5 | 5 | — | 20 | 17 |
| Chandigarh | 20 | 93 | 98 | 4 | 2 | 5 | 1 | 7 | 5 | 5 |
| Dadra and Nagar Haveli | | 6 | 6 | | | | | | 17 | 17 |
| Delhi | 274 | 940 | 982 | 26 | 2 | 42 | 5 | 10 | 7 | 6 |
| Goa, Daman and Diu | 85 | 250 | 257 | 4 | 3 | 7 | 6 | 8 | 4 | 4 |
| Lakshadweep | — | 5 | 5 | — | — | — | — | — | 8 | 8 |
| Mizoram | — | 15 | 19 | 2 | 2 | 4 | 3 | — | 33 | 26 |
| Pondicherry | 12 | 57 | 58 | 2 | 2 | 1 | — | 31 | 11 | 10 |
| **Total** | **8,262** | **42,079** | **45,332** | **2,902** | **2,279** | **3,253** | **2,733** | **65** | **16** | **15** |

@ Adjusted for offices closed.

*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.

**Table VII-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 | 2,902 | 2,284 | 78·7 |
| 1983 - 84 | 3,253 | 2,694 | 82·8 |

@ Adjusted for offices closed.

headquarters mainly on account of lack of infrastructural facilities. The question of opening of offices at the 58 unbanked 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 1983-84, three Indian banks viz. State Bank of India, Canara Bank and Punjab National Bank opened a branch each in Antwerp (Belgium), London (U.K.) and Birmingham (U.K.), respectively. In addition, Indian Bank opened a representative office at Djakarta (Indonesia).

At the end of June 1984, 13 Indian commercial banks had 141 branches functioning in 25 countries (Table VII-23). In addition, Indian commercial banks had 12 representative offices. Besides, Indian banks had 5 subsidiaries (4 wholly-owned including two deposit taking companies) and 4 foreign bank affiliates (holding less than 50 per cent equity).

**Primary (Urban) Co-operative Banks**

The Primary (Urban) Co-operative Banks (PCBs) are co-operatively organised banking units of small size. They operate in metropolitan, urban and semi-urban centres and mainly cater to the needs of small borrowers comprising small-scale industrial units, retail traders, professionals and salaried classes. The Reserve Bank started regulation of these banks, after the extension from March 1, 1966, of the Banking Regulation Act, 1949 regarding matters relating to banking business to co-operative banks, following the amendment of the Banking Laws (applicable to Co-operative Societies) Act, 1965. A separate department viz., Urban Banks Department has been set up since February 1984 in the Reserve Bank to monitor and regulate the growth of urban co-operative banks on sound lines. This department of the Reserve Bank is responsible for licensing existing/new banks and branches, inspection of these banks and sanctioning of credit limits to SCBs by way of refinance. It also processes and recommends to NABARD loan applications of State Governments for contribution to share capital of urban co-operative banks.

The performance of PCBs during the year 1982-83 was impressive. Their number increased from 1258 at the end of June 1982 to 1281* at the end of June 1983. Their deposits recorded a sharp increase of Rs.628 crores (38·1 per cent) over the year and stood at Rs.2,278 crores at end-June 1983. Similarly, their loans outstanding at Rs.1,802 crores at end-June 1983 recorded a rise of Rs.377 crores (26·5 per cent) during the year (Table VII-24).

Matters relating to credit policy, issue of licences and inspection of urban co-operative banks and other policy changes introduced by

* Out of 1,281 PCBs, 1,175 were Urban Co-operative Banks and 106 Salary Earners' Societies.

**TABLE VII—22 : Bank Group-wise/Population Group-wise Distribution of Commercial Bank Offices in India**

| Bank Group | Number of offices as on | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 19-7-1969 | | | | | 30-6-1983 | | | | | 30-6-1984 | | | | |
| | 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 | 796 | 163 | 150 | 1,571 | 3267 | 1749 | 767 | 613 | 6396 | 3449 | 1773 | 788 | 626 | 6636 |
| | (29·4) | (50·7) | (10·4) | (9·5) | (100·0) | (51·1) | (27·3) | (12·0) | (9·6) | (100·0) | (52·0) | (26·7) | (11·9) | (9·4) | (100·0) |
| Associate Banks of State Bank of India | 358 | 375 | 86 | 75 | 894 | 1371 | 894 | 405 | 295 | 2965 | 1446 | 913 | 439 | 319 | 3117 |
| | (40·0) | (42·0) | (9·6) | (8·4) | (100·0) | (46·2) | (30·1) | (13·7) | (10·0) | (100·0) | (46·4) | (29·3) | (14·1) | (10·2) | (100·0) |
| 14 Nationalised Banks | 703 | 1,465 | 928 | 1,072 | 4,168 | 8861 | 4043 | 2972 | 2691 | 18567 | 9373 | 4120 | 3063 | 2760 | 19316 |
| | (16·9) | (35·1) | (22·3) | (25·7) | (100·0) | (47·7) | (21·8) | (16·0) | (14·5) | (100·0) | (48·5) | (21·3) | (15·9) | (14·3) | (100·0) |
| 6 Banks nationalised in 1980 * | | | | | | 1400 | 693 | 593 | 501 | 3187 | 1445 | 703 | 612 | 516 | 3276 |
| | | | | | | (43·9) | (21·8) | (18·6) | (15·7) | (100·0) | (44·1) | (21·5) | (18·7) | (15·7) | (100·0) |
| Regional Rural Banks | | | | | | 6046 | 382 | 44 | 1 | 6473 | 7853 | 456 | 50 | 1 | 8360 |
| | | | | | | (93·4) | (5·9) | (0·7) | (–) | (100·0) | (93·9) | (5·5) | (0·6) | (–) | (100·0) |
| Other Commercial Banks | 337 | 708 | 279 | 364 | 1,688 | 1733 | 1275 | 796 | 687 | 4491 | 1806 | 1297 | 817 | 707 | 4627 |
| | (20·0) | (41·9) | (16·5) | (21·6) | (100·0) | (38·6) | (28·4) | (17·7) | (15·3) | (100·0) | (39·0) | (28·0) | (17·7) | (15·3) | (100·0) |
| **Total** | **1,860** | **3,344** | **1,456** | **1,661** | **8,321** | **22678** | **9036** | **5577** | **4788** | **42079** | **25372** | **9262** | **5769** | **4929** | **45332** |
| | **(22·3)** | **(40·2)** | **(17·5)** | **(20·0)** | **(100·0)** | **(53·9)** | **(21·5)** | **(13·2)** | **(11·4)** | **(100·0)** | **(56·0)** | **(20·4)** | **(12·7)** | **(10·9)** | **(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 up to 10,000
Semi-urban = 10,001 to 1 lakh. Urban = Over 1 lakh to 10 lakhs Metro politan = Over 10 lakhs Port Town = Cochin, Kakinada, Mangalore, Nagapattinam Okha, Paradeep, Port Blair, Pondicherry, Kandla, Visakhapatnam, Tuticorin and Marmagoa.

*Source* : Department of Banking Operations & Development, RBI

**TABLE VII—23 : Offices* of Indian Scheduled Commercial Banks outside India**

(As at the end of June 1984)

| Country | Bank of Baroda | Bank of India | Bharat Overseas Bank Ltd. | Central Bank of India | Canara Bank | Indian Bank | Indian Overseas Bank | Punjab National Bank | Punjab & Sind Bank | State Bank of India | Syndicate Bank | United Commercial Bank | Union Bank of India | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| 1. Bangladesh | — | — | — | — | — | — | — | — | — | 1 | — | — | — | 1 |
| 2. Bahamas | 1 | — | — | — | — | — | — | — | — | 1 | — | — | — | 2 |
| 3. Belgium | 1 | — | — | — | — | — | — | — | — | 1 | — | — | — | 2 |
| 4. Bahrain | 1 | — | — | — | — | — | — | — | — | 1 | — | — | — | 2 |
| 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 | — | 2 | — | — | — | — | 7 | — | — | 1 | — | 4 | — | 14 |
| 11. Japan | — | 2 | — | — | — | — | — | — | — | 1 | — | — | — | 3 |
| 12. Kenya | 7 | 2 | — | — | — | — | — | — | — | — | — | — | — | 9 |
| 13. Mauritius | 6 | — | — | — | — | — | — | — | — | — | — | — | — | 6 |
| 14. Maldive Islands | — | — | — | — | — | — | — | — | — | 1 | — | — | — | 1 |
| 15. Oman | 3 | — | — | — | — | — | — | — | — | — | — | — | — | 3 |
| 16. Panama | — | — | — | — | — | — | — | — | — | 1 | — | — | — | 1 |
| 17. South Korea | — | — | — | — | — | — | 1 | — | — | — | — | — | — | 1 |
| 18. Sri Lanka | — | — | — | — | — | 2 | 3 | — | — | 2 | — | — | — | 7 |
| 19. Singapore | — | 1 | — | — | — | 1 | 1 | — | — | 1 | — | 3 | — | 7 |
| 20. Seychelles | 1 | — | — | — | — | — | — | — | — | — | — | — | — | 1 |
| 21. Thailand | — | — | 1 | — | — | — | — | — | — | — | — | — | — | 1 |
| 22. United States of America | 1 | 2 | — | — | — | — | — | — | — | 4 | — | — | — | 7 |
| 23. United Kingdom | 15 | 12 | — | 3 | 1 | — | — | 4 | 1 | 6 | 1 | 2 | 1 | 46 |
| 24. United Arab Emirates | 8 | — | — | — | — | — | — | — | — | — | — | — | — | 8 |
| 25. Federal Republic of Germany | — | — | — | — | — | — | — | — | — | 1 | — | — | — | 1 |
| **TOTAL** | **57** | **24** | **1** | **3** | **1** | **3** | **12** | **4** | **1** | **24** | **1** | **9** | **1** | **141** |

* Excluding Representative Offices, Subsidiaries and Joint Ventures.

*Source* : Department of Banking Operations and Development, RBI

**Table VII 24: Progress of Primary Co-operative Banks ***

(Rupees crores)

| Items | Co-operative Year (July-June) | | |
|---|---|---|---|
| | 1980-81 | 1981-82 | 1982-83 £ |
| Number | 1,228 | 1,258 | 1,281 |
| No.of offices | 2,125 | 2,254 | 2,332 @ |
| Owned funds | 230 | 282 | 393 |
| Deposits | 1,331 | 1,650 | 2,278 |
| Borrowings | 92 | 146 | 313 |
| Loans outstanding | 1,071 | 1,425 | 1,802 |

* Include Salary Earners' Societies
£ Provisional
@ As on 31.3.1983
*Source* : Reserve Bank of India

the Reserve Bank during 1983-84 are reviewed below :

*Credit Policy*

*Deposit Rates*

The structure of interest rates on deposits remained unchanged during the year under review. The urban co-operative banks have been allowed to pay, at their discretion, additonal interest of one per cent per annum on deposits than those allowed to the commercial banks. However, certain changes effected in the rates regarding levy of penalty on premature withdrawals of deposits etc., which were made applicable to commercial banks and state and central co-operative banks since May 1, 1983 were extended by the Reserve Bank to urban co-operative banks with effect from August 1, 1983.

*Lending Rates*

The Reserve Bank effected revisions in the rates of interest to be charged by urban co-operative banks for three categories of advances with effect from January 2, 1984. The revised rates are as follows :

| Category of advances | Rates of interest (per cent per annum) | |
|---|---|---|
| | Prior to Jan.2,1984 | from Jan.2,1984 |
| **(i) Small-scale Industry** | | |
| Composite loans upto Rs.25,000/- in backward areas | 10·0 | Not exceeding 11·0 |
| **(ii) Retail Trade Advances** | | |
| Limits upto and inclusive of Rs.5000/- | 12·5 | Not exceeding 14·0 |
| **(iii) Term Loans** | | |
| Small-scale Industry (Units as in the new definition of SSI)- Backward areas | 12·5 | Not exceeding 13·5 |

*Short-term Credit Limits*

During the year 1983-84 (April-March), short-term credit limits aggregating Rs.56·4 crores were sanctioned on behalf of 101 urban co-operative banks to SCBs under Section 17(2) (bb) read with Section 17(4)(c) of the Reserve Bank of India Act, 1934 for financing cottage and small-scale industrial units at a concessional rate of interest i.e.$2\frac{1}{2}$ per cent below the Bank Rate. The outstanding borrowings under the above limits amounted to Rs.48 crores as on March 31,1984.

*Important Policy Changes*

It may be recalled that the Reserve Bank had appointed in April 1983, a Standing Advisory Committee for Urban Co-operative Banks (UCBs) for advising the Bank on matters of policy and functions on a continuing basis. The Committee in its first meeting held in May 1983 had made certain recommendations regarding lending policy. These recommendations were accepted by the Reserve Bank with some modifications and following guidelines were issued to PCBs in September 1983.

*(a) Priority Sector Lending*

All the urban co-operative banks were advised by the Reserve Bank in September 1983 to achieve by June 30, 1985 the target of 60 per cent of their total advances towards priority

sector (as against 40 per cent applicable to commercial banks) lending of which at least 25 per cent (or 15 per cent of the total loans and advances) should be to weaker sections. The UCBs with priority sector lendings at less than 40 per cent of their total advances as on June 30, 1983, were advised to raise the level of such advances by 10 per cent each year over the next two years.

*(b) Housing Finance*

Revised guidelines for financing of housing schemes by UCBs were issued in September 1983 whereby the eligibility criteria as regards borrowers as well as schemes were outlined. The total quantum of loans for an individual borrower was not to exceed Rs.50,000. The UCBs were also permitted to extend the finance upto 80 per cent of the value of the property in respect of borrowers belonging to scheduled castes/tribes and lower income groups. Schemes eligible for finance are various social welfare projects like slum clearance schemes, hostels for SC/STs, schemes under public health programme, shopping centres/market forming part of housing projects, etc. The finance to be extended to the institutions like housing boards, local bodies, etc. has, however, to be restricted to not exceeding 40 per cent of the cost of the project. The interest on housing loans was fixed at not more than 15 per cent per annum. The loans should be repayable normally within 10 years which can be extended even upto 15 years, wherever necessary. A UCB can, however, utilise only upto 10 per cent of its total deposit resources or 25 per cent of its net disposable long-term resources, whichever is more, for providing housing loans as well as block capital loans to SSI units.

*(c) Share Linking to Borrowings*

The Reserve Bank effected certain relaxations in the norms for linking of share holding to borrowings in the cases of certain categories of bigger banks. The Registrars of co-operative societies were advised to allow reduced share linking of one per cent to borrowings in the case of secured loans provided by the UCBs with paid-up share capital and reserves of rupees one crore and above subject to certain conditions like fixation of maximum borrowing power at 25 times of the owned funds, adequate provision for bad and doubtful debts, overdues not to exceed 20 per cent of outstanding loans and advances, etc. of such banks.

*(d) Refinance Facilities for Financing SSI Units*

The policy governing refinance assistance from the Reserve Bank for financing SSI units was modified during the year. In terms of the modified policy, the concessional refinance at $2\frac{1}{2}$ per cent below the Bank Rate to the SCBs would normally be available to their financing UCBs for lending to new SSI units or those which are in existance/under production for not more than seven years to meet their genuine credit needs. The concessional refinance from the Reserve Bank may be utilised by the UCBs for lending to small and tiny units enjoying credit limits upto Rs.2 lakhs from all sources irrespective of the period of their existance/production. The refinance facility under the scheme will be available only to banks which are regular in submission of the statutory and other returns to the Reserve Bank.

*(e) Term Loan Refinance from IDBI*

The Industrial Development Bank of India (IDBI) has been extending, since August 1983, term loan facilities under its refinance scheme to the SCBs on behalf of the central and primary co-operative banks in ten states viz., Andhra Pradesh, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal to enable them to give term loan to meet the block capital requirements of SSI units. The term credit facility of IDBI is restricted to the UCBs falling within either 'A' or 'B' category under the latest statutory audit classification and which are also approved institutions for the purpose of availing of the guarantee cover from DICGC.

*(f) Loans to State Governments for Contribution to Share Capital*

With a view to enabling the Urban Co-operative Banks to provide loans to SSI units,

NABARD agreed to continue for a further period of two years the present arrangements of sanctioning loans to the State Governments for contributing to the share capital of these banks.

*(g) Advances Against Sensitive Commodities*

In terms of the directive issued in August 1981, advances of all the urban banks against commodities subject to selective credit controls had been regulated. Under the modified directives issued in September and December 1983, aggregate level of credit sanctioned to a single borrower against the security of cotton textiles, etc. were revised from Rs.1 lakh to Rs.4 lakhs. Within these aggregate levels, banks were permitted to grant at their discretion,to a single borrower, advances against book debts arising out of sale of the said commodities (i.e., cotton textiles, etc.) and outstanding for a period not more than 60 days upto Rs.2 lakhs subject to certain conditions. In regard to advances against other sensitive commodities, the aggregate level of credit sanctioned to a single borrower has been revised from Rs.1 lakh to Rs.2 lakhs. Advances granted by way of purchase or against the security of demand documentary bills covering the sensitive com modities have been totally exempted from the purview of the directive.

In terms of the directives issued on April 10, 1984, the urban co-operative banks in Gujarat and Karnataka States were directed to maintain the aggregate level of credit below a maximum of Rs.50 lakhs and charge interest at the rate of 18 per cent per annum and maintain the minimum margin of 50 per cent on advances to parties against the security of cotton and kapas, whether the security is by way of pledge or hypothecation.

*Licensing Policy*

In pursuance of the suggestions made by the Standing Advisory Committee for Urban Co-operative Banks, the Reserve Bank relaxed the norms relating to area of operations of new urban co-operative banks so as to facilitate inclusion of the peripheral area in the immediate vicinity of an urban town/city irrespective of its being part of an urban agglomeration or not. Similarly, other urban/semi-urban centres in close proximity of the headquarters of the proposed bank may be included in its area of operations provided that no urban co-operative banking facilities are available at such centres and inclusion of the area is considered necessary to ensure viability of the bank. Concessions regarding the area of operations would also be extended in deserving cases to banks organised in areas inhabited predominantly by scheduled caste/tribes or other weaker sections or for the benefit of women. However, the Reserve Bank continued to follow a highly selective and restrictive approach in granting permission to urban banks in opening new places of business in urban/metropolitan/port-town centres. The urban banks are not allowed to function in rural areas in view of the existence of co-operative credit institutions there.

*Issue of Licences and Inspections*

During the year 1983-84 (July-June), 156 licences were issued to various PCBs by the Reserve Bank for opening new offices in the country. Licences to carry on or commence banking business were issued to 27 existing and 25 new PCBs during the year (July-June) as against 22 licences issued to existing and 13 new PCBs during 1982-83. The number of total licenced PCBs as at the end of June 1984 stood at 393. During 1983-84 (July-June), inspections of 397 PCBs were conducted by the Reserve Bank and inspection reports on 451 banks were issued.

*Credit Authorisation Scheme*

During 1983-84, 120 proposals from 22 urban co-operative banks for an aggregate amount of Rs.114 crores seeking Reserve Bank's approval for exemption from the purview of the directive regarding maximum limit on advances to individual parties were received, of which, 86 proposals involving 18 banks for an aggregate amount of Rs.78 crores were approved by the Reserve Bank. Further, 5 urban banks in Maharashtra were allowed to participate in consortium finance to the Maharashtra State Co-operative Marketing Federation to the extent of Rs.11·5 crores, for procurement of cotton under the Monopoly Cotton Procurement

Scheme * of the Government of Maharashtra during the 1983-84 season. Similarly, two urban banks were authorised to renew the packing credit facility amounting to Rs.37·5 crores to the above marketing federation upto March 31, 1985.

*Credit Guarantee Scheme of DICGC for financing SSI units*

The total number of urban banks covered by the Credit Guarantee Scheme of DICGC for financing SSI units increased from 507 as at end-June 1983 to 560 as at end-June 1984. The increase in the number was due mainly to the inclusion of 47 PCBs including the newly organised urban banks which were granted licences to commence/carry on banking business. Besides, 6 more unlicensed urban banks were recommended by the Reserve Bank to the DICGC for inclusion in the list of eligible credit institutions for availing of the Small Loans (SSI) Guarantee Scheme, 1981. However, one bank was deleted from the list of eligible institutions following cancellation of its licence.

*Permission to Deal in Foreign Exchange Business*

There were two urban co-operative banks viz., Bombay Mercantile Co-operative Bank Ltd. and Saraswat Co-operative Bank Ltd., authorised to deal in foreign exchange at the end of June 1984. It has been decided, in principle, to grant permission for opening Non-resident Rupees (External)/(Ordinary) Accounts to the urban banks on a selective basis.

*Standing Advisory Committee for Urban Co-operative Banks*

At its second meeting held in January 1984, the Standing Advisory Committee (SAC) for urban co-operative banks viewed with concern the deteriorating level of operational efficiency in the PCBs in general as reflected in the increasing number of banks identified as weak banks requiring rehabilitation. The Committee suggested that positive steps should be taken, including drawing up of time bound rehabilitation programme to bring about a rapid improvement in the urban co-operative banks' financial position and operational efficiency and evaluation of their performance in the light of action programmes suggested by the State Level Review Committee. The SAC also suggested certain basic changes in the policy relating to provision of financial accommodation under Section 17(2)(bb) read with section 17(4)(c) of the RBI Act, 1934 to urban co-operative banks for financing small scale cottage industrial units. Under the modified policy, the refinance facility is to be made available to urban banks for financing new SSI units which are in existence for not more than 7 years as also tiny units enjoying credit limits upto Rs.7 lakhs.

* The total credit authorisation sanctioned by NABARD to the Maharashtra State Co-operative Bank Ltd. for financing procurement of cotton under the above scheme amounted to Rs.133 crores during 1983-84 as against Rs.200 crores in 1982-83.

## Regional Rural Banks (RRBs)

*Setting up of new RRBs*

Further progress was made during 1983-84 in setting up of new RRBs. At the end of March 1984, there were 159 RRBs covering 281 districts spread over 21 States and 2 Union Territories. At the end of March 1984 there were 8,213 offices of RRBs as compared with 6,398 offices at the end of March 1983. The names of sponsor banks and the number of RRBs sponsored by them upto end-March 1984 are as under:

| | |
|---|---|
| State Bank of India group | 34 |
| Central Bank of India | 20 |
| Bank of Baroda | 19 |
| Punjab National Bank | 14 |
| Bank of India | 13 |
| United Bank of India | 10 |
| Syndicate Bank, United Commercial Bank | 8 each |
| Allahabad Bank, Canara Bank | 7 each |

| | |
|---|---|
| Union Bank of India | 4 |
| Dena Bank, Indian Overseas Bank | 3 each |
| Andhra Bank, Bank of Maharashtra, The Jammu & Kashmir Bank Ltd | 2 each |
| Indian Bank, Bank of Rajasthan Ltd., UP State Co-op. Bank Ltd. | 1 each |

According to available information, Uttar Pradesh had the largest number of RRB offices (1,808) followed by Bihar (1,325) and Madhya Pradesh (878); the number of offices varied between 500 and 800 in Andhra Pradesh, Karnataka, Orissa, and Rajasthan and between 200 and 500 in Kerala, Jammu and Kashmir and West Bengal. State-wise distribution of RRBs and their offices at the end of March 1984 was as under:

| State | No. of RRBs | No. of dist-ricts covered | No. of offices |
|---|---|---|---|
| 1. Andhra Pradesh | 12 | 17 | 607 |
| 2. Assam | 5 | 10 | 166 |
| 3. Bihar | 17 | 27 | 1,325 |
| 4. Gujarat | 7 | 11 | 122 |
| 5. Haryana | 2 | 5 | 168 |
| 6. Himachal Pradesh | 1 | 3 | 81 |
| 7. Jammu & Kashmir | 3 | 10 | 210 |
| 8. Karnataka | 8 | 13 | 622 |
| 9. Kerala | 2 | 4 | 238 |
| 10. Madhya Pradesh | 20 | 35 | 878 |
| 11. Maharashtra | 7 | 13 | 178 |
| 12. Manipur | 1 | 8 | 12 |
| 13. Meghalaya | 1 | 3 | 16 |
| 14. Nagaland | 1 | 7 | 1 |
| 15. Orissa | 9 | 12 | 591 |
| 16. Punjab | 3 | 6 | 18 |
| 17. Rajasthan | 13 | 26 | 516 |
| 18. Tamil Nadu | 1 | 2 | 116 |
| 19. Tripura | 1 | 3 | 61 |
| 20. Uttar Pradesh | 35 | 43 | 1,808 |
| 21. West Bengal | 8 | 16 | 477 |
| 22. Arunachal Pradesh | 1 | 4 | 1 |
| 23. Mizoram | 1 | 3 | 1 |
| **Total** | **159** | **281** | **8,213** |

*Operations of RRBs*

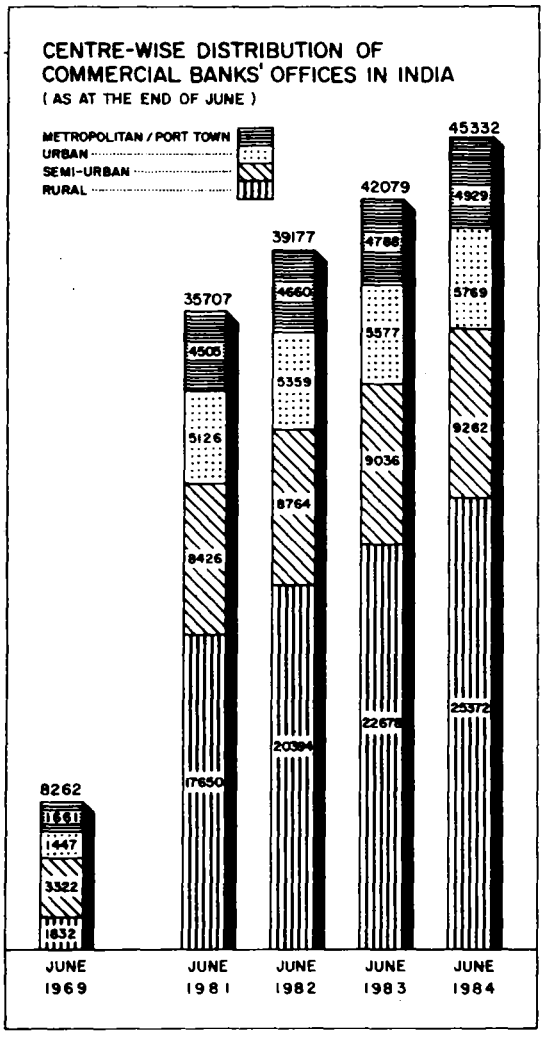
At the end of March 1984 deposits and advances of 159 RRBs stood at Rs. 698 crores and Rs.809 crores (including direct and indirect advances) respectively, compared with deposits and advances of Rs.502 crores and Rs.603 crores respectively, of 124 RRBs at the end of March 1983. RRB's total advances to weaker sections amounted to Rs.781 crores at the end of March 1984 (as against Rs.579 crores at the end of March 1983); these formed 97 per cent of their total advances. The purposewise break-up of these advances is as follows:

| Purpose | Amount (Rupees crores |
|---|---|
| Short term (Crop Loans) | 148 |
| Term loans for agriculture | 192 |
| Activities allied to agriculture | 145 |
| Rural artisans, village and cottage industries | 48 |
| Retail trade, self-employed, etc. | 192 |
| Consumption loans/other purposes | 56 |
| **Total** | **781** |

Aggregate cumulative lending of RRBs under IRDP at the end of December 1983 was Rs.151 crores in 7,84,035 accounts compared to Rs.36 crores in 1,64,338 accounts a year ago. RRBs have been specifically instructed to increase coverage of beneficiaries under the 20-Point Programme by drawing up plans to ensure their sizeable participation. They have also been instructed to report the progress made in this regard.

*Refinance from NABARD*

During 1983-84 the National Bank for Agriculture and Rural Development (NABARD) sanctioned refinance limits aggregating Rs. 267 crores to 106 RRBs. Outstanding refinance of these banks at the end of March 1984 amounted to Rs. 231 crores as against Rs.189 crores to 97 RRBs at the end of June 1983. Availment of long-term refinance by RRBs from NABARD under schematic lending showed a significant




increase. As at the end of March 1984, 554 schemes involving NABARD commitment of Rs. 219 crores were sanctioned to RRBs and drawals amounted to Rs.149 crores as on that date compared with 458 schemes involving commitment of Rs. 177 crores and drawals of Rs. 120 crores at the end of June 1983. Refinace availed of by RRBs from their sponsor banks amounted Rs. 99 crores at the end of December 1983.

*Steering Committe on RRBs*

After the formation of NABARD, its reconstituted Steering Committee on RRBs held two meetings. The Committee meetings reviewed the progress in setting up of RRBs and approved several proposals of RRB coverage for a number of districts in different parts of the country. In view of Government's desire to bring all districts in the country under coverage of RRBs as early as possible, the Committee directed that in the first stage quick action be initiated to identify districts deserving priority consideration for setting up RRBs. The Committee also considered the question of enlarging the scope of lending by RRBs and decided that the image of RRBs as a small man's bank should be preserved and RRBs' loaning policies should be exclusively directed to serve his interests. Various operational and administrative issues relating to RRBs were also considered by the Committee and appropriate recommendations were made for resolving them. Though NABARD had offered to assist RRBs from its R & D Fund for setting up technical cells for preparation and evaluation of schemes under project lending, RRBs have not been able to take advantage of this offer in full measure due to their inability to attract suitably qualified technical personnel conforming to specifications of NABARD. Proposals are under consideration to relax the norms as far as possible to enable RRBs to make greater use of the assistance offered to them.

*Operational Guidelines to RRBs*

Following the suggestion of the conference of Chairmen of RRBs for preparation of a common set of operational Guidelines for use of RRB staff who were not sufficiently trained for their jobs, NABARD had set up a committee to advise the scope and contents of a detailed book of instructions. The book is expected to be ready shortly.

NABARD is also engaged in compiling a compendium of circulars/instructions issued to RRBs by Government, RBI and NABARD, and the publication is expected to be ready shortly.

*Viability Study on RRBs*

A Reserve Bank study published in March 1981 had indicated certain norms for viability of RRBs. There was a feeling in certain circles including sponsor banks and RRBs that many of the assumptions on which the conclusions of this study were based were not valid at the present juncture and it was necessary to have a fresh look on issues of viability of RRBs. In view of this, NABARD decided to have a fresh study undertaken on the subject and entrusted this job to the Agricultural Finance Corporation. A report based on the study is expected to be available shortly.

**Deposits and Credit of Scheduled Commercial Banks: Areawise and Statewise**

With the rapid spread of banking facilities in the country following nationalisation of 14 major banks in July 1969, the contribution of rural and semi-urban offices of scheduled commercial banks in mobilisation of deposits and extension of credit has also risen significantly.

The share of rural offices of scheduled commercial banks in total deposits and advances at the end of June 1983 was 14·1 per cent and 12·4 per cent, respectively, as against barely 3·1 per cent and 1·5 per cent, respectively, on the eve of bank nationalisation, *viz.*, in June 1969. As regards semi-urban offices, the rise was significant in the case of advances; their share in total advances increased from 11·3 per cent in June 1969 to 17·7 per cent in June 1983. On the other hand, the combined share of urban and metropolitan offices both in deposits and advances declined over the same period (Table VII–25).

In the case of rural offices the average size of deposits rose by $3\frac{1}{2}$ times and that of advances by 5 times during this 14 year period. There was also a more or less similar rise in the case of semi-urban offices. The rise in the average size of deposits and advances of urban and metropolitan offices which had a base in June 1969 was, however, relatively less marked.

The guidelines issued to banks to utilise a rising proportion of deposits mobilised in rural and semi-urban areas within those areas and the efforts made by banks in this direction during the post-nationalisation period are reflected in the significant increase in credit-deposit ratios of these areas for which target ratio has been set at 60 per cent. Between June 1969 and June 1983, credit-deposit ratio of rural offices of scheduled commercial banks rose from 37·2 per cent to 59·9 per cent and that of semi-urban offices from 39·7 per cent to 50·8 per cent. Banks are however still much behind the target ratio in the case of semi-urban areas.

Data on mobilisation of various categories of deposits by banks in the four population group areas are presented in Table VII-26. At the end of December 1981, total deposits of scheduled commercial banks stood at Rs.44,010 crores mobilised through 1,498 lakh accounts. The share of rural and semi-urban offices in total deposits was 13·3 per cent (Rs. 5,835 crores) and 22·9 per cent (Rs. 10,085 crores) respectively. Their combined share in total number of deposit accounts was over 55 per cent. The share of urban and metropolitan offices in total deposits was 24·8 per cent and 39·0 per cent, respectively. The all-India average of deposit per account was Rs. 2,938 at the end of December 1981 compared with Rs. 2,746 a year ago.

In all the population groups, savings deposit accounts continued to constitute the highest proportion of total deposit accounts while the amount of term deposits continued to account for the highest share of total deposits. Savings accounts formed 72·7 per cent of all deposit accounts in the case of rural offices and more than 60 per cent each in the case of semi-urban, urban and metropolitan offices. As regards deposit amounts, term deposit constituted the highest proportion of total deposits of all population groups and ranged between 49 and 56 per cent, although in rural areas the proportion of savings deposits was also high (43·0 per cent). Both in terms of number of accounts and amout, current deposits were not significant in rural and semi-urban areas. In the case of urban and metropolitan areas although the proportion of number of current deposit accounts was small, the proprtion of the amount of current deposits to total deposits was 16 per cent and 20 per cent,

**Table VII—25 : Distribution of Deposits and Advances of Scheduled Commercial Banks according to Population Groups**
(As on the last Friday)

(Rupees crores)

| Population Group | June 1969 | | June 1982 | | June 1983 | | Increase (June 1969 to June 1983) | |
|---|---|---|---|---|---|---|---|---|
| | Deposits | Advances | Deposits | Advances | Deposits | Advances | Deposits | Advances |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1. Rural | 145 | 54 | 6,464 | 3,792 | 7,657 | 4,588 | 7,512 | 4,534 |
| Percentage to total | 3·1 | 1·5 | 13·9 | 12·2 | 14·1 | 12·4 | 15·1 | 13·6 |
| Average amount per office | 0·10 | 0·04 | 0·32 | 0·19 | 0·35 | 0·21 | — | — |
| 2. Semi-Urban | 1,024 | 407 | 10,788 | 5,391 | 12,892 | 6,546 | 11,868 | 6,139 |
| Percentage to total | 22·0 | 11·3 | 23·2 | 17·3 | 23·7 | 17·7 | 23·9 | 18·4 |
| Average amount per office | 0·31 | 0·12 | 1·18 | 0·59 | 1·32 | 0·67 | — | — |
| 3. Urban | 1,209 | 722 | 11,554 | 7,052 | 13,503 | 8,226 | 12,294 | 7,504 |
| Percentage to total | 25·9 | 20·0 | 24·9 | 22·7 | 24·8 | 22·2 | 24·7 | 22·4 |
| Average amount per office | 0·63 | 0·38 | 1·98 | 1·21 | 2·22 | 1·35 | — | — |
| 4. Metropolitan | 2,287 | 2,426 | 17,607 | 14,847 | 20,352 | 17,689 | 18,065 | 15,263 |
| Percentage to total | 49·0 | 67·2 | 37·9 | 47·7 | 37·4 | 47·7 | 36·3 | 45·6 |
| Average amount per office | 1·53 | 1·62 | 4·08 | 3·44 | 4·60 | 4·00 | — | — |
| **Total of 1 to 4** | **4,665** | **3,609** | **46,413** | **31,082** | **54,404** | **37,049** | **49,739** | **33,440** |
| | (100·0) | (100·0) | (100·0) | (100·0) | (100·0) | (100·0) | (100·0) | (100·0) |
| Average amount per office | 0·57 | 0·44 | 1·18 | 0·79 | 1·29 | 0·88 | — | — |

*Note* : The data for June 1982 and June 1983 are provisional.

*Source* : 1. Based on Basic Statistical Return 1 & 2 for June 1969.
2. Monthly Return on Aggregate Deposits and Gross Bank Credit for June 1982 and June 1983.

respectively. Notwithstanding the overall impressive performance of banks during the post-nationlisation period wide inter-state disparities still exist in mobilisation of deposits and deployment of credit. Aggregate deposits of scheduled commercial banks increased during this period by Rs.49,739 crores to Rs.54,404 crores. Maharashtra (Rs. 8,675 crores) Uttar Pradesh (Rs. 5,370 crores), West Bengal (Rs.5,346 crores) and Delhi (Rs. 4,775 crores) together accounted for nearly half of this increase. Other States which mobilised substantial deposits were Gujarat (Rs. 3,249 crores), Tamil Nadu (Rs. 3,194 crores), Punjab (Rs. 2,754 crores), Andhra Pradesh (Rs. 2,874 crores), Karnataka (Rs. 2443 crores) and Bihar (Rs. 2,165 crores). All other States together accounted for about 18 per cent of the incremental deposits.

The urban and metropolitan centres together accounted for 61 per cent, semi-urban centres for 24 per cent and rural centres for 15 per cent of the incremental deposits during the 14 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. 7,657 crores or by 53 times, semi-urban deposits from

**TABLE VII—26 : Distribution of Deposits of Scheduled Commercial Banks according to Population Group and Type of Deposits**

(As on the last Friday of December 1981)

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

| Population Groups | Current | | | Savings | | | Term | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of Accounts | Amount Out-standing | Average per Account (Rs.) | No. of Accounts | Amount Out-standing | Average per Account (Rs.) | No. of Accounts | Amount Out-standing | Average per Account (Rs.) | No. of Accounts | Amount Out-standing | Average per Account (Rs.) |
| 1. | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| **RURAL** | **8,37** | **441,05** | **5,269** | **274,90** | **2513,15** | **914** | **94,82** | **2880,26** | **3038** | **378,09** | **5834,46** | **1543** |
| Percent to total deposit category | (12·8) | (6·5) | | (28·1) | (19·1) | | (20·9) | (12·0) | | (25·2) | (13·3) | |
| Percent to total deposits | 2·2 | 7·6 | | 72·7 | 43·0 | | 25·1 | 49·4 | | 100·0 | 100·0 | — |
| **SEMI-URBAN** | **18,61** | **1143,74** | **6146** | **294.06** | **3470.96** | **1180** | **136,16** | **5470,40** | **4018** | **448,83** | **10085,10** | **2247** |
| Per cent to total deposit category | (28·4) | (16·7) | | (30·0) | (26·4) | | (30·0) | (22·8) | | (30·0) | (22·9) | |
| Per cent to total deposits | 4·2 | 11·3 | | 65·5 | 34·4 | | 30·3 | 54·3 | | 100·0 | 100·0 | |
| **URBAN** | **18,37** | **1784,23** | **9713** | **213,96** | **3124,02** | **1460** | **118,00** | **6002,93** | **5087** | **350,33** | **10911,19** | **3115** |
| Per cent to total deposit category | (28·1) | (26·1) | | (21·9) | (23·7) | | (26·0) | (25·0) | | (23·4) | (24·8) | |
| Per cent to total deposits | 5·2 | 16·3 | | 61·1 | 28·6 | | 33·7 | 55·1 | | 100·0 | 100·0 | |
| **METROPOLITAN** | **20,09** | **3471,47** | **17280** | **195,53** | **4053,92** | **2073** | **105,13** | **9654,00** | **9183** | **320,75** | **17179,38** | **5356** |
| Per cent to total deposit category | (30·7) | (50·7) | | (20·0) | (30·8) | | (23·1) | (40·2) | | (21·4) | (39·0) | |
| Per cent to total deposits | 6·2 | 20·2 | | 61·0 | 23·6 | | 32·8 | 56·2 | | 100·0 | 100·0 | |
| **TOTAL** | **65,44** | **6840,49** | **10453** | **978,45** | **13162,15** | **1345** | **454,11** | **24007,59** | **5287** | **1498,00** | **44010,13** | **2938** |
| 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 | 4·4 | 15·5 | | 65·3 | 30·0 | | 30·3 | 54·5 | | 100·0 | 100·0 | |

*Note* : Data are provisional.

*Source* : Basic Statistical Returns.

Rs. 1,024 crores to Rs. 12,892 crores or by 13 times and deposits of urban/metropolitan offices from Rs. 3,496 crores to Rs. 33,855 crores or by 10 times. Of the incremental rural deposits of Rs.7,512 crores, Uttar Pradesh claimed the highest share (Rs. 1,210 crores) followed by Punjab (Rs. 860 crorees), Gujarat (Rs. 569 crores), Andhra Pradesh (Rs. 546 crores) and Bihar (Rs.509 crores). Incremental rural deposits ranged between Rs. 300 crores and Rs. 500 crores in West Bengal, Madhya Pradesh, Maharashtra, Karnataka and Tamil Nadu and between Rs.100 crores and Rs. 300 crores in another 7 States and in the Union territory of Goa, Daman and Diu.

Of the incremental deposits of Rs. 11,868 crores of semi-urban offices, Uttar Pradesh again claimed the highest share (Rs. 1,295 crores), followed by Kerala (Rs.1,196 crores), Gujarat (Rs.1,082 crores), Punjab (Rs. 972 crores) and Maharashtra (Rs. 967 crores). The increase ranged between Rs.800 crores and Rs. 900 crores in Bihar, West Bengal, Andhra Pradesh and Tamil Nadu.

The incremental deposits of urban and metropolitan offices during this period amounted to Rs.30,359 crores. Of this, the share of Maharashtra at Rs. 7,269 crores was the highest. The other State/Union territory which accounted for a major share of this increase were Delhi (Rs. 4,710 crores) and West Bengal (Rs. 4,075 crores). These three together thus accounted for nearly 53 per cent of the incremental deposits of urban/metropolitan offices. Other States which contributed significantly to the increase were Uttar Pradesh (Rs.2,865 crores), Tamil Nadu (Rs. 1,942 crores), Gujarat (Rs. 1,599 crores), Andhra Pradesh (Rs. 1,469 crores) and Karnataka (Rs. 1,419 crores).

Credit extended by scheduled commercial banks increased ten-fold from Rs.3,609 crores at the end of June 1969 to Rs. 37,049 crores at the end of June 1983. As in the case of deposits, Maharashtra claimed the highest share of incremental credit (Rs. 7,744 crores), followed by Delhi (Rs.3,333 crores), Tamil Nadu (Rs. 2,949 crores), West Bengal (Rs. 2,759 crores) and Uttar Pradesh (Rs. 2,591 crores). These States together accounted for nearly 58 per cent of the incremental credit.

Credit extended by rural offices increased during the same period phenomenally from Rs. 54 crores to Rs.4,588 crores. Uttar Pradesh accounted for the highest share (Rs.681 crores) of the incremental credit of Rs.4,534 crores of rural offices followed by Andhra Pradesh (Rs. 472 crores), Karnataka (Rs. 389 crores), Tamil Nadu (Rs. 353 crores), Punjab (Rs. 316 crores), Maharashtra (Rs. 310 crores), Bihar (Rs. 275 crores), Gujarat (Rs. 250 crores), Madhya Pradesh (Rs.248 crores) and Rajasthan (Rs. 233 crores). The incremental credit ranged between Rs. 100 crores and Rs. 200 crores in Haryana, Orissa, West Bengal and Kerala.

In the case of semi-urban offices, the increase in credit during the period was from Rs. 407 crores to Rs. 6,546 crores. Uttar Pradesh, with an increase of Rs.702 crores accounted for the highest share of the incremental credit of Rs. 6,139 crores of semi-urban offices, followed by Kerala (Rs. 616 crores), Tamil Nadu (Rs. 572 crores), Gujarat (Rs. 552 crores) and Maharashtra and Andhra Pradesh (Rs. 527 crores each). These States together accounted for 57 per cent of the incremental credit of semi-urban offices.

Credit extended by urban and metropolitan offices increased eight-fold from Rs. 3,148 crores to Rs. 25,915 crores during the same period. Maharashtra (Rs.6,907 crores), Delhi (Rs. 3,311 crores), West Bengal (Rs. 2,409 crores), and Tamil Nadu (Rs.2,024 crores), which have a concentration of bank offices in urban/metropolitan centres, together accounted for over 64 per cent of the incremental credit of Rs. 22,767 crores. The other States which showed sizeable increases in credit in urban/metropolitan centres were Uttar Pradesh (Rs. 1,208 crores), Karnataka (Rs. 1,244 crores),

Andhra Pradesh (Rs.1,003 crores) and Gujarat (Rs.962 crores).

## WORKING OF ECGCI AND DICGC

### Export Credit Guarantee Corporation of India (ECGCI)

The name of the Export Credit and Guarantee Corporation Ltd., was changed to Export Credit Guarantee Corporation of India Ltd., during the year and its authorised capital was raised from Rs.5 crores to Rs.50 crores with a view to strengthening its capital base.

During 1983-84 (April-March), the ECGCI issued 5,850 policies and guarantees as against 7,579 in 1982-83. The policies and guarantees in force at the end of March 1984 stood at 12,451 compared with 10,770 at the end of March 1983 (Table VII-27). The value covered under insurance policies and other schemes during 1983 - 84 amounted to Rs. 1,688 crores (Rs.2,400 crores in 1982-83) and export advances covered under financial guarantees stood at Rs.6,755 crores (Rs. 6,717 crores in 1982-83). The premium earned during 1983-84 was Rs. 16·62 crores as against Rs. 22·61 crores earned in 1982-83 (excluding premium earned under Exchange Fluctuation Risks Cover Scheme ). Three policies with the maximum liability of Rs. 1·66 crores were issued under the Exchange Fluctuation Risk Cover Scheme. The UAE Dirham was included in the list of eligible currencies against fluctuation of which the Corporation's cover is available. The Corporation has already been extending cover in respect of Pound Sterling, U.S. Dollar, Deutsche Mark, Japanese Yen, Swiss Franc and French Franc.

During 1982-83, total value of gross claims paid amounted to Rs. 20·73 crores and value of claims recovered amounted to Rs. 1·68 crores with the result net claims paid amounted to Rs, 19·05 crores.

TABLE VII—27 : ECGCI's Guarantees and Policies for Exporters (April-March)

| Type | No. of Policies and Guarantees | | | | Bank Finance (Guarantees availed of) (Rs. crores) | |
|---|---|---|---|---|---|---|
| | Issued during | | In force at the end of | | | |
| | 1982 - 83 | 1983 - 84 | 1982 - 83 | 1983 - 84 | 1982 - 83 | 1983 - 84 |
| | 1. | 2. | 3. | 4. | 5. | 6. |
| 1. Standard Policies | 4,619 | 2,967 | 6,529 | 7,804 | — | — |
| 2. Packing Credit Guarantee | 505 | 479 | 589 | 674 | 4,736·98 | 4,994·83 |
| 3. Post Shipment Guarantee | 761 | 948 | 675 | 1,039 | 1,457·66 | 1,383·81 |
| 4. Export Finance Guarantee | 132 | 147 | 178 | 230 | 10·00 | 8·90 |
| 5. Export Production Finance Guarantee | 12 | 43 | 8 | 6 | 10·58 | 7·29 |
| 6. Export Performance Guarantee | 1,517 | 1,127 | 2,750 | 2,599 | 501·70 | 360·61 |
| 7. Special Schemes (Transfer Guarantee, Buyer Credit Insurance, Line of credit insurance and Overseas Investment Insurance Schemes) | 33 | 139 | 41 | 99 | 131·17 | 100·55 |
| **TOTAL** | **7,579** | **5,850** | **10,770** | **12,451** | **6,848·09** | **6,855·99** |

*Source* : Export Credit Guarantee Corporation of India Ltd.

**Deposit Insurance and Credit Guarantee Corporation.**

The Deposit Insurance and Credit Guarantee Corporation (DICGC) continued to make further progress in achieving its twin objectives of providing insurance protection to small depositors in banks and guarantee support to credit facilities extended to certain categories of small borrowers , particularly to those belonging to the weaker sections of the society in the context of banks' role in implementation of the New 20- Point Programme.

*Deposit Insurance Function*

The number of insured banks increased from 1,718 as at the end of June 1983 to 1,773 by the end of June 1984, comprising 84 commercial banks, 159 RRBs and 1,530 co-operative banks. The scheme now covers deposits of co-operative banks in fourteen States *viz.*, Andhra Pradesh, Gujarat, Himachal Pradesh, Jammu and 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 have 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 at the end of June 1983 amounted to Rs. 37,746 crores and constituted 74·3 per cent of the total assessable deposits of Rs. 50,797 crores. Fully protected accounts numbered 1,785 lakhs and formed 98·3 per cent of total number of deposit accounts.

Total amount of deposit insurance claims paid or provided for since the inception of the scheme upto the end of June 1984 in respect of 14 commercial banks and 12 co-operative banks amounted to Rs.113 lakhs and Rs.209 lakhs, respectively. The Corporation received from commercial and co-operative banks Rs.88 lakhs and Rs. 19 lakhs, respectively, towards repayment.

*Credit Guarantee Function*

*Schemes for Non-industrial Sector*: The number of credit institutions participating in the Small Loans Guarantee Scheme, 1971 increased from 188 at the end of June 1983 to 217 at the end of June 1984 comprising 75 commercial banks and 142 RRBs. The number of institutions participating in the Small Loans (Financial Corporation) Guarantee Scheme, 1971 remained unchanged at 18, while that of credit institutions participating in the Service Co-operative Societies Guarantee Scheme, 1971 increased from 149 at the end of June 1983 to 164 as at the end of June 1984 comprising 61 commercial banks, 63 RRBs and 37 co-operative banks. Total advances covered by these three credit guarantee schemes increased from Rs. 5,774 crores at the end of June 1983 to Rs. 6,115 crores by the end of June 1984 showing a rise of 5·9 per cent over the previous year (Table VII-28). Advances to farmers and agriculturists constituted 61·1 per cent of the guaranteed advances, followed by transport operators (17·4 per cent), retail traders (10·2 per cent), business enterprises (4·4 per cent), professional and self-employed persons (4·3 per cent) and the residual category of borrowers under the DRI Scheme (2·6 per cent).

During 1983-84 (April-March), 1,57,660 claims for Rs.32·83 crores were received by the Corporation. Claims disposed of numbered 1,64,744 for Rs. 23·82 crores. Total claims disposed of since the inception of the schemes for non-industrial sector till March 1984 numbered 4,62,755 for Rs.73·9 crores.

*The Scheme for Small-Scale Industries*

The number of institutions participating in the Corporation's Small Loans (Small-scale

**TABLE VII—28 : Credit Facilities Guaranteed by Deposit Insurance and Credit Guarantee Corporation**

(Rupees crores)

| Scheme/Category of borrowers | As at the end of June | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1972 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Non-Industrial Sector | | | | | | | |
| **1) Small Loans Guarantee Scheme, 1971** | **205·71** | **2,154·45** | **2,789·13** | **3,546·24** | **4,819·77** | **5,736·44** | **6,074·23** |
| i) Farmers and agriculturists | 134·67 | 1,345·80 | 1,796·10 | 2,267·52 | 3,041·59 | 3,594·84 | 3,737·36 |
| ii) Transport operators | 28·29 | 310·54 | 368·50 | 477·56 | 731·31 | 937·68 | 1,023·74 |
| iii) Retail traders | 28·34 | 257·39 | 316·65 | 398·86 | 511·83 | 574·80 | 625·15 |
| iv) Professional and self-employed persons | 9·14 | 108·11 | 127·09 | 165·66 | 199·12 | 240·76 | 260·98 |
| v) Business enterprises | 5·27 | 92·18 | 116·64 | 150·08 | 209·70 | 239·62 | 271·15 |
| vi) Residual category of borrowers under the DRI Scheme | — | 40·43 | 64·15 | 86·56 | 126·22 | 148·74 | 155·85 |
| **2) Small Loans (Financial Corporations) Guarantee Scheme, 1971** | **2·56** | **9·38** | **10·23** | **10·89** | **18·58** | **35·64** | **38·55** |
| i) Transport operators | 2·35 | 8·69 | 9·58 | 10·33 | 18·35 | 35·40 | 38·20 |
| ii) Business enterprises | 0·21 | 0·69 | 0·65 | 0·56 | 0·23 | 0·24 | 0·35 |
| **3) Service Co-operative Societies Guarantee Scheme, 1971** | **0·12** | **0·89** | **0·36** | **1·32** | **1·53** | **1·75** | **1·75** |
| Service Co-operative societies | 0·12 | 0·89 | 0·36 | 1·32 | 1·53 | 1·75 | 1·75 |
| Total non-industrial sector (1 + 2 + 3) | 208·39 | 2,164·72 | 2,799·72 | 3,558·45 | 4,839·88 | 5,773·83 | 6,114·53 |
| **4) Small Loans (small-scale industries) Guarantee Scheme, 1981** | — | — | — | **3,716·43** @ | **3,822·13** | **4,153·73** | **4,890·86** |
| **Total (all schemes)** | **208·39** | **2,164·72** | **2,799·72** | **7,274·88** | **8,662·01** | **9,927·56** | **11,005·39** |

@ As on March 31, 1981.

*Source* : Deposit Insurance and Credit Guarantee Corporation.

Industries) Guarantee Scheme, 1981 rose from 318 at the end of March 1983 to 377 by the end of March 1984 comprising 72 commercial banks, 104 RRBS, 16 State Financial Corporations (SFCs), 7 State development agencies and 178 co-operative banks. Besides, 1 commercial bank, 1 SFC and 6 co-operative banks have expressed their willingness to join the scheme but are yet to execute the agreements. The guaranteed advances to small-scale industries amounted to Rs.4,891 crores on June 30, 1984 as compared with Rs.4,154 crores a year ago.

During 1983-84 (April-March), the Corporation received under the scheme 13,620 claims for Rs.40·48 crores of which it disposed of 8,590 claims for Rs.15·92 crores.

As regards the discharge by the Corporation, acting as agent of the Government, of the residual functions in respect of the Government's scheme for small scale industries discontinued after March 31, 1981, the Corporation received, in addition to 30,826 claims for Rs.98·2 crores transferred to it on April 1, 1981, 34,014 claims for Rs.66·68 crores till the end of June 1984.

Total disposals upto the end of March 1984 aggregated Rs.70·3 crores.

*Schemes relating to Co-operative Sector*

Reference was made in the last year's Report to the Corporation's Small Loans (Co-operative Credit Societies) Guarantee Scheme,

1982 which extends guarantee cover for advances granted by co-operative credit institutions at primary level for agricultural and allied activities. To start with, certain select primary agricultural credit societies (PACs) and primary land development banks (PLDBs)/branches of State land development banks were invited to join this scheme from January 1, 1983 onwards. The Corporation also formulated another new scheme *viz.* Small Loans (Co-operative Banks) Guarantee Scheme, 1984 which extends guarantee cover to advances granted by primary (urban) co-operative banks for their non-industrial non-agricultural advances. Eligible primary (urban) co-operative banks were invited to join the scheme from July 1, 1984 onwards.

*Other Developments*

The Corporation amended, with effect from January 1, 1984 certain provisions of the Small Loans Guarantee Scheme, 1971, in order to bring the definitions of various categories of borrowers in alignment with those of priority sector borrowers as recommended by the Working Group set up by the Reserve Bank to examine the role of banks in implementation of the New 20-Point Programme. Guarantee cover has been made uniform in respect of credit facilities granted to retail traders engaged primarily in buying and selling of all kinds of goods (including fertilisers, mineral oils or pesticides). Further, an overall ceiling of Rs. 500 has been prescribed in respect of credit facilities granted from January 1, 1984 onwards for consumption needs of borrowers for specified purposes.

The scheduled Indian commercial banks participating in the Small Loans Guarantee Scheme, 1971 and Small Loans (Small-Scale Industries) Guarantee Scheme, 1981 have been advised that advances for productive activities granted directly to borrowers under Government's scheme for providing self-employment to educated unemployed youth (from September 1983) would *prima facie*, be eligible for guarantee cover under the former scheme in respect of ventures in service and business and under the latter scheme in respect of ventures in industry (*i.e.*, village artisans, cottage and tiny industry in the decentralised sector) after excluding subsidy amount provided by Government, subject to compliance of the various provisions of the respective credit guarantee schemes.

Advances granted by credit institutions to physically handicapped hand- loom weavers and other small borrowers upto Rs. 2,500 per borrower for purchase of artificial limbs, hearing aids, wheel chairs, etc. were made eligible for cover under the Small Loans (Small-scale Industries) Guarantee Scheme, 1981 and Small Loans Guarantee Scheme, 1971 provided such advances were granted *inter alia*, along with advances for productive purposes.

*Changes in Work System*

To cope with the increasing volume of work and to improve its overall efficiency, the Corporation introduced certain changes in its work systems and computerised some of its functions since September 1983. Initially non-industrial claims are being processed with computer-aided analysis. Computerisation of other functions such as collection and accounting of deposit insurance premia and credit guarantee fee, analysis of SSI claims and compilation of management information system in that regard and follow-up of claims paid accounts and collection of proportionate share of recoveries effected by credit institutions in claim paid accounts, are in progress. Suitable machinery for inspection of claim paid accounts and relative records of credit institutions is also being organised. These steps are likely to facilitate not only a more speedy settlement of claims but also collection of recoveries in claim paid accounts by virtue of the Corporation's subrogation right.

## COMMITTEES/WORKING GROUPS RELATING TO BANKING

### Committee to Review the Working of the Credit Authorisation Scheme

The Committee constituted by the Reserve Bank in November 1982 to review the working of the Credit Authorisation Scheme (CAS) submitted its Report in July 1983.

The Committee observed in its Report that CAS is not to be looked upon as a mere regulatory measure confined to large borrowers and that the basic purpose of CAS is to ensure orderly credit management and to improve the quality of bank lending so that all borrowings whether large or small, are in conformity with the policies and priorities laid down by the central banking authority. It found CAS to be extremely useful in improving the quality of credit appraisal and shifting the focus from security based lending to need based lending determined on established criteria and felt that continued surveillance by the Reserve Bank over lending operations of commercial banks has still an important role to play. The Committee concluded that it would be desirable to evolve a system in which there is an incentive for the borrowers to comply with all the requirements of the scheme including the information system and for the banks to improve the quality of credit appraisal. This, it felt, can best be achieved by ensuring that all cases where such compliance exists receive preferential treatment in the form of not requiring prior authorisation of the Reserve Bank. Based on these considerations, the major recommendations of the Commitee are as under:

(1) Banks should be allowed discretion to deploy credit in CAS cases which fulfil the prescribed conditions without the Reserve Bank's prior authorisation. These conditions are: (a)reasonableness of current assets, current liabilities and net working capital; (b)proper classification of current assets and current liabilities in conformity with the guidelines issued by the Reserve Bank; (c)maintenance of minimum current ratio of 1·33 : 1; (d)prompt submission of quarterly statements by the borrower for the past 6 months; and (e)an undertaking by the borrower to submit his annual accounts promptly and regular annual review by the bank. Notwithstanding this discretion,the proposals would go through normal process of scrutiny in the Reserve Bank and if it was found that the credit limit sanctioned was not warranted or was excessive, corrective action would be taken by the bank as directed by the Reserve Bank.

(2) In respect of export-oriented manufacturing units which export not less than 75 per cent of the turnover of the goods manufactured by them, the credit proposals should be disposed of at banks' level without prior reference to the Reserve Bank, provided the banks are satisfied about the reasonableness of the exporters' credit needs and subject to subsequent scrutiny by the Reserve Bank on the lines indicated above.

(3) The other CAS proposals not satisfying the suggested parameters should continue to undergo pre-disbursement scrutiny by the Reserve Bank as at present.

(4) For borrowers having working capital limits in excess of Rs. 5 crores, banks could allow *ad hoc* limits for periods upto 3 months to the extent of 25 per cent of the additional limit sought for, without any ceiling, provided they are found to be need-based by banks.

(5) In keeping with the spirit of the policy of placing increasing degree of reliance on judgement of banks, the L/C facilities for acquisition of current assets as well as capital equipment should be exempted from the requirement of prior authorisation.

(6) Steps should be taken by the Reserve Bank to ensure prompt submission of data by banks in Forms A and B so as to make it an effective instrument of monitoring their advances portfolios.

(7) In the interest of quality and speed of disposal, CAS advances in banks should be concentrated, to the extent possible, at selected number of specialised branches in metropolitan centres equipped with necessary expertise and staff strength.

(8) The data being collected from banks in Forms A and B contain a great deal of important and relevant information and these need to be properly analysed, tabulated, and computerised so as to develop an effective data-base which would be valuable in many ways. All efforts should be made to improve radically the extremely unsatisfactory position in regard to submission of the forms in time and free of inconsistencies, and incentives should be provided to those who comply with the requirements of the information system. The periodicity of Form A could be reduced from monthly to quarterly but it should be made incumbent on banks to send it regularly and without excessive time lag.

The Reserve Bank accepted the recommendations of the Committee with some modifications and issued a circular to scheduled commercial banks widening the areas of discretion vested in them for release of credit facilities to CAS borrowers, effective from April 1, 1984. Details have already been given in this Chapter while reviewing the 'Working of Different Schemes'.

**Costing in Commercial Banks**

The Reserve Bank convened a meeting of the Chiefs of 'Costing Cell' of commercial banks on April 19, 1984 with a view to (i) reviewing the progress of data collection work of banks; (ii) sorting out problems being faced by banks and offering clarifications and suggestions in this regard; and (iii) elaborating on the method of collection and consolidation of data on control costs as also various control data required to be sent by banks for computerisation. Various action points arising out of discussions at this meeting have since been advised to public sector banks on which necessary follow-up action is being taken by them.

**Committee to consider format of published accounts of banks, greater/full disclosure in such accounts, etc.**

The above Committee constituted by the Reserve Bank in March 1982 held several meetings with the Chairmen of banks, representatives of Regional Councils of the Institute of Chartered Accountants, Institute of Cost and Works Accountants, Chambers of Commerce, Management Institutes, etc. The Committee's work is in progress and its report is expected to be ready shortly.

**Working Group to Review the Existing System of Inspection of Banks**

The Working Group appointed by the Reserve Bank in December 1981 to review the existing systems of inspection of commercial banks in the public and private sectors, RRBs and urban co-operative banks submitted its report on October 22, 1983. A separate cell was set up to expedite processing of its suggestions/recommendations and for revising the Inspection Manual relating to commercial banks. The major recommendations relating to inspection of commercial banks having policy/staff implications and modalities of inspection and reporting which were processed by this cell have been approved by the Reserve Bank.

**Working Group to consider National Clearing of Outstation Cheques**

Mention was made in the last year's Report about the setting up of a Working Group to consider the feasibility of national clearing of outstation cheques with a view to reducing the overall time involved in the existing system. The Reserve Bank accepted the recommendations of the Group and has constituted a special cell, *viz.* National Clearing Cell in November 1983 in its Department of Banking Operations and Development to look after their implementation.

The Group had recommended introduction of Magnetic Ink Character Recognition (MICR) technology for mechanised cheque processing, initially in the four metropolitan cities of Bombay, Delhi, Calcutta and Madras and later in a phased manner in other State capitals and important centres, with a view to introducing the national clearing system for outstation cheques. Standard specifications for cheque paper, cheque layout, and MICR code line structure have been drawn up with the assistance of a Technical Committee formed for the purpose under the Chairmanship of the General Manager of the India Security Press, Nasik and comprising the General Manager of the Government Security Paper Mills, Hoshangabad, representatives of Indian Banks' Association and State Bank of India and officials of the Reserve Bank. This Committee submitted its report and its recommendations were accepted by the Reserve Bank. This Committee had also recommended a panel of paper manufacturing and security printers capable of supplying MICR grade cheque paper and printing of MICR encoded cheque forms. Detailed guidelines in this regard were issued to all banks and concerned Government Departments maintaining accounts with the Reserve Bank. A Technical Committee (Equipment) has also been constituted on which, besides the Reserve Bank, the Department of Electronics, Computer Maintenance Corporation, Indian Banks' Association and State Bank of India are represented. The technical committee will identify local computer suppliers who would import initial requirements of cheque processing and encoding equipment for use of banks and clearing houses and create necessary facility for undertaking manufacture of cheque processing machines indigenously.

Issue of standardised MICR encoded cheque forms by banks in the four metropolitan cities was expected to commence in the last quarter of 1984 and introduction of mechanised cheque processing in the second quarter of 1985.

**Committee of Direction (COD)**

The Committee of Direction which has been functioning in the Reserve Bank since 1975 to examine on an ongoing basis problems arising out of implementation of the Tandon Committee recommendations was reconsti tuted in July 1983. The Committee consists of representatives of the Reserve Bank, IDBI and commercial banks. This Committee has set up five sub-committees–four for reviewing inventory/receivables norms for various industries, *viz.*, engineering, electricals, textiles, glass, leather, etc.,and the fifth for evolving lending norms for units in the trading group. Reports of the sub-committees on textiles and electricals groups have been submitted. The recommendations of the sub-committee on textiles group have been accepted by the COD and the Reserve Bank with some modifications and banks have been advised of the revised norms. The recommendations of the sub-committee on electricals groups have also been accepted by the COD and these are under consideration of the Reserve Bank.

**Standing Co-ordination Committee**

The Standing Co-ordination Committee which was appointed in January 1979 following the recommendations of the Inter-Institutional Group (Bhuchar Committee) to consider issues pertaining to co-ordination between banks and term lending institutions was reconstituted under the Chairmanship of Shri A. Ghosh, Deputy Governor of the Reserve Bank in August 1983. The Committee will provide a

standing forum for sorting out inter-institutional problems relating to term lending in the light of experience gained in the past and review the involvement of banks and term lending institutions in extending term credit, besides dealing with compilation and sharing of information on term credit and any other issues that may be referred to it.

**Committee on Rehabilitation of Sick Industrial Undertakings**

The Tiwari Committee a reference to which was made in the 1981-82 Report set up to examine legal and other difficulties faced by banks and financial institutions in rehabilitation of sick industrial undertakings and suggest remedial measures, including changes in the law, has since submitted its final report which is being processed.

**Committees on Export Finance**

The Standing Committee on Export Finance, a high powered policy making body set up by the Reserve Bank in 1975 to discuss periodically the problems and policies relating to export finance, held three meetings during 1983-84. In December 1983, the Reserve Bank issued detailed guidelines to banks based on suggestions made by the Sub-Group appointed by the Standing Committee for elongated supplier's credit facilities for certain categories of goods selectively to promote exports to various African countries. Also, pursuant to the Sub-Group's recommendations, a Working Group was constituted consisting of representatives of the Reserve Bank, Exim Bank, ECGC, concerned banks and a Government nominee to consider proposals for extension of credit terms beyond 180 days for targetted African countries as well as other countries for export of selected commodities.

The Reserve Bank set up in October 1983 an All-India Export Advisory Committee consisting of Reserve Bank officials, representatives of banks and all-India export promotion councils/ organisations with a view to getting feed-back from exporters directly about their difficulties in matters of credit availability and exchange control regulations relating to exports. The Committee held 4 quarterly meetings during the year. A consultative Committee consisting of representatives of the Reserve Bank, commercial banks, tobacco exporters, Tobacco Board, and the Indian Tobacco Association was set up to look into export credit requirements of tobacco exporters. The Committee will meet once in a year under the chairmanship of the Chief Officer of the Industrial and Export Credit Department of the Reserve Bank. From April 1983, the Reserve Bank started conducting one-day seminars on export credit at various centres in the country for the benefit of both banks and exporters. The purpose of these seminars is to identify problems relating to banking and guarantee cover hampering growth of exports and to promote amongst banks and their exporter-clients a better understanding of these problems. So far, four such seminars were held one each in Bombay, Jaipur, Calcutta and Cochin.

**Standing Committees for Selected Industries**

The Standing Committees appointed by the Reserve Bank on co-ordination of Institutional Finance for four major industries, *viz.*, jute, tea, sugar and fertiliser, held separate meetings during the year. The Standing Committee for sugar industry constituted a sub-committee to examine problems of valuation of sugar stocks and framed revised guidelines on the basis of the findings of this sub-committee. Another sub-committee comprising representatives of banks, Government departments and sugar industry was appointed by it to suggest broad measures for rehabilitation of sugar industry. Two sub-committees were appointed for jute industry — one to identify potentially viable sick units in the jute industry and to recommend a package of measures required to make them viable and another to assess medium term outlook for export of jute goods and suggest ways for sustaining the level of exports. The first sub-committee for identification of potentially viable sick units submitted its report and banks and

financial institutions have already initiated necessary follow-up action. The Standing Committee on fertiliser industry also constituted two sub-committees to review inventory receivables norms for fertiliser industry and to review and suggest remedies for improving the distribution system based on sound financial backing on the basis of a study to be undertaken in Uttar Pradesh and Bihar. The Reports of these sub-committees are awaited.

## OTHER BANKING DEVELOPMENTS

### Banking Laws (Amendment) Act, 1983.

The Banking Laws (Amendment) Bill, 1983 (referred to in the last year's Report) proposing amendments to various statutes affecting banking, such as the Reserve Bank of India Act, 1934, and the Banking Regulation Act, 1949, was passed by both houses of Parliament in December 1983, received the President's assent on January 12, 1984, and has become the Banking Laws (Amendment) Act, 1983. The provisions of the said Act, except Sections 6, 7, 21, 26, 37 and Clauses (V) and (IX) of Section 42 thereof came into force from February 15, 1984 in terms of Government of India notification NO.F. 1 15 83-B.O.I. dated February 14, 1984.

In brief, the Act is the outcome of the recommendations of the Banking Commission and the Estimates Committee of the Parliament and the experience gained by the Reserve Bank in the administration of the above statutes. The more important amendments relate to:imposition of restrictions on individuals, firms and unincorporated associates in accepting deposits from public, enabling banks to undertake innovative measures such as leasing and factoring business, provision of nomination facilities to depositors persons keeping articles in safe custody and those hiring lockers with a bank, changing weekly return showing demand and time liabilties of a bank into a fortnightly return, basing the statutory liquidity ratio to be maintained by banks on demand and time liabilities as on the last Friday of the second preceding fortnight to which it relates, levy of penalty for non-compliance with statutory liquidity ratio, authorising the Reserve Bank to determine the mode of valuation of approved securities (one of the components of SLR) in accordance with monetary policy, protecting the rates of interest charged by banks in pursuance of the Reserve Bank directives from being challenged in courts as usurious, restricting the tenure of directors of banks to 8 continuous years, widening the scope of consideration which the Reserve Bank may take into account while examining applications for opening of banks, giving statutory backing to arrangements made by public sector banks regarding nomination of directors on the Boards of assisted units, raising the authorised capital of Deposit Insurance and Credit Guarantee Corporation to Rs. 50 crores, enabling amalgamation of private sector banks with nationalised banks, etc. Necessary rules in respect of Sections which are yet to become effective are being framed by the Reserve Bank. These Sections relate to cash reserve ratio of Scheduled Commercial banks (Section 42 of the Reserve Bank of India Act), publication of consolidated statements by the Reserve Bank (Section 43), maintenance of CRR by non-scheduled banks (Section 18 of the Banking Regulation Act), maintenance of SLR by banks (Section 24), nomination facilities to depositors,hirers of lockers and safe custody (incorporation of Part IIIB in the Banking Regulation Act ), and maintenance of CRR and SLR by co-operative banks ( Section 56 (j) and (q)).

### Banking Laws Committee's Reports

Of the five Reports submitted by the Banking Laws Committee appointed by the Government of India to review and codify commercial laws affecting banks, the recommendations contained in the Report on Hundis processed earlier were not accepted by the Reserve Bank and the Government was advised in the matter. The Reserve Bank's views on the draft Warehouse Receipts Bill contained in the Report on

Documents of Title to Goods were also forwarded to the Government. The Bill envisages giving a status of negotiability to warehouse receipts and if passed will facilitate grant of liberal bank credit against security of warehouse receipts.

As regards the other three reports, the position is as under:

*The Report on Negotiable Instruments Law* was examined in consultation with the Indian Banks' Association. Since the recommendations were mainly based on the Uniform Commercial Code of the USA, which is not suitable to the conditions prevailing in India, it was decided to reject the report and to review the Negotiable Instruments Bill, 1960 in the light of the laws of the U.K. and some other Commonwealth countries whose legal system is similar to the Indian legal system. Accordingly, the Bill, *vis-a-vis* the recommendations of the Banking Laws Committee having direct bearing on the Bill, were discussed at several meetings of its Legal Committee convened by the Indian Banks' Association. The draft Negotiable Instruments Bill, 1960, has since been revised in the light of the Indian Banks' Association's views and the same has been forwarded to the Government for their consideration.

*The draft Personal Property Security Bill* recommended by the Banking Laws Committee in its Report on Personal Property Security Law was examined by the Informal Group set up by the Reserve Bank. As the Group, which consisted of represenatives of the Indian Banks' Association and concerned departments of the Reserve Bank, did not categorically recommend enactment of the proposed legislation, the draft Bill was further examined by the Reserve Bank. Since the proposed Bill was likely to bring about radical changes, the Indian Banks' Association's final views were sought and the matter is now being finalised by the Reserve Bank.

*The Report on Real Property Security Law* submitted by the Committee had examined the lacunae in the law relating to credit and secutiry of immovable proporties and the special law relating to extension of rural credit by institutional agencies, legal framework pertaining to investigation of title to immovable property, scheme of registration, etc. The Indian Banks' Association's comments on the Reserve Bank's preliminary views on the report have since been received which are being considered by the Reserve Bank.

**Valuation of Securities for Liquidity Ratio**

The concession in the form of a partial exemption from the requirement of securities being valued at prices not exceeding the market prices, which was available to scheduled commercial banks upto March 1984, was extended till the end of September 1984.

**Increasing the Owned Funds of Banks**

The Finance Act, 1982 amended Section 36 of the Income Tax Act which enables such of the Indian scheduled banks engaged in banking operations outside India, as are notified by the Government, to create a special reserve account by transferring thereto, from out of the total income each year, an amount not exceeding 40 per cent of the income and claim rebate for the purpose of computation of tax. The question of notifying banks for the purpose of the amended Section 3(i) (viiia) of the I.T. Act was discussed with officials of the Finance Ministry and Central Board of Direct Taxes. Based on the norms decided, names of 7 public sector banks were recommended by the Reserve Bank to the Government; they are : State Bank of India, Bank of Baroda, Bank of India, Indian Overseas Bank, United Commercial Bank, Punjab National Bank and Central Bank of India. The Government notification is awaited.

*Computerisation of Clearing House Settlement Operations*

In continuation of the Reserve Bank's efforts to speed up settlement of cheques in the clearing houses managed by it at various centres, the clearing house operations at Calcutta are proposed to be computerised shortly and preparatory work towards this end is in progress. The clearing house operations at Madras, Bombay and Delhi were computerised in 1982-83. Arrangements are also being made to extend similar facility at the clearing houses in four more centres, *viz.*, Ahmedabad, Bangalore, Hyderabad and Kanpur by the end of 1984.

**Control Over Non-Banking Companies – Amendements to the Reserve Bank's Directions**

Pursuant to the directions issued to financial companies, hire purchase and housing finance companies were required to maintain in India (a) by way of cash with themselves, or (b) in an account with a scheduled bank (free from any charge or lien) or (c) in unencumbered approved securities (such securities being valued at their market value for the time being) or partly in cash, partly in such account or partly in such securities, a sum which shall not, at the close of business on any day, be less than ten per cent of the deposits outstanding in the books of the concerned companies on that day. During the year under review, the relative provisions in the directions were amended. Following the amendment, which was given effect to from March 30, 1984, the 'cash' component has been deleted from the list of eligible liquid assets to be maintained by hire-purchase finance and housing finance companies which should henceforth maintain such assets only in the form of deposit accounts with scheduled banks, free from any charge/lien, and/or unencumbered approved securities. Further, the above directions as also those issued to miscellaneous non-banking companies were amended,reducing the rate of penal interest charged by companies covered by the said directions to one per cent from the previous rate of two per cent for premature withdrawal of deposits.

The prescribed format (First Schedule) to be used by financial and miscellaneous non-banking companies for submission of returns has been revised and given effect from the year ended March 31, 1984 with a view to facilitating compilation of data on deposits and other aspects of working of companies with the help of computer.

**Follow-up action on the recommendations of the Raj Study Group on Non-Banking Companies**

*Chit Funds Act, 1982*

As stated in the last year's Report, the Chit Funds Act, 1982 was passed by both houses of Parliament and received the President's assent on August 19, 1982. The main object of the Act is to regulate the conduct of conventional chit business on sound and healthy lines uniformly throughout the country under the administrative control of State Government/Union Territories. In order to ensure that State Governments/Union territories take effective steps towards finalisation of Chit Fund Rules, model rules have been furnished to them by the Reserve Bank and they have also been requested to set up adequate administrative machinery for enforcement of the relative provisions. The Reserve Bank is following up the matter vigorously with the State Governments. As a result, while the said Act has become effective in the States of Karnataka, West Bengal, Tamil Nadu and the Union territory of Chandigarh, some other States/Union territories, *viz.*, Maharashtra, Meghalaya, Manipur, Himachal Pradesh, Haryana, Sikkim, Delhi, Dadra and Nagar Haveli, Andaman & Nicobar Islands and Lakshadweep have finalised the rules in consultation with the Reserve Bank and the dates on which the Act would be effective in those States/Union territories are expected to be notified shortly. The matter is being followed up with the remaining States.

*Acceptance of Deposits by Unincorporated Bodies–Limitation*

The Banking Laws (Amendment) Act, 1984 has incorporated a new Chapter III-C in the Reserve Bank of India Act, 1934, prohibiting acceptance of deposits by unincorporated bodies except to a specified extent. An individual may accept deposits from not more than twenty five depositors, excluding those from "relatives" as specified in the explanation to Section 45-S; in the case of a partnership firm, the number is limited to twenty five depositors per partner, subject to a maximum of two hundred and fifty depositors (irrespective of the number of partners) and in the case of an unincorporated association of individuals, the number is the same as in the case of a partnership firm excluding, in either case, deposits received from "relatives". The restriction contemplated is in respect of the number of persons from whom deposits may be accepted by an individual or a partnership firm or an unincorporated association of individuals and not on the quantum thereof, the intention being to prevent acceptors of deposits from approaching a large number of unwary and often illiterate depositors. Individuals, etc., holding deposits from persons in excess of the specified number are required to bring down the number of depositors within the maximum period of two years from the date of coming into operation of the Act. Further, with a view to obviating hardships to the mercantile community, certain relaxations have been provided. Thus, a person in whose favour a credit balance is outstanding for a period not exceeding six months in any account relating to mutual dealings in the ordinary course of trade and business, is not, on account of such balance alone, deemed to be a depositor. Further, certain types of monies specified in clause (bb) of Section 45-I, are excluded from the purview of the term "deposit". Deterrent penalty of imprisonment for a term which may extend upto two years or fine which may extend to twice the amount of deposits received or two thousand rupees, whichever is more or both, has been prescribed for contravention of the above provisions. The officials of the Reserve Bank or of the State Governments (which term also includes Union territories) specially authorised in this behalf will have powers to obtain search warrants from a competent court so as to enable them to enter and search any premises suspected to be used for purposes connected with receipt of deposits in contravention of the relative provisions. In view of the concurrent jurisdiction vested in the State Governments for enforcement of the provisions, the Reserve Bank has advised all Governments impressing upon them the need for giving wide publicity to the provisions of the said chapter and for keeping a vigil on deposit acceptance activities of unincorporated bodies. They have also been requested to ensure that the relative provisions are effectively enforced.

*Studies on the Growth of Deposits with Non-Banking Companies*

According to a study on the growth of deposits with non—banking companies, aggregate deposits held by 5,356 reporting companies totalled Rs.9,194 crores as on March 31,1983, as against Rs.5,492 crores held by 5,420 reporting companies as on March 31,1982. Out of aggregate deposits of Rs.9,194 crores, as on March 31,1983, the share of 2,557 non-finanancial companies stood at Rs.6,764 crores (73·6 per cent), the balance of Rs.2,202 crores (23·9 per cent) and Rs.228 crores (2·5 per cent) being accounted for by 2,296 financial companies and 503 miscellaneous non-banking companies (*i.e.* chit fund companies), respectively. The bulk of aggregate deposits (92·0 per cent) in the non-banking corporate sector was accounted for by 1,955 public limited companies constituting only 36·5 per cent of the reporting companies and the balance of Rs.739 crores (8·0 per cent) by 3,401 private limited companies forming 63·5 per cent of the reporting companies. Total deposits held by non-finanical and financial companies were generally well within the statutory limits. In the case of companies in the jute textile inudstry, however, the average ratio of deposits to net owned funds per company stood at 329·4 per cent which was far

in excess of the ceiling. This is presumably due to the difficult phase through which the industry is passing and the consequent errosion in its net owned funds. In the category of miscellaneous non-banking companies (conventional chit companies) the deposits at Rs.1·6 crores exceeded their aggregate net owned funds (which were negative), the releative percentage being higher than the prescribed ceiling of 40 per cent of net owned funds upto which chit fund companies could accept deposits outside their chit business. Aggregate deposits of Rs.4,018 crores (43·7 per cent) held by 34 Government companies also recorded an increase over the previous year's figure of Rs.2,337 crores held by 52 such companies. During 1982-83, deposits subject to regulatory measures rose from Rs.1,519 crores to Rs.1,977 crores and those which are exempt from statutory restrictions such as borrowings from Central and State Governments, rose from Rs.3,972 crores to Rs.7,217 crores. While aggregate deposits with non-banking companies rose by 67·4 per cent during 1982-83, those which are subject to regulatory measures rose by 30·1 per cent compared to the rise of 17·4 per cent in bank deposits.

## RURAL CREDIT

### Institutional Finance for Agriculture

Complete data on institutional finance provided for agriculture during 1981-82 to 1983-84 are not yet available. However, provisional data in respect of direct and indirect finance made available to the agricultural sector by co-operative institutions during the years 1981-82 and 1982-83 and NABARD's estimates for the year 1983-84 together with available data in respect of other financial institutions for the earlier period are presented in Table VII-29 and Table VII-30.

*(a) Direct Finance*

It was mentioned in the last year's Report that disbursement of aggregate direct finance for agriculture by institutional agencies, viz., co-operatives, scheduled commercial banks and State Governments had totalled Rs.3,436 crores during 1980-81 and the outstanding amount at the end of June 1981 had aggregated Rs. 7,539 crores (revised data). Direct finance disbursed by co-operatives increased from Rs.2,479 crores in 1981-82 to Rs.2,717 crores in 1982-83 and is estimated to have gone up further to Rs.3,028 crores during the year 1983-84. Short-term loans provided by PACS increased from Rs.1,908 crores in 1982-83 to Rs.2,098 crores in 1983-84 and medium and long-term loans disbursed by PACS and LDBs from Rs.809 crores in 1982-83 to Rs.930 crores in 1983-84. Short-term loans continued to account for the bulk (69·3 per cent) of total disbursements by co-operative institutions during 1983-84. The outstanding level of loans by co-operatives as at the end of June 1983 and June 1984 amounted to Rs.5,155 crores and Rs.5,722 crores, respectively. Loans issued by the State Governments are estimated to have increased to Rs.220 crores in 1983-84 from Rs.188 crores in the preceding year.

*(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 which was estimated by NABARD to have amounted to Rs.1,497 crores in 1981-82, increased to Rs.1,956 crores in 1982-83 and to Rs.2,400 crores in 1983-84. Indirect outstanding loans of co-operatives which according to NABARD's estimates stood at Rs.840 crores at the end of June 1982, increased to Rs.1,338 crores by end-June 1983 and further to Rs.1,700 crores by end-June 1984. The loans issued by REC increased to Rs.303 crores during 1983-84 from Rs.252 crores in the preceding year.

### NABARD and Rural Credit

Aggregate net resources available to NABARD for financing its lending programmes

**Table VII-29 : Direct Institutional Finance for Agriculture**

(Rupees crores)

| Source of Finance | Loans issued during | | | | | Loans outstanding as on June 30 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1979-80 | 1980-81 | 1981-82 | 1982-83 | 1983-84 | 1980 | 1981 | 1982 | 1983 | 1984 |
| **I. Co-operatives [1]** | **1,821·1** | **2,028·5** | **2,479·0P** | **2,716·9P** | **3,028·0E** | **3,850·1** | **4,315·0** | **4,821·0P** | **5,155·0P** | **5,722·0E** |
| | **(45·5)** | **(30·9)** | **(34·0)** | **(37·4)** | **(41·0)** | **(84·3)** | **(73·4)** | **(80·7)E** | **(88·8)E** | **(96·0)** |
| *Of Which* | | | | | | | | | | |
| *(a)* Short-term loans by PACS | 1,259·6 | 1,385·5 | 1,795·9 | 1,908·1 | 2,098·0 | 1,696·7 | 1,907·7 R. | 2,148·7 | 2,225·2 | 2,500·0 |
| *(b)* Medium and long-term loans by PACS/LDBs [2] | 561·5 | 643·0 | 683·1 | 808·8 | 930·0 | 2,153·4 | 2,407·3 | 2,672·3 | 2,929·8 | 3,222·0 |
| | (318·8) | (363·0) | (363·9) | (425·8) | (469·0) | (1,476·3) | (1,650·4) | (1,854·7) | (2,047·4) | (2,252·0) |
| **II. State Governments [3]** | **132·5** | **144·2** | **153·3** | **187·8P** | **220·3E** | .. | .. | .. | .. | .. |
| **III. Scheduled Commercial Banks (excluding RRBs) [4]** | **974·5** | **1,262·8R** | .. | .. | .. | **2,363·8** | **3,043·3R** | **3,954.2** [6] | **4,789.0** [6] | .. |
| *Of which* | | | | | | | | | | |
| *(a)* Short-term loans | 454·5 | 517·0 | .. | .. | .. | 949·2 | 1,161·5 | .. | .. | .. |
| *(b)* Term loans | 520·0 | 745·8 | .. | .. | .. | 1,414·6 | 1,881·8 | .. | .. | .. |
| **IV. Regional Rural Banks [5]** | .. | .. | .. | .. | .. | **105·3** | **180·4** | **273·1** | **381·9** | **509.4** |
| **V. TOTAL DIRECT FINANCE (I to IV)** | **2,928·1** | **3,435·5** | .. | .. | .. | **6,319·2R** | **7,538·7R** | .. | .. | .. |
| *Of which* | | | | | | | | | | |
| *(a)* Short-term loans | 1,846·6 | 2,046·7 | .. | .. | .. | 2,751·2 | 3,249·6 | .. | .. | .. |
| *(b)* Medium and long-term loans | 1,081·5 | 1,388·8 | .. | .. | .. | 3,568·0 | 4,289·1 | .. | .. | .. |

E = Estimates R = Revised P = Provisional .. = Not available

1/ Figures in brackets relate to short-term finance provided by RRBs and other commercial banks through PACS.

2/ Figures in brackets relate to long-term loans by LDBs.

3/ Taken as short-term loans and relate to financial year April-March. However, owing to non availabilityof data regarding outstanding levels, these are not included in the total.

4/ Loans issued relate to financial year April-March while outstandings are as on June 30.

5/ Taken as short-term Loans. –revised data.

6/Data relate to public sector banks and are as on December 1982 and 1983

*Source*: (i) NABARD

(ii) Reserve Bank of India

(iii) Annual Budgets of State Governments.

**Table VII-30 : Indirect Institutional Finance for Agriculture**

(Rupees crores)

| Source of Finance | Loans issued during the year | | | | | Loans outstanding as on June 30 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1979-80 | 1980-81 | 1981-82 | 1982-83 | 1983-84 | 1980 | 1981 | 1982 | 1983 | 1984 |
| **I. Co-operatives [1]/** | **894·9** | **1154·0** | **1497·4E** | **1955·6E** | **2400·0E** | **342·8** | **638·3** | **839·7E** | **1337·6E** | **1700·0E** |
| *Of which* | | | | | | | | | | |
| *(a)* State Co-operative Banks [2]/ | 445·6 | 619·8 | 862·2 | 1200·4 | 1550·0 | 229·8 | 399·4 | 555·6 | 868·9 | 1000·0 |
| *(b)* Central Co-operative Banks [2]/ | 449·3 | 534·2 | 635·2 | 755·2 | 850·0 | 113·0 | 238·9 | 284·1 | 468·7 | 700·0 |
| **II. Scheduled Commercial Banks (Excluding RRBs) [3]/** | .. | .. | .. | .. | .. | **733·4** | **998·3** | 1,151·8[5] | 1,266·4[5] | .. |
| **III. Regional Rural Banks** | .. | .. | .. | .. | .. | **12·7** | **16·1** | **21·4** | **23·1** | **26.7** |
| **IV. Rural Electrification Corporation [4]/** | **166·4 +** | **183·2 +** | **191·5 +** | **251·8 +** | **303·2 +** | **781·0 +** | **931·5 +** | **1082·2 +** | **1292·7 +** | **1,493.8** |
| **TOTAL INDIRECT FINANCE (I to IV)** | .. | .. | .. | .. | .. | **1869·9** | **2584·2** | .. | .. | .. |

.. = Not available.
E = Estimates.
\+ = Financial year (April-March) data.
1/ = Taken as short-term loans.
2/ = 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.
3/ = Break-up of these data into short and term loans are not available.
4/ = Taken as long-term loans.
5/ = Data relate to public sector banks and are as on December 1982 and 1983

*Sources :* (i) NABARD.
(ii) Reserve Bank of India.
(iii) Rural Electrification Corporation (Annual Reports).

and meeting its other commitments (these figures do not take into account changes in reserves and surplus, deposits and other liabilities) during the year 1983-84 (July-June) amounted to Rs.842·3 crores as against Rs.632 crores in 1982-83. The resources (net) mobilised by NABARD during 1982-83 and 1983-84 are shown in the table below:-

**(Resources (net) mobilised by NABARD)**

(Rupees crores)

| Sources | 1982-83 | 1983-84 |
|---|---|---|
| NRC (LTO) Fund | 227·00 | 425·00 * |
| NRC (Stabilisation) Fund | 83·00 | 85·00 |
| Bonds and Debentures | 30·00 | 30·25 |
| Borrowings from GOI (External assistance) | 114·00 | 167·00 |
| Borrowings from RBI | 178·00 | 135·00 |
| **Total** | **632·00** | **842·25** |

*Note* :- These are exclusive of reserves and surplus, deposits, and other liabilities.

* Inclusive of Rs.100 crores released on September 30, 1983 out of the Fund and invested in long-term government securities.

The Reserve Bank provided during 1983-84 Rs.400 crores to NABARD- Rs.225 crores for the National Rural Credit (Long-Term Operations) Fund, Rs.75 crores for the National Rural Credit (Stabilisation) Fund and Rs.100 crores released out of special deposits of Rs.631 crores with the Reserve Bank of India in respect of these Funds. NABARD contributed, out of its profits for the year 1983-84, Rs.100 crores and Rs.10 crores to the NRC (LTO) Fund and the NRC (Stabilisation) Fund, respectively. Borrowings from Government of India by way of reimbursements against amounts disbursed under the various projects supported by external aid amounted to Rs.167 crores as against Rs.114 crores in the previous year. Besides, NABARD raised resources from the open market for its second series of bonds for an aggregate amount of Rs.38·5 crores. After redemption of erstwhile ARDC bonds amounting to Rs.8·25 crores during the year (in the previous year bonds of Rs.8·5 crores were redeemed), the net resources mobilised through market borrowings amounted to Rs.30·25 crores during 1983-84 as against Rs.30 crores in 1982-83. The Reserve Bank provided financial accommodation (net) to NABARD to the extent of Rs.135 crores as against Rs.178 crores in the previous year. These loans were from the General Line of Credit of Rs.1300 crores sanctioned for the year 1983-84 under Section 17(4E) of the Reserve Bank of India Act, 1934. As at the end of June 1984, the borrowings outstanding under this line of credit stood at Rs.1039 crores. Upto June 30, 1984, NABARD sanctioned to SCBs aggregate credit limits amounting to Rs.1,245 crores for financing seasonal agricultural operations.

NABARD has been associated with the implementation of 41 projects assisted by external aid- 38 projects with IDA/IBRD assistance (inclusive of 4 General Lines of Credit for a total of US $ 875 million, some of which are co-financed by donor countries/agencies such as UK, Netherlands, Switzerland, West Germany, Canada, EEC, etc.), two projects with assistance from IFAD * and one with aid from KFW @ of Federal Republic of West Germany. The total credit routed through NABARD under the projects sanctioned by the World Bank group and other donor countries/agencies aggregated US $ 2137 million till June 1984 as against US $ 2078 million till June 1983. During 1983-84, credits from 3 donor countries/agencies, *viz.*, EEC credit for ECU 21·7 million, Swiss Credit for Sw.fr.30 million and Netherlands credit for DFL 33·2 million were negotiated for a total amount collectively equivalent to Rs.473 million as against aid negotiated from 5 countries during 1982-83 aggregating US $ 133 million (Rs.133 crores). NABARD submitted to the World Bank through the Government of India the first NABARD project for credit assistance of US $ 400 million.

* International Fund for Agriculture Development.
@ Kreditanstalt fur Widerauflbu.

## Policy Measures

During 1983-84 (July-June), NABARD initiated further measures for strengthening the institutional rural credit structure and augmenting the flow of credit to the non-farm sector in general and small farmers and other weaker sections of the rural community in particular. These measures are reviewed below.

i) There were no changes in deposit interest rate structure during the year. However, with effect from November 7, 1983, the Reserve Bank fixed at 13·5 per cent the lending rate on advances by the State and Central Co-operative Banks to co-operative institutions entrusted by the Government with the procurement of oilseeds and pulses at support prices. In respect of institutions other than co-operatives, the Bank lowered the lending rate from 16·5 per cent to 15 per cent.

ii) With effect from March 31, 1984, the Reserve Bank granted complete exemption to State and Central Co-operative Banks from the purview of the selective credit control measures in respect of their advances (against commodities coming under selective credit control) to the IRDP beneficiaries.

iii) The ceiling limit on loans granted by Central Co-operative Banks for the purchase of consumer durables were brought on par by NABARD with those of State Co-operative Banks. For both SCBs and CCBs, the ceiling limit for purchase of consumer durables would be 2 per cent of deposits raised from individuals, subject to the maximum amount of Rs.10 lakhs for banks having deposits upto Rs.10 crores and Rs.30 lakhs for banks having deposits more than Rs.10 crores from individuals, whichever is less.

iv) While the ceiling on the rates of interest on advances to be charged by the primary agricultural credit societies for short-term agricultural lending remained unchanged at 11·50 per cent per annum for loans upto Rs.5,000/-(to small farmers) and at 14 per cent per annum for loans over Rs.10,000, NABARD reduced the interest rate in respect of loans over Rs.5,000 and upto Rs.10,000 from 14 to 12·50 per cent per annum with effect from November 16, 1983.

## NABARD's Assistance for Agriculture

NABARD as an apex institution for financing agricultural and rural sectors, extends refinance assistance to the eligible co-operative and commercial banks for different purposes and durations. It provides short-term credit (upto 18 months) to SCBs for seasonal agricultural operations (crop loans), marketing of crops, purchase and distribution of fertilisers and working capital requirements of co-operative sugar factories. The medium-term credit (18 months to 7 years) provided by NABARD to SCBs and RRBs relates to approved agricultural purposes, purchases of shares of processing societies and conversion of short-term crop loans into medium-term loans in areas affected by natural calamities.

NABARD also provides medium and long-term credit (not exceeding 25 years) for investments in agriculture under schematic lending to SCBs, LDBs, RRBs and CBs. Long-term assistance is provided in the form of loans to State Governments (not exceeding 20 years) for contribution to share capital of co-operative credit institutions. Details of financial accommodation provided by NABARD to co-operatives and State Governments as well as the rates of interest are presented in Table VII-31. These credit facilities are reviewed below :

### Credit Limits

#### (i) Short-term

The short-term credit limits sanctioned by NABARD to SCBs during 1983-84 (July-June) for financing seasonal agricultural operations amounted to Rs.1,245 crores as against Rs.1,120 crores in 1982-83 (July-June), while the outstandings stood at Rs.584 crores as against Rs.573 crores at end-June 1983. NABARD continued to sanction separate credit limits for

**TABLE VII—31 : NABARD Credit to Co-operatives and State Governments during 1982 - 83 and 1983-84**

(Rupees crores)

| Term-wise/Purpose-wise Finance | Period for which limits are sanctioned | 1982-83 | | | | 1983-84 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Limits sanctioned | Drawals | Repay-ments | Out-standings | Limits sanctioned | Drawals | Repay-ments | Out-standings |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **I. Short-term** | **Total** | **1,462** | **2,844** | **2,762** | **719** | **1,609** | **2,637** | **2,610** | **746** |
| i) Seasonal agricultural operations (at 3% below Bank Rate from March 1978)* | July-June | 1,120 | 1,938 | 1,892 | 573 | 1,245 | 1,991 | 1,980 | 584 |
| ii) Marketing of crops other than cotton and kapas (at Bank Rate from June 1978) | July-June | 29 | 24 | 20 | 4 | 21 | 60 | 64 | — |
| iii) Marketing of cotton and kapas including monopoly procurement of cotton (at Bank Rate from June 1978) | | | | | | | | | |
| iv) Purchase and distribution of fertilisers (at 1% above Bank Rate from June 1978) | January-December | 5 | 12 | 12 | 4 | 25 | 8 | 7 | 5 |
| v) Production and marketing of handloom products (at 2½% below Bank Rate from March 1978) | April-March | 145 | 706 | 647 | 116 | 189 | 473 | 444 | 145 |
| vi) Financing of other cottage and small scale industries (at 2½% below Bank Rate from March 1978) £ | April-March £ | 38 | 78 | 121 | 6 | 9 | 5 | 6 | 5 |
| vii) Purchase and sale of yarn (at Bank Rate) | April-March | 9 | 9 | 8 | 1 | 10 | 6 | 5 | 2 |
| viii) Against pledge of sugar (at 5% above Bank Rate) | July-June | 108 | 72 | 62 | 10 | 107 | 88 | 98 | — |
| ix) Against pledge of securities earmarked under Rural Credit Stabilisation Fund for meeting SCB share in M.T. conversion loans (Bank Rate) | July-June | 7 | 4 | — | 4 | 3 | 6 | 5 | 5 |
| x) Collection and marketing of minor forest produce (Bank Rate) | July-June | 1 | 1 | — | 1 | — | — | 1 | — |
| **II. Medium -term** | **Total** | **202** | **108** | **71** | **159** | **87** | **74** | **75** | **158** |
| i) Agricultural purposes (at 3% below Bank Rate from January 1, 1979) | January-December | 28 | 17 | 18 | 36 | 31 | 19 | 18 | 37 |

(contd.)

**TABLE VII—31 : NABARD Credit to Co-operatives and State Governments during 1982 - 83 and 1983-84 (concld.)**

(Rupees crores)

| Term-wise/Purpose-wise Finance | Period for which limits are sanctioned | 1982 - 83 | | | | 1983 - 84 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Limits sanctioned | Drawals | Repay-ments | Out-standings | Limits sanctioned | Drawals | Repay-ments | Out-standings |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| ii) Conversion of short-term loans into medium term loans in scarcity affected areas including rephasement and reschedulement (at 3% below Bank Rate from January 1979) | July-June | 174 | 91 | 53 | 123 | 56 | 55 | 57 | 121 |
| **III. Long-term** | **Total** | **13** | **13** | **8** | **128** | **11** | **8** | **21** | **115** |
| Loans to State Governments for contribution to share capital of co-operative credit institutions (at 6% per annum) | April-March | 13 | 13 | 8 | 128 | 11 | 8 | 21 | 115 |
| **TOTAL CREDIT (I + II + III)** | | **1,677** | **2,965** | **2,841** | **1,006** | **1,707** | **2,719** | **2,706** | **1,019** |

* Subject to recovery of an additional interest of 1½ per cent as per linking scheme.

£ Inclusive of CCBs and urban co-operative banks for the year 1982 - 83 and only CCBs for 1983-84.

– Nil or Negligible

*Source :* NABARD.

financing kharif and rabi crops to the States where rabi crops are predominant.

Short-term credit limits sanctioned for purposes other than seasonal agricultural operations aggregated Rs.364 crores during 1983-84 as against Rs.342 crores in the preceding year. Important among them were credit limits sanctioned for production and marketing activities of handloom weavers' societies which increased to Rs.189 crores in 1983-84 (financial year) from Rs.145 crores in 1982-83 and against pledge of sugar which stood at Rs.107 crores in 1983-84 (July-June) as against Rs.108 crores in the preceding year.

Provision of short-term refinance to the Regional Rural Banks (RRBs) is presently the responsibility of NABARD. During 1983-84 (July-June), short-term credit limits of Rs.271 crores were sanctioned to 108 RRBs as against Rs.227 crores sanctioned to 97 RRBs in the previous year. Outstandings under the credit limits upto end-June 1984 amounted to Rs.242 crores as against Rs.189 crores at end-June 1983.

**(ii) Medium-term**

NABARD's policy for sanctioning of medium-term credit limits for approved agricultural purposes for the year 1984 remained unchanged. For the calendar year 1984 (upto June 1984), credit limits sanctioned amounted to Rs.20 crores as against Rs.30 crores in the corresponding period of 1983. During the calendar year 1983, credit limits sanctioned to SCBs and drawals made by them were Rs.31 crores and Rs.19 crores, respectively, as against Rs.28 crores and Rs.17 crores, respectively, in the previous year.

*Conversion Loans*

The limits sanctioned by NABARD during 1983-84 from the National Rural Credit (Stabilisation) Fund to enable SCBs/CCBs to convert short-term agricultural loans (including rephasement and reschedulement of loans) granted to farmers affected by natural calamities into medium-term loans stood at Rs.56 crores as compared with Rs.174 crores during 1982-83. The drawals against these limits during 1983-84 (July-June) amounted to Rs.55 crores against Rs.91 crores during 1982-83.

**(iii) Long-term**

During the financial year 1983-84, loans amounting to Rs.11 crores were sanctioned to State Governments for contribution towards the share capital of co-operative credit institutions as against Rs.13 crores in 1982-83. However, drawals against these limits were lower at Rs.8 crores as against Rs.13 crores in 1982-83. The outstanding amount of these loans declined during the year from Rs.128 crores at the end of March 1983 to Rs.115 crores at the end of March 1984.

**Short-term credit – Policy changes**

(i) The NABARD continued its policy of ensuring that at least 60 per cent of its disbursements for purposes such as minor irrigation, land development and diversified purposes were utilised for financing small farmers and further, a stipulated minimum proportion of the credit limit for crop loans (usually 20 per cent) was earmarked for financing small and marginal farmers under the New 20-Point Programme.

*(ii) New and non-defaulting members of PACS*

In cases where the number of ineligible CCBs (a CCB is ineligible for credit limit if its overdues to demand is 60 per cent or more) is not large, NABARD decided that even the SCBs can meet the credit requirements of such banks for enabling the PACS to meet short-term credit needs of the new and non-defaulting members. It continued to consider requests for

sanction of additional/supplementary credit limits to eligible CCBs for financing such members provided the requisite data/informations are furnished. In few States where the number of ineligible CCBs is large and the credit requirements are so much that the SCBs are not in a position to meet the credit requirements from their own resources, NABARD agreed in June 1983 to sanction on merits of each case additional short-term credit limits for seasonal agricultural operations and other approved short-term purposes. It also agreed to consider refinance facilities to the SCBs for this purpose if the SCBs undertake to finance eligible PACS directly under any special arrangement they decide upon.

*(iii) Financing of defaulters in command areas*

With a view to ensuring provision of adequate credit for production needs in the areas covered by the Command Area Development (CAD) projects, NABARD in January 1984 agreed that the overdues amounts of beneficiaries in the command areas upto Rs.1,500 (as against the earlier limit of Rs.1,000) in respect of their aggregate borrowings inclusive of short, medium and long-term loans may be converted/rescheduled for a period of 5 to 7 years and such beneficiaries may be provided with financial assistance both for on farm developments and their crop production requirements, subject to certain conditions. Further, NABARD decided in May 1984 to relate the ceiling of Rs.1,500 per beneficiary to the overdues in respect of short-term agricultural loans only.

**Medium-term credit-Policy changes**

The following important changers in the policy governing sanction of medium-term loans for approved agricultural investment purposes were introduced during the year under review. :

(i) The SCBs were advised to ensure that at least 50 per cent of the medium-term loans issued by the CCBs during the calendar year are for financing small and marginal farmers.

(ii) On the analogy of short-term agricultural loans, the SCBs were, in October 1983, permitted to utilise their internal resources to provide finance to CCBs which were ineligible for grant of medium-term loans to PACS for financing their new and non-defaulting members. Further, NABARD agreed to treat the involvement of SCBs/CCBs in financing medium-term agricultural loans to small/marginal farmers in defaults involving small amounts as a legitimate charge on their resources while sanctioning credit limits for various purposes.

(iii) While the overall policy in regard to provision of medium-term credit to agriculturists for purchase of shares in co-operative processing societies has remained unchanged, the ceiling on individual loans for purchase of shares in co-operative sugar factories was raised in September 1983 from Rs.2250 to Rs.3750 in developed areas and from Rs.2700 to Rs.4500 in industrially less developed/backward areas. Further, the ceiling of share holding per borrower was raised from one share of Rs.1000 for each acre of land under sugarcane cultivation subject to a maximum of 3 shares (i.e., Rs.3000 per borrower) to two shares of Rs.1000 each per acre of land under sugarcane cultivation subject to a maximum of 3 acres of land and 5 shares per borrower (i.e., Rs.2000 per acre or Rs.5000 per borrower), whichever is less.

**Long-term credit- Policy changes**

The Land Development Banks (LDBs) are institutions which provide mainly long-term investment capital to agriculture for purposes such as minor irrigation, land reclamation, farm mechanisation, etc. The following important changes in long-term credit policy were introduced during 1983-84.

*(i) Overdues of Land Development Banks*

According to the studies regarding overdues position of the LDBs conducted by NABARD,

an inflated picture of overdues has emerged because necessary reliefs were not granted to the borrowers in the past. This deficiency in the lending policies and procedures has tended to reflect an incorrect position of 'demand' and 'overdues' at the level of LDBs. As a result, the number of primary units eligible for unrestricted lending has been considerably reduced. This situation has adversely affected the flow of long-term credit for stepping up production under various development programmes In December 1983, NABARD issued guidelines to the LDBs for taking corrective steps for regularising the position on a case by case analysis of each category of defaulter- borrower and providing necessary relief in deserving cases.

*(ii) Writing off of bad debts by LDBs*

After due consideration of all relevant factors, NABARD has decided in December 1983 to allow the LDBs to segregate the bad and doubtful debts and take them out of the Demand, Collection and Balance (DCB) register subject to certain conditions. In extreme circumstances, based on a case by case analysis and as a normal part of their operations, the LDBs were allowed to write off their bad debts out of their Bad and Doubtful Debt Reserves subject to certain safeguards.

*(iii) Inclusion of prein vestment cost as a loan component*

All SLDBs were advised that insurance premium in resepct of blanket insurance policy covering activities such as milch cattle financed by the bank under the dairy development schemes may also be treated as a part of pre-investment cost and loan assistance may be given to borrowers covering such expenditure also as in the case of evaluation fees, etc.

**Lending Programme and Resources of LDBs**

In order to supplement their resources, the ordinary debenture programme of State Land Development Banks is finalised by NABARD every year in consultation with the Reserve Bank, Central Government and concerned institutions. These ordinary debentures are fully guaranteed by the respective State Governments in regard to repayment of principal and payment of interest and are approved securities under the Reserve Bank of India Act, 1934 in addition to being treated as trustee securities. The lending programme of State Land Development Banks for the financial year 1983-84 was fixed higher at Rs.490 crores as against Rs.419 crores during 1982-83 (Table VII-32).

**Table VII-32 : Resources of Land Development Banks**

(Rupees crores)

| Lending Programme / Resources | 1982-83 | 1983-84 | 1984-85 (target) |
|---|---|---|---|
| Lending programme | 419 | 490 | 550 |
| Total Resources (a + b + c) | 419 | 485 | 550 |
| (a) NABARD special debentures | 320 | 392 | 451 |
| (b) Internal resources | 4 | 3 | 2 |
| (c) Ordinary debentures | 95 | 90 | 97 |
| Of which contribution by : | | | |
| (i) Central and State Governments | 8 | 8 | 8 |
| (ii) Life Insurance Corporation of India | 35 | 35 | 35 |
| (iii) State Bank of India Group | 15 | 15 | 15 |
| (iv) Commercial Banks (through IBA) | 10 | 10 | 10 |
| (v) Mutual support and self-help | 27 | 22 | 29 |

*Source* : NABARD

The resources for this programme were raised by issue of special debentures (Rs.392 crores) to NABARD, issue of ordinary debentures (Rs.95 crores) and internal resources (Rs.3 crores), as against Rs.320 crores, Rs.95 crores and Rs.4 crores, respectively, during 1982-83. The lending

programme of SLDBs for the financial year 1984-85 has been tentatively fixed at Rs.550 crores which would be mainly financed by issue of special debentures of Rs.451 crores and ordinary debentures of Rs.97 crores.

As against the targeted floatation of debentures amounting to Rs.95 crores during 1983-84, the LDBs could actually raise an amount of Rs.90 crores due mainly to the shortfall in mutual support and self-help (i.e.Rs.22 crores as against the target of Rs.27 crores). The support expected to be received from Central and State Governments, Life Insurance Corporation, State Bank of India group and commercial banks under the ordinary debenture programme for 1984-85 is indicated in Table VII.32.

*Floatation of Rural Debentures*

Although the SLDBs have been allowed to float rural debentures on a voluntary basis without State Government's guarantee since 1975-76, none of the banks floated rural debentures during the year 1983-84.

**NABARD's long-term Refinance Assistance under various schemes**

During 1983-84, NABARD sanctioned 4,961 schemes involving commitments of Rs.1,170 crores as against 4,957 schemes with commitments of Rs.1,019 crores in the year 1982-83 (July-June). Disbursements during the year amounted to Rs.892 crores (July-June) as against Rs.703 crores in the previous year. The cumulative number of schemes sanctioned upto the end of June 1984 by NABARD (including by erstwhile ARDC) stood at 29,276 with commitments and disbursements amounting to Rs.6,753 crores and Rs.4,376 crores, respectively (Table VII-33).

**TABLE VII 33 : Purpose-wise sanctions and disbursements by NABARD during 1982 - 83 and 1983 - 84 (July-June)**

(Rupees crores)

| Purpose | 1982-83 | | | 1983-84 | | | Cumulative position as on June 30, 1984 | | |
|---|---|---|---|---|---|---|---|---|---|
| | No. of schemes sanctioned | Commit ments | Disburse- ments | No. of schemes sanctioned * | Commit- ments | Disburse- ments | No. of schemes sanctioned | Commit- ments | Disburse- ments @ |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Minor Irrigation | 1,843 | 357 | 244 | 1923 | 427 | 312 | 11,719 | 3,332 | 2,203 |
| Land Development CAD | 111 | 45 | 21 | 95 | 20 | 29 | 944 | 298 | 139 |
| Farm Mechanisation | 1,099 | 187 | 147 | 1116 | 233 | 204 | 5,119 | 999 | 868 |
| Plantation Horticulture | 445 | 72 | 27 | 579 | 90 | 38 | 2,966 | 484 | 184 |
| Poultry Sheep breeding piggery | 279 | 17 | 10 | 296 | 21 | 13 | 1,899 | 112 | 69 |
| Fisheries | 209 | 34 | 6 | 184 | 22 | 7 | 1,303 | 143 | 62 |
| Dairy Development | 351 | 29 | 14 | 279 | 21 | 13 | 2,282 | 169 | 88 |
| Storage Market yards | 80 | 8 | 12 | 71 | 9 | 9 | 1,326 | 188 | 153 |
| Others | 540 | 270 | 222 | 418 | 327 | 267 | 1,718 | 1,028 | 610 |
| **Total** | **4,957** | **1,019** | **703** | **4,961** | **1170** | **892** | **29,276** | **6,753** | **4,376** |

* Excludes schemes sanctioned and withdrawn during the same year.

@ Excludes S.T. finance.

*Source :* NABARD

**TABLE VII—34 : Agency-wise Sanctions and Disbursements by NABARD during 1982-83 and 1983-84**
**( July-June )**

(Rupees crores)

| Agency | Number of Schemes* | | Financial Assistance | | NABARD Commitments | | Disbursements by NABARD | | Cumulative position as on June 30, 1984 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1982-83 | 1983-84 | 1982-83 | 1983-84 | 1982-83 | 1983-84 | 1982-83 | 1983-84 | No. 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 | 1,816 | 1,461 | 394 | 451 | 351 | 401 | 235 | 314 | 8,587 | 3,247 | 2,859 | 1,947 |
| 2. Scheduled Commerical Banks | 3,100 | 3,379 | 827 | 939 | 626 | 719 | 423 | 537 | 20,146 | 4,708 | 3,688 | 2,306 |
| 3. State Co-operative Banks | 41 | 121 | 47 | 57 | 42 | 50 | 45 | 41 | 543 | 233 | 206 | 123 |
| **Total** | **4,957** | **4,961** | **1,268** | **1,447** | **1,019** | **1,170** | **703** | **892** | **29,276** | **8,188** | **6,753** | **4,376** |

* Excludes IRDP Plans
@Excludes S.T. Finance

*Source :* NABARD

During 1983-84, NABARD sanctioned 1923 schemes for minor irrigation and 3,038 schemes for diversified purposes @ (i.e., other than minor irrigation). The total commitments for diversified purposes were Rs.743 crores, which accountd for 63 per cent of the commitments made as against 65 per cent (Rs. 662 crores) during 1982-83 (Table VII-33).

Agency-wise, the share of commercial banks (including RRBs), SLDBs and SCBs in total NABARD disbursements stood at Rs.537 crores (60 per cent), Rs.314 crores (35 per cent) and Rs.41 crores (5 per cent), respectively during the year 1983-84 as against their respective shares of Rs.423 crores (60 per cent), Rs.235 crores (34 per cent) and Rs.45 crores (6 per cent) in the previous year (Table VII-34).

Region-wise, while the share of the western region in the total disbursements increased from 11·4 per cent in 1982-83 to 14·3 per cent in 1983-84, the shares of northern, central and north-eastern regions remained unchanged at 27 per cent, 21 per cent and 1 per cent, respectively. In the case of the southern and eastern regions, their percentage shares in the total disbursements stood lower at 25·5 and 10·8, respectively during 1983-84 as compared with 26·2 and 12·8, respectively, during 1982-83 (Table VII-35.)

@ These include land development, farm mechanisation, plantation, poultry, dairying sheep breeding, fisheries, development of market yards, etc.

**TABLE VII—35 : Region-wise Disbursements by NABARD**
**(July-June)**

(Rupees crores)

| Region @ | 1981 - 82 | 1982 - 83 | 1983 - 84 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| Northern Region ... ... | 144 | 190 | 242 |
| | (24·0) | (27·0) | (27·1) |
| North-Eastern Region ... ... | 7 | 8 | 9 |
| | (1·2) | (1·1) | (1·0) |
| Eastern Region ... ... | 90 | 90 | 96 |
| | (15·0) | (12·8) | (10·8) |
| Central Region ... ... | 132 | 151 | 190 |
| | (22·0) | (21·5) | (21·3) |
| Western Region ... ... | 82 | 80 | 128 |
| | (13·6) | (11·4) | (14·3) |
| Southern Region ... ... | 145 | 184 | 227 |
| | (24·2) | (26·2) | (25·5) |
| **Total** ... ... | **600** | **703** | **892** |
| | **(100·0)** | **(100·0)** | **(100·0)** |

Note : Figures in brackets are percentages to total.

@ **Northern Region** comprises Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab and Rajasthan; **North-Eastern Region** - Assam, Manipur, Meghalaya, Nagaland and Tripura; **Eastern Region** - Bihar, Orissa and West Bengal; **Central Region** - Madhya Pradesh and Uttar Pradesh; **Western Region** - Goa, Daman & Diu, Gujarat and Maharashtra; **Southern Region** - Andhra Pradesh, Karnataka, Kerala, Pondicherry and Tamil Nadu.

*Source :* NABARD.

**TABLE VII—36 : Disbursements by NABARD to less Developed and/or Under-Banked States (Schematic Lending)**
(July-June)

(Rupees lakhs)

| States | 1979-80 | 1980-81 | 1981-82 | 1982-83 | 1983-84 |
|---|---|---|---|---|---|
| 1. Uttar Pradesh | 56,60 | 72,49 | 90,04 | 106,30 | 130,41 |
| 2. Madhya Pradesh | 36,47 | 38,01 | 41,58 | 44,60 | 59,59 |
| 3. Rajasthan | 18,15 | 18,90 | 24,92 | 43,54 | 51,60 |
| 4. Bihar | 24,68 | 24,46 | 39,60 | 47,40 | 49,56 |
| 5. Orissa | 13,15 | 19,79 | 37,30 | 33,92 | 30,02 |
| 6. West Bengal | 9,81 | 9,84 | 12,93 | 8,31 | 16,26 |
| 7. Andaman & Nicobar Islands | 1 | 1 | — | 1 | 6 |
| 8. Assam & Other North-Eastern States | 3,07 | 6,30 | 7,32 | 8,08 | 9,27 |
| 9. Jammu & Kashmir | 12 | 59 | 3,15 | 2,41 | 6,52 |
| 10. Himachal Pradesh | 1,85 | 1,94 | 2,72 | 2,23 | 3,45 |
| **Disbursements (1 to 10)** | **163,91** | **192,33** | **259,56** | **296,80** | **356,74** |
| | **(39·8)** | **(38·6)** | **(43·2)** | **(42·2)** | **(40·0)** |
| **Total Disbursements (All India)** | **412,23** | **498,79** | **600,23** | **702,69** | **892,44** |

*Note* : Figures in brackets indicate percentage disbursements in the specified States to total disbursements.
*Source* : NABARD

The development and promotion of agricultural investments in the less developed and/or under-banked States continued to engage the attention of NABARD. The disbursements in these areas stood at Rs.357 crores in 1983-84 (July-June) as against Rs.297 crores in 1982-83. The largest disbursement was accounted for by Uttar Pradesh at Rs.130 crores as against Rs.106 crores in the preceding year. On a cumulative basis, till the end of June 1984, total disbursements amounted to Rs.1,772 crores (Table VII-36).

### Disbursements under IRD Programme

As at the end of June 1984, the commitments of NABARD under IRDP amounted to Rs.799 crores against which disbursements by way of refinance amounted to Rs.533 crores. Disbursements during the year 1983-84 stood at Rs.233 crores against Rs.185 crores in 1982-83. The highest share during the year in total disbursements was that of commercial banks (48·1 per cent), followed by RRBs (33·0 per cent), SCBs (12·9 per cent) and SLDBs (6·0 per cent). The Industry, Service and Business (ISB) component of the programme accounted for Rs.52 crores of the total disbursements during 1983-84 as against Rs.15 crores in the preceding year (Table VII-37).

### Schematic Lending-Policy changes

*(i) National Programme of Massive Assistance to Small and Marginal Farmers*

NABARD has accorded top priority for providing credit support for the implementation of the National Programme of Massive Assistance to Small and Marginal Farmers launched by the Government of India for increasing agricultural production. Since credit is one of the key inputs for successful implementation of the programme, NABARD in the interest of expeditious release of refinance to banks, simplified the relevant procedures under which banks are allowed to submit once in a quarter or even once in a calendar month, an application for refinance together with the required information and a certificate that the disbursements had been made according to the norms prescribed by it.

**TABLE VII—37 : NABARD's Refinance Assistance for IRDP**
**(July-June)**

(Rs. crores)

| Type of Agency | Disburse-ments during 1981-82 | Disbursements during 1982 - 83 | Disbursements during 1983 - 84 | Disbursements upto end June, 1984 |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| SLDBs | 7 | 16 (–) | 14 (–) | 37 (–) |
| Commercial Banks (excluding RRBs) | 57 | 88 (4) | 112 (21) | 269 (25) |
| RRBs | 23 | 50 (10) | 77 (29) | 155 (39) |
| SCBs | 11 | 31 (1) | 30 (2) | 72 (3) |
| **Total** | **98** | **185 (15)** | **233 (52)** | **533 (67)** |

*Note* : Figures in brackets indicate diusbursements for ISB component.

*(ii) Refinance under IRDP*

The participating banks have been advised to consider waiving evaluation fee (at the rate of 0·5 per cent of the cost of investment) in respect of advances made under IRDP for which the banks have the approval of NABARD.

*(iii) Schemes for rearing of female buffalo calves*

Good quality female buffalo calves raised by the dairy owners in cities are often neglected due to paucity of space, inadequacy of funds with the stable owners and the high cost of stall feeding for the rearing of heifers. As a result, such calves are often starved to death or sold away at low prices. A possible remedy to avert the loss of such heifers is to have them salvaged and reared in rural areas where fodder is cheaper and grazing facilities are available. NABARD has accordingly decided to provide refinance assistance to banks which prepare schemes for the rearing of cityborn good quality female buffalo calves in rural area for increasing milk production.

*(iv) Refinance for schemes encouraging minor irrigation*

Conservation of irrigation water and energy required for its pumping are equally important as the development of new irrigation works. With this end in view, it has been decided to extend the scope of NABARD's refinance schemes to include the purchase of sprinklers, drip system, solar pumps, windmill pumps, hydrams, water turbines, man and animal-operated pumps under the schemes formulated in pursuance of the programmes sponsored by the Government of India.

## Strengthening and Future Development of Co-operative Structure

*Reorganisation of PACS*

With a view to building up a sound structure of co-operative financing system at the base level, efforts are in progress since about two decades for reorganising Primary Agricultural Credit Societies (PACS) into economically strong and viable units. The criteria for identification of weak PACS were set out by the expert

committees appointed by the Reserve Bank and the Central Government. This programme of reorganisation is under active implementation particulary since 1976 and the number of PACS was targeted to come down to 90,000 by the end of June 1981. Under the 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 crop area of 2,000 hectares to achieve this level of business and suitably trained full-time paid Secretary to manage its affairs. Even the Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) appointed by the Reserve Bank in its Report submitted in 1981, stressed the need for completion of the reorganisation programme within a year. The programme is more or less completed on the basis of the above norms in all the States except Gujarat, Jammu & Kashmir and Maharashtra. The total number of PACS which was 2·10 lakhs at the end of 1963-64 stood at 94,089 at the end of June 1983 as against 94,270 as on June 30, 1982. The following table shows the position regarding the number of PACS and their membership.

| Year (July-June) | No. of PACS | Membership (in 000s) |
|---|---|---|
| 1980-81 | 94,866 | 57,511 |
| 1981-82 | 94,270 | 60,999 |
| 1982-83 | 94,089 | 63,312 |

The programme of intensive development of reorganised PACS has been in operation since 1982-83. As against the target of intensive development of 5,000 reorganised PACS into truly multi-purpose service institutions in the country fixed for 1982-83, only 2,978 PACS had been identified in 14 States/Union Territories upto end-June 1983. Of these 14 States/Union Territories, only in the case of 4, *viz.*, Tamil Nadu, Tripura, Delhi and Goa, the number of societies selected for intensive development was as per the state-wise target fixed for the purpose and for the remaining States, the societies identified fell short of the minimum number fixed for them. Further, some of the States *viz.*, Himachal Pradesh, Meghalaya, Nagaland, Orissa, Punjab and West Bengal and the remaining Union Territories had not identified any societies for being brought under the programme. Of the 12 States/Union Territories which have identified the societies for intensive development, only Uttar Pradesh compiled the necessary data identifying the development potential in the area of the selected societies and also constituted a cell at the relative district level to monitor the programme of implementation of intensive development of the selected societies and review the progress periodically.

*Functional Co-ordination*

With a view to enabling rural borrowers to obtain their all credit needs at a single contact point, functional co-ordination between the short-term and long-term co-operative credit structures has been envisaged. PACS operating at the village level, would act as agents of PLDBs branches of SLDBs in the matter of collection of loan applications, disbursement of loans and recovery thereof. In the States of Haryana, Karnataka, Madhya Pradesh, Rajasthan and West Bengal, the selection of PACS to undertake these functions has been completed. The modalities for the implementation of the scheme (e.g. the specific items of work to be undertaken by PACS and the agency commission to be provided by LDBs) are being worked out.

*Rehabilitation of CCBs/SCBs*

NABARD also continues to implement a rehabilitation programme in respect of weak CCBs and SCBs in the country, which covers banks which are financially and administratively weak for reasons such as high level of overdues, inadequte internal resources, untrained staff and inefficient management. In this connection, it may be mentioned that the CRAFICARD made a recommendation that in States where three-tier rural credit structure exists, weak CCBs may be bypassed as a d transitional measure with a view to ensuring smooth

flow of credit to the PACS. However, their recommendation did not evoke favourable response from the State Governments. To take a view in the matter, evaluation studies on implementation of the programme of rehabilitation of a few selected banks are being carried out by NABARD. Such studies in respect of 8 CCBs have been completed and a suitable action programme would be chalked out in consultation with the Committee on Term Lending through Co-operatives (COTELCOOP) headed by the Chairman of NABARD.

Out of the total of 338 CCBs in the country, the number of weak CCBs covered by the programme of rehabilitation came down from 127 at the end of June 1981 to 118 at end-June 1982. The largest number of weak banks was in Bihar (28), followed by Uttar Pradesh (19), Karnataka (11) and Madhya Pradesh (10). As for SCBs, in the areas where two-tier structure exists covering 8 banks under the programme of rehabilitation, the position remained unchanged.

*Rehabilitation of SLDBs*

The improvement of organisational and managerial efficiency of weak SLDBs has been engaging the attention of NABARD. The rehabilitation programme in respect of SLDBs of six states *viz.*, Bihar, Gujarat, Karnataka, Madhya Pradesh, Maharashtra and Tamil Nadu is presently under implementation. The progress in the implementation of rehabilitation plan is being periodically reviewed by the GOI and NABARD. According to the plan of action finalised, it has been decided that certain aspects of rehabilitation programme have to be attended to on a priority basis such as the analysis of overdues on a case by case basis, performance evaluation of branches/PLDBs and introduction of beneficiary profiles. Further, in terms of the rehabilitation programme, the SLDBs have been advised to analyse and classify outstanding overdues broadly into following categories *viz.*, (i) infructuous investment, (ii) incomplete investment, (iii) natural calamities and (iv) wilful non-repayment. It has been also indicated that the outstanding overdues accounts after case by case examination have to be brought under one of these categories so that remedial action could be initiated immediately.

*Organisation and Management Studies of SLDBs*

Apart from the organisation and management (O & M) studies which were initiated by the erstwhile ARDC through the Expert Groups and completed so far in respect of SLDBs in Bihar, Gujarat, Karnataka, Maharashtra, Madhya Pradesh and Tamil Nadu, further such studies have been completed during 1983-84 covering SLDBs in Assam, Himachal Pradesh, Jammu and Kashmir, Orissa, Pondicherry, Rajasthan, Tripura, Uttar Pradesh and West Bengal. The reports and the recommendations in respect of Himachal Pradesh and West Bengal were considered by the Committee for Term Lending through Co-operatives (COTELCOOP) and the improvement measures drawn by NABARD based on organisation and management studies have been communicated to the concerned State Governments and the SLDBs. Recommendations in respect of the 7 SLDBs for which studies have been completed are yet to be considered by the COTELCOOP. Similar studies in respect of the remaining SLDBs are proposed to be taken up shortly.

**NABARD's Assistance for Non-Agricultural Sector**

Apart from supplying credit to agriculture and allied activities, NABARD has been increasingly providing financial assistance for meeting working capital and block capital requirements of non-farm activities. The short-term credit is provided for the purpose of financing production and marketing activities of co-operative sugar mills, handloom weavers' societies and other recognised 22 broad groups of cottage and small-scale industries, industrial co-operative societies and weaver's and rural

artisan members of village level co-operatives. It also provides medium-term finance for meeting their investment capital needs. The refinance assistance provided by NABARD to non-agricultural sector is reviewed below :

**Industrial Co-operatives**

*Refinance Facilities to Handloom Weavers' Societies : Policy Changes*

NABARD provides assistance to co-operative societies of handloom weavers by way of refinance of working capital loans being granted to them by SCBs on behalf of CCBs. In February 1983, it had constituted a Task Force on Handlooms to ensure adequate institutional arrangements as well as for meeting the working capital and investment credit needs to achieve the production targets. Based on the recommendations of the Task Force, NABARD decided, in Decembeer 1983, to provide (i) refinance assistance for modernisation/acquisition of looms, construction of worksheds and installation of new looms to members of handloom weavers' societies or to the members of the PACS/FSS/LAMPS through the concerned societies, (ii) refinance to the SCBs for the purpose of granting term loans to apex/regional weavers' societies for the establishment of new handloom emporia or renovation of the existing ones. (Refinance under these purposes would be provided by NABARD under the guarantee of the concerned State Government for repayment of the refinance assistance including payment of interest on such refinance) and (iii) refinance to SCBs for advancing medium-term loans through the central co-operative banks/societies to members of handloom weavers' co-operative societies against the guarantee of the State Government for purchase of shares in consumer type of co-operative spinning mills organised/to be organised in the country which are producing or which have programmes to produce at least 75 per cent of their total yarn in hank form.

On the basis of the studies undertaken by NABARD, the per loom scale of finance relating to pure silk cloth produced on handlooms was raised from Rs.3,500 to Rs.6,000 from December 1983. The per loom scale of finance for weavers' societies producing other varieties of cloth on handlooms/powerlooms remained unchanged during the year. Credit requirements on the basis of per loom scale of finance is sanctioned by NABARD in the case of new/dormant weavers' societies which are activated for the first two years of their working, after which it would be on the basis of the usual norms relating to anticipated production. The table below indicates the financial accommodation per loom granted by NABARD.

**Financial Accommodation per Loom**

(Rupees)

| | Variety | 1982-83 | 1983-84 |
|---|---|---|---|
| 1. | Cotton handlooms | 2,000 | 2,000 |
| 2. | Special varieties of cotton cloth like bed-spreads, furnishing materials, Jacquard terry towels & export variety of cloth. | 3,000 | 3,000 |
| 3. | Woollen handlooms | 3,000 | 3,000 |
| 4. | Powerlooms | 5,000 | 5,000 |
| 5. | Pure silk cloth on handlooms | 3,500 | 6,000 |
| 6. | Polyester handlooms | 10,000 | 10,000 |
| 7. | Pure silk cloth on powerlooms | 20,000 | 20,000 |

*Source* : NABARD

## Other Industrial Co-operatives

NABARD has been providing refinance assistance at concessional rate of interest to SCBs on behalf of CCBs for enabling the latter to provide working capital finance to (i) industrial co-operatives (other than weavers' societies) covered by the 22 broad groups of cottage and small-scale industries; and (ii) weavers and rural artisan members of Primary Agricultural Credit Societies (PACS)/ Large-sized Multipurpose Societies (LAMPS)/ Farmers Service Societies (FSS). In May 1984, it has evolved a scheme for extending refinance assistance in respect of term loans to the SCBs, on behalf of the CCBs, to enable the latter to provide block capital finance to industrial co-operative societies and individual rural artisan members of primary industrial societies/ PACS/LAMPS and FSS. The salient features of this refinance scheme are :

(i) refinance will be provided to the extent of 90 per cent of the loans advanced by SCBs to CCBs for grant of term loans to industrial co-operatives and individual artisan members of primary industrial societies, PACS/LAMPS and FSS for block capital investment in equipments and tools only; (ii) refinance will be sanctioned by NABARD against Government guarantee; (iii) refinance to SCBs from NABARD will be provided at the rate of interest of 6·5 per cent per annum and the rate of interest to be charged to industrial societies and to individual members of primary industrial societies/PACS/LAMPS/FSS should not exceed 9 and 10 per cent per annum, respectively; (iv) maximum loan eligibility under the refinance scheme is fixed at Rs.5 lakhs per industrial society and Rs.10,000 per individual artisan; (v) minimum and maximum period of block capital loans shall be 3 years and 10 years, respectively; and (vi) term loan refinance from NABARD shall be utilised by State/Central District Co-operative Banks and District Industrial Co-operative Banks for financing only those industrial societies which have not availed of similar refinance facilities from the Industrial Development Bank of India.

*Refinance for Sericulture Development*

To enlarge the scope for financing sericulture activities by banks in the mulberry sector, the existing terms and conditions of such refinance have been modified so as to bring more such activities connected with minor irrigation development, new planting/ replanting of improved variety of mulberry, purchase of rearing equipments, construction of rearing houses, and setting up of grainage units within the scope of NABARD's refinance.

Refinance facilities have also been extended for production of silk like eri, tasar and muga in the non-mulberry sector so as to promote sericulture activity in North-Eastern Region as well as in the States of Bihar, Orissa, etc. The rate of interest of NABARD's refinance to eligible financing banks is 6·5 per cent in respect of small farmers and 8·0 per cernt for others. The ultimate lending rate for small farmers is 10 per cent and for others 12·5 per cent. While the State Co-operative Banks and commercial banks are eligible for 80 per cent refinance from NABARD, the State Land Development Banks are eligible for 95 per cent refinance.

*Allied Agricultural Activities*

NABARD has decided to consider grant of medium-term loans for purchase of pack animals *viz.*, donkeys, mules, and ponies in hilly areas as an "approved purpose" for sanction of medium-term loans under Section 24 of the NABARD Act, 1981. A pair of donkeys or mules will be considered as a minimum economic unit. Loans upto the cost of minimum economic unit, exclusive of subsidy wherever available under any special scheme like IRDP, will be advanced against personal security i.e., borrowers' pronote supported by at least one or two sureties from among the members of the society. Loans would be allowed for a period upto 5 years depending upon the repaying capacity of the borrower.

## Other Developments

*Credit Authorisation Scheme (CAS)*

The work relating to CAS in respect of SCBs/CCBs continued to be handled by NABARD on behalf of the Reserve Bank. However, with a view to exercising control over the sanction of credit limits by SCBs/CCBs in respect of sensitive commodities subject to selective credit control, NABARD has been advised to obtain prior approval of the Reserve Bank in respect of proposals covering such commodities involving amounts exceeding Rs.5 crores.

During 1983-84 (July-June), credit authorisation for block capital finance was granted for an aggregate amount of Rs.48 crores as against Rs.72 crores in 1982-83; authorisation for working capital finance was granted for a total amount of Rs.1,243 crores as against Rs.1,347 crores in 1982-83.

Following changes were introduced during the year in the CAS :

a) The SCBs were permitted to sanction without prior authorisation from NABARD working capital limits against pledge of stocks of sugar to co-operative sugar factories for the 1983-84 sugar season to the extent of 100 per cent of the maximum amount availed of by them during the previous (1982-83) season (excluding temporary excess drawings). The SCBs were required to obtain prior authorisation from NABARD, if any of the sugar factories needed additional pledge limits beyond the limits indicated above. No separate clean/hypothecation limit would generally be sanctioned to sugar factories without prior authorisation from NABARD.

b) All the SCBs and CCBs were advised in November 1983 of the Government of India's decision to add 5 lakh tonnes of free sale sugar to buffer stock, thereby increasing the existing buffer stock of 5 lakh tonnes to 10 lakh tonnes. Consequently, authorisations for grant of increased accommodation to finance 100 per cent of the buffer stocks were issued by NABARD to SCBs/CCBs.

c) It was clarified that the minimum lending rate of 18 per cent per annum on advances to co-operative spinning mills stipulated in the Reserve Bank of India directive dated March 5, 1983 relates only to advances granted against 'cotton and kapas' which are subject to selective credit control measures. Other advances to co-operative spinning mills against cotton textiles (including cotton yarn, man- made fibres or partly out of yarn and partly out of man-made fibres) are not subject to selective credit control measures. The banks, therefore, have been permitted to charge interest on such advances at the rates ranging from 16·5 per cent to 18 per cent per annum.

*Crop Insurance*

The Pilot Crop Insurance Scheme undertaken by the General Insurance Corporation in collaboration with the selected nine * State Governments since 1979 made further progress. The benefit of crop insurance was provided to 50,854 farmers covering 70,194 hectares during 1982-83 as compared with 24,831 farmers covering 24,553 hectares in 1981-82. With a view to overcoming the shortcomings noticed since its implementation, a number of changes were introduced in the scheme. The most important among them was the raising of the insurance cover to 150 per cent of the crop loan from the earlier limit of 100 per cent subject to a limit of Rs.10,000 per borrower in irrigated areas and

* Andhra Pradesh, Haryana, Himachal Pradesh, Karnataka, Maharashtra, Madhya Pradesh, Orissa, Tamil Nadu and West Bengal

Rs.5,000 in unirrigated areas. It is now proposed to include high risk areas (in addition to low and medium risk areas) in the existing pilot scheme. Further, the proposal for subsidising the entire premium payable by small and marginal farmers in all areas and the premium in excess of 7·5 per cent payable by other farmers in high risk areas, jointly by the Central and State Governments, is under consideration. The progress of the scheme since 1979 is indicated below :

**Progress of Crop Insurance Scheme**

| Year | No. of States | Area covered | No. of farmers | Premium collected | Claims paid |
|---|---|---|---|---|---|
| | | | | (Rs. lakhs) | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1979-80 | 3 | 13,181 | 16,268 | 5·53 | 5·29 |
| 1980-81 | 3 | 18,703 | 23,442 | 6·94 | 3·27 |
| 1981-82 | 8 | 24,553 | 24,831 | 7·58 | 7·30 |
| 1982-83 | 9 | 70,194 | 50,854 | 15·65 | .. |

.. Not Available

*Licensing of Co-operative Banks*

As stated in the last year's Report, the work relating to issue of licences to co-operative banks (including PCBs) under Sections 22 and 23 of the Banking Regulation Act, 1949 (as applicable to co-operative societies) to commence/carry on banking business, to open new places of business and to shift existing place of business is the responsibility of the Reserve Bank.

During 1983-84 (July-June), licences to carry on banking business (under Section 22 (2) of the Banking Regulation Act, 1949 as applicable to co-operative societies) were issued by the Reserve Bank to 2 CCBs and 52 PCBs. The total number of licenced co-operative banks as at end-June 1984 rose to 436 (comprising 8 SCBs, 35 CCBs and 393 PCBs) from 382 in the preceding year. Licences were also issued during 1983-84 (July-June), to 6 SCBs and 156 PCBs for opening new offices (under Section 23 of the Banking Regulation Act, 1949) against 5 SCBs and 78 PCBs during 1982-83 (Table VII-38).

*Inspection of Banks*

NABARD has been entrusted with the responsibility of inspecting Central and State Co-operative banks and Regional Rural Banks. The inspections of SLDBs and other Federations/Corporations are undertaken on a voluntary basis. During 1983-84, inspection of 143 CCBs, 12 SCBs, 8 SLDBs, 7 other institutions and 57 RRBs were conducted.

*Research and Development Fund ( R & D )*

During the year, assistance was provided by NABARD from its R & D Fund to two more SLDBs (Gujarat and Madhya Pradesh) for establishing/strengthening their Technical, Monitoring and Evaluation (TME) Cells. The total number of SLDBs which were sanctioned such assistance from the Fund stood at 11 by June 1984. The numbers of key personnel approved for appointment in the SLDBs and SCBs had gone up from 84 in June 1983 to 111 in June 1984 and the grants sanctioned increased from Rs.20·89 lakhs to Rs.26·24 lakhs. Assistance from the Fund was also sanctioned during the year to 3 RRBs for setting up TME Cells.

NABARD has approved during 1983-84, 21 proposals, involving financial assistance of Rs.64 lakhs to various research institutions, universities and individuals. Funds were also allocated for a special study on the viability of RRBs by the Agricultural Finance Corporation (AFC).

## Commercial Banks and Rural Credit

*Advances against Gold Ornaments and Jewellery*

The Reserve Bank advised all commercial banks in November 1983 not to deny credit against the security of gold ornaments and jewellery to the borrowers affected by natural

**TABLE VII—38 : Licences issued to Co-operatives during 1981 - 82, 1982 - 83 and 1983 - 84**

| | 1981 - 82 | | | | 1982 - 83 | | | | 1983 - 84 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | SCBs | CCBs | PCBs | Total | SCBs | CCBs | PCBs | Total | SCBs | CCBs | PCBs | Total |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Licences issued to carry on banking business | 1 | 7 | 34 | 42 | — | 1 | 35 | 36 | — | 2 | 52 | 54 |
| No. of licensed banks at the end of the year | 8 | 32 | 305 | 345 | 8 | 33 | 341R | 382R | 8 | 35 | 393 | 436 |
| Licences issued for opening new offices | 12 | — | 138 | 150 | 5 | — | 78R | 83R | 6 | — | 156 | 162 |

R = Revised.

calamities, so long as the quantum of agricultural loan itself was assessed with reference to the crops grown or the investment proposed and the repaying capacity likely to be generated and not with reference to the value of the gold ornaments pledged. Similarly, other borrowers in the priority sector could also be granted credit against the security of gold ornaments. In the case of non-priority sector borrowers, the banks were advised that the loan amount against gold ornaments should not normally exceed Rs.5,000 and should be required to be repaid within a reasonable period.

*(ii) Financial Assistance to people affected by Natural Calamities*

Following the unprecedented floods in the Saurashtra region of Gujarat in June and July 1983, considerable damage was caused to lives and properties in the State. The commercial banks were advised in July 1983 to supplement the efforts of the State Government and district authorities towards providing relief and rehabilitation assistance to the affected people. The various measures taken by the banks included conversion of short-term loans into medium-term loans, rescheduling the repayment period of term loan instalments, grant of fresh loans, etc.

*iii) National Agricultural Inputs Fortnight*

As a part of intensive efforts towards increasing agricultural production, National Agricultural Inputs Fortnight was observed throughout the country both for the *kharif* and *rabi* seasons during 1983-84. The objective of the campaign was to ensure that seven essential inputs for boosting agricultural production viz., technology, fertilizers, implements, need-based seeds, pesticides, irrigation and institutional credit were made available to the farmers easily, adequately and in time. Since institutional credit is one of the important inputs, commercial banks were advised in May 1983 and again in September 1983 to participate effectively in the campaigns for *Kharif* and *Rabi* production, respectively, by ensuring easy and adequate credit to farmers.

## Central/State Governments and Co-operative Credit

In addition to the general monitoring, guidance and credit support provided by NABARD for the development of co-operative movement on sound and healthy lines throughout the country, the Central Government has also initiated several central sector and centrally sponsored schemes aimed at giving financial assistance to co-operatives for specified identified purposes, especially in the co-operatively underdeveloped States. The progress under these schemes during 1983-84 is reviewed below:

*Risk Fund for Consumption Credit*

A scheme for provision of assistance towards Risk Fund for consumption credit covering all States and Union Territories has been in operation as a non-plan scheme since 1977-78. The scheme which was being administered by the Department of Agriculture and Co-operation, Government of India, upto March 1982 has been transferred since April 1, 1982 to the Ministry of Rural Development. The scheme 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 acre whether as owners or tenants, landless labourers, rural artisans and other people of very small means like carpenters, barbers, washermen, etc. who form an integral part of the village community. Under the procedure, the State Government contributes the entire amount of Risk Fund assistance (i.e., 10 per cent of total consumption loans disbursed) and later 50 per cent of the assistance is claimed as reimbursement from the Government of India.

During 1983-84 (April-March), the Central Government released a sum of Rs.11·2 lakhs

under the scheme to 4 States,viz, Haryana, Madhya Pradesh, Orissa and Tamil Nadu as against Rs.18·7 lakhs in the preceding year. A budgetary provision of Rs.20 lakhs has been made for the year 1984-85.

*Agricultural Credit Stabilisation Fund*

Short-term loans given to farmers are eligible for conversion into medium-term loans whenever crop loss is declared to be more than 50 per cent in regions affected by natural calamities. 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. NABARD contributes 60 per cent of the amount required for this purpose from its NRC (Stabilisation) Fund. The concerned State Governments are expected to meet 15 per cent of the amount and the remaining 25 per cent is to be met by the concerned State/Central Co-operative Banks. Under the centrally sponsored scheme of assistance to the Credit Stabilisation Fund in operation since 1966-67, deficit in the Credit Stabilisation Fund maintained by the SCBs is being met by the Government of India. 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 into medium-term loans and enables them to get fresh loans in times of natural calamities. During 1983-84, a sum of about Rs.20·0 crores was released for this purpose to various States as against the budgetary provision of Rs.7·6 crores. Since the inception of the scheme in 1966-67 upto 1983-84, an amount of Rs.120·0 crores has been released to various States. A budgetary provision of Rs.6·0 crores has been made for the year 1984-85.

*Assistance to Cadre Fund of Reorganised Base Level Credit Institutions*

The scheme of central assistance for meeting a part of deficit in the Cadre Fund has been introduced since 1979-80 to expedite the process of reorganisation, particularly in appointing full time paid and trained secretaries for reorganised base level credit institutions. Under the scheme, central assistance is provided by way of reimbursement of 50 per cent assistance provided by State Governments during the preceding year to meet the deficit in the Cadre Fund of the reorganised base level credit institutions viz., FSS, LAMPS and PACS. An amount of Rs.16·4 lakhs was released during 1983-84. Assistance provided to various State Governments since the inception of the scheme upto 1983-84 aggregated Rs. 6·3 crores. A budgetary provision of Rs.29 lakhs has been made for the year 1984-85.

*Assistance to Co-operative Credit Institutions in Co-operatively Underdeveloped States*

The central sector scheme which is in operation from the beginning of the Fifth Five Year Plan, provides financial assistance to CCBs located in co-operatively underdeveloped States viz., Assam, Bihar, Meghalaya, Manipur, Nagaland, Orissa, Rajasthan, Tripura and West Bengal to meet the deficit in non-overdue cover for enabling them, to obtain credit limits from NABARD for their lending programme. The scheme which was originally intended for the co-operatively underdeveloped States was subsequently extended to cover tribal areas, DPAP areas and areas where there was concentration of scheduled castes to the extent of 20 per cent or more of the population. The amount disbursed during 1983-84 under the scheme amounted to Rs.3·8 crores as against the budgetary provision of Rs. 3·0 crores. A budgetary provision of Rs.6·6 crores has been made for the year 1984-85.

**Other Institutions in the Field of Rural Credit**

*"National Co-operative Development Corporation"*

The National Co-operative Development Corporation (NCDC), established in March

1963, promotes various economic programmes in the co-operative sector and provides financial asistance in the form of loan and subsidy to the co-operatives under the schematic pattern of assistance evolved for different schemes. The Corporation also implements programmes covering poultry, fisheries, minor forest produce, handloom, coir, sericulture and dairy farming in the co-operative sector, basically intended for the benefit of weaker sections of the society.

The total financial assistance provided by the NCDC during the year 1983-84 (April- March) was Rs.127 crores, showing an increase of 32·3 per cent over the assistance provided in the previous year (Rs.96 crores) (Table VII-39). Out of this, assistance of Rs.81 crores was disbursed under the central sector schemes as against Rs.48 crores in the previous year. Disbursements under the Corporation sponsored schemes were lower at Rs.46 crores as against Rs.48 crores in 1982-83.

State-wise, two-thirds of the assistance was shared by six States, *viz.*, Maharashtra (21·0 per cent), Uttar Pradesh (14·9 per cent), Madhya Pradesh (10·1 per cent), Orissa (6·4 per cent), Punjab (18·1 per cent) and Rajasthan (6·5 per cent) Total assistance provided by NCDC to State Governments and other agencies since its inception in March 1963, aggregated Rs.715 crores, of which Rs.466 crores were outstanding at the end of March 1984.

As on March 31, 1984, NCDC had sanctioned an amount of Rs.61·1 crores for 2,521 projects for distributing consumer goods in rural areas covering 43,296 villages in 20 States and 2 Union Territories.

**Table VII-39: NCDC's Financial Assistance during 1981-82 to 1983-84 (April-March)**

(Rupees crores)

| Schemes/Purposes | Amount disbursed | | |
|---|---|---|---|
| | 1981-82 | 1982-83 | 1983-84 |
| 1 | 2 | 3 | 4 |
| **I. Central Schemes** | **52** | **48** | **81** |
| a. Co-operative storage programme with international aid | 18 | 21 | 29 |
| b. Co-operative marketing processing and storage programmes in underdeveloped States | 9 | 8 | 9 |
| c. Margin money assistance to village societies for distribution of consumer articles in rural areas | 4 | 4 | 4 |
| d. Finance for co-operative sugar factories, co-operative spinning mills, NAFED etc. | 21 | 15 | 39 |
| **II. Corporation Sponsored Schemes** | **40** | **48** | **46** |
| a. Storage | 16 | 16 | 18 |
| b. Agro-processing | 9 | 14 | 10 |
| c. Weaker Sections | 5 | 7 | 7 |
| d. Agricultural marketing | 4 | 5 | 3 |
| e. Rural consumer activity | 5 | 4 | 5 |
| f. Agro-services & promotional & developmental programme | 1 | 2 | 3 |
| **III. Total (I + II)** | **92** | **96** | **127** |

*Rural Electrification Corporation*

The Rural Electrification Corporation (REC), which was set up in 1969, continued to pursue its main objective of accelerating the pace of rural electrification especially in backward areas in collaboration with the State Electricity Boards. With a view to achieving the objectives of the New-20 Point Programme, concerted efforts were made by the Corporation to reorient its organisational set up and financial policies to reflect the main thrust of the programme towards acceleration of electrification of villages, particularly electrification of tribal areas and Harijan Bastis and increasing irrigation potential through pumpset energisation of economically backward areas.

Financial assistance sanctioned and disbursed by the REC during 1983-84 (July-June) amounted to Rs.484 crores and Rs.303 crores, respectively, as compared with Rs.324 crores and Rs.249 crores during the preceding year (Table VII-40).

**Table VII-40 : Schemes Sanctioned and Loans Disbursed by REC**

(Rupees crores)

| Items | 1981-82 | 1982-83 | 1983-84 | Cumulative position as at end-June 1984 |
|---|---|---|---|---|
| | | July-June | | |
| 1 | 2 | 3 | 4 | 5 |
| 1. No. of Schemes Sanctioned | 788 | 983 | 1,618 | 8,105 |
| | (N. A.) | (142) | (128) | (633) |
| 2. No. of Villages Electrified | 19,046 | 24,322 | 32,768 | 3,07,929 |
| 3. Total Cost of Schemes | 326 | 477 | 698 | 3,414 |
| 4. Amount Sanctioned | 194 | 324 | 484 | 2,517 |
| | (N.A.) | (10) | (10) | (36) |
| 5. Total Amount Disbursed | 189 | 249 | 303* | 1,728 |
| | (4) | (5) | (5) | (26) |

* Inclusive of inventory loans amounting to Rs. 46·3 crores adjusted during 1983-84.

*Note* : Figures in brackets pertain to the Harijan Bastis..

N.A. = Not available.

The number of new schemes sanctioned by the REC was 1,618 as against 983 in the previous year. Cumulative financial assistance sanctioned and disbursed by the REC upto end-June 1984 aggregated Rs.2,517 crores and Rs.1,728 crores, respectively. State-wise details are presented in Table VII-41.

During the year 1983-84, the Corporation sanctioned 128 schemes for Harijan Bastis involving financial assistance of Rs.10 crores as against 142 schemes involving Rs.10 crores in the previous year. The amount disbursed during 1983-84 was Rs.5 crores, the same as in the previous year. Till June 1984, the REC has approved 633 schemes in the Harijan Bastis covering 35,440 villages. Cumulative financial assistance sanctioned and disbursed by the REC till June 1984 for these schemes amounted to Rs.36 crores and Rs.26 crores, respectively.

*Agricultural Finance Corporation*

The Agricultural Finance Corporation (AFC) was set up by the Indian Banks' Association (IBA) in April 1968 to help the commercial banks in financing agricultural projects and participate actively and extensively in the development of agriculture. However, it has now emerged mainly as a consultancy organisation for diversified agricultural activites. Its major activities continued to be in the area of project formulation in the disciplines ranging from Command Area Development, Watershed Management, Animal Husbandry, Fisheries, Sericulture, etc. These projects were formulated by the Corporation at the instance of its member banks, Central and State Governments and NABARD. During 1983-84 (July-June), the Corporation undertook 54 projects preparation/appraisal assignments (as against 45 in the previous year). These assignments comprised of Command Area Development Project, Block Level Plans in various states/districts and plans for development of agriculture and allied activities.. Some of the projects were taken up in backward areas where there was preponderance of the weaker sections and the emphasis was on creating absorptive capacity for credit, improving levels of productivity and generating employment opportunities resulting in incremental incomes. The Corporation set up cells at Bombay and Bhopal (Madhya Pradesh) in collaboration with the Ford Foundation for monitoring and evaluating the implementation of Tawa Command Area Project at

**TABLE VII—41 : State-wise data of schemes sanctioned and loans disbursed by R.E.C. ( cumulative position) as at the end of June 1983 and 1984**

(Rs. crores)

| States | No. of schemes sanctioned | | Villages electrified | | Loan amount sanctioned | | Amount disbursed | |
|---|---|---|---|---|---|---|---|---|
| | 1982-83 | 1983-84 | 1982-83 | 1983-84 | 1982-83 | 1983-84 | 1982-83 | 1983-84 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1. Andhra Pradesh | 580 | 760 | 16079 | 17420 | 147·5 | 191·7 | 115·0 | 129·6 |
| 2. Assam | 127 | 170 | 9877 | 12211 | 82·7 | 114·1 | 55·0 | 73·5 |
| 3. Bihar | 556 | 784 | 36081 | 43117 | 178·3 | 238·2 | 127·1 | 149·7 |
| 4. Gujarat | 315 | 370 | 8903 | 9555 | 82·2 | 103·2 | 66·5 | 73·6 |
| 5. Haryana | 213 | 264 | 5917 | 5917 | 49·0 | 62·7 | 36·6 | 45·2 |
| 6. Himachal Pradesh | 117 | 145 | 12663 | 12935 | 56·0 | 73·8 | 37·3 | 45·7 |
| 7. Jammu & Kashmir | 118 | 136 | 5115 | 5431 | 39·7 | 46·2 | 33·0 | 36·8 |
| 8. Karnataka | 302 | 393 | 8848 | 10366 | 75·3 | 90·0 | 52·9 | 65·8 |
| 9. Kerala | 118 | 149 | 220 | 223 | 25·8 | 36·3 | 18·4 | 23·3 |
| 10. Madhya Pradesh | 869 | 1080 | 41642 | 49309 | 271·4 | 338·4 | 189·7 | 230·9 |
| 11. Maharashtra | 537 | 687 | 16080 | 17106 | 140·0 | 174·6 | 109·9 | 127·8 |
| 12. Manipur | 15 | 18 | 597 | 690 | 8·1 | 9·7 | 3·1 | 4·1 |
| 13. Meghalaya | 43 | 49 | 1438 | 1643 | 20·0 | 22·5 | 17·5 | 18·5 |
| 14. Nagaland | 16 | 21 | 362 | 469 | 9·4 | 13·6 | 6·9 | 9·6 |
| 15. Orissa | 366 | 433 | 26409 | 29447 | 127·0 | 153·6 | 90·5 | 104·3 |
| 16. Punjab | 318 | 395 | 4385 | 4385 | 101·3 | 120·1 | 78·4 | 93·1 |
| 17. Rajasthan | 557 | 670 | 17799 | 20816 | 156·8 | 185·5 | 113·0 | 127·2 |
| 18. Tamil Nadu | 401 | 453 | 1279 | 1279 | 85·8 | 93·5 | 63·0 | 71·3 |
| 19. Tripura | 40 | 52 | 1562 | 1924 | 11·4 | 16·9 | 8·5 | 11·5 |
| 20. Uttar Pradesh | 572 | 717 | 40431 | 43252 | 234·6 | 285·9 | 154·6 | 172·0 |
| 21. West Bengal | 301 | 347 | 19398 | 20309 | 127·5 | 140·0 | 93·4 | 111·9 |
| 22. Sikkim | 6 | 12 | 76 | 125 | 2·7 | 6·2 | 1·3 | 3·0 |
| **Total** | **6487** | **8105** | **275161** | **307929** | **2032·5** | **2516·7** | **1471·6** | **1728·4** |

Hoshangabad (Madhya Pradesh). It has also set up a cell at New Delhi at the instance of the Ministry of Home Affairs, Government of India, for monitoring and evaluating the performance of the Scheduled Castes Development Corporations set up in various States.

It may be recalled that the AFC had made a dent in the field of international assignments since 1979. The AFC continued to get international assignments from foreign Governments/agencies for preparation of feasibility studies/projects and for providing technical experts. During 1983-84, it provided experts to the African Development Bank, International Fund for Agricultural Development (IFAD), Islamic Development Bank, Asian Development Bank, World Bank, International Agricultural Development Services (IADS) and FAO Investment Centre for submission of proposals, project identification, appraisal as well as formulation of projects in developing countries. These countries included Mozambique, Sri Lanka, Pakistan, Yemen Arab Republic, Bangladesh, Burma, Nepal, Egypt, Sudan, Nigeria, Indonesia and Zambia. Further, the Corporation also received two assignments from IFAD for project appraisal information (for projects in India) and an assignment from FAO for drafting a manual on preparation of projects for

setting up women's organisation within the country (India) for income earning opportunities.

During the current year, the AFC handled as many as 21 international assignments on account of which it received US $ 1·2 lakhs as consultancy fee as against US $ 3·1 lakhs in the previous year.

**Study Teams/Committees**

*(i) Working Group to Study the Problems of State Handloom Development Corporations*

The Reserve Bank appointed a Working Group in June 1984 to study the operational problems of State Handloom Development Corporations and to ascertain their loan and working capital needs from banks for assisting handloom weavers outside the co-operative fold. The Working Group would also examine measures necessary to strengthen State Handloom Development Corporations so that they may play an effective role in financing handloom weavers.

*(ii) Study Group on Co-operative Bank Resources for Agricultural Lending*

NABARD had constituted a study Group in June 1983 to recommend norms for involvement of resources by State and Central Co-operative Banks in agricultural lending. The Group had been asked to examine and define the role to be played by SCBs, CCBs, NABARD and the Reserve Bank in financing short-term agricultural and other purposes; to examine the applicability of the scheme of linking borrowings from NABARD with efforts at deposit mobilisation by CCBs and suggest modifications in the scheme so as to make it more effective; and examine the present involvement of SCBs/CCBs purpose-wise and study which part of the present involvement in the non-agricultural lendings can be treated as the legitimate business.

The Study Group has since submitted its Report which contains specific recommendations in regard to the norms for deployment of lendable internal resources of SCBs and CCBs in agricultural and non-agricultural sectors. The Group has also suggested measures for augmenting the deposit resources of these banks. Certain modifications to the existing scheme of linking borrowings from NABARD with efforts at deposit mobilisation by CCBs are also suggested by the Group so as to make it more meaningful and place it on a more rational footings. The report is under consideration of NABARD.

## ANNEXURE I

## SELECTIVE CREDIT CONTROL

## SUMMARY OF THE PROVISIONS OF DIRECTIVES TO SCHEDULED COMMERCIAL BANKS ON ADVANCES AGAINST SELECTED COMMODITIES

(Position as on May 11, 1984)

### A. FOODGRAINS

Rate of interest : (i) 13·50% per annum for advances against rural warehouse receipts up to Rs. 5000
(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 September 11, 1974.<br><br>(ii) DBOD. No Dir. BC.102/ C. 218 - 75 dated November 11, 1975.<br><br>(iii) DBOD. No. Dir. BC. 106/ C. 218-77 dated August 20, 1977.<br><br>(iv) DBOD. No. Dir. BC. 98/C. 218-79 dated June 29, 1979.<br><br>(v) D. O. No. CPC. 250/C. 279-79 dated August 7, 1979.<br><br>(vi) DBOD. No. Dir. BC. 58/ C-218 (a)-80 dated June 11, 1980. | **Paddy/Rice.**<br>(1) 45% on advances against stocks of paddy to processing units/mills.<br>(2) 50% on advances against warehouse receipts covering stocks. +<br>(3) 60% on all other advances.<br><br>**Pulses**<br>(1) 45% on advances against stocks of pulses to processing units.<br>(2) 60% on advances against stocks of pulses to parties other than processing units/mills.<br>(3) 40% on advances to processing units/ mills against warehouse receipts covering stocks of pulses.<br>(4) 50% on advances to parties other than processing units/mills against warehouse receipts covering stocks of pulses.<br><br>**Other Foodgrains**<br>(1) 45% on advances against stocks of foodgrains (used as raw materials) other than paddy and rice to food- | (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.)<br><br>*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 enfore this stipulation.<br><br>(B) Additional limit for new branches : Combined limit for advances against any one or both the groups of foodgrains stated above for each new | **States**<br>(i) Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura.<br><br>**Public Procurement, Storage and Distribution Agencies**<br><br>(ii) Advances to the Food Corporation of India and State Governments.<br>(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. |

| No. and Date of Directive | Minimum Margin | Level of Credit | Complete Exemption |
|---|---|---|---|
| (1) | (2) | (3) | (4) |

(vii) DBOD. No. Dir. BC. 92/ C.218 (a) - 80 dated August 6, 1980.

(viii) DBOD. No. Dir. BC. 50/ C. 96-81 dated May 2, 1981.

(ix) DBOD. No. Dir. BC. 59 C. 96-81 dated May 19, 1981.

(x) DBOD. No. Dir. BC. 60 C. 96-81 dated May 19, 1981.

(xi) DBOD. No. Dir. BC. 88 C. 218 (a)-81 dated July 13, 1981.

(xii) DBOD. No. Dir. BC. 98 C. 218 (a)-81 dated August 10, 1981.

(xiii) DBOD. No. Dir. BC. 100 C. 218-81 dated August 10, 1981.

(xiv) DBOD. No. Dir. BC. 100 C. 218-82 dated October 26, 1982.

(xv) DBOD. No. Dir. BC. 16 C. 96-83 dated February 28, 1983.

grain 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.

**Small Advances up to Rs. 5,000 against Rural Warehouse Receipts.**

Fixed margin of 30% covering stocks of paddy/rice, pulses and other foodgrains.

**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.

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.**

**Exemptions**

(i) Advances against wheat granted to roller flour mills.

(ii) Advances to traders wholly or partly against the security of foodgrains which are covered by a guarantee scheme of the 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 DICGC subject ot a maximum of Rs. 50,000 for each such manufacturing unit/borrower, provided it/he undertakes to borrow against foodgrains from only one bank.

(iv) Advances against foodgrains to foodgrain processing units.

(v) Advances granted against the security of warehouse receipts, provided that the amount does not exceed Rs. 25,000 per borrower.

(iv) Advances to rice millers against pledge/hypothecation of paddy and rice held to the extent they act as Government agents, provided the stock is held separately on producers' levy account.

(v) Advances against rationed foodgrains granted to wholesale and retail dealers appointed/licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories.

(vi) Advances granted to Wholesale Consumers' Co-operative Stores and State and National Federations of Consumers' Co-operatives.

**Others**

(vii) Advances against the security of maize and barley to manufacturing units (i.e., industrial users) and against the security of *soji (rawa)*, flour *(atta)* and *maida* to biscuit manufacturers.

(viii) Advances granted to processing/ manufacturing units covered under the Rural Industries Projects, up to Rs. 50,000 per unit.

(ix) Advances against the security of, or by way of purchase of, demand documentary bills drawn in connection with the movement of foodgrains.

| No. and Date of Directive | Minimum Margin | Level of Credit | Complete Exemption |
|---|---|---|---|
| (1) | (2) | (3) | (4) |
| (xvi) DBOD. No. Dir. BC. 54/ C. 96-83 dated July 4, 1983. | | | (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. |
| (xvii) DBOD. No. Dir. BC. 9/ C. 218 (a)-84 dated February 3, 1984. | | | (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. |
| (xviii) DBOD, No. Dir. BC. 39/ C. 218 - 84 dated May 8, 1984. | | | (xii) Advances granted to Khadi and Village Industries Commission (KVIC) and all its associate institutions. |
| (xix) DBOD. No. Dir. BC, 40/C, 218-84 dated May 11, 1984. | | | |

| No. and Date of Directive | Minimum Margin | Level of Credit | Complete Exemption |
|---|---|---|---|
| (1) | (2) | (3) | (4) |
| | | | (xiii) Advances granted to the beneficiaries under the Integrated Rural Development Programme ( IRDP ) |
| | | | (xiv) Advances granted to the beneficiaries under the Scheme for providing Self Employment to Educated Unemployed Youth. |
| | | | (xv) Advances granted to the borrowers under the DRI scheme. |
| | | | (xvi) Advances upto an aggregate limit of Rs. 5000 per borrower granted against stock of commodities covered by the selective credit control subject to the condition that a borrower should deal with only one bank. |
| | | | **Exports** |
| | | | (xvii) 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 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.

+ 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/MUSTARD SEED, 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.

| 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 September 11, 1974.<br>(ii) DBOD. No. Dir. BC. 63/C. 218 (I•)-76/77 dated May 31, 1977.<br>(iii) D.O. No. CPC. 250/C. 279-79 dated August 7, 1979.<br>(iv) DBOD, No. Dir. BC. 58/C. 218 (a) - 80 dated June 11, 1980.<br>(v) DBOD. No. Dir. BC. 92/C. 218 (a) - 80 dated August 6, 1980.<br>(vi) DBOD. No. Dir. BC. 50/C. 96 - 81 dated May 2, 1981.<br>(vii) DBOD. No. Dir. BC. 59/C. 96-81 dated May 19, 1981.<br>(viii) DBOD. No. Dir. BC. 60/C, 218 - 81 dated May 19, 1981.<br>(ix) DBOD. No. Dir. BC. 100/C. 218 - 81 dated August 10, 1981. | **Indigenous and imported Oilseeds, i.e., Groundnut, Cottonseed, Rapeseed/Mustard Seed, Castorseed and Linseed and all other imported Oilseeds** (Other than groundnut, cotton seed, rapeseed/mustard seed, castor seed and linseed)<br>1. 70% on advances against stocks of groudnut, cottonseed, rapeseed/mustard seed, castorseed and linseed.<br>2. 60% on advances against warehouse, receipts covering stocks of groundnut, cottonseed, rapeseed/mustard seed, castorseed and linseed.<br>3. 60% on advances against stocks of rapeseed/mustard seed equivalent to 2 months' consumption of each oil mill in all the States and Union Territories other than Rajasthan, U.P., M.P., West Bengal and Bihar.<br>4. 45% on advances against stocks of groundnut and rapeseed/mustard seed, equivalent to 2 months' consumption of each oil mill in Rajasthan, U.P., M.P., West Bengal and Bihar. | 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.<br>**Exemptions**<br>(i) Advances against the security of oilseeds grown in India to registered oil mills * and vanaspati manufacturers.<br>(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.<br>(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. | **States**<br>(i) Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura.<br>**Public Procurement, Storage and Distribution Agencies**<br>(ii) Advances to the Food Corporation of India and the State Trading Corporation against stocks of oilseeds.<br>(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.<br>(iv) Advances to the Wholesale Consumers' Co-operative Stores and the State and National Federations of Consumers' Co-operatives. |

| No. and Date of Directive (1) | Minimum Margin (2) | Level of Credit* (3) | Complete Exemption (4) |
|---|---|---|---|
| (x) DBOD. No. Dir. BC. 113/C. 218 (H) - 81 dated September 9, 1981.<br>(xi) DBOD. No. Dir. BC. 100/C. 218 - 82 dated October 26, 1982.<br>(xii) DBOD. No. Dir. BC. 16/C. 96 - 83 dated February 28, 1983.<br>(xiii) DBOD. No. Dir. BC. 54/C. 96 - 83 dated July 4, 1983.<br>(xiv) DBOD. No. Dir. BC. 9/C. 218 (a) - 84 dated February 3, 1984.<br>(xv) DBOD, No. Dir. BC, 39/C. 218 - 84 dated May 8, 1984.<br>(xvi) DBOD. No. Dir. BC. 40/C. 218-84 dated May 11,1984. | 5. 45% on advances against stocks of cottonseed equivalent to two months' consumption of each oil mill.<br><br>6. 60% on advances against imported oilseeds **other than** groundnut, cottonseed, rapeseed/mustard seed, castorseed and linseed **after a period of 8 weeks from the arrival of the goods in India.**<br><br>**Small Advances up to Rs. 5,000 against Rural Warehouse Receipts.**<br>Fixed margin of 40% covering stocks of oilseeds.<br><br>**Exemptions**<br>(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.<br><br>(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.<br><br>(iii) Advances directly granted to farmers and primary co-operative societies for | (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.<br><br>(v) Advances against warehouse receipts provided that the amount does not exceed Rs. 25,000 per borrower.<br><br>(vi) Advances against imported oilseeds. | **Exports**<br>(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.<br><br>(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 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.<br><br>**Others**<br>(vii) 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) |
| | 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. | | (viii) Advances sanctioned to the beneficiaries under the IRDP.<br>(ix) Advances sanctioned to KVIC and all its associate institutions.<br>(x) Advances sanctioned to the beneficiaries under the Scheme for providing Self Employment to Educated Unemployed Youth.<br>(xi) Advances sanctioned to the borrower under DRI scheme. |
| | (iv) Advances against all imported oilseeds for a period not exceeding 8 weeks after arrival of the goods in India. | | (xii) Advances sanctioned upto an aggregate limit of Rs. 5,000 per borrower against the stocks of commodities covered by Selective Credit Control subject to the condition that a borrower should deal with only one bank. |
| Letter DBOD. NO. Dir. BC. 97.C. 218 - 79 dated June 29, 1979. | 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. | | (xiii) Advances granted by way of purchase of demand documentary bills drawn in connection with the movement of commodities covered by the directive. |

* 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/cashcredits/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 September 11, 1974.<br><br>(ii) DBOD. No. Dir. BC. 63/C. 218 (H) - 77 dated May 31, 1977.<br>(iii) DBOD. No. Dir. BC. 42/C. 218 (H) - 78 dated March 15, 1978.<br>(iv) D.O. No. CPC. 250/C. 279 - 79 dated August 7, 1979.<br>(v) DBOD. No. Dir. BC 50/C. 96 - 81 dated May 2, 1981.<br>(vi) DBOD. No. Dir. BC. 59/C. 96 - 81 dated May 19, 1981.<br>(vii) DBOD. No. Dir. BC. 60/C. 218 - 81 dated May 19, 1981.<br>(viii) DBOD. No. Dir. BC. 100/C. 218 - 81 dated August 10, 1981.<br>(ix) DBOD. No. Dir. BC. 117/C. 218 - 81 September 17, 1981. | **Indigenous and imported Oils**<br>1. (a) 85% on advances against stocks of groundnut oil, cottonseed oil, rapeseed oil/mustard oil, vanaspati, castor oil and linseed oil.<br><br>**Other imported Oils**<br>(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.<br><br>2. 75% on advances against warehouse receipts covering stocks of groundnut oil, cottonseed oil, rapeseed oil/mustard oil, vanaspati, castor oil and linseed oil.<br><br>3. **On Advances against Vanaspati to Vanaspati Manufacturers**<br>(a) 70% in all the States and Union Territories other than Gujarat and Maharashtra.<br>(b) 85% in the States of Gujarat and Maharashtra.<br><br>4. **On Advances to Vanaspati Manufacturers against Warehouse Receipts covering Stocks of Vanaspati.** | 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**<br>(i) Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura.<br>**Public Procurement, Storage and Distribution Agencies**<br>**(ii)** Advances to the Food Corporation of India & the State Trading Corporation against the stocks of vegetable oils and vanaspati.<br>(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.<br>(iv) Advances against stocks of oil processed from linseed oil and castor oil for use as industrial raw material by factories.<br>(v) Advances against receivables arising out of sale of vegetable oils (including vanaspati) delivered to Army Purchase Organisation and |
| | | **Exemptions**<br>(i) Advances against vegetable oils and vanaspati (manufactured in India) to vanaspati manufacturers and registered oil mills.<br><br>(ii) Advances to consumers' co-operatives in respect of stocks held under the Centrally-sponspored Scheme for distribution of essential consumer articles.<br>(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.<br><br>(iv) Advances to manufacturing units and other borrowers, wholly or partly against the security of vegetable oils | |

| No. and Date of Directive | Minimum Margin | Level of Credit | Complete Exemption |
|---|---|---|---|
| (1) | (2) | (3) | (4) |
| (x) DBOD. No. Dir. BC. 23/C. 218/82 dated March 1, 1982.<br>(xi) DBOD. No. Dir. BC. 100/C. 218 - 82 dated October 26, 1982.<br>(xii) DBOD, No. Dir. BC. 16/C. 96-83 dated February 28, 1983.<br>(xiii) IECD. No. EFD. BC. 60/C. 297P - 83 dated June 20, 1983.<br>(xiv) DBOD. No. Dir. BC. 54/C. 218 - 83 dated July 4, 1983.<br>(xv) DBOD. No. Dir. BC, 9/C. 218 (a) - 84 dated February 3, 1984.<br>(xvi) DBOD. NO. Dir. BC. 39/C. 218 - 84 dated May 8, 1984.<br>(xvii) DBOD. No. Dir. BC. 40/C. 218 - 84 dated May 11, 1984. | (a) 60% in all the States and Union Territories other than Gujarat and Maharashtra.<br>(b) 75% in the States of Gujarat and Maharashtra.<br><br>5. **On Advances to Vanaspati Manufacturers against controlled Vegetable Oils mentioned in 1 above.**<br>(a) 50% on advances against stocks of such oil used as raw material equivalent to 6 weeks' consumption of each factory located in Eastern Zone.<br>(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<br>(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.<br>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.<br><br>**For new Vanaspati Factories**<br>The basis is the average actual weekly consumption from the date of establishment, and<br>**For Vanaspati Units likely to start Production in future** | (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.<br><br>(v) Advances against warehouse receipts provided the amount does not exceed Rs.25,000 per borrower.<br><br>(vi) Advances against all imported vegetable oils. | 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.<br>(vi) Advances to Wholesale Consumers' Co-operative Stores and State and National Federation of Conusmers' Co-operatives.<br><br>**Exports**<br>(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;<br><br>**provided**<br>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 |

| No. and Date of Directive | Minimum Margin | Level of Credit | Complete Exemption |
|---|---|---|---|
| (1) | (2) | (3) | (4) |
| | 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. | | 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. |
| | 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 | | (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. |
| | **Exemptions**<br>(i) Advances to consumers' co-operatives in respect of stocks held under the Centrally Sponspored Scheme for the distribution of essential consumer articles. | | **Others**<br>(ix) Advances granted to processing/manufacturing units covered under the Rural Industries Projects up to Rs. 25,000 per unit.<br>(x) Advances by way of purchase of demand documentary bills drawn in connection with the movement of vegetable oils and vanaspati.<br>(xi) Advances sanctioned to KVIC and all its associate institutions.<br>(xii) Advances sanctioned to the beneficiaries under the IRDP.<br>(xiii) Advances sanctioned to the beneficiaries under the Scheme for providing Self-Employment to Educated Unemployed Youth. |
| | (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. | | |

| No. and Date of Directive | Minimum Margin | Level of Credit | Complete Exemption |
|---|---|---|---|
| (1) | (2) | (3) | (4) |
| | (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.<br>(iv) Advances to vanaspati manufacturers against cottonseed oil.<br>(v) Advances against all imported vegetable oils for a period not exceeding 4 weeks after arrival of the goods in India.<br>(vi) Advances granted to vanaspati manufacturers against the security of imported oils used as raw materials by them in the manufacture of vanaspati. | | (xiv) Advances sanctioned to the borrowers under DRI Scheme.<br>(xv) Advances sanctioned up to an aggregate limit of Rs. 5,000 per borrower granted against the stocks of commodities covered by selective credit control subject to the condition that a borrower should deal with only one bank. |
| DBOD, No. Dir. BC. 73/C. 218 (H) - 77 dated June 15, 1977.<br><br>Letter DBOD. No. Dir. BC. 97/C - 218-79 dated June 29, 1979. | 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 lettes 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 which he would have provided under the directives had he availed himself of advances against the commodity.<br><br>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. | | |

## 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 September 11, 1974.<br>(ii) DBOD. No. Dir. BC. 47/C. 218 (F) - 74 dated March 29, 1979.<br>(iii) DBOD. No. Dir. BC. 48/C. 218 (F) - 79 dated March 29, 1979<br>(iv) D.O. No. CPC 250/C. 279 - 79 dated August 7, 1979.<br>(v) DBOD. No. Dir. BC. 58/C. 218(a) - 80 dated June 11, 1980.<br>(vi) DBOD. No. Dir. BC. 92/C. 218(a) - 80 dated August 6, 1980.<br>(vii) DBOD. No. Dir. BC. 50/C. 96 - 81 dated May 2, 1981<br>(viii) DBOD. No. Dir. BC. 59/C. 96 - 81 dated May 19, 1981.<br>(ix) DBOD. No. Dir. BC. 60/C. 218 - 81 dated May 19, 1981.<br>(x) DBOD. No. Dir. BC. 96/C. 218(F) - 81 dated July 29, 1981. | (1) **Mills under National Textile Corporation**<br>(a) 20% for stocks of 4 months' consumption.<br>(b) 35% for stocks in excess of 4 months' consumption.<br><br>**(2) For Mills in Bombay and Ahmedabad**<br>(a) 25% for stocks of 3 months' consumption.<br>(b) 45% for stocks in excess of 3 months' consumption.<br><br>**(3) For Mills in Bihar and West Bengal**<br>(a) 20% for stocks of 4½ months' consumption.<br>(b) 40% for stocks in excess of 4½ months' consumption.<br><br>**(4) Other Mills**<br>For mills other than those in Bombay/Ahmedabad and in States of Bihar and West Bengal.<br>(a) 25% for stocks of 4 months' consumption.<br>(b) 45% 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.<br><br>**Exemptions**<br>(i) Advances against cotton and *kapas* to industrial users such as manufacturers of surgical cotton (absorbent cotton wool), provided that such stock is held by the borrower for processing and not for re-sale.<br>(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. | **States**<br>(i) Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura.<br><br>**Exports**<br>(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.<br>(iii) Advances to cotton mills in respect of pre-shipment credit against such stocks of indigenous cotton and *kapas* as are required for the manufacture of cotton textiles (including yarn) in respect of which firm export orders have been received either directly by the mills or by 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- |

| No. and Date of Directive | Minimum Margin | Level of Credit | Complete Exemption |
|---|---|---|---|
| (1) | (2) | (3) | (4) |
| (xi) DBOD. No. Dir. BC. 100/C. 218 - 81 dated August 10, 1981.<br>(xii) DBOD. No. Dir. BC. 100/C. 218 - 82 dated October 26, 1982.<br>(xiii) DBOD. No. Dir. BC. 16/C. 96 - 83 dated February 28, 1983.<br>(xiv) DBOD. No. Dir. BC. 54/C. 96 - 83 dated July 4, 1983.<br>(xv) DBOD. No. Dir. BC. 9/C. 218(a) - 84 dated February 3, 1984.<br>(xvi) DBOD. No. Dir. BC. 39/C. 218 - 84 dated May 8, 1984.<br>(xvii) DBOD. No. Dir. BC. 40/C. 218-84 dated May 11, 1984. | **(5) For Mills solely engaged in spinning Yarn**<br>(a) 20% for stocks of 4 months' consumption.<br>(b) 35% for stocks in excess of 4 months' consumption.<br>**(6) To Others (Parties other than Cotton Mills)**<br>(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 Badnaver-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.<br>(b) 25% for stocks of imported cotton.<br>(c) 60% for stocks of other varieties of cotton.<br>(d) 50% for stocks covered by warehouse receipts. | (iii) Advances against warehouse receipts, provided that the amount does not exceed Rs. 25,000 per borrower. | shipment finance are complied with.<br>(iv) Advances against the security of, or by way of purchase or discount of, export bills relating to export of cotton from India.<br>**Others**<br>(v) Advances granted by way of purchase of demand documentary bills drawn in connection with the movement of cotton and kapas.<br>(vi) Advances granted to processing/ manufacturing units covered under the Rural Industries Projects, up to Rs. 25,000 per unit.<br>(vii) Advances sanctioned to KVIC and all its associate institutions.<br>(viii) Advances sanctioned to the beneficiaries under the IRDP.<br>(ix) Advances sanctioned to the beneficiaries under the scheme for providing Self Employment to the Educated Unemployed Youth.<br>(x) Advances sanctioned to the borrowers under DRI scheme.<br>(xi) Advances sanctioned up to an aggregate limit of Rs. 5,000 per borrower against the stocks of commodities covered by selective credit control subject to the condition that a borrower should deal with only one bank. |

| No. and Date of Directive | Minimum Margin | Level of Credit | Complete Exemption |
|---|---|---|---|
| (1) | (2) | (3) | (4) |
| | **(7) Small Advances up to Rs. 5,000 against Rural Warehouse Receipts**<br>Fixed margin of 30% covering stocks of cotton and *kapas*.<br><br>**Exemptions**<br>(i) Advances against cotton and *kapas* to industrial users such as manufacturers of surgical cotton (absorbent cotton wool), provided that such stock is held by the borrower for processing and not for re-sale.<br>(ii) Advances to mills in West Bengal under the National Textile Corporation or its authorised agencies, against stocks equivalent to $4\frac{1}{2}$ months' consumption of each mill.<br>(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 | Minimum Margin | Complete Exemption |
|---|---|---|
| (1) | (2) | (4) |
| (i) DBOD. No. Dir. BC. 50/C. 96 - 81 dated May 2, 1981.<br>(ii) DBOD. No. Dir. BC. 101/C. 218(F) - 82 dated november 18, 1982.<br>(iii) DBOD. No. Dir. BC. 16/C. 96 - 83 dated February 28, 1983.<br>(iv) DBOD. No. Dir. BC. 54/C. 218 - 83 dated July 4, 1983.<br>(v) DBOD. No. Dir. BC. 8/C. 218(J) - 84 dated January 30, 1984.<br>(vi) DBOD. No. Dir. BC. 9/C. 218(a) - 84 dated February 3, 1984.<br>(vii) DBOD. No. Dir. BC. 39/C. 218 - 84 dated May 8, 1984.<br>(viii) DBOD. No. Dir. BC. 40/C. 218 - 84 dated May 11, 1984. | 1. **To Sugar Factories**<br>(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.<br>(b) 17·5% on advances to parties manufacturing sugar against stocks of sugar other than those referred to in (a) above.<br>2. **Manufacturers of** *Gur and khandsari*<br>50% on advances against stocks of *gur/ khandsari.*<br>3. **To others**<br>75% on advances against stocks of sugar, *gur* and *Khandsari.*<br>4. **Warehouse Receipts**<br>(a) 65% on advances against warehouse receipts covering stocks of sugar.<br>(b) 55% on advances against warehouse receipts covering stocks of *gur* and *khandsari.* | **Public Procurement, Storage and Distribution Agencies**<br>(i) Advances to Food Corporation of India.<br>(ii) Advances to Wholesale Consumers' Co-operative Stores or State and National Federations of Consumers' Co-operatives.<br>**Exports**<br>(iii) Advances granted in respect of stocks of sugar pledged/hypothecated with banks which are intended for export out of India.<br>**Others**<br>(iv) Advances granted by way of purchase of demand documentary bills drawn in connection with movement of commodities.<br>(v) Advances granted to processing/manufacturing units covered under the Rural Industries Projects, up to Rs. 25,000 per unit.<br>(vi) Advances granted to industrial users such as confectioneries, bakeries, biscuit manufacturers, etc., against stocks of sugar, *gur* and *khandsari* pledged/hypothecated with banks. |

| No. and Date of Directive | Minimum Margin | Complete Exemption |
|---|---|---|
| (1) | (2) | (4) |
| | **Exemption** | |
| | (i) Advances to consumer's co-operatives in respect of stocks held under schemes of public distribution organised by Government. | (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. |
| | (ii) Advances sanctioned to sugar mills manufacturing sugar in respect of buffer 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. | (viii) Advances granted to KVIC and all its associate institutions. |
| | | (ix) Advances granted to the beneficiaries under the IRDP. |
| | | (x) Advances sanctioned to the beneficiaries under the Scheme for providing Self Employment to Educated Unemployed Youth. |
| | | (xi) Advances sanctioned to the borrowers under DRI scheme. |
| | | (xii) Advances sanctioned up to an aggregate limit of Rs. 5,000 per borrower sanctioned against the stocks of commodities covered by selective credit control subject to the condition that a borrower should deal with only one bank. |

*Note* : Levy sugar may be valued at the levy price fixed by Government and free-sale sugar (including buffer stocks) at the average price realised in the preceding three months (moving average) or the current market price, whichever is lower. The prices for this purpose are exclusive of excise duty.

## 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) | (4) |
| (i) DBOD. No. Dir. BC. 85/C. 218 - 74 dated September 11, 1974 | — | **Exports**<br>(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) DBOD. No. Dir. BC. 106/C. 218(T) - 75 dated November 11, 1975. | 30% | |
| (iii) DBOD. No. Dir. BC. 32/C. 218(T) - 76 dated March 15, 1976. | | |
| (iv) DBOD. No. Dir. BC. 33/C. 218(T) - 76 dated March 15, 1976. | | |
| (v) D.O. No. CPC. 250/C. 279 - 79 dated August 7, 1979. | | (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. |
| (vi) DBOD. No. Dir. BC. 50/C. 96 - 81 dated May 2, 1981. | | |
| (vii) DBOD. No. Dir. BC. 59/C. 96 - 81 dated May 19, 1981. | | |
| (viii) DBOD. No. Dir. BC. 60/C. 218 - 81 dated May 19, 1981. | | **Others**<br>(iii) Advances to traders wholly or parlty 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. |
| (ix) DBOD. No. Dir. BC. 100/C. 218 - 81 dated August 10, 1981. | | |
| (x) DBOD. No. Dir. BC. 100/C. 218 - 82 dated October 26, 1982. | | |
| (xi) DBOD. No. Dir. BC. 16/C. 96 - 83 dated February 28, 1983. | | |
| (xii) DBOD. No. Dir. BC. 9/C. 218(a) - 84 dated February 3, 1984. | | (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. |
| (xiii) DBOD. NO. Dir. BC. 39 C. 218 - 84 dated May 8, 1984. | | |

| No. and Date of Directive | Minimum Margin | Complete Exemption |
|---|---|---|
| (1) | (2) | (4) |
| | | (v) Advances against the security of handloom, powerloom and handwoven cotton cloth.<br>(vi) Advances against controlled cloth.<br>(vii) Advances to co-operatives and nominees of State Governments handling these commodities.<br>(viii) Industrial users such as those manufacturing ready-made garments, sewing threads, umbrella cloth, etc.<br>(ix) Advances sanctioned to KVIC and all its associate institutions.<br>(x) Advances sanctioned to the beneficiaries under the IRDP.<br>(xi) Advances sanctioned to the beneficiaries under the Scheme for providing Self Employment to Educated Unemployed Youth. |

* 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 dealers and traders.

## Chapter VIII

# Fiscal Developments*

The first two Sections of this Chapter review 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.

## I. COMBINED BUDGETARY POSITION OF CENTRAL AND STATE GOVERNMENTS, 1983-84

The main thrust of the fiscal policy for 1983-84 was growth with social justice framed against the background of not so encouraging sectoral performance in the economy like decline in agricultural production, deceleration in industrial growth, continuing trade deficit and strains on balance of payment position. With this end in view, the budgetary policies were geared at strengthening the productive forces in the economy, keeping a tight rein on inflation, encouraging savings both in the individual and corporate sectors and promoting essential investment. It was also the intention to keep the budgetary deficit relatively low so as to ease the pressure on the general price level.

A noteworthy feature of the fiscal policy for 1983-84 was that, despite resource constraints, the Annual Plan Outlay was substantially stepped up for achieving the goals of the Sixth Plan and for strengthening the process of economic growth. Thus, the total Plan outlay of the Centre, States and Union Territories for 1983-84 was fixed at Rs. 25,495 crores showing an increase of Rs. 4,506 crores or 21·5 per cent over the finally approved outlay of Rs. 20,989 crores in 1982-83. The proposed outlay for 1983-84 constituted 26·1 per cent of the Sixth Plan outlay as against 21·7 per cent in 1982-83 and 17·9 per cent in 1981-82. Apart from a significant step-up in Plan outlay, the sectoral allocations underscored the necessity of meeting the demand from various sectors of the economy which called for some re-ordering of priorities among different objectives and sectors. Accordingly, maximum support was provided to those projects and programmes which would be of immediate benefit to the economy, especially to the weaker sections of the society. During the year, nearly 40 per cent of the Plan outlay (Rs. 10,090 crores) was earmarked for schemes covered under the Revised 20-Point Programme which indicated an increase of about 20 per cem over such provision for 1982-83.

For a variety of reasons, the Centre's finances came under severe pressure during the second half of 1983-84 even though the year saw strong economic recovery. Tax revenues did not show the expected buoyancy reflecting the sluggishness in industrial production in the first half of the year. Though, small savings collections were better than expected, there was

*Figures in this Chapter relate to fiscal year (April-March)

**Table VIII—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 @ | 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 ... ... | −1656 | −820 | −2476 | 3368 | −860* | 2508* |
| 1983 - 84 (Revised Estimates) ... | −1695 | −853 | −2548 | 3949 | 38 | 3987 |

(*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 aggregates necessitated by the establishment of NABARD.

*Source* : Central and State Budget Documents for budgetary data.

substantial erosion in the internal resources of the public sector enterprises. On the expenditure side, there were additional claims under Plan and non-Plan expenditure. However, for bringing about a better balance between revenue receipts and expenditure and to keep the budgetary deficit within reasonable limits, the Government took various steps in January 1984 to cut both the Plan and non-Plan expenditure.

According to the revised estimates for 1983-84, the combined budgetary deficit[1] of the Central and State Governments aggregated to Rs. 2,548 crores[2] as against Rs. 2,476 crores in 1982-83 (Accounts). Though the increases in deficit over the year was only marginal at Rs. 64 crores, it was significantly higher by Rs. 398 crores when compared with the budgeted deficit of Rs. 2,150 crores. Net Reserve Bank Credit to Government (Central and States) increased by Rs. 1,479 crores from Rs.2,508 crores in 1982-83 to Rs. 3,987 crores in 1983-84. While the increases in net R.B.I. credit to the Central Government was Rs. 581 crores, it was steeper at Rs. 898 crores in the case of State Governments (Table VIII–1).

The combined aggregate receipts of the Central and State Governments at Rs.58,200 crores in 1983-84 registered a rise of Rs.8,619 crores or 17·4 per cent over such receipts of Rs.49,581 crores in 1982-83 (Table VIII - 2). The increase was more pronounced under capital receipts (23·1 per cent) than under revenue receipts (14·9 per cent). However, in terms of magnitudes, a substantial portion of the increase (Rs.5,195 crores or 60·3 per cent) was under revenue receipts. The share of capital receipts in total incremental receipts was only Rs.3,424 crores or 39·7 per cent. During 1983-84, the ratio of aggregate receipts (revenue plus capital) to Gross Domestic Product (GDP at current market prices) showed a marginal decline to 29·6 per cent from 30·2 per cent in the previous year.

Tax receipts at Rs.31,741 crores in 1983-84 were higher by Rs.4,566 crores over the preceding year and accounted for 16·1 per cent of the GDP (at current market prices) as compared with 16·5 per cent in the preceding year. The major portion of the increase was accounted for by taxes on commodities and services which went up by 18·3 per cent. Receipts from taxes on income and property, on the other hand, rose only by 10·5 per cent.

In 1983-84, capital receipts at Rs.18,253 crores showed an increase of Rs.3,424 crores or 23·1 per cent over the previous year. A large part of the increase was attributable to the surplus funds of oil sector lodged with the Central Government. This was followed by higher net receipts from small savings (Rs.427 crores or 24·1 per cent) and internal market borrowings (Rs. 400 crores or 9·6 per cent). Net collections from State Provident Funds, on the other hand, registered a marginal decline of Rs.43 crores (or 4·3 per cent ).

The combined aggregate disbursements of the Centre and States in 1983-84 at Rs.60,748 crores were estimated to be higher by Rs.8,691 crores or 16·7 per cent over the previous year. While non-developmental expenditure grew faster by 23·1 per cent, developmental expenditure would show a rise of 15·5 per cent. However, in absolute terms, the increase in developmental expenditure would be Rs.5,227 crores as against Rs.3,798 crores in non-developmental expenditure.

For the fiscal year 1984-85 combined deficit, after taking into account the yield from additional resource mobilisation measures of the Central and State Governments, is budgeted at a lower level of Rs.2,383 crores as against the likely deficit of Rs.2,548 crores in the previous year. Aggregate receipts of the Central and State Governments at Rs.63,325 crores are anticipated to increase by Rs.5,125 crores or 8·8 per cent over the likely realisation of Rs.58,200 crores in 1983-84. While revenue receipts are

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1. 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 RBI 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.

2. According to the books of the RBI, the combined deficit for 1983-84 amounted to Rs.1,899 crores, deficit of Rs.1,581 crores on Centre's account and deficit of Rs. 318 crores on account of the States. Data on receipts and disbursements conforming to this figure are not available.

**Table VIII — 2 : Combined Receipts and Disbursements of Central and State Governments**

(Rupees crores)

| Items | 1981-82 (Accounts) Amount | 1982 - 83 (Accounts) Amount | 1983 - 84 (Revised Estimates) Amount | 1983 - 84 (Revised Estimates) Percent variation over the previous year | 1984 - 85 (Budget Estimates)@ Amount | 1984 - 85 (Budget Estimates)@ Percent variation over the previous year |
|---|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| **I. Total Disbursements** | **44,479** | **52,057** | **60,748** | **+16·7** | **65,708** | **+8·2** |
| *Of which :* | | | | | | |
| **1. Developmental (a + b + c)** | **28,796** | **33,643** | **38,870** | **+15·5** | **41,951** | **+7·9** |
| (*a*) Revenue | 16,357 | 19,490 | 22,961 | +17·8 | 24,827 | +8·1 |
| (*b*) Capital | 7,284 | 7,747 | 9,126 | +17·8 | 9,748 | +6·8 |
| (*c*) Loans | 5,155 | 6,406 | 6,783 | +5·9 | 7,376 | +8·7 |
| **2. Non-Developmental (a + b + c)** | **13,609** | **16,473** | **20,271** | **+23·1** | **22,420** | **+10·6** |
| (*a*) Revenue | 12,777 | 15,382 | 18,553 | +20·6 | 20,977 | +13·1 |
| (*b*) Capital | 603 | 829 | 1,374 | +65·7 | 1,095 | −20·3 |
| (*c*) Loans | 229 | 262 | 344 | +31·3 | 348 | +1·2 |
| **II. Total Receipts (A + B)** | **42,067** | **49,581** | **58,200** | **+17·4** | **63,325** | **+8·8** |
| **A. Revenue Receipts** | **30,432** | **34,752** | **39,947** | **+14·9** | **44,705** | **+11·9** |
| *Of which :* | | | | | | |
| Tax Receipts (a + b) | 24,067 | 27,175 | 31,741 | +16·8 | 35,281 | +11·2 |
| (*a*) Taxes on Commodities and Services | 19,426 | 22,116 | 26,153 | +18·3 | 29,457 | +12·6 |
| (*b*) Taxes on Income and Property | 4,641 | 5,059 | 5,588 | +10·5 | 5,824 | +4·2 |
| **B. Capital Receipts** | **11,635** | **14,829** | **18,253** | **+23·1** | **18,620** | **+2·0** |
| *Of which :* | | | | | | |
| (*i*) Market Borrowings (Gross) | 3,706 | 4,676 | 5,089 | +8·8 | 5,888 | +15·7 |
| (*ii*) Market Borrowings (Net) | 3,252 | 4,164 | 4,564 | +9·6 | 4,875 | +6·8 |
| (*iii*) Small Savings | 1,399 | 1,773 | 2,200 | +24·1 | 2,400 | +9·1 |
| (*iv*) State Provident Funds (Net) | 606 | 1,013 | 970 | −4·2 | 930 | −4·1 |
| **III. Overall Surplus (+) or Deficit (−) (II − I)** | **−2,412** | **−2,476** | **−2,548** | | **−2,383** | |
| **Financing of Surplus (+) or Deficit (−)** | | | | | | |
| (*i*) Increase (+) or Decrease(−) in Cash balances of Centre and States | −515 | +1,873 | −4,703 | | −622 | |
| (*ii*) Increase (−) or Decrease (+) in Treasury Bills of Centre | −922 | +244 | −164 | | −2 | |
| (*iii*) Withdrawals from (−) or additions to (+) Cash balance investment accounts of States (net) | −280 | +823 | +37 | | +3 | |
| (*iv*) Increase (−) or Decrease (+) in ways and means advances and over-drafts from the RBI to States (net) | −695 | −5,416 | +2,282 | | −1,762 | |

@ Including effects of budget proposals and excluding Post-Budget tax concessions in respect of Government of India Budget.

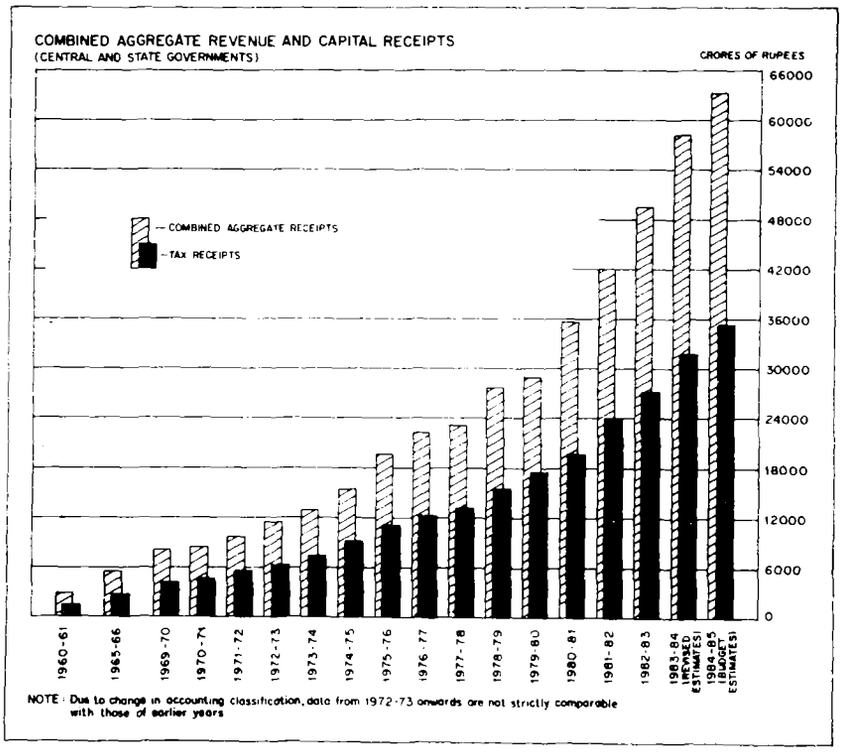
*Notes* : 1. Data do not cover Union Territories with legislatures. Data in respect of States relate to 22 States. Data for Sikkim and Assam for 1981-82 relate to Revised Estimates.

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.

*Source* : Budgets of Central and State Governments.

anticipated to increase substantially by Rs.4,758 crores or 11·9 per cent, capital receipts are expected to show only a modest rise of Rs.367 crores or 2·0 per cent. During the year, combined aggregate disbursements at Rs.65,708 crores are anticipated to be higher by Rs.4,960 crores or 8·2 per cent over the previous year. Developmental expenditure at Rs.41,951 crores is expected to show a growth rate of 7·9 per cent while the anticipated growth in non-developmental expenditure is anticipated to rise by 10·6 per cent.




## BUDGETARY OPERATIONS OF THE CENTRAL GOVERNMENT

### Central Finances : 1983-84

The revised estimates for 1983-84 placed the aggregate receipts of the Central Government at Rs.37,734 crores and aggregate disbursements at Rs.39,429 crores which would leave a budgetary deficit[3] of Rs.1,695 crores as compared with the originally anticipated deficit of Rs.1,586 crores. Compared with the deficit of Rs.1,656 crores in 1982-83, the deficit during 1983-84 would be higher by Rs.39 crores.

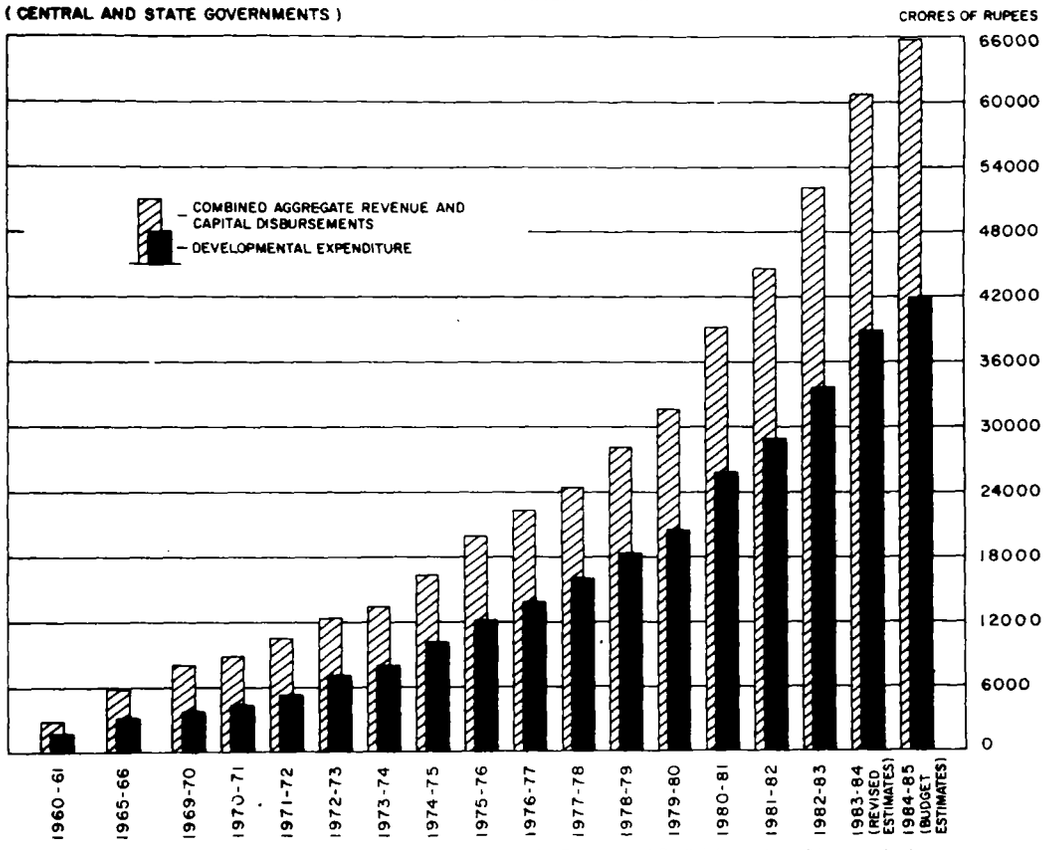
Aggregate disbursements during 1983-84 at Rs.39,429 crores were higher by Rs.6,396 crores (19·4per cent) over the previous year. While expenditure on revenue account at Rs.23,339 crores recorded a rise of Rs.3,993 crores (20·6 per cent), that on capital account at Rs.16,090 crores rose by Rs.2,403 crores (or 17·6 per cent).

3. Centre's budgetary deficit for 1982-83 and 1983-84 excludes the transactions in respect of (a) Rs.1,743 crores of special loans given by the Centre to States in 1982-83 to clear their deficits as on 31st March, 1982 and (b) Rs.400 crores of loans given by the Centre to States in 1983-84 to clear their overdrafts as on 31st March 1983.

A good part of the rise in revenue expenditure was in non-developmental categories (Rs.2,311 crores), which, in turn, was due to higher allocations for interest payments (Rs.915 crores) and defence (Rs.872 crores). Under developmental revenue expenditure, while allocations for 'Economic Services' showed a steep rise of Rs.723 crores, those for 'Social and Community Services' revealed only a marginal rise of Rs.158 crores. Among revenue transfers, grants to State and Union Territory Governments went up by as much as Rs.881 crores of which developmental grants were Rs.800 crores.

Under capital disbursements, significant increase was noticed in loans and advances to State and Union Territory Governments which went up by Rs.962 crores to form Rs.5,260 crores in 1983-84. Of this rise, developmental loans alone were Rs.570 crores. Capital outlays

COMBINED AGGREGATE REVENUE AND CAPITAL DISBURSEMENTS
( CENTRAL AND STATE GOVERNMENTS )




NOTES :- Developmental expenditure consists of developmental outlays under Revenue and Capital Accounts and loans and advances for developmental purposes to the rest of the economy. The data from 1972-73 onwards are not strictly comparable with those for earlier years due to changes in accounting classification.

Aggregate Disbursements for 1980-81 exclude accounting adjustments relating to the write-off of Rs.938 crores of loans advanced to States in pursuance of the recommendations of the Seventh Finance Commission.

were expected to rise by Rs.1,383 crores, of which developmental outlays will be Rs.868 crores. During the year substantial step-up (Rs.737 crores) was made in the capital outlays meant for 'Economic Services'. It was, however, significant to note that repayment of public debt at Rs.806 crores remained almost stagnant at the 1982-83 level (Rs.803 crores).

Aggregate receipts in 1983-84 at Rs.37,734 crores showed a rise of Rs.6,357 crores (20·3 per cent) over the receipts of Rs.31,377 crores in 1982-83. While the increase in capital receipts at Rs.16,770 crores was Rs.3,484 crores, that in revenue receipts at Rs.20,964 crores, was only Rs.2,873 crores. Under revenue receipts, tax receipts alone rose by Rs.2,645 crores while non-tax receipts registered a comparatively smaller rise of Rs.229 crores. The rise in tax revenue was mainly due to higher receipts from taxes on commodities and services (Rs.2,297 crores) and on income and property (Rs.347 crores). Under taxes on Commodities and Services, net receipts from Union excise duties accounted for a major portion of the increase (Rs.1,501 crores) which was followed byCustoms duties (Rs.760 crores). Larger collection of cesses on crude oil and coal was a contributing factor for the increased receipts from Union excise duties. Under taxes on income and property, higher collections from Corporation tax (Rs.380 crores) due to larger payments by oil companies were partly off-set by a decline in receipts from Income-tax (Rs.60 crores).

Under non-tax revenues, receipts from Economic services went up by Rs.126 crores; Fiscal services by Rs.92 crores; General services by Rs.75 crores and Social and community services by Rs.57 crores. This increase was partly off-set by the decline in interest receipts (Rs.128 crores) and dividends and profits from public sector undertakings (Rs.6 crores).

Under capital receipts, net collections from Small Savings went up by Rs.427 crores as a welcome response to the incentives provided in the Budget. During the year, net internal market borrowings were more by Rs.229 crores while net external loans were higher by Rs. 275 crores. While receipts from special deposits of Non-Government Provident Funds increased by Rs.112 crores those from other capital sources showed a substantial rise of Rs.2,186 crores of which, increase in the surplus funds of oil sector lodged with the Government constituted a major portion. The increase in receipts was partly off-set by decrease in receipts from State Provident Funds (Rs.177 crores), deposits from LIC, GIC, etc. (Rs.161 crores), Capital Investment Bonds (Rs.16 crores) and special borrowings from RBI against compulsory deposits (Rs.10 crores).

**Pattern of Expenditure For 1984-85 -Budget Estimates**

In order to revitalise the planning process and also to give a new thrust to the programmes of development, the Budget for 1984-85 provides for a substantial step-up in the Plan outlay. Accordingly, the total Plan outlay of the Centre, States and Union Territories has been stepped up to Rs.30,132 crores, showing an increase of 18·2 per cent over the outlay of Rs.25,495 crores in 1983-84. In the sectoral allocations of the Plan outlay, due weightage has been given to provide maximum support to those programmes which will benefit the rural poor directly. The outlays for the revised 20-Point Programme, Integrated Rural Development Programme and various Employment Generation Schemes which benefit the weaker sections of the society have been substantially enhanced. The major sectoral allocations are: Energy (Rs.9,552 crores or 32 per cent), Industry and Minerals (Rs.4,595 crores or 15 per cent), Social Services (Rs.4,318 crores or 14 per cent), Transport (Rs.3,449 crores or 11 per cent), Irrigation and Flood Control (Rs.2,675 crores or 9 per cent), Agriculture (Rs.1,535 crores or 5 per cent) and Rural Development (Rs.1,802 crores or 6 per cent). The Central Plan outlay which has been fixed at Rs.17,351 crores represents a step up of 25 per cent over the approved Plan outlay of Rs.13,870 crores in the previous year. This would be financed to the extent of Rs.11,420

crores by budgetary support and the balance amount by internal and extra-budgetary resources.

The Plan outlay of States and Union Territories at Rs.12,781@ crores represents an increase of 12·2 per cent over the finally approved outlay of Rs.11,395 crores in the previous year. Central assistance for the same would be of the order of Rs.5,050 crores which represents an increase of 13·2 per cent over the previous year's allocation of Rs.4,462 crores.

Aggregate disbursements of the Central Government in 1984-85 at Rs.43,496 crores* are anticipated to rise by Rs.4,067 crores or 10·3 per cent from Rs.39,429 crores in the revised estimates for 1983-84. During the same period, the increase in aggregate receipts would be of the order of Rs.4,000 crores or 10·6 per cent from Rs.37,734 crores to Rs.41,734 crores. With the result, the anticipated budgetary deficit in 1984-85 at Rs.1,762 crores would be marginally higher by Rs.67 crores over a deficit of Rs.1,695 crores in the preceding year.

During 1984-85, revenue expenditure at Rs.26,342 crores is expected to go up by Rs.3,003 crores or 12·9 per cent from Rs.23,339 crores in the preceding year. In absolute terms, the increase is anticipated to be more or less the same both in developmental and non-developmental categories. Non-developmental expenditure at Rs.15,256 crores represents a rise of Rs.1,520 crores or 11·1 per cent. A significant part of the increase is on account of higher interest payment obligations (Rs.752 crores), increased expenditure on administrative services (Rs.343 crores), Defence (Rs.322 crores) and currency, coinage and mint (Rs.179 crores). Grants-in-aid to State and Union Territory Governments for non-developmental purposes are however, anticipated to decline by Rs.107 crores or 12·6 per cent.

Developmental expenditure on revenue account at Rs.11,086 crores is anticipated to increase by Rs.1,483 crores or 15·4 per cent. The rise is primarily due to considerable increase in expenditure on economic services by Rs.643 crores or 14·4 per cent. A major portion of this increase is on industries and minerals (Rs.358 crores) followed by agriculture and allied services (Rs.148 crores). Expenditure on social and community services is estimated to rise by Rs.199 crores or 13·4 per cent. Grants-in-aid to State and Union Territory Governments for developmental purposes at Rs.4,305 crores are placed substantially higher by Rs.639 crores or 17·4 per cent.

In 1984-85, capital disbursements at Rs.17,154 crores are expected to be higher by Rs.1,063 crores or 6·6 per cent from Rs.16,091 crores in the previous year. Under this broad category, developmental capital outlay is expected to increase by Rs.350 crores or 7·0 per cent, while non-developmental capital outlay is anticipated to decline by Rs.287 crores or 22·8 per cent. Under developmental capital outlay, expenditure on Economic Services is estimated to be higher by Rs.259 crores or 5·5 per cent mainly due to higher outlays on Water and Power Development (Rs.206 crores), Railways (Rs.191 crores) and Atomic Energy Development (Rs.79 crores). However, the reduced provision for Industry and Minerals (Rs.120 crores) and General Economic Services (Rs.71 crores) would largely off-set these higher allocations. Expenditure on Social and Community services is expected to be higher by Rs.77 crores or 31·2 per cent. Under non-developmental capital outlays while defence outlay is expected to go up by Rs.128 crores or 21·5 per cent, provision for subscription to IMF will be lower by Rs.418 crores. As the allocation (Rs.218·9 crores) is only for the maintenance of value adjustment of funds holding of Indian currency as against a higher allocation of Rs.636·6 crores in 1983-84 meant for both value adjustment as well as actual subscription towards quota increases made in December 1983.

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@ The approved Plan outlay for 21 states (excluding West Bengal) has been subsequently fixed at Rs.12,407 crores.

* As a result of the First Supplementary Demands for Grants presented to the Lok Sabha in July 1984, the net additional expenditure (after taking into account related receipts and recoveries) would amount to Rs.487·17 crores.

Revenue receipts at Rs.24,017 crores (at 1983-84 tax rates) are estimated to be higher by Rs.3,053 crores or 14·6 per cent as against Rs.20,964 crores in the previous year. While tax receipts at Rs.17,527 crores will be higher by Rs.1,827 crores or 11·6 per cent, non-tax receipts at Rs.6,490 crores will show an increase of Rs.1,226 crores or 23·3 per cent. Among tax receipts, net receipts from indirect taxes (net of states' share) at Rs.14,087 crores are anticipated to be higher by Rs.1,738 crores or 14·1 per cent; the contribution from direct taxes is expected to rise only by Rs.84 crores or 2·6 per cent. During the year, revenue receipts are estimated to constitute 57·5 per cent of the aggregate receipts as compared with 55·6 per cent in the previous year.

During 1984-85, capital receipts at Rs.17,717 crores are placed higher by Rs.947 crores or 5·6 per cent. At this level, capital receipts form 42·5 per cent of the aggregate receipts as compared with 44·4 per cent in the preceding year. While net receipts from internal market borrowings are estimated to rise by Rs.100 crores to Rs.4,100 crores, those from external loans at Rs.1,794 crores would be higher by Rs.165 crores. Receipts from net small savings collections at Rs.2,400 crores are estimated to go up by Rs.200 crores. The budget also takes credit for a larger amount of Rs.1,100 crores from Special Deposits of Non-Government Provident Funds as against the anticipated receipts of Rs.950 crores in 1983-84.

An analysis of the budgetary transactions of the Central Government based on economic and functional categories brings out influence of the Government's budgetary transactions on the other sections of the economy and also focus attention on allocations made for different functions or purposes in accordance with the priorities laid down in the Plan. On the basis of this classification, aggregate expenditure[4] of the Central Government during 1983-84 at Rs.36,556 crores was higher by 19·9 per cent (Rs.6,062 crores) from that in 1982-83 when it rose by 20·1 per cent to reach the level of Rs.30,494 crores (Table VIII- 3).

**Economic Classification**

Classifying aggregate expenditure into final outlays (denoting Central Governments' direct demand for goods and services for consumption and capital formation) and financial assistance to the rest of the economy, it was seen that the former went up by 16·8 per cent to reach Rs.11,608 crores in 1983-84, as against a rise of 15·0 per cent in the previous year. However, with a higher growth of 21·4 per cent in the latter, there was a marginal decline in the share of final outlays in total expenditure from 32·6 per cent in 1982-83, to 31·8 per cent in 1983-84. Consequently, the proportion of financial assistance provided to the rest of the economy in the total expenditure had gone up from 67·4 per cent in 1982-83 to 68·2 per cent in 1983-84.

The increase of Rs.1,667 crores in final outlays amounting to Rs.11,608 crores in 1983-84 was largely in consumption expenditure (Rs.1,175 crores) of which current expenditure on defence amounted to as much as Rs.822 crores (70 per cent). Within consumption expenditure, the increase was almost equally shared between wages and salaries (Rs.579 crores) and commodities and services (Rs.596 crores). The increase in gross direct capital formation, on the other hand, was only Rs.492 crores.

A significant portion of the increase in aggregate expenditure of the Central Government during 1983-84 was in financial assistance

4. 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 VIII—3 : Economic Classification of Total Budgetary Expenditure of the Central Government**

(Rupees crores)

| Items | 1982 - 83 (Accounts) | Per cent variation over the previous year | 1983 - 84 (Budget Estimates) | Per cent variation over the previous year | 1983 - 84 (Revised Estimates) | Per cent variation over the previous year | 1984 - 85 (Budget Estimates) | Per cent variation over the previous year |
|---|---|---|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| **I. Total Expenditure** | **30494 (100·0)** | **+20·1** | **33284 (100·0)** | **+9·1** | **36556 (100·0)** | **+19·9** | **40325 (100·0)** | **+10·3** |
| **A. Final Outlays** | **9941 (32·6)** | **+15·0** | **11067 (33·3)** | **+11·3** | **11608 (31·8)** | **+16·8** | **13001 (32·2)** | **+12·0** |
| (*a*) Consumption Expenditure | 7057 (23·1) | +15·8 | 7976 (24·0) | +13·0 | 8232 (22·5) | +16·7 | 9017 (22·3) | +9·5 |
| (*b*) Gross Capital Formation | 2884 (9·5) | +13·0 | 3091 (9·3) | +7·2 | 3376 (9·3) | +17·1 | 3984 (9·9) | +18·0 |
| **B. Financial Resources Provided to the Rest of the Economy** | **20553 (67·4)** | **+22·7** | **22217 (66·7)** | **+8·1** | **24948 (68·2)** | **+21·4** | **27324 (67·8)** | **+9·5** |
| (*a*) For Capital Formation | 9520 (31·2) | +15·4 | 9980 (30·0) | +4·8 | 11362 (31·1) | +19·4 | 12881 (31·9) | +13·4 |
| (*i*) To States and Union Territories | 4931 (16·2) | +25·5 | 5222 (15·7) | +5·9 | 5890 (16·1) | +19·4 | 6602 (16·4) | +12·1 |
| (*ii*) To Others* | 4589 (15·0) | +6·3 | 4758 (14·3) | +3·7 | 5472 (15·0) | +19·2 | 6279 (15·5) | +14·7 |
| (*b*) For Purposes other than Capital Formation | 11033 (36·2) | +29·7 | 12237 (36·7) | +10·9 | 13586 (37·1) | +23·1 | 14443 (35·8) | +6·3 |
| (*i*) To States and Union Territories | 2591 (8·5) | +29·7 | 2592 (7·7) | – | 3086 (8·4) | +19·1 | 3010 (7·5) | –2·5 |
| (*ii*) To Others* | 8442 (27·7) | +29·7 | 9645 (29·0) | +14·3 | 10500 (28·7) | +24·4 | 11433 (28·3) | +8·9 |
| **II. Total Capital Formation Expenditure** | **12403 (40·7)** | **+14·9** | **13071 (39·3)** | **+5·4** | **14738 (40·3)** | **+18·8** | **16865 (41·8)** | **+14·4** |
| **III. Total Expenditure for Purposes other than Capital Formation** | **18091 (59·3)** | **+23·9** | **20213 (60·7)** | **+11·7** | **21818 (59·7)** | **+20·6** | **23460 (58·2)** | **+7·5** |

*Notes* : 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, 1983 - 84 and 1984 - 85.

provided to the rest of the economy which at Rs.24,948 crores went up by Rs.4,395 crores or 21·4 per cent. While the increase in transfers to States and Union Territories was only Rs.1,454 crores, that to the other sectors was substantial at Rs.2,941 crores. Of the total transfers to States, those meant for capital formation at Rs.5,890 crores showed a larger rise of Rs.959 crores (19·4 per cent) as compared with those for purposes other than capital formation which rose only by Rs.495 crores (19·1 per cent). The significant increase in transfer payments meant for other sectors (other than States and Union territories) was mainly in interest payments (Rs.1,006 crores), fertilizer and food subsidy (Rs.568 crores), assistance provided to non-departmental commercial undertakings for capital formation (Rs.698 crores) and in subscriptions to International Financial Organisations (Rs.503 crores).

Total provision for capital formation (both direct and indirect) during 1983-84 at Rs.14,738 crores constituted 40·3 per cent of the budgetary outlay as compared with 40·7 per cent (Rs. 12,403 crores) in 1982-83. Correspondingly, the proportion of expenditure for purposes other than capital formation at Rs.21,818 crores had marginally gone up to 59·7 per cent from 59·3 per cent. At these levels, capital formation expenditure witnessed a rise of 18·8 per cent (Rs.2,334 crores) in 1983-84 as against 14·9 per cent in 1982-83. While the increase in direct capital formation expenditure was Rs.492 crores (17·1 per cent) that in assistance provided for the same was Rs.1,842 crores (19·3 per cent). Regarding expenditure for purposes other than capital formation, the increase in 1983-84 was 20·6 per cent (Rs.3,728 crores) as against 23·9 per cent in the previous year.

**Functional Classification**

Function-wise, developmental expenditure of the Central Government at Rs.21,479 crores in 1983-84 registered a rise of 18·7 per cent and constituted 58·8 per cent of the total expenditure as against 59·3 per cent in 1982-83. The increase in such expenditure during 1982-83 was 19·5 per cent (Table VIII-4). Item-wise, the increase in expenditure on social services at 23·6 per cent during 1983-84 was lower than that in 1982-83 (38·2 per cent). Economic services, on the other hand, had larger growth of 18·1 per cent in 1983-84 as against only 17·3 per cent in the previous year. Increased budgetary support for the enlarged Plan outlay in 1983-84 was a significant factor for the rise in developmental expenditure.

During 1983-84, expenditure for non-developmental purposes at Rs.15,077 crores registered a rise of 21·6 per cent as against 20·9 per cent in the previous year. At this level, such expenditure constituted 41·2 per cent of the total expenditure as against 40·7 per cent in 1982-83. Expenditure on 'General Services', which include civil and defence expenditure and non-Plan grants and loans to States and Union Territories for natural calamities, has shown a significant rise of 23·3 per cent in 1983-84 (Rs.1,526 crores) as against 17·5 per cent in 1982-83. The growth in 'unallocable' expenditure, on the other hand, was lower in 1983-84 (19·7 per cent) as compared with that in 1982-83 (25·1 per cent). However, the absolute increase of Rs.1,152 crores under this category was on account of larger provision for interest payments, food subsidy and pension payments.

Within developmental expenditure, the provision for capital formation at Rs.14,603 crores had accounted for a share of 68·0 per cent in 1983-84 as against 67·8 per cent in the previous year (Table VIII-5). Such expenditure had risen by Rs.2,337 crores or 19·1 per cent in 1983-84 as against 14·7 per cent in the previous year.

**1984-85 (Budget Estimates)**

**Economic Classification**

Aggregate expenditure of the Central Government during 1984-85 at Rs.40,325 crores is budgeted to rise at a slower rate of 10·3 per cent as against the estimated increase of 19·9 per cent

**Table VIII—4 : Functional Classification of the Central Government's Total Expenditure**

(Rupees crores)

| Items | 1982 - 83 (Accounts) | | 1983 - 84 (Budget Estimates) | | 1983 - 84 (Revised Estimates) | | 1984 - 85 (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)** | **30,494 (100·0)** | **+20·1** | **33,284 (100·0)** | **+9·1** | **36,556 (100·0)** | **+19·9** | **40,325 (100·0)** | **+10·3** |
| **A. Developmental Expenditure (i + ii)** | **18095 (59·3)** | **+19·5** | **19078 (57·3)** | **+5·4** | **21479 (58·8)** | **+18·7** | **24280 (60·2)** | **+13·0** |
| (*i*) Social Services | 2135 (7·0) | +38·2 | 2309 (6·9) | +8·1 | 2638 (7·2) | +23·6 | 2790 (6·9) | +5·8 |
| (*ii*) Economic Services* | 15960 (52·3) | +17·3 | 16769 (50·4) | +5·1 | 18841 (51·6) | +18·1 | 21,490 (53·3) | +14·1 |
| **B. Non-Developmental Expenditure (i + ii)** | **12,399 (40·7)** | **+20·9** | **14206 (42·7)** | **+14·6** | **15077 (41·2)** | **+21·6** | **16045 (39·8)** | **+6·4** |
| (*i*) General Services | 6557 (21·5) | +17·4 | 7316 (22·0) | +11·6 | 8083 (22·1) | +23·3 | 8245 (20·4) | +2·0 |
| (*ii*) Unallocable | 5842 (19·2) | +25·1 | 6890 (20·7) | +17·9 | 6994 (19·1) | +19·7 | 7800 (19·4) | +11·5 |

*Notes* : Figures in brackets are percentages to total expenditure.

* Include block grants and loans.

*Source* : Economic and Functional classification of the Central Government Budget, 1983 - 84 and 1984 - 85.

in 1983-84. In absolute terms, the increase would be Rs.3,769 crores in 1984-85 as compared with Rs.6,062 crores in the previous year.

The deceleration in growth rate of expenditure during 1984-85 is anticipated to be sharper in financial assistance to be provided to the rest of the economy than in final outlays. Correspondingly, financial assistance provided to the rest of the economy at Rs.27,324 crores is budgeted to grow at a moderate rate of 9·5 per cent (Rs.2,376 crores) as against 21·4 per cent (Rs.4,395 crores) expected in 1983-84. This will constitute 67·8 per cent of the aggregate expenditure in the current year as against 68·2 per cent in 1983-84. Transfer of resources to States and Union Territories at Rs.9,612 crores is anticipated to show only a modest rise of Rs.636 crores as against an increase of Rs.1,454 crores in 1983-84. Here again, the rise in 1984-85 is confined only to transfer for capital formation purposes (Rs.712 crores). Provisions made to States and Union Territories for purposes other than capital formation are, in fact, expected to fall marginally by 2·5 per cent or by Rs.76 crores. Financial transfers to sectors other than States and Union Territories at Rs.17,712 crores are anticipated to grow by Rs.1,740 crores, of which the increase in capital formation will be Rs.806 crores. Among current transfers, substantial increase is expected in interest payments which will grow by Rs.760 crores from Rs.4,522 crores in 1983-84 to Rs.5,282 crores in 1984-85.

**Table VIII—5 : Provision for Capital Formation**

(Rupees crores)

| Items | 1982 - 83 (Accounts) | 1983 - 84 (Budget Estimates) | 1983 - 84 (Revised Estimates) | 1984 - 85 (Budget Estimates) | Per cent Variation Column 4 over Col. 2 | Per cent Variation Column 5 over Col. 4 |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **I. Total Provision for Capital Formation (A + B)** | **12,403** | **13,071** | **14,738** | **16,865** | **+18·8** | **+14·4** |
| A. Developmental (1 to 3) | 12,266 | 12,915 | 14,603 | 16,700 | +19·1 | +14·4 |
| 1. Social Services | 517 | 631 | 729 | 763 | +41·0 | + 4·7 |
| 2. Economic Services (a to d) | 8,526 | 9,154 | 10,414 | 12,368 | +22·1 | +18·8 |
| a) Agriculture | 710 | 903 | 946 | 1,307 | +33·2 | +38·2 |
| b) Industry | 4,108 | 4,469 | 5,039 | 5,913 | +22·7 | +17·3 |
| c) Transport and Communication | 2,423 | 2,466 | 2,757 | 3,127 | +13·8 | +13·4 |
| d) Other Economic Services | 1,285 | 1,316 | 1,672 | 2,021 | +30·1 | +20·9 |
| 3. Block Grants and Loans | 3,223 | 3,130 | 3,460 | 3,569 | +7·4 | +3·2 |
| B. Non-Developmental (1 + 2) | 137 | 156 | 135 | 165 | -1·5 | +22·2 |
| 1. General Services | 137 | 156 | 135 | 165 | -1·5 | +22·2 |
| 2. Unallocable | — | — | — | — | — | — |
| **II. Total Developmental Expenditure** | **18,095** | **19,078** | **21,479** | **24,280** | | |
| **III. IA as percent of II** | **67·8** | **67·7** | **68·0** | **68·8** | | |

*Source* : Economic and Functional Classification of the Central Government Budget, 1983 - 84 and 1984 - 85.

The direct expenditure by Central Government for Consumption and Capital formation purposes (Final outlays) at Rs.13,001 crores in 1984-85 is expected to grow by 12·0 per cent as compared with the growth of 16·8 per cent in the previous year. Such outlays will constitute 32·2 per cent of the total expenditure in 1984-85 as against 31·8 per cent in the previous year. While gross direct capital formation is anticipated to grow at a faster rate of 18·0 per cent in 1984-85 (compared with 17·1 per cent in 1983-84), consumption expenditure will show a subdued growth of 9·5 per cent (16·7 per cent in the previous year). This is mainly due to the anticipation of a lower increase (Rs.785 crores) in expenditure on wage bills and purchase of commodities and services in the current year as against an increase of Rs.1,175 crores in the previous year. On the other hand, expenditure on gross direct capital formation at Rs.3,984 crores is expected to rise by Rs.608 crores as against the rise of Rs.492 crores in 1983-84.

Total capital formation expenditure out of budgetary resources at Rs.16,865 crores is expected to form 41·8 per cent of the aggregate expenditure in 1984-85 as against 40·3 per cent in the previous year. It is significant that a large part (56·4 per cent) of the increase in total expenditure during 1984-85 is earmarked for capital formation purposes. While the expenditure for capital formation is budgeted to rise by Rs.2,127 crores (14·4 per cent) that for purposes other than capital formation will rise only by Rs.1,642 crores (7·5 per cent).

**Functional classification**

The provision for developmental expenditure in 1984-85 at Rs.24,280 crores is budgeted to rise by 13·0 per cent to form 60·2 per cent of the total outlay. Even though developmental expenditure witnessed a higher growth rate of 18·7 per cent in the previous year, its share in total expenditure was marginally lower at 58·8 per cent. A large part of the increase in developmental expenditure during the current year is expected to be on economic services, the provision for which is budgeted to rise by 14·1 per cent from Rs.18,841 crores in 1983-84 to Rs.21,490 crores in 1984-85.

Expenditure on 'Social Services' is expected to grow by 5·8 per cent in the current year as against 23·6 per cent in 1983-84. Out of the anticipated increase of Rs.2,801 crores in developmental expenditure, the increase under economic services alone will be Rs.2,649 crores or 94·6 per cent. Here again, expenditure on industrial development will show a rise of Rs.1,239 crores followed by Rs.516 crores in agriculture.

Non-developmental expenditure budgeted at Rs.16,045 crores is expected to grow only at a moderate rate of 6·4 per cent as against 21·6 per cent anticipated in the previous year. The anticipation of a modest growth in non-developmental expenditure, despite an increase of Rs.806 crores provided for unallocable items which include payments on interest and food subsidy, arises from the fact that allocations for General services (including Defence expenditure) are budgeted to rise by only 2·0 per cent from Rs.8,083 crores in 1983-84 to Rs.8,245 crores in the current year. Correspondingly, the share of non-developmental expenditure in the total expenditure is expected to be lower at 39·8 per cent in 1984-85 as against 41·2 per cent in 1983-84.

Provision for capital formation in the 1984-85 Budget at Rs.16,865 crores is expected to rise by 14·4 per cent (Rs.2,127 crores) in comparison with the anticipated rise of 18·8 per cent (Rs.2,335 crores) in 1983-84. As usual, a large chunk of the increase in capital formation is expected to be in developmental expenditure with substantial concentration in economic services which include areas like agriculture, industry, transport and communication. The share of capital formation in total developmental expenditure is expected to grow marginally from 68·0 per cent in 1983-84 to 68·8 per cent in 1984-85.

**Major Tax Proposals, 1984-85**

The measures for mobilisation of additional resources proposed in the 1984-85 Budget aim, *inter alia*, at (i) boosting production and combating inflation while at the same time, keeping the budgetary deficit relatively low (ii) encouraging savings both in the private and public sectors (iii) promoting exports and curbing imports in critical areas through a judicious use of fiscal instruments and thereby consolidating and improving balance of payment situation. Keeping these objectives in view, the strategy continued to be simplification and rationalisation of tax system. As such, wide range of concessions and reliefs are given in both direct and indirect taxes that would benefit all sections of the society.

The budget proposals are expected to yield net additional revenue of Rs.273[5] crores to the Centre in 1984-85 which comprises wholly of tax receipts. While additional revenues from customs duties are estimated to be Rs.458 crores, the reliefs and concessions in the field of direct taxes and Union excise duties would result in net revenue losses of Rs.36 crores and Rs.149 crores respectively, to the Centre. These concessions would also reduce the States' share in central taxes to the tune of Rs.79 crores in 1984-85. In other words, aggregate additional

5 Excludes post-budget tax concessions amounting to Rs.21 crores announced on April 18, 1984 of which Rs.10 crores will be the share of the State Governments.

**Table VIII—6 : Additional Resource Mobilisation by the Centre during 1984 - 85**

(Rupees crores)

| Items | Centre's Share | States' Share | Total |
|---|---|---|---|
| 1. | 2. | 3. | 4. |
| **I. Taxes (a + b)** | **272·9*** | **–79·1*** | **193.8*** |
| (a) Direct Taxes (i + ii) | –36·3 | –38·7 | –75·0 |
| (i) Income Tax | –16·3 | –38·7 | –55·0 |
| (ii) Corporation Tax | –20·0 | — | –20·0 |
| (b) Indirect Taxes (i + ii) | 309·2 | –40·4 | 268·8 |
| (i) Customs | 458·1 | — | 458·1 |
| (ii) Union Excise Duties | –148·9 | –40·4 | –189·3 |
| **II. Revision in Railway Fares and Freights** | **114·2** | — | **114·2** |
| **III. Total (I + II)** | **387·1** | **–79·1** | **308·0** |

* Excludes post-budget tax concessions announced on April 18, 1984.

resources that would accrue from the Budget proposals are estimated to be Rs.194 crores in 1984-85. (Table VIII-6). In the sphere of indirect taxes, additional revenue from fresh imposts on customs duties are estimated to yield Rs.458 crores, while concessions in Union Excise duties would result in a loss of revenue of Rs.189 crores,of which the States would stand to lose Rs.40 crores. As regards direct taxes, there would be a net loss of Rs.75 crores because of the widespread concessions and reliefs granted both in Income and Corporate taxes. While the loss of revenue to the Centre is estimated at Rs.36 crores, that to the States would be Rs.39 crores. Some of the important highlights of the Budget proposals are given in the ensuing paragraphs.

## Direct Taxes

In the area of personal Income-tax, the budget proposals aim at providing relief at all levels of incomes. This measure is expected to have a salutary effect on our tax culture and also induce maximum number of tax payers to come forward and voluntarily declare their true incomes. In order to provide relief to the fixed income groups, the entire rate structure relating to personal taxation has been substantially revised. The rate of tax in the first slab of taxable income ranging from Rs.15,001 to Rs.20,000 has been further reduced from 25 per cent to 20 per cent. The maximum marginal rate of tax on incomes over Rs. 1 lakh has also been reduced from 60 per cent to 55 per cent. Likewise, for every slab, with the exception of income slab between Rs. 40,001-Rs.50,000 new reduced rates have been proposed. Inclusive of surcharge of 12·5 per cent, the maximum marginal rate of income-tax has been reduced from 67·5 per cent to 61·9 per cent. These tax measures are expected to lead to an increase in the coverage of tax-payers in different tax slabs and also better tax compliance.

The fiscal policy in 1984-85, like earlier years, aims at providing stronger incentives for savings in the form of financial assets. Under the Income-tax Act, income derived by a tax-payer from investment in specified financial assets is exempt upto an aggregate amount of Rs.7,000. In addition, under a separate provision contained in the Unit Trust of India Act, a further deduction upto Rs.3,000 is allowed in respect of income on units of the Unit Trust of India. The budget for 1984-85 seeks to enlarge the list of

specified financial assets to include deposits under a new scheme called the 'National Deposit Scheme'. Further, the budget also provides that the income from the deposits under the scheme would be on par with that of units of UTI and would be eligible for tax rebate. In order to provide greater incentive to taxpayers to make larger deposits under the new scheme, an additional exemption upto Rs.2,000 has been provided in respect of interest on such deposits. Thus the total effective exemption limit for income derived from investment in specified financial assets has been increased to Rs.12,000.

In the case of Wealth-tax, the monetary ceiling of exemption in respect of one house owned by taxpayers has been increased from Rs.1 lakh to Rs.2 lakhs. Further, with a view to providing more impetus in mobilising savings in the form of financial assets, the exemption limit in respect of specified financial assets has been raised from the previous level of Rs.1·65 lakhs to Rs.2·65 lakhs. Taken together with the separate exemption of Rs.35,000 available in respect of units of the UTI and extended to deposits with IDBI and under the National Deposit Scheme, as also the additional exemption of Rs.25,000 in respect of National Deposit Scheme, the aggregate exemption in respect of the value of specified financial assets will rise to Rs.3·25 lakhs as against the earlier ceiling of Rs.2 lakhs.

In order to discourage tax avoidance and tax evasion, the Budget envisages to have compulsory audit of accounts in all cases where the annual turnover or gross receipts from profession exceeds Rs.40 lakhs. The budget also provides that loans or deposits of Rs.10,000 or more shall be taken or accepted only by an account payee cheque or a bank draft.

The tax rates for the corporate sector have not been changed. However, companies have been given the option of depositing the entire surcharge of 5 per cent payable by them with the IDBI. The resources thus deposited with the IDBI is purported to flow back to the corporate sector for modernisation purposes. With a view to reducing the financial costs of modernisation schemes, the rate of interest for loans upto Rs.4 crores under IDBI Scheme has been reduced from 12·5 per cent to 11·5 per cent until further notice. Weak units are entitled for assistance upto this amount at an even lower rate of interest of 10 per cent.

With a view to simplifying the tax administration and to plug loopholes for tax avoidance or tax evasion, the Budget proposes to withdraw some of the concessions now enjoyed by the corporate sector. Thus, all expenditure related concessions qualifying for weighted deductions (except on R & D) under the different provisions of the Income-tax Act have been withdrawn. Actual expenditure would, however, continue to qulify for deduction.

With a view to reducing paper work and also for avoiding inconvenience to small investors, the Budget provides for payment of interest on debentures and dividend income upto Rs.1,000 by widely-held companies without deduction of tax at source provided the payment is made by an account payee cheque or a bank draft. Hitherto, investors had to furnish an Exemption Certificate from the Income-tax Officer or alternatively file a declaration to the effect that their income for the year is below the exemption limit for enjoying the exemption facility.

In order to check any attempts on the part of trustees and institutions to circumvent the investment pattern for trust funds laid down by the Finance Act, 1983 and in order to ensure that they strictly conform to the investment pattern and utilise such income or property for providing benefit to the settlors, trustees, etc. the 1984-85 Budget provides for taxation of the income of defaulting trusts and institutions at the maximum marginal rate of income tax. In case trusts have profits and gains of business, the entire income of the trust would be charged at the maximum marginal rate and exemption will be made only in cases where the trusts are created by dependent relatives.

The budget also aims at doing away with the undesirable practice on the part of some corporate bodies to make large contributions to the so-called Welfare Fund by providing that deductions will be available only in respect of contributions to such funds as are established under statute as an approved Provident Fund, Superannuation Fund or Gratuity Fund.

**Indirect Taxes**

The Budget proposals in the field of indirect taxes aim at providing further impetus to the growth of Indian Industry through tariff adjustments and substantial reliefs in excise duties in carefully selected areas. The Budget has also kept in view the need to reduce prices of certain items for consumers and contain the rate of inflation in the economy while proposing the changes in indirect taxes.

**Customs Duties**

The underlying objective behind the revisions in customs duties has been to curb the imports and provide impetus to the growth of Indian industry. The auxiliary duty of customs imposed on an annual basis since 1973 is to be continued up to 31st March 1985. Further, across-the-board change of 5 percentage points has been made in the auxiliary duty of customs with exemption for items like fertilizers, bulk petroleum products such as kerosene and high speed diesel oil and newsprint. The duty on crude petroleum has been raised from Rs.9.50 per metric tonne to Rs.100 per metric tonne, while the basic customs duty on different items of iron and steel (other than stainless steel) has been raised by 5 percentage points or 10 percentage points, depending on the existing rates of duties. A fresh customs duty levy of 10 per cent *ad valorem* has been imposed on stainless steel melting scrap which was previously exempted from cutoms duty. In order to promote exports of gems and jewellery, customs duties leviable on a number of gems and jewellery processing and manufacturing machines have been reduced from the respective prevailing rates to 40per cent *ad valorem*. Similarly, to encourage the export of food articles, duty on machines used in their packing and processing has been reduced from prevailing rate to 40 per cent *ad valorem*. With a view to helping the paper industry, total exemption from customs duties, have been granted in respect of wood chips for making pulp for the manufacture of paper or paperboard. The duty on wood pulp imported for manufacture of paper has also been reduced from the prevailing levels to 30 per cent.

**Excise Duties**

The changes in excise duties are geared to minimise the effects of inflation, reduce the scope for tax avoidance and evasion, provide a boost to selected industries suffering from demand recession and ensure better utilisation of the installed industrial capacity. In view of the labour intensive nature of khandsari sugar industry, full exemption has been given on the levy of excise duty so that growth of employment in the industry could be increased. With effect from 1st October 1984, the excise duty levied on electricity has been discontinued and it has been left to the States to tap this source which will give them one more area for resource mobilisation. With a view to providing substantial relief to the textile industry, a wide range of duty reliefs to the manufacturers of yarn and fabric of various counts have been announced. In order to recoup some of the revenue losses caused by the duty reliefs to textile industries, the incidence of additional excise duty in lieu of sales tax has been increased from 7·5 per cent to 10 per cent on man-made fabrics of assessable value exceeding Rs.25 per sq. metre. Blended fabrics in respect of which duty is reduced would, however, be exempted from this levy. For providing relief to the paper industry, many concessions have been given to them. The production of China and Porcelain tableware had been showing signs of stagnation. In order to provide reliefs to the industry, the basic excise duty has been reduced from 30 per

cent to 15 per cent. The basic excise duties on table fans, ceiling fans and evaporative type of coolers have also been reduced. Additional excise duty in respect of cigarettes have been raised which would lead to larger accruals to the States. The Budget also fully exempts laundry soap manufactured by KVIC units and reduces basic excise duty on certain mass consumption items such as imitation jewellery, stainless steel utensils, glass chimneys for lanterns, high efficient wood burning stoves, umbrellas and saccharine from 10 per cent to 5 per cent.

It is also relevant to mention here of a new scheme intended to mobilise some resources for public investment. Under the scheme, called the "National Deposit Scheme", certificates of 4 years maturity carrying an interest of 10·5 per cent can be purchased from designated outlets. The investor can encash the certificates after the expiry of one year but would carry a lesser interest of 7 per cent. In case of withdrawal after 2 years, the rate of interest would be 9 per cent and withdrawal after 3 years, the rate of interest would be 10 per cent. Interest from these deposits will be eligible for tax exemption upto the full limit of Rs.10,000 under Section 80L of the Income-Tax Act. A credit of Rs.200 crores is taken in 1984-85, while the Government expects to mop up Rs.500 crores over a period of time.

## II. BUDGETARY OPERATIONS OF STATE GOVERNMENTS

### Revised Estimates : 1983-84

According to the revised estimates for 1983-84, the combined budgetary operations of the States show a lower deficit of Rs.453 crores as against a deficit of Rs.820 crores @ recorded in 1982-83 (accounts). In relation to the budget estimates, the deficit was, however, lower by only Rs.56 crores. The reduction in the States' deficit in 1983-84 over the previous year was attributable to a larger increase in total receipts than in aggregate disbursements. Aggregate receipts of Rs.33,524 crores increased by Rs.5,248 crores ( or 18·6 per cent) over the level in 1982-83, while total disbursements showed a rise of Rs.4,881 crores ( or 16·8 per cent) to Rs.33,977 crores (Table VIII - 7).

### Receipts

The improvement in the aggregate receipts in 1983-84 @@ was shared by both the revenue and capital receipts. Revenue receipts totalled Rs.24,494 crores showing an increase of Rs. 3,369 crores or 15·9 per cent. Capital receipts increased by Rs.1,879 crores or by 26·3 per cent to Rs.9,030 crores. In the revenue account, tax receipts rose by Rs.1,922 crores to Rs. 16,040 crores and non-tax receipts by Rs.1,447 crores to Rs.8,454 crores. The share of the tax receipts in the revenue receipts declined marginally to 65·5 per cent in 1983-84 from 66·8 per cent in 1982-83, while non-tax receipts accounted for 34·5 per cent from 33·2 per cent in 1982-83. States' own tax revenue rose from Rs.9,486 crores in 1982-83 to Rs.10,825 crores or by 14·1 per cent as against a rise of 15·2 per cent in the previous year. The proportion of the States' own taxes to aggregate receipts declined to 32·3 per cent in 1983-84 from 33·5 per cent in 1982-83. Among the States' own taxes, the major contribution in the increases was from sales tax (Rs.754 crores). Increases in receipts from States' other taxes were in respect of State excise (Rs.254 crores), tax on vehicles (Rs.117 crores), taxes and duties on electricity (Rs.53 crores), land revenue (Rs.48 crores), taxes on passengers and goods (Rs.27 crores) and other taxes (Rs.86 crores). States' share in Central taxes rose by Rs.583 crores to Rs.5,215 crores. Of this increase, Union excise duties contributed the

@ These, however, exclude special loans of Rs.1,743·46 crores given to States to clear their outstanding deficit as on March 31,1982.

@@ All referencces to 1983-84 relate to the revised estimates unless stated otherwise.

**Table VIII--7 : Overall Budgetary Position of State Governments**

(Rupees crores)

| Items | 1982 - 83 (Accounts) | 1983 - 84 (Budget Estimates) | | 1983 - 84 (Revised Estimates) | | 1984 - 85 (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. | 8. |
| **I. Aggregate Receipts (A + B)** | **28276** | **30716** | **+8·6** | **33524** | **+18·6** | **35686** | **+6·4** |
| | | | | | | **(35373)** | **(+5·5)** |
| **A. Revenue Receipts (1 + 2)** | **21125** | **23758** | **+12·5** | **24494** | **+15·9** | **27062** | **+10·5** |
| | | | | | | **(26749)** | **(+9·2)** |
| 1. Tax Receipts (a + b) | 14118 | 16202 | +14·8 | 16040 | +13·6 | 17754 | +10·7 |
| | | | | | | (17597) | (+9·7) |
| (a) States' Taxes | 9486 | 10893 | +14·8 | 10825 | +14·1 | 12189 | +12·6 |
| | | | | | | (11943) | (+10·3) |
| (b) Share in Central Taxes | 4632 | 5309 | +14·6 | 5215 | +12·6 | 5565 | +6·7 |
| | | | | | | (5654) | (+8·4) |
| 2. Non-Tax Receipts (c + d) | 7007 | 7556 | +7·8 | 8454 | +20·7 | 9308 | +10·1 |
| | | | | | | (9152) | (+8·3) |
| (c) Grants from the Centre | 3382 | 3529 | +4·3 | 4247 | +25·6 | 4656 | +9·6 |
| (d) Other Non-Tax Receipts | 3625 | 4027 | +11·1 | 4207 | +16·1 | 4652 | +10·6 |
| | | | | | | (4496) | (+6·9) |
| **B. Capital Receipts (1 + 2)** | **7151** | **6958** | **-2·7** | **9030** | **+26·3** | **8624** | **-4·5** |
| 1. States' Capital Receipts | 2986 | 3039 | +1·8 | 4000 | +34·0 | 3982 | -0·4 |
| *Of which :* | | | | | | | |
| (a) Market Borrowings (Gross) | 540 | 741 | +37·2 | 745 | +38·0 | 1297 | +74·1 |
| (b) Recovery of Loans and Advances | 667 | 660 | -1·0 | 814 | +22·0 | 699 | -14·1 |
| 2. Loans from the Centre (Gross) | 4165 | 3919 | -5·9 | 5030 | +20·8 | 4642 | -7·7 |

*(Contd.)*

**Table VIII—7 : Overall Budgetary Position of State Governments** *(Concld.)*

(Rupees crores)

| Items | 1982 - 83 (Accounts) | 1983 - 84 (Budget Estimates) | | 1983 - 84 (Revised Estimates) | | 1984 - 85 (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. | 8. |
| **II. Aggregate Disbursements (A to E)** | **29096** | **31225** | **+7·3** | **33977** | **+16·8** | **36307** | **+6·9** |
| **A. Developmental Expenditure* (1 +2)** | **20649** | **22345** | **+8·2** | **24087** | **+16·6** | **25203** | **+4·6** |
| 1. Social and Community Services | 9352 | 10080 | +7·8 | 10886 | +16·4 | 11120 | +2·1 |
| *Of which :* | | | | | | | |
| Expenditure on Natural Calamities | 495 | 140 | -71·7 | 423 | -14·5 | 120 | -71·6 |
| 2. Economic Services | 11297 | 12265 | +8·6 | 13201 | +16·9 | 14083 | +6·7 |
| **B. Non-Developmental Expenditure*** | **5882** | **7082** | **+20·4** | **7072** | **+20·2** | **8220** | **+16·2** |
| **C. Repayment of Loans to the Centre** | **1430** | **1256** | **-12·2** | **1858** | **+29·9** | **1754** | **-5·6** |
| **D. Discharge of Internal Debt** | **213** | **259** | **+21·6** | **274** | **+28·6** | **605** | **+120·8** |
| *Of which :* | | | | | | | |
| Market Loans | 147 | 183 | +24·5 | 181 | +23·1 | 522 | +188·4 |
| **E. Others @** | **922** | **283** | **-69·3** | **686** | **-25·6** | **525** | **-23·5** |
| **III. Overall Surplus (+) or Deficit (-) (I - II)** | **-820** | **-509** | | **-453** | | **-621†** (-934) | |

* Comprise expenditure on Revenue and Capital accounts and Loans and Advances extended by States.

@ Comprise compensation and assignments to local bodies, reserve with finance department, appropriation for contingency fund and remittances (net).

† However, after taking into account supplementary demands for grants for additional expenditure in respect of 8 States, this deficit is likely to rise further by Rs. 894 crores approximately.

*Notes :* 1. Budget Estimates for 1984 - 85 include the estimated yield of Rs.402 crores from additional resource mobilisation measures introduced through the State budgets and are adjusted for the estimated decline of Rs.89 crores in the States' share in the Central taxes due to tax concessions announced in the Central Budget for 1984 - 85.

2. Budget Estimates for 1983 - 84 include 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.

3. Figures in brackets are at 1983 - 84 rates of taxation.

4. States' capital receipts as well as aggregate receipts for 1982 - 83 (Accounts) 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 of March 1982.

5. Figures included here for Punjab are from vote on account budget.

major portion of Rs.516 crores or 88·5 per cent and balance of Rs.67 crores was shared by the income-tax (Rs.65 crores) and estate duties (Rs.2 crores). The proportion of the States' taxes and the share of the States in Central taxes in 1983-84 in the tax receipts almost remained at the last year's levels i.e. 67 per cent and 33 per cent, respectively. Non-tax revenue of the States rose by Rs.1,447 crores or by 20·7 per cent to Rs.8,454 crores in 1983-84. Although both the grants and other non-tax receipts increased from Rs.3,382 crores and Rs.3,625 crores in 1982-83 to Rs.4,247 crores and Rs.4,207 crores, respectively, in 1983-84, the increase in grants was sharper at 25·6 per cent while States' non-tax revenues rose by 16·1 per cent.

**Capital Receipts**

Capital receipts increased by Rs.1,879 crores or by 26·3 per cent to Rs.9,030 crores in 1983-84 from Rs.7,151 crores @ in 1982-83. Loans from the Centre increased by Rs.865 crores or by 20·8 per cent to Rs.5,030 crores States' capital receipts also rose by Rs.1,014 crores or 34·0 per cent to Rs.4,000 crores. Market borrowings (gross) as per budget documents amounted to Rs.745 crores as against Rs.540 crores in 1982-83. As per the Reserve Bank of India records, gross market borrowings of the States aggregated Rs.763 crores in 1983-84 as against Rs.556 crores in 1982-83. Net market borrowings totalled Rs.564 crores in 1983-84 from Rs.393 crores in 1982-83. Thus, both in absolute and relative terms, there was considerable increase in market borrowings of the States; the States' share in gross (Centre as well as States) and net market borrowings increased to 14·9 per cent and 12·8 per cent in 1983-84 from 11·8 per cent and 9·5 per cent, respectively, in 1982-83 Recovery of loans and advances granted by the States improved by Rs.147 crores to Rs.814 crores in 1983-84.

**Transfer of Resources from the Centre**

Total resources (in the form of share in Central taxes and duties, grants and loans) transferred from the Centre to the States rose from Rs.12,180 crores in 1982-83 to Rs.14,492 crores in 1983-84. Of the gross amount of Rs.14,492 crores transferred, 36·0 per cent or Rs.5,215 crores represented the States' share in Central taxes, 29·3 per cent or Rs.4,247 crores by way of grants and the balance of 34·7 per cent or Rs.5,030 crores on account of loans from the Centre. Inspite of larger resources transferred from the Centre to the States, share of such transfers during the year in States aggregate receipts remained almost unchanged at the 1982-83 level of 45·8 per cent. After providing for interest payments on loans to the Centre (Rs.1,242 crores) and repayment of loans to the Centre (Rs.1,858 crores), the net devolution totalled Rs.11,392 crores as against Rs.9,737 crores in the previous year. The proportion of net resources (share in Central taxes, grants and net loans) transferred to States' aggregate receipts (adjusted to loans from the Centre on net basis) was marginally lower at 36·0 per cent in 1983-84 from 36·3 per cent in 1982-83.

Plan loans (gross) increased from Rs.2,385 crores in 1982-83 to Rs.2,807 crores in 1983-84. Non-plan loans also moved up to Rs.2,223 crores from Rs.1,781 crores. Share of the small savings in non-plan loans increased by Rs.330 crores to Rs.1,390 crores in 1983-84. Grants for the State Plan Schemes and Centrally Sponsored Schemes increased from Rs.1,591 crores and Rs.786 crores in 1982-83 to Rs.1,718 crores and Rs.1,210 crores, respectively, in 1983-84. Grants for Central Plan Schemes increased by Rs.190 crores to Rs.440 crores in 1983-84.

**Disbursements**

Aggregate disbursements rose by Rs.4,881 crores (or 16·8 per cent) to Rs. 33,977 crores

@ As stated earlier the States' Capital receipts in 1982-83 exclude the medium term loan of Rs.1,743·46 crores given by the Centre to clear overdrafts outstanding at March-end 1982. Inclusive of the medium-term loan, capital receipts would be Rs.8,894 crores in 1982-83.

in 1983-84, from Rs.29,096 crores in 1982-83 when the increase amounted to Rs.3,525 crores (or 13·8 per cent). Of the increase in disbursements in 1983-84, Rs.3,438 crores or 70·4 per cent was accounted for by the developmental expenditure. Developmental expenditure amounted to Rs.24,087 crores in 1983-84 and was higher by 16·6 per cent over the level in the preceding year. As the rate of growth in developmental expenditure is almost the same as in aggregate disbursements, the proportion of developmental expenditure in total disbursements remained at 1982-83 level of 71·0 per cent. The distribution of developmental expenditure between the two components, viz. economic services and social and community services showed that the former accounted for Rs.13,201 crores (54·8 per cent) and the latter for Rs.10,886 crores (45·2 per cent) in 1983-84.

Non-developmental expenditure rose by Rs.1,190 crores or 20·2 per cent to Rs.7,072 crores in 1983-84. At this level its proportion to aggregate disbursements was marginally higher at 20·8 per cent from 20·2 per cent in the previous year. Repayment liability of loans to the Centre was higher at Rs.1,858 crores in 1983-84 from Rs.1,430 crores in 1982-83, and formed 5·5 per cent of aggregate disbursements as against 4·9 per cent in 1982-83. Discharge of internal debt amounted to Rs.274 crores of which two third was on account of market loans.

## Budget Estimates :1984-85

At 1983-84 rates of taxation, the combined budgetary operations of the State Governments would result in an overall deficit of Rs.934 crores as against a deficit of Rs.453@ crores in 1983-84. However, after taking into account the net yield of Rs.402 crores from the new tax and non-tax measures proposed by the States and adjusting for reduction of Rs.89 crores in the States' share in Central taxes due to concessions and reliefs announced in the Central budget for 1984-85, the net overall deficit would amount to Rs.621 crores.

## Receipts

The aggreate receipts of all the States are budgeted higher at Rs.35,686 crores in 1984-85 as compared with Rs.33,524 crores in 1983-84. The rate of growth of 6·4 per cent in aggregate receipts implied in the 1984-85 budget is lower than that of 18·6 per cent in the previous budget. This deceleration is attributable to anticipated decline in capital receipts. Revenue receipts are estimated to increase by Rs.2,568 crores or by 10·5 per cent to Rs.27,062 crores; last year these receipts had moved up by 15·9 per cent. Capital receipts are expected to decline from Rs.9,030 crores in 1983-84 to Rs.8,624 crores in 1984-85 or by 4·5 per cent in contrast to an increase of 26·3 per cent in 1983-84. Consequently the proportion of capital receipts in aggregate receipts is estimated lower at 24 per cent from 27 per cent, while that of revenue receipts is anticipated to move up to 76 per cent from 73 per cent. On the revenue account, tax receipts are estimated to rise by Rs.1,714 crores (or 10·7 per cent) to Rs.17,754 crores as against an increase of Rs.1,922 crores (or 13·6 per cent) in the previous year. The rate of growth of the States' taxes including the revenues from new tax measures as well as in the States' share in Central taxes is expected to be marginally lower than in the previous year. The States' tax receipts are estimated at Rs.12,189 crores in 1984-85 representing an increase of Rs.1,364 crores (12·6 per cent) as compared to a rise of Rs.1,339 crores (14·1 per cent) in 1983-84. Receipts from sales tax which constitutes nearly 58 per cent of the States' own tax revenue is expected to show a growth rate of 13·7 per cent - same as in 1983-84. Revenue from state excise duties, though anticipated to increase to Rs.1,742 crores in 1984-85 from Rs.1,598 crores

@ This takes into account the anticipated net yield of Rs.278 crores from additional resource mobilisation measures proposed in the 1983-84 budgets.

in 1983-84, the growth rate would decelerate steeply to less than half at 9·0 per cent from 18·9 per cent in the previous year. Likewise, collections under land revenue at Rs.267 crores would be higher by Rs.30 crores, the rate of growth would be just half of that attained in 1983-84. Receipts from tax on vehicles and on passengers and goods are expected to increase by 15·4 per cent and 3·3 per cent respectively, but their growth rates are lower than those recorded in the previous year. The collections from taxes and duties on electricity and stamps and registration fees are estimated slightly higher at 16·9 per cent and 10·6 per cent, respectively, over the previous year. The share in Central taxes is expected to register a smaller increase of Rs.350 crores to Rs.5,565 crores in 1984-85 than that in the preceding year i.e. Rs.582 crores.

Total non-tax revenue at Rs.9,308 crores is anticipated to increase by Rs.854 crores or by 10·1 per cent in 1984-85 as against a sharp increase of 20·7 per cent in 1983-84. Grants from the Centre and the States' own non-tax receipts are estimated higher by more than Rs.400 crores each, however, the growth rate is expected to decelerate sharply particularly in the case of grants from the Centre. Such grants which had increased by Rs.865 crores (or 25·6 per cent) to Rs.4,247 crores in 1983-84, are estimated to increase only by Rs.409 crores (or 9·6 per cent) to Rs.4,656 crores in 1984-85. This low order of increase is attributable to an anticipated fall in non-plan grants while plan grants are estimated higher. Non-plan grants are estimated to be lower by Rs.125 crores to Rs.754 crores in 1984-85 mainly due to steep cut in grants for natural calamities for which a nominal provision of Rs.6 crores is made as against Rs.217 crores provided in 1983-84. Despite an absolute reduction in grants, they still would account for 50 per cent of States' total non-tax revenues. Other non-tax receipts are budgeted to increase by Rs.445 crores to Rs.4,652 crores but the growth rate would decelerate to 10·6 per cent from 16·1 per cent. A substantial portion of the increase in the States' own non-tax revenue was accounted for by receipts from economic services (Rs.290 crores) and interest (Rs.113 crores).

**Capital Receipts**

Aggregate capital receipts of the States at Rs.8,624 crores in 1984-85 are budgeted lower by Rs.406 crores, in sharp contrast to an increase of Rs.1,879 crores or by 26·3 per cent in 1983-84 over the preceding year. While the States' own capital receipts are budgeted to show a marginal decline of 0·4 per cent, gross loans from the Centre at Rs.4,642 crores in 1984-85 are estimated lower by Rs.388 crores or 7·7 per cent as compared to an increase of Rs. 865 crores or 20·8 per cent in 1983-84. On a net basis i.e. after providing for repayment of loan instalments, these are estimated lower at Rs.2,888 crores compared to Rs.3,172 crores in 1983-84. These declines are partly off set by a substantial improvement in gross market borrowings of State Governments which are budgeted higher by Rs. 552 crores over 1983-84.

**Disbursements**

Aggregate disbursements are estimated to increase by Rs.2,330 crores (or 6·9 per cent) to Rs.36,307 crores as compared to a rise of Rs.4,881 crores (or 16·8 per cent) during 1983-84. The growth rate of developmental expenditure is anticipated to sharply decline to 4·6 per cent from 16·6 per cent attained in 1983-84. The deceleration in non-developmental expenditure on the other hand at 16·2 per cent is expected to be of much less than 20·2 per cent in 1983-84. In absolute terms total developmental expenditure is expected to increase to Rs.25,203 crores in 1984-85 from Rs.24,087 crores in 1983-84. The share of developmental expenditure in total disbursements in 1984-85 is estimated lower at 69·4 per cent from 70·9 per cent in the previous year. Categorywise, deceleration in developmental expenditure is almost equally shared by social and community services (excluding expenditure on natural calamities) and economic services. Expenditure on the former is expected to rise by a small amount of Rs.537 crores (or 5·1 per cent) to Rs.11,000 crores as against an increase of Rs.1,606 crores (or 18·2 per cent) in 1983-84, while on the latter

it is estimated to increase by Rs.882 crores (or 6·7 per cent) to Rs.14,083 crores as compared to a rise of Rs.1,904 crores (or 16·9 per cent) in 1983-84.

Non-developmental expenditure is budgeted to rise by Rs.1,148 crores (or 16·2 per cent) to Rs.8,220 crores as compared to an increase of Rs.1,190 crores (or 20·2 per cent) in the previous year. The share of non-developmental expenditure in aggregate disbursements is estimated higher at 22·6 per cent in 1984-85 from 20·8 per cent in 1983-84. Interest payments together with expenditure on administrative services would amount to Rs.915 crores or 79·6 per cent of the increase in non-developmental expenditure in 1984-85. Repayment of loans to the Centre is estimated lower by Rs.104 crores to Rs.1,754 crores in 1984-85 while repayment on account of market loans is placed at Rs.522 crores compared to Rs.181 crores in 1983-84. Other disbursements are estimated lower at Rs.525 crores in 1984-85 from Rs.686 crores in 1983-84.

Transfer of resources from the Centre to the States by way of share in the central taxes, grants and loans net of repayments and interest payments at Rs.11,555 crores are estimated higher by Rs.163 crores over 1983-84 level. However, the transfer of resources as a proportion to the States' aggregate receipts (excluding repayments of loans to the Centre) would be lower at 34·1 per cent in 1984-85 from 36·0 per cent in 1983-84.

**Additional Resource Mobilisation**

During 1984-85, fresh measures proposed by eleven State Governments in their budgets are expected to yield an additional revenue of Rs. 425·76 crores. Andhra Pradesh, Bihar, Gujarat Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Tamil Nadu and West Bengal have announced concessions in existing taxes resulting in a loss of revenue totalling Rs.23·35 crores. Thus the total additional resource mobilisation measures less tax concessions proposed by the States would yield a net additional revenue of Rs.402·41 crores which is higher than the resource mobilisation measures of Rs.277·83 crores announced in 1983-84. Of the net additional revenue of Rs.402·41 crores, Rs.246·81 crores is on account of tax measures and the balance of Rs.155·60 crores from non-tax measures. Although most of the States have proposed to raise resources from conventional sources like sales tax, state excise duties, stamps and registration fees, taxes on vehicles etc., some States have made efforts to broaden their tax base by introducing new taxes. In pursuance of the Constitution (Forty Sixth) Amendment Act, 1982 the State Governments have been empowered to levy sales-tax on certain transactions which were hitherto not eligible to tax. Such transactions are: (i) transfer of controlled commodities for a consideration; (ii) transfer of property in goods involved in execution of works contract; (iii) delivery of good on hire purchase system of payment; (iv) transfer of right to use any goods for consideration; (v) supply of goods by an unincorporated association or body of persons to a member thereof for consideration; and (vi) supply of service of food or drink for a consideration. In pursuance of the recent Constitutional amendment five States, Bihar, Tamil Nadu, Kerala, Orissa and West Bengal have introduced in their budgets for 1984-85 bills to amend the relevant provisions of the Sales Tax Act, to enable them to levy tax on hire purchase, the right to use, including leasing and works contract. The additional revenue anticipated is Rs.12 crores in Bihar, Rs.5 crores each in Tamil Nadu, Orissa and West Bengal and Rs.4·30 crores in Kerala. Among other new measures adopted, mention may be made of Karanataka and Gujarat which have proposed Rural Development Cess. In Karanataka a Rural Development Cess of 10 per cent on the basic rates of sales tax and also on the motor vehicles tax has been proposed. The measures would yield an additional revenue of Rs.50 crores. The State has also proposed 10 per cent Urban Water Supply Cess on the property tax in all the municipal areas in the State for funding the

water supply schemes for urban population. The Government of Gujarat which had proposed a Rural Development Cess of 10 per cent on land holding for carrying an excavation for the purpose of obtaining mineral oil, anticipates an additional yield of Rs.40 crores. Among the States, Bihar leads in resource mobilisation followed by Karanataka, West Bengal, Tamil Nadu, Gujarat, Kerala, Himachal Pradesh, Orissa, Jammu and Kashmir, Assam and Manipur. (Table VIII-8).

**Table VIII—8 : Estimated additional yield from Budget Proposals**

(Rupees crores)

| States | Net additional yield 1984 - 85 |
|---|---|
| 1. Andhra Pradesh ... ... | -1·29 |
| 2. Assam ... ... | 1·00 |
| 3. Bihar ... ... | 104·25 |
| 4. Gujarat ... ... | 39·38 |
| 5. Himachal Pradesh ... ... | 18·57 |
| 6. Jammu and Kashmir ... ... | 3·00 |
| 7. Karnataka ... ... | 87·00 |
| 8. Kerala ... ... | 25·40 |
| 9. Madhya Pradesh ... ... | -1·50 |
| 10. Maharashtra ... ... | -2·50 |
| 11. Manipur ... ... | 0·10 |
| 12. Orissa ... ... | 5·00 |
| 13. Tamil Nadu ... ... | 49·00 |
| 14. West Bengal ... ... | 75·00 |
| **Total** ... ... | **402·41** |
| **By Major Heads** | |
| 1. Sales tax ... ... | 153·74 |
| 2. Land Revenue ... ... | 2·00 |
| 3. Stamps and Registration Fees ... ... | 13·50 |
| 4. Tax on Passengers and Goods ... ... | 10·00 |
| 5. Tax on Vehicles ... ... | 17·00 |
| 6. State Excise ... ... | 21·07 |
| 7. Entertainment Tax ... ... | 7·75 |
| 8. Profession Tax ... ... | 1·05 |
| 9. Agricultural Income Tax ... ... | -0·25 |
| 10. Other Taxes and Duties ... ... | 20·95 |
| 11. Non-Tax Revenue ... ... | 155·60 |
| **Total** ... ... | **402·41** |
| **States' share in Centre's additional taxation/tax concession.** | |
| 1. Income-Tax ... ... | -38·68 |
| 2. Estate Duty ... ... | — |
| 3. Union Excise Duty ... ... | -50·10 |
| **Total** ... ... | **-88·78** |

## States' Plan Outlay

The revised outlay for the Annual Plan 1983-84 show a step up of 17·1 per cent to Rs.10,582 crores from Rs.9,298 crores in 1982-83 (actual expenditure). During the first three years of the Sixth Five-Year Plan, total expenditure aggregated Rs. 25,005 crores representing 53.0 per cent of the plan outlay. With the revised approved outlay of Rs.10,582 crores for 1983-84, three fourth of the target or 75·4 per cent of the original Sixth Plan Outlay would be attained in the first four years of the Plan (Table VIII-9).

The outlay for the Annual Plan 1984-85 has been further stepped up to Rs.11,454 @ crores over the revised outlay of Rs.10,042 @ crores in 1983-84 representing an estimated hike of 14·1 per cent. In line with the strategy of the Sixth Plan, high prionty has been accorded to the development of energy; power continues to get high priority with 28·9 per cent (Rs.3,306 crores) of the plan outlay. The outlay for other sectors are: irrigation and flood control, 21·2 per cent (Rs.2,435 crores), agriculture and allied services including co-operation, 13·9 per cent (Rs.1,596 crores), transport and commnications 7·0 per cent (Rs.797 crores), industry and minerals, 4·2 per cent (Rs.547 crores) and other including social and community services and general services, 24·2 per cent (Rs.2,773 crores). Table VIII-10 shows States' Plan outlay by Heads of Developments.

## Finance Commission

Mention was made, in our earlier Report, 1981-82, about the constitution of the Eighth Finance Commisssion on June 21, 1982. The Commission submitted an *interim* report on November 14, 1983 and final report on April

@ Data relate to 21 states during the years 1983-84 and 1984-85; Annual Plan Outlay of 1984-85 for West Bengal is not yet finalised.

**Table VIII—9 : Plan Outlay of States and Union Territories**

(Rupees crores)

| States/Union Territories | Actual Expenditure for 4th Plan (1969-70 to 1973 - 74) | Actual Expenditure for 5th Plan (1974 - 75 to 1978 - 79) | 6th Plan Approved Outlay (1980 - 81 to 1984 - 85) | 1980 - 81 Actual Expenditure | 1981 - 82 Actual Expenditure | 1982 - 83 Actual Expenditure | 1983 - 84 Revised Approved Outlay | 1984 - 85 Approved Outlay |
|---|---|---|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| 1. Andhra Pradesh ... ... | 426 | 1,449 | 3,100 | 471 | 512 | 573 | 774 | 918 |
| 2. Assam ... ... | 198 | 433 | 1,115 | 193 | 209 | 226 | 291 | 360 |
| 3. Bihar ... ... | 479 | 1,185 | 3,225 | 465 | 560 | 593 | 593 | 751 |
| 4. Gujarat ... ... | 545 | 1,374 | 3,680 | 584 | 674 | 753 | 869 | 935 |
| 5. Haryana ... ... | 358 | 671 | 1,800 | 246 | 289 | 339 | 373 | 430 |
| 6. Himachal Pradesh ... ... | 113 | 236 | 560 | 94 | 119 | 129 | 140 | 168 |
| 7. Jammu and Kashmir ... ... | 162 | 376 | 900 | 149 | 165 | 176 | 195 | 235 |
| 8. Karnataka ... ... | 374 | 1,039 | 2,265 | 397 | 444 | 533 | 575 | 650 |
| 9. Kerala ... ... | 333 | 661 | 1,550 | 299 | 303 | 276 | 320 | 355 |
| 10. Madhya Pradesh ... ... | 476 | 1,396 | 3,800 | 566 | 655 | 712 | 901 | 1,060 |
| 11. Maharashtra ... ... | 1,005 | 2,612 | 6,175 | 896 | 1,110 | 1,358 | 1,509 | 1,650 |
| 12. Manipur ... ... | 31 | 93 | 240 | 40 | 42 | 45 | 53 | 61 |
| 13. Meghalaya ... ... | 36 | 99 | 235 | 41 | 45 | 46 | 56 | 65 |
| 14. Nagaland ... ... | 39 | 97 | 210 | 35 | 38 | 42 | 51 | 56 |
| 15. Orissa ... ... | 249 | 640 | 1,500 | 248 | 274 | 301 | 345 | 400 |
| 16. Punjab ... ... | 428 | 940 | 1,957 | 299 | 342 | 386 | 440 | 440 |
| 17. Rajasthan ... ... | 309 | 872 | 2,025 | 339 | 352 | 346 | 387 | 387 |
| 18. Sikkim ... ... | — | 41 | 122 | 20 | 24 | 24 | 30 | 35 |
| 19. Tamil Nadu ... ... | 552* | 1,143 | 3,150 | 434 | 606 | 730 | 845 | 927 |
| 20. Tripura ... ... | 35 | 75 | 245 | 40 | 48 | 56 | 58 | 68 |
| 21. Uttar Pradesh ... ... | 1,163 | 2,909 | 5,850 | 972 | 1,118 | 1,183 | 1,237 | 1,503 |
| 22. West Bengal ... ... | 364 | 1,230 | 3,500 | 451 | 499 | 471 | 540 | — |
| **A. Total — All States ... ...** | **7,675** | **19,571** | **47,204** | **7,279** | **8,428** | **9,298** | **10,582 (10,042)** | **11,454** |
| B. Hill Areas ... ... | — | 174 | 560 | 69 | 89 | 108 | 135 | 162 |
| C. Tribal Areas ... ... | — | 167 | 470 | 70 | 85@ | 95 | 110 | 125 |
| D. Total Union Territories ... ... | 278 | 655 | 1,650 | 255 | 348 | 410 | 473 | 558 |
| E. North Eastern Council ... ... | — | 91 | 340 | 51 | 64 | 87† | 95 | 108 |
| F. Scheduled Caste Component Plan ... ... | — | — | — | — | 110@ | — | — | — |
| G. Other Unclassified ... ... | — | — | 26 | — | — | — | — | — |
| **Total (A to G) ... ...** | **7,953** | **20,658** | **50,250** | **7,724** | **9,124** | **9,998** | **11,395 (10,855)** | **12,407** |

* Excludes Rs.19 crores on Power as outside the Plan.

@ Outlay figure repeated, expenditure not available.

† Includes Rs.10·86 crores LIC Loan.

*Notes* : 1. Data for 1984-85 relates to 21 States; Annual Plan outlay for 1984-85 in respect of West Bengal is not yet finalised.

2. Figures in brackets are for 21 States (i.e. excluding West Bengal)

**Table VIII—10 : States' Plan Outlay by Heads of Developments**

(Rupees crores)

| Sectors | 1983 - 84 (Revised approved outlay) | | 1984-85 (Approved outlay)* | Variation over the previous year (Col. 4 over Col. 3 |
|---|---|---|---|---|
| | Data for 21 States | Data for 22 States | | |
| 1. | 2. | 3. | 4. | 5. |
| 1. Agriculture and allied services including Co-operation (i + ii) | 1473 (13·9) | 1876 (18·7) | 1596 (13·9) | −280 (−15·0) |
| i) Agriculture and Allied services | 1341 (12·7) | 1752 (17·5) | 1476 (12·9) | −276 (−15·8) |
| ii) Co-operation | 132 (1·2) | 124 (1·2) | 120 (1·0) | −4 (−3·3) |
| 2. Irrigation, flood control and power (i + ii) | 5251 (49·6) | 4554 (45·3) | 5741 (50·1) | +1187 (+26·1) |
| i) Power | 2963 (28·0) | 2821 (28·1) | 3306 (28·9) | +485 (+17·2) |
| ii) Irrigation and flood control | 2288 (21·6) | 1733 (17·2) | 2435 (21·2) | +702 (+40·5) |
| 3. Industry and Minerals (i + ii) | 543 (5·1) | 510 (5·1) | 547 (4·8) | +37 (+7·2) |
| i) Village and Small Industries | 171 (1·6) | 163 (1·6) | 191 (1·7) | +28 (+17·2) |
| ii) Medium and large scale industries and Mining | 372 (3·5) | 347 (3·5) | 356 (3·1) | +9 (+2·6) |
| 4. Transport and Communications | 781 (7·4) | 725 (7·2) | 797 (7·0) | +72 (+9·9) |
| 5. Others | 2534 (24·0) | 2377 (23·7) | 2773 (24·2) | +396 (+16·7) |
| **TOTAL (1 TO 5)** | **10582 (100·0)** | **10042 (100·0)** | **11454* (100·0)** | **+1412 (+14·1)** |

*Note* : 1) Figures in brackets in col. 2, 3 and 4 are percentages to totals while those in column 5 indicate percentage variations over the previous year, i.e., Col. 4 over Col.3.

* Data relates to 21 states i.e. excluding the sectoral break-up for West Bengal.

*Source* : Planning Commission, Government of India

30, 1984. As required by the terms of reference, the Commission's recommendations regarding transfer of funds from the Centre to the States cover the five–year period commencing from April 1,1984. A brief summary of the Commission's recommendations is given below.

The Eighth Finance Commission award will benefit the States to the extent of Rs.39,452·01 crores by way of taxes and duties and grants during the period 1984-89. This amount is Rs. 18,609·04 crores higher than the amount transferred to the States under the Seventh Finance Commission award for the period 1979-84 (Table VIII-11).

**Table VIII—11 : Transfer from Centre to the States by way of Share of Taxes and Duties and Grants-in-aid under Article 275 of the Constitution**

(Rupees crores)

| Category | Estimated transfer during 1979 - 84, as recommended by Seventh Finance Commission | Estimated transfer during 1984 - 89, as recommended by Eighth Finance Commission |
|---|---|---|
| 1) Taxes and Duties | 19233·05 @ | 35682·58 @@ |
| 2) Article 275 Grants (i + ii + iii) | 1609·92 | 3769·43 |
| (i) Revenue Gap | 1173·12 | 2200·22 |
| (ii) Upgradation | 436·80 | 967·33 |
| (iii) Margin Money Grant | — | 601·88 |
| **Total** | **20842·97** | **39452·01** |

@ Includes share of Grants in lieu of Railway Passenger Fares Tax amounting to Rs.81·25 crores but excludes Rs.64 crores in respect of share in Estate Duty and receipt on account of Wealth Tax on Agricultural Property.

@@ Includes share of Grants in lieu of Railway Passenger Fares Tax amounting to Rs.475 crores but excludes Rs.103 crores, in respect of share of Estate Duty and receipt on account of Wealth Tax on Agricultural property.

*Source* : Report on Eighth Finance Commission.

**Sharing of Taxes and Duties**

At present, 85 per cent of the net proceeds of income tax excepting the portion (2·19 per cent) representing the proceeds attributable to Union Territories and the Union emoluments is distributed among the states. The share of the States is retained in each of the years 1984-85 to 1988-89, at the same level of 85 per cent excluding portion of 1·792 per cent attributable to Union Territories. The share of the States in the net proceeds of shareable Union excise duties excluding that on electricity has been enhanced to 45 per cent from 40 per cent as recommended by the Seventh Finance Commission. Forty per cent of the net proceeds of shareable excise duties excluding that on electricity and 90 per cent on the States share of income-tax is recommended for, distribution among the States by giving weightage of 25 per cent to population, 25 per cent to the inverse of per capita income multiplied by population and 50 per cent weightage to the distance of the average per capita income of any State during the triennium 1976-77 to 1978-79 from that of the State which has the highest average per capita income, which is Punjab. In order that Punjab also gets a share, under this component of formula, income-distance of Punjab and Haryana are treated equal. The net proceeds of the additional excise duties in replacement of sales tax on textiles, sugar and tobacco is recommended for distribution amongst the States after retaining a sum equal to 2·391 per cent of net proceeds by the Central Government as attributable to the Union Territories. Estate Duty in respect of property other than agricultural land in each year is recommended to be distributed among the States, in proportion to the gross value of the property both movable and immovable located in each State and brought into assessment.The location of property other than immovable property should be determined in accordance with the rules framed uner the Estate Duty Act, 1953. As for the property located abroad, it should be deemed to be located in the State where it is brought toassessment. Sikkim has been given a share in the proceeds of this duty. The annual quantum of the grant in lieu of a tax on railway passenger fares is raised from Rs.23 crores to Rs.95 crores in each of the year 1984-85 to 1988-89. The share of each State in the grant on account of wealth-tax on agricultural property has been recommended at an amount equivalent to the net collection in that State in that year.

**Financing of Relief Expenditure**

The commission has recommended that the scheme of financing of relief expenditure as recommended by the Seventh Finance Commission should continue. The margin money fixed at Rs.100·55 crores by the Seventh Finance Commission has been raised to Rs.240·75 crores per year. In regard to funding of margin money the Eighth Finance Commission has made a departure, recommending that the State Government should provide 50 per cent of the margin money and that the Centre should contribute the balance of 50 per cent in every year as a grant-in-aid. On the occurance of natural calamity, a State should be entitled to draw on the Centre's contribution on demand after it has exhausted its own share of the margin money. Provisions not released to the State is to be carried forward to the next year. The accumulated balances lying to the credit of a State will then be available to it in a year of need together with that year's contribution.

**Grants-in-Aid**

To cover the deficit on revenue account, the Commission has recommended that 11 States, namely, Assam, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Nagaland, Orissia, Rajasthan, Sikkim, Tripura and West Bengal should be paid an aggregate amount of Rs.2,200·22 crores as grant-in-aid over a period of five years, 1984-89. The commission has provided a five per cent annual growth in the deficit grants, purportedly to make them buoyant.Further, to cover the requirements of upgradation and special problems, during the five years commencing from April 1, 1984, the Commission has also recommended that the

States be paid Rs.967·33 crores (Rs.914·55 crores for 16 States for upgradation and the balance Rs.52·78 crores for 10 States for special problems). The commission has not computed the interest liabilities of the States arising out of the fresh borrowings during the period 1984-89. It has recommended that deficit States should be paid grants-in-aid in each of the four years from 1985-86 to 1988-89 for covering net additional interest liability on account of fresh borrowings in 1984-89 and to cover the additional burden on account of committed expenditure in respect of Plan Schemes completed in 1984-85.

### Non-Plan Capital Gap of the States

The Commission has made an assessment of the non-plan capital gap of the States on a uniform and comparable basis for the five years ending with 1988-89. The Commission has recommended relief to the States of the order of Rs.2285·39, crores in the five year period of 1984-89, including write off of repayments of Rs.405·20 crores.

The recommendations of the Commission have been accepted by the Government @. In view of the delay in the submission of the Report, the Government will follow the Interim Report recommendations for the year 1984-85. The Final recommendations will be applicable for the four years 1985-89.

## III RAILWAY FINANCES

The two distinguishing features of the Railway Budget for the fiscal year 1984-85 are anticipation of a balanced financial position and reduction in freight rates, ranging between 5 to 33 per cent covering wide range of essential commodities and consumer goods used by the common man. While total receipts of the Railways in 1984-85 are estimated to increase by Rs.465·5 crores or 9·1 per cent to Rs.5,566·8 crores as compared with Rs.5,101·3 crores in 1983-84 @@ ,total expenditure at Rs.5,146·8 crores would be higher by Rs.384·0 crores or 8·1 per cent over that of Rs.4,762·8 crores in the previous year. (Table VIII-12). Revenue earning freight traffic is projected to increase by 15 million tonnes or 6·5 per cent to 245 million tonnes as compared to 230 million tonnes likely to be achieved in 1983-84. On the passenger service front, the budget assumes a growth of 3 per cent in the passenger Kilometres. Despite resource constraints, the Annual Plan outlay of the Railways has been stepped up by 14·4 per cent to Rs.1,650 crores in 1984-85. In the area of resource mobilisation, marginal adjustments in freight rates and surcharge on all passenger tickets have been effected without making any general revision in the rationalised fare and freight structure introduced from April 1, 1983. These adjustments are expected to yield an additional revenue of Rs.114·2 crores in 1984-85.

### Revised Estimates: 1983-84

According to the revised estimates for 1983-84, total receipts of the Railways at Rs.5,101·3 crores would be higher by Rs.618·0 crores (13·8 per cent) as compared with Rs.4,483·3 crores in 1982-83. The increase in earnings has been attributed to the upward revision in passenger fares and freight rates introduced in 1983-84. A major portion of the increase (67·6 per cent or Rs.417·9 crores) was accounted for by 'Goods earnings' which went up from Rs.2,972·1 crores in 1982-83 to Rs.3,390·0 crores in 1983-84. The increase in 'Passenger earnings' was of the order of Rs.199·3 crores (32·2 per cent) from Rs.1,161·7crores in 1982-83 to 1,361·0crores in

@ The Report of the Commission together with an explanatory memorandum as to the action taken on the recommendations was laid on the Table of the Lok Sabha on July 24, 1984.

@@ All references to 1983-84 relate to revised estimates unless stated otherwise.

**Table VIII—12 : Financial Results of Railways**

(Rupees crores)

| Items | 1980-81 (Actuals) | 1981-82 (Actuals) | 1982-83 (Actuals) | 1983-84 (Budget Estimates) | 1983-84 (Revised Estimates) | 1984-85 (Budget Estimates) |
|---|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| **I. Total Receipts** | **2703·5** | **3627·8** | **4483·3** | **5253·5** | **5101·3** | **5566·8** |
| **II. Total Expenditure** | **2576·0** | **3224·7** | **3929·0** | **4582·3** | **4762·8** | **5146·8** |
| III. Ratio of total Expenditure to Total Receipts | 95·3 | 88·9 | 87·6 | 87·2 | 93·4 | 92·5 |
| IV. Net Revenue (I - II) | 127·5 | 403·1 | 554·3 | 671·2 | 338·5 | 420·0 |
| V. Capital-at-Charge* | 6096·3 | 6698·0 | 7251·1 | 7790·3 | 7753·8 | 8425·8 |
| VI. Net Revenue as percentage of capital-at-charge* | 2·1 | 6·0 | 7·6 | 8·6 | 4·4 | 5·0 |
| VII. Dividend to General Revenues | 325·4 (127·5)@ | 356·5 | 436·0 | 465·5 | 338·5† (450·0)** | 420·0† (490·0)** |
| VIII. Net Surplus (+) Deficit (-) (IV - VII) | -197·9 | +46·6 | +118·3 | +205·7 | — (-111·5)@@ | — (-70·0)@@ |
| IX. Appropriation to (+) or withdrawals from (-) funds : | | | | | | |
| (a) Development Fund | — | +44·1 | +46·4 | +48·6 | +49·6† † | +58·4†† |
| (b) Revenue Reserve Fund | — | — | — | — | — | — |
| (c) Deferred Dividend Liability Account | — | +2·5 | +71·9 | +157·1 | -111·5 | -70·0 |

* Excludes Capital-at-charge on Metropolitan Transport Projects.

@ Represents actual payment to General Revenues, the balance being transferred to Deferred Dividend Liability Account.

† Represents acutal payment of dividend to General Revenues.

** Represents actual dividend liability payable to the General Revenues; shortfall in payment to General Revenues amounting to Rs.111·5 crores in 1983-84 and Rs.70·0 crores in 1984-85 transferred to Deferred Dividend Liability Account.

@@ If the full dividend liability payable to the General Revenues is provided for, the budget would show a deficit of Rs.111·5 crores for 1983-84 and Rs.70·0 crores for 1984-85.

†† Appropriation by taking loan from General Revenues.

*Source* : Explanatory Memorandum on the Railway Budget 1984-85.

1983-84. The orginating revenue earning freight traffic during 1983-84 at 230 million tonnes, would be higher by 1·2 million tonnes over the actual realisation of 228·8 million tonnes in 1982-83.

As regards revenue earnings, though the revised estimates of 1983-84, showed some improvement over the previous year, there were sizeable shortfalls in relation to the original budget estimates. Thus total receipts during 1983-84 would be lower by Rs.152·2 crores from the original budget anticipation. While the shortfall in goods earnings will be Rs.114·2 crores, that in passenger earnings it will be Rs.38·5 crores. The shortfall in goods earnings was largely due to the non-materialisation of revenue earning freight traffic of 11 million tonnes compared to a target of 241 million tonnes. This shortfall in traffic offerings, occured largely in the core sectors like iron and steel,

fertilizers, etc. was mitigated to some extent by transportation of more cement, food- grains and petroleum products. The drop in passenger earnings was due to a sharp fall in the number of passengers travelling than anticipated in the budget. However, the fact that the number has dropped more sharply than the passenger Kilometres indicates that the drop has been mainly in respect of short distance passengers.

Total expenditure of the Railways at Rs.4,762·8 crores in 1983-84 was higher by Rs.833·8 crores or 21·2 per cent over such expenditure of Rs.3,929·0 crores in the previous year. When compared with the original budget anticipation of Rs.4,582·3 crores, the increase was only Rs.180·5 crores. The higher expenditure over the year was attributable to many factors. Notable among them were the following. While the expenditure on 'repairs and maintenance' at Rs.1,470·1 crores showed an increase of Rs.228·5 crores (18·4 per cent), that on operating expenses on fuel, traffic and rolling stock and equipment went up by Rs.178·6 crores. Considering the need for progressive rehabilitation of operating assets of the Railways, the appropriation to 'Depreciation Reserve Fund' was also stepped up considerably from Rs.556·0 crores in 1982-83 to Rs.850·0 crores in 1983-84, an increase of Rs.294·0 crores or 52·9 per cent. The increases in dearness allowances, interim relief to staff, upgradation of certain posts etc. were the other contributing factors.

With the anticipated higher growth in expenditure than in receipts, the operational results of the Railways showed a significant deterioration of Rs.215·8 crores in net revenues from Rs.554·3 crores in 1982-83 to Rs.338·5 crores in 1983-84. When compared with the original budget anticipation of Rs.671·2 crores, the decline would be larger. Since the net revenue was not sufficient to discharge the full dividend liability of Rs.450·0 crores to the General Revenues, the balance amount of Rs.111·5 crores was carried over to the Deferred Dividend Liability Account. This was in contrast to the gross surplus of Rs.118·3 crores achieved by the Railways in 1982-83 and originally anticipated surplus of Rs.205·7 crores in 1983-84 Consequent upon this, the ratio of total expenditure to total receipts in 1983-84 at 93·4 per cent was higher than that of 87·6 per cent in the previous year. Moreover, net revenue as a percentage of Capital-at-Charge recorded a steep decline from 7·6 per cent in 1982-83 to 4·4 per cent in 1983-84.

**Developmental Expenditure : 1983-84**

The developmental expenditure of the Railways during 1983-84 at Rs.1,442·1 crores was higher by Rs.122·8 crores (9·3 per cent) as compared with Rs.1,319·3 crores in 1982-83 (Table VIII-13). When compared with the original budget anticipation, the increase during the year was Rs.100·1 crores (7·5 per cent). Over one-third of the total developmental expenditure (38·8 per cent or Rs.560·2 crores) was on account of rolling stock which rose by Rs.50·2 crores or 9·8 per cent over such expenditure of Rs.510 crores in 1982-83. While the expenditure on 'track renewals' and 'traffic facilities' was anticipated to be higher by Rs.43·2 crores and Rs.14·6 crores respectively, that on 'electrification' represented a shortfall of Rs.18·6 crores. The expenditure on Metropolitan Transport Projects at Rs.66·8 crores will be higher by Rs.13 crores over the previous year.

**Financial Effect of Social Obligations : 1983-84**

In conformity with national policy, the Indian Railways are called upon to bear increasing social obligations at heavy financial cost disproportionate to their earnings. Such social obligations preclude the Railways from adjusting fare and freight structure according to increases in input costs. The financial cost on account of such social obligations was estimated at Rs.881·0 crores in 1983-84 as against Rs.645·3 crores in the previous year. The increase in such expenditure was Rs.235·7 crores or 36·5 per cent; of which a large chunk (Rs.179·2 crores) was on account of loss on coaching services. The ratio of the financial cost of these social obligations to

**Table VIII—13 : Developmental Expenditure of Railways**

(Rupees crores)

| Items | 1980-81 (Actuals) | 1981-82 (Actuals) | 1982-83 (Actuals) | 1983-84 (Modified Budget Estimates) | 1983-84 (Revised Estimates) | 1984-85 (Budget Estimates) |
|---|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| 1. Rolling Stock | 348·7 | 444·8 | 510·0 | 496·5 | 560·2 | 524·4 |
| 2. Traffic Facilities | 142·5 | 160·0 | 128·6 | 114·3 | 143·2 | 182·3 |
| 3. Track Renewals | 124·4 | 193·0 | 246·5 | 268·7 | 289·7 | 350·5 |
| 4. Electrification | 34·3 | 72·2 | 114·9 | 100·1 | 96·3 | 172·2 |
| 5. New Lines | 41·5 | 46·3 | 63·3 | 69·9 | 73·4 | 90·0 |
| 6. Signalling & Telecommunication Works | 22·7 | 28·0 | 28·4 | 35·3 | 40·5 | 50·4 |
| 7. Staff Quarters | 10·2 | 11·0 | 9·8 | 14·0 | 13·7 | 15·0 |
| 8. Plant & Machinery | 18·1 | 31·4 | 50·7 | 64·0 | 63·6 | 60·0 |
| 9. Investment in Government Commercial Undertakings-Road Services | 22·0 | 18·0 | 44·4 | * | * | * |
| 10. Workshops-including Production Unit | 49·5 | 83·4 | 111·4 | 120·1 | 110·6 | 105·2 |
| 11. Others @ | 159·6 | 120·9 | 11·3 | 59·1 | 50·9 | 100·0 |
| Of which : Metropolitan Transport Projects | 34·0 | 50·5 | 53·8 | 67·0 | 66·8 | 88·0 |
| **Total (1 to 11)** | **973·5** | **1209·0** | **1319·3** | **1342·0†** | **1442·1** | **1650·0** |

* 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 credit for released materials.

† Excludes supplementary demands for grants for Rs.174·6 crores sanctioned in August 1983 .

*Sources* : 1. Explanatory Memorandum of Railway Budget, 1984 - 85.
2. Works, Machinery and rolling Stock Programme of railways for 1984 - 85, Part - I (Summary).

Railways' total receipts was estimated higher at 17·3 per cent in 1983-84 as compared with 14·4 per cent in the preceding year. During the respective periods, the ratios of such cost to total expenditure were 18·5 per cent and 16·4 per cent.

**Budget Estimates : 1984-85**

With the revival of the economy witnessed in the latter half of 1983-84, the Railways are expected to carry revenue earning freight traffic

of 245 million tonnes in 1984-85 which would be higher by 15 million tonnes than the likely achievement of 230 million tonnes in 1983-84. Over three-fourth (76·7 per cent) of the increase in freight traffic will be accounted for by coal and raw-materials to steel plants. As regards passenger traffic, the budget assumes a growth of 3 per cent in passenger-kilometres in 1984-85. The marginal adjustments in freight rates and surcharge imposed on passenger tickets are expected to yield an additional revenue of Rs.114·2 crores, of which Rs.104·2 crores would come from the passenger and coaching traffic and the balance of Rs.10·0 crores from goods traffic.

With the expected increase in traffic offerings during 1984-85, total receipts of the Railways are estimated to increase by Rs.465·5 crores or 9·1 per cent from Rs.5,101·3 crores in 1983-84 to Rs.5,566·8 crores. A major portion of the increase is anticipated to be on account of goods earnings (Rs.299·0 crores), the receipt from which will go up from Rs.3,390·0 crores to Rs.3,689·0 crores. Passenger earnings are expected to increase by Rs.147·0 crores from Rs.1,361·0 crores to Rs.1,508·0 crores.

Total expenditure of the Railways at Rs.5,146·8 crores during 1984-85 would be higher by Rs.384 crores or 8·1 per cent over the expenditure during 1983-84. The increase in expenditure is attributable mainly to the expected increase in staff costs, costs of other inputs, additional provision for repairs and maintenance of rolling stock and higher expenditure on fuel for hauling the additional traffic assumed in the budget. While the operating expenses on fuel, traffic and rolling stocks and equipment at Rs.1,797·4 crores are anticipated to rise by Rs.159·7 crores, that on repairs and maintenance at Rs.1,602·4 crores would be higher by Rs.132·3 crores. Appropriation to Pension Fund at Rs.221·0 crores has been stepped up by Rs.38·5 crores mainly to take care of additional liabilities arising from extension of the liberalised pension rules to those who retired prior to 31st March 1979

With the anticipation of a larger increase in receipts than in expenditure during 1984-85 the ratio of the latter to the former is estimated to be marginally lower at 92·5 per cent than 93·4 per cent in the preceding year. The operations of the Railways are expected to bring in a net revenue of Rs.420·0 crores in 1984-85 which will be higher by Rs.81·5 crores when compared with the net revenue of Rs.338·5 crores in the previous year. Net revenue as percentage of Capital-at-Charge is anticipated to improve marginally from 4·4 per cent in 1983-84 to 5·0 per cent in 1984-85. As the net revenue is not sufficient to meet the dividend obligation of Rs.490·0 crores to General Revenues, the actual payment of dividend is restricted to Rs.420 crores and the balance amount of Rs.70 crores will be transferred to the Deferred Dividend Liability Account. With these, the total indebtedness of the Railways to the General Revenues under the Development Fund and the Deferred Dividend Liability Account would go up by Rs.128·3 crores to Rs.818·4 crores in 1984-85 as compared with Rs.690·1 crores in 1983-84.

**Developmental Expenditure : 1984-85**

The total investment during the first four years of the Railways Sixth Five-Year Plan was estimated to reach a level of Rs.4,943·9 crores as against the original provision of Rs.5,100·0 crores for the Plan as a whole. The Planning Commission, in its mid-term appraisal of the Plan, had raised the Plan allocation for the Railways and accordingly the Annual Plan outlay for 1984-85 has been fixed higher at Rs.1,650·0 crores which reflects a step-up of 14·4 per cent over the outlay of Rs.1,442·0 crores in 1983-84. With this, the total Plan outlay of the Railways during the Sixth Plan would be of the order of Rs.6,593·9 crores which will be financed to the extent of 49·4 per cent (Rs.3,255·5 crores) from internal resources of the Railways and the balance (Rs.3,339·4 crores or 50·6 per cent) by budgetary support from the General Revenues. The resource support for the 1984-85 Plan outlay would be of the order of Rs.850·0

crores and Rs.800 crores from the respective sources. In keeping with the objective of the Sixth Five-Year Plan, which has been termed as a 'Rehabilitation and Consolidation Plan', around 49 per cent (Rs.810 crores) of the outlay for 1984-85 would be spent on renewal and replacement of assets. The higher allocation during the year will enable the Railways to acquire 168 locomotives, 1,229 coaches, 174 electrical multiple units and 12,000 wagons. Allocation for track renewals has been raised by Rs.60·8 crores to Rs.350·5 crores which would enable the Railways to step-up track renewals to 2,500 Kilometres as compared with 2,100 kilometres in 1983-84. With the increase in provision for electrification by Rs. 75·9 crores to Rs.172·2 crores, it is expected that a total of 1,824 route kilometres would be electrified by the end of March 1985; thus bringing the total electrified routes on the Indian Railways to 6,784 kilometres

**Budget Proposals: 1984-85**

The Railways propose to mobilise additional resources of Rs.114·2 crores of which Rs. 104·2 crores will be from Passenger and Coaching traffic and Rs.10 crores from goods traffic. The salient features of the proposed fare and freight rate structure are as under:

*Passenger Traffic*

A. Surcharge

1. The surcharge on II Class Mail/Express and AC Chair Car tickets above the value of Rs.10 has been fixed at Rs.2 per passenger.
2. For First Class and II class/AC sleeper classes, the surcharge is fixed at Rs.3 per passenger.
3. For AC First Class, the surcharge is Rs.5 per passenger.
4. On Season Tickets, the surcharge is fixed at Re.1 and Rs.3 per passenger for Second Class and First Class, respectively.
5. Ordinary II Class single tickets have been exempted from the surcharge.

B. Rounding-off of Fares

Wherever the existing fare includes 50 paise or more as a fraction, it will be rounded off to the next higher whole rupee. Any fraction below 50 paise will be dropped. As a corollary to this, the minimum fare is rounded off to Re.1 from 80 paise earlier, for II Class Ordinary.

C. Platform Ticket

The price of a platform ticket is also rounded off to Re.1.

D. Concession to Blind Persons

A concession of 25 per cent in season ticket fares has been provided to blind persons to meet the long-standing demand.

*Freight Tariffs*

A. Reduction in Parcel Rates

Downward gradation has been effected in the classification of 23 commodities transported as parcels from General Parcel (A) scale to Concessional Parcel (1) scale. Some of the important commodities included are tyres, tubes, textiles, cosmetics, toiletries, scientific goods, medical stores, paper, etc. This adjustment would effectively reduce the freight rates by 20 per cent. Similarly, in respect of another 21 commodities which, *inter alia*, include commodities of common use like medicines, safety matches, coffee, tea, exercise books, pencils, erasers etc., the freight classification is reduced from General Parcel (B) scale to Concessional Parcel (1) scale, resulting in freight reduction of 10 per cent.

B. Reduction in Freight Rates

As a part of the Government's efforts at reducing the prices of commodities, downward adjustment have been effected in the classification of 121 commodities in relation to their freight

rates. These commodities fall under the broad categories of textiles, medicines, paints, leather goods, soap, tea, coffee, milk powder, etc. The effective reduction in freight rates ranges between 5 per cent and 33 per cent.

C. Withdrawal of Transhipment Charges

A transhipment charge of Rs.15 per tonne, in cases where the destination point or the booking point is less than 200 kilometres from the break-of-gauge transhipment points introduced in the last year's budget but suspended till 31st March 1984, has been withdrawn altogether. This will give relief to rail users in metre gauge and narrow gauge areas.

D. Increase in Surcharge on 'To Pay' Traffic

The surcharge on goods transported on To Pay' basis (wherever admissible) is raised from the existing 3 per cent to 5 per cent.

These adjustments in fares and freights were effected from April 1,1984.

## IV. FINANCES OF INDIAN POSTS AND TELEGRAPHS DEPARTMENT

**Revised Estimates 1983-84**

The Finances of the Indian Posts and Telegraphs Department showed a modest setback in 1983- 84. Though the gross operating surplus on revenue account was higher by Rs.18·9 crores over the preceding year, after making contributions towards capital expenditure and payment of dividend to General Revenues, the net surpuls at Rs. 162·1 crores was lower by Rs.6·8 crores over 1982-83. Revenue receipts rose by Rs.224·9 crores (or 17·4 per cent) to Rs.1515·2 crores, but net working expenses at Rs.1256·6 crores increased by Rs.206·0 crores (or 19·6 per cent) resulting in a higher revenue surplus of Rs.258·6 crores compared to a surplus of Rs.239·7 crores in 1982-83. With a larger provision of Rs.96·5 crores-up by Rs.25·7 crores- for payment of dividend to General Revenues, the net surplus at Rs.162·1 crores registered a marginal decline of Rs.6·8 crores (Table VIII-14).

Of the total receipts of Rs.1515·2 crores during 1983-84, Postal receipts amounted to Rs.440·2 crores (or 29·1 per cent) and Telecommunication receipts Rs.1075·0 crores (or 70·9 per cent). The proportion of receipts from 'Postal Services' to 'Telecommunication Services' remained almost the same as in the preceding year. The tariff structure of Posts and Telegraphs services remained unchanged during 1983-84.

Total gross expenditure during the year 1983-84 at Rs.1387·3 crores was higher by Rs.239 crores or by 20·1 per cent over 1982-83. A major portion of the increase in expenditure was accounted for by operational expenditure (Rs.93·5 crores or 17·9 per cent) and Engineering expenses (Rs.74·6 crores or 26·4 per cent). Expenditure on account of payment of Pensions rose steeply by Rs.22·9 crores (or 44·7 per cent) to Rs.74·1 crores. General Administration expenses were higher by Rs.19·8 crores (or 22·6 per cent) at Rs.107·4 crores. Stationery and printing expenses, however, showed a decline of Rs.8·6 crores. (or 15·4 per cent) to Rs.47·4 crores. Provision for depreciation was stepped up by Rs.19·6 crores (or 21·5 per cent) to Rs.110·7crores. After taking into account credits for working expenses of Rs.130·7 crores, net working expenses at Rs.1256·6 crores were higher by Rs.206·0 crores (or 19·6 per cent) over 1982-83. The dividend payable to General Revenues was higher by Rs.25·7 crores at Rs.96·5 crores. As during the previous year, there were no contributions to capital expenditure. Thus, despite higher net receipts, the net surplus was slightly lower at Rs.162·1 crores compared to Rs.168·9 crores in 1982-83.

The deficit on account of 'Postal Services' widened from around Rs.90·0 crores in 1981-82 and 1982-83 to Rs.112·4 crores in 1983-84. On

**Table VIII—14 : Financial Working of Posts and Telegraphs Department**

(Rupees crores)

| Items | 1981 - 82 (Accounts) | 1982 - 83 (Accounts) | 1983 - 84 (Budget Estimates) | 1983 - 84 (Revised Estimates) | 1984 - 85 (Budget Estimates) |
|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. |
| 1. Revenue Receipts | 1070·6 | 1290·3 | 1581·0 | 1515·2 | 1750·0 |
| 2. Working Expenses | 959·8 | 1148·3 | 1367·4 | 1387·3 | 1589·3 |
| *Of which :* | | | | | |
| i) Operation | 452·3 | 523·5 | 614·2 | 617·0 | 703·5 |
| ii) General Administration | 71·2 | 87·6 | 102·3 | 107·4 | 119·7 |
| iii) Engineering | 227·8 | 282·7 | 348·7 | 357·3 | 414·1 |
| iv) Pension | 38·6 | 51·2 | 73·6 | 74·1 | 87·4 |
| v) Stationery and Printing | 39·6 | 56·0 | 47·0 | 47·4 | 50·0 |
| vi) Depreciation | 76·9 | 91·1 | 109·9 | 110·7 | 132·7 |
| vii) Others | 53·4 | 56·2 | 71·7 | 73·4 | 81·9 |
| 3. Credit to working expenses | 87·6 | 97·7 | 109·7 | 130·7 | 147·8 |
| 4. Working Expenses Net (2 - 3) | 872·2 | 1050·6 | 1257·7 | 1256·6 | 1441·5 |
| 5. Gross Operating Surplus (1 - 4) | 198·4 | 239·7 | 323·3 | 258·6 | 308·5 |
| 6. Dividend to General Revenues | 49·8 | 70·8 | 81·0 | 96·5 | 121·3 |
| **7. Surplus (+)/Deficit (–) before making contributions towards Capital Expenditure [5 – 6]** | **+148·6** | **+168·9** | **+242·3** | **+162·1** | **+187·2** |
| *Of which :* On account of | | | | | |
| *i)* Postal Services | –89·5 | –90·9 | –117·8 | –112·4 | –142·3 |
| *ii)* Telecommunications Services | +238·1 | +259·8 | +360·1 | +274·5 | +329·5 |
| 8. Contributions towards Capital Expenditures | 81·1 | — | — | — | — |
| **9. Surplus (+)/Deficit (–) after making contributions towards Capital Expenditure (7 - 8)** | **+67·5** | **+168·9** | **+242·3** | **+162·1** | **+187·2** |
| **10. Appropriations to (+) or withdrawals from (–)** | | | | | |
| (*a*) Revenue Reserve Fund | +1·5 | +0·9 | +1·3 | +0·1 | +0·2 |
| (*b*) Capital Reserve Fund | +66·0 | +168·0 | +241·0 | +162·0 | +187·0 |

*Sources* : 1. Explanatory Memoranda on the Budgets of the Central Government.
2. Annual Reports of Indian Posts and Telegraphs Department.

the other hand, 'Telecommunications Services' continued to show larger surpluses year after year. Net surplus on account of these services which amounted to Rs.238·1 crores and Rs. 259·8 crores during 1981-82 and 1982-83, respectively, registered further improvement to Rs.274·5 crores in 1983-84.

The estimated surplus of Rs.162·1 crores of the Posts and Telegraphs Department in 1983-84 was appropriated towards the Capital Reserve Fund (Rs.162·0 crores) and the Revenue Reserve Fund (Rs.0·1 crore).

The capital outlay of the Posts and Telegraphs Department at Rs.739·4 crores was higher by Rs.100·8 crores over similar outlay during the previous year (Table VIII-15). Plan outlay amounted to Rs.633·7 crores (or 85·7 per cent) while the balance of Rs.105·7 crores (or

**Table VIII—15 : Capital Outlay of Posts and Telegraphs Department**

(Rupees crores)

| Items | 1981 - 82 (Accounts) | | | 1982 - 83 (Accounts) | | | 1983 - 84 (Budget Estimates) | | | 1983 - 84 (Revised Estimates) | | | 1984 - 85 (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 | 18·7 | — | 18·7 | 23·6 | — | 23·6 | 28·7 | — | 28·7 | 28·7 | — | 28·7 | 28·7 | — | 28·7 |
| (*b*) Telecommunications | 454·2 | — | 454·2 | 532·9 | 0·2 | 533·1 | 475·0 | — | 475·0 | 605·0 | — | 605·0 | 673·5 | — | 673·5 |
| (*c*) Stores and Manufacture Suspense | — | 39·0 | 39·0 | — | 81·9 | 81·9 | — | 105·7 | 105·7 | — | 105·7 | 105·7 | — | 124·1 | 124·1 |
| **Total Expenditure (a to c)** | **472·9** | **39·0** | **511·9** | **556·5** | **82·1** | **638·6** | **503·7** | **105·7** | **609·4** | **633·7** | **105·7** | **739·4** | **702·2** | **124·1** | **826·3** |
| **2. Financed From :** | | | | | | | | | | | | | | | |
| (*i*) Receipts and Recoveries on | | | | | | | 1·0 | — | 1·0 | 0·3 | — | 0·3 | 0·4 | — | 0·4 |
| (*a*) Capital Account<br>(*b*) Under Store Suspense | 0·6 | — | 0·6 | 0·9 | — | 0·9 | — | 85·8 | 85·8 | — | 89·2 | 89·2 | — | 109·1 | 109·1 |
| (*ii*) Advance Rentals received under O.Y.T. and other Schemes | 11·6 | — | 11·6 | — | 65·6 | 65·6 | 20·0 | — | 20·0 | 20·0 | — | 20·0 | 20·0 | — | 20·0 |
| (*iii*) Amount met from Deposit received under Telex Deposit Scheme | — | — | — | 13·6 | — | 13·6 | — | — | — | — | — | — | 20·0 | — | 20·0 |
| (*iv*) Capital Reserve Fund | 34·0 | 39·0 | 73·0 | 158·5 | 16·5 | 175·0 | 228·1 | 19·9 | 248·0 | 153·5 | 16·5 | 170·0 | 178·9 | 15·0 | 193·9 |
| (*v*) Depreciation on Historical costs Transferred from Revenue | 77·2 | — | 77·2 | 91·6 | — | 91·6 | 109·5 | — | 109·5 | 112·0 | — | 112·0 | 133·4 | — | 133·4 |
| (*vi*) Contribution towards Capital Expenditure from Revenue | 81·1 | — | 81·1 | — | — | — | — | — | — | — | — | — | — | — | — |
| (*vii*) Capital advanced from the General Revenues | 268·4 | — | 268·4 | 291·9 | — | 291·9 | 145·1 | — | 145·1 | 347·9 | — | 347·9 | 349·5 | — | 349·5 |
| **Total (i to vii)** | **472·9** | **39·0** | **511·9** | **556·5** | **82·1** | **638·6** | **503·7** | **105·7** | **609·4** | **633·7** | **105·7** | **739·4** | **702·2** | **124·1** | **826·3** |

*Sources* : 1. Explanatory Memoranda on budgets of Central Government.
2. Annual Reports of Indian Posts and Telegraphs Departments.
3. Director General, Indian Posts and Telegraphs Department.
4. The Ministry of Communications, Government of India.

14·3 per cent) was on non-Plan account. Of the increase of Rs.77·2 crores in Plan outlay, that on Telecommunication services was Rs.72·1 crores and on postal services Rs.5·1 crores. Almost the entire increase in non-Plan outlay of Rs.23·8 crores was on account of 'Stores and Manufacture Suspense'. The total capital outlay (Plan and non-Plan) of Rs.739·4 crores of Posts and Telegraphs Department was financed mainly by Capital Reserve Fund (Rs. 170·0 crores or 23 per cent), receipts and recoveries on capital account, and Stores Suspense (Rs.89·5 crores or 12·1 per cent). Capital advanced from General Revenues (Rs.347·9 crores or 47·1 per cent) contributed a little less than half of the capital outlay, as in the preceding year.

**Budget Estimates 1984-85**

The financial result of the working of the Posts and Telegraphs Department for 1984-85 envisages a gross surplus of Rs.308·5 crores on revenue account-an improvement of Rs.49·9 crores over the revised estimates of a surplus of Rs.258·6 crores in this regard. Revenue receipts are budgeted to rise over the year by Rs.234·8 crores or by 15·5 per cent to Rs.1750·0 crores. Total expenditure at Rs.1589·3 crores is placed higher by Rs.202·0 crores or by 14·6 per cent over 1983-84. After adjusting for credit to working expenses of Rs.147·8 crores, net working expenses are estimated to go up by Rs.184·9 crores (or 14·7 per cent) from Rs. 1256·6 crores in 1983-84 to Rs.1441·5 crores in 1984-85. The increase in expenditure is largely on account of 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 of Rs.121·3 crores, is expected to go up to Rs.187·2 crores from the likely surplus of Rs.162·1 crores in 1983-84. As in previous year, there would be no contributions towards capital expenditure in 1984-85.

The capital outlay on the 'Postal and Telecommunication Services' and 'Stores and Manufacture Suspense' during 1984-85 would go up by Rs.86·9 crores (or 11·8 per cent) to Rs.826·3 crores. The capital outlay on 'Telecommunications Services' would be raised by Rs.68·5 crores to Rs.673·5 crores and that on 'Stores and Manufacture Suspense' by Rs.18·4 crores. Outlay on Postal Services has been kept at the last year's level of Rs.28·7 crores. Of the total capital outlay of Rs.826·3 crores, the Plan outlay would account for Rs.702·2 crores (or 85·0 per cent) and the balance would be non-Plan outlay. The capital outlay would be financed from internal resources of the Posts and Telegraphs Department to the extent of Rs. 476·8 crores (or 57·7 per cent) and the balance of Rs.349·5 crores by capital advances from General Revenues.

The aggregate capital outlay of the Posts and Telegraphs Department during the Sixth Five Year Plan (1980-85) would amount to Rs.3,031 crores, which would exceed the original outlay (including outlay on Indian National Satellite) of Rs.2,508 crores provided in the Sixth Plan by Rs.523 crores.

## V. PUBLIC DEBT AND OTHER LIABILITIES

### A. Central Government

The aggregate liabilities of the Government of India, including the outstanding public debt and other liabilities,* at Rs.95,110 crores at the end of March 1984 (Revised Estimates) showed a comparatively smaller increase of Rs.10,238 crores (or 12·1 per cent), as against a sharp rise of Rs.16,686 crores (or 24·5 per cent) during 1982-83 (Table VIII-16). Internal debt increased moderately by Rs.3,106 crores compared to a substantial increase by Rs.11,286 crores in the previous year. The share of public debt in the

* Including the amount due from Pakistan on account of pre-partition debt.

**Table VIII—16 : Public Debt and Other Liabilities of Government of India**

(Rupees crores)

| Items | As at the end of March | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 (Revised Estimates) | 1985 (Budget Estimates) |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. |
| **A. Public Debt (1 + 2 + 3)** | **29,227** | **34,283** | **42,162** | **47,981** | **60,621** | **65,356** | **73,907** |
| | **(30·0)** | **(32·0)** | **(33·1)** | **(32·3)** | **(36·9)** | **(33·2)** | |
| 1. Internal Debt (*i* to *vi*) | 19,854 | 24,319 | 30,864 | 35,653 | 46,939 | 50,045 | 56,802 |
| *i*) Current Market Loans | 10,864 | 12,867 | 15,549 | 18,461 | 22,232 | 26,230 | 30,330 |
| *ii*) Others @ | 147 | 196 | 251 | 309 | 429 | 551 | 631 |
| *iii*) Special Bearer Bonds | — | — | 88 | 964 | 964 | 964 | 964 |
| *iv*) Treasury Bills | 7,608 | 10,196 | 12,851 | 10,273 | 17,431 | 15,549 | 17,584 |
| *v*) Special Floating and Other Loans † | 1,235 | 1,140 | 1,540 | 1,536 | 1,673 | 2,181 | 2,403 |
| *vi*) Special Securities issued to R.B.I. | — | –80 | 585 | 4,110 | 4,210 | 4,570 | 4,890 |
| 2. External Debt | 9,373 | 9,964 | 10,760 | 11,790 | 13,144 | 14,773 | 16,567 |
| 3. Loans from I.M.F. Trust fund | — | — | 538 | 538 | 538 | 538 | 538 |
| **B. Other Liabilities (1 + 2)** | **14,255** | **15,932** | **17,587** | **20,205** | **24,251** | **29,754** | **36,516** |
| | **(14·6)** | **(14·9)** | **(13·8)** | **(13·6)** | **(14·7)** | **(15·1)** | |
| 1. Unfunded Debt (a to c) | 10,757 | 12,487 | 13,953 | 16,578 | 19,887 | 24,879 | 30,682 |
| *a*) Small Savings | 5,751 | 6,856 | 7,976 | 9,375 | 11,098 | 13,298 | 15,698 |
| *b*) State Provident Funds | 2,079 | 2,268 | 2,456 | 2,670 | 3,060 | 3,303 | 3,551 |
| *c*) Other Unfunded Debt * | 2,927 | 3,363 | 3,521 | 4,533 | 5,729 | 8,278 | 11,433 |
| 2. Reserve Funds and Deposits** | 3,498 | 3,445 | 3,634 | 3,627 | 4,364 | 4,875 | 5,834 |
| **C. Aggregate Liabilities (A + B)** | **43,482** | **50,215** | **59,749** | **68,186** | **84,872** | **95,110** | **1,10,423** |
| | **(44·6)** | **(46·9)** | **(46·9)** | **(45·9)** | **(51·6)** | **(48·3)** | |
| **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)** | **43,182** | **49,915** | **59,449** | **67,886** | **84,572** | **94,810** | **1,10,123** |

@ 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.

*Note* : Figures in the brackets represent percentages to the CSO estimates of Gross Domestic Product at current market prices. However, for 1984 such percentages have been worked out on the basis of the Reserve Bank of India Estimates of Gross Domestic Product at current market prices.

*Source* : Finance Accounts of the Union Government for end-March 1979 to 1983 and Explanatory Memorandum on the Budget of the Central Government for end-March 1984 and 1985.

total liabilities declined to 68·7 per cent at the end of March 1984 as against 71·4 per cent at the end of March 1983.

**Public Debt**

The outstanding public debt at Rs.65,356 crores at the end of March 1984 registered a smaller rise of Rs.4,735 crores (or 7·8 per cent) compared to a sharp rise of Rs.12,640 crores (or 26·3 per cent) in the previous year. Outstanding Central public debt as a proportion to Gross Domestic Product at current market prices is estimated lower at 33·2 per cent in 1983-84 as compared to 36·9 per cent in 1982-83. Internal debt accounted for 65·6 per cent of the increase in public debt in 1983-84 compared with 89·3 per cent in 1982-83.

**External Debt**

The external debt of the Government of India at Rs.14,773 crores at the end of March 1984 recorded a rise of Rs.1,629 crores (or 12·4 per cent) as compared with an increase of Rs.1,354 crores (or 11·5 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.2,262·8 crores during 1984- 85 as against Rs.2,091·4 crores during 1983-84 (Revised Estimates).

**Internal Debt**

Internal debt of the Government of India at Rs.50,045 crores at the end of March 1984 registered a smaller rise of Rs.3,106 crores (or 6·6 per cent), as against a steep increase of Rs.11,286 crores (or 31·7 per cent) in the preceding year. All constituents of the internal debt went up during the year excepting Treasury Bills and Special Bearer Bonds. Outstanding Treasury Bills declined to Rs.15,549 crores from Rs.17,431 crores in 1983. Special Bearer Bonds whose sale was discontinued from January 9, 1982 remained unchanged at Rs.964 crores. The internal debt of the Government of India is estimated to rise by Rs.6,757 crores (or 13·5 per cent) to reach a level of Rs.56,802 crores, at the end of March 1985. The rise is mainly on account of current market loans and Treasury Bills.

**Market Borrowings @ 1983-84 :**

During the year, the net receipts under market borrowings of the Central Government at Rs. 4,008·63 crores recorded a moderate increase of Rs. 208·50 crores over the previous year. Unlike in the previous year when the receipts from market borowings exceeded the budget estimates by Rs.600 crores, during 1983-84, the Central Government borrowings were in conformity with the budget estimates of Rs.4,000·42 crores (Table VIII-17).

The Central Government entered the market seven times, the last tranche having been entirely placed with the Reserve Bank of India.

In the first tranche of borrowing, the Central Government entered the market on May 30, 1983 with a single issue of 10 per cent Loan 2014 entirely on a cash basis and raised an amount of Rs.550·48 crores.

In the second tranche of July 15, 1983, two loans, *viz.*, 7·75 per cent Loan 1991 and 10 per cent Loan 2014 (second issue) were issued on a cash-cum-conversion basis, raising a gross amount of Rs.825·59 crores. Net collections after repayment of maturing loans amounted to Rs.489·01 crores.

On September 30, 1983, the Government of India entered the market for the third time with the issue of 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)

@ Subscription figures are compiled from the Reserve Bank of India records.

**Table VIII—17 : Market Borrowings of Government of India during 1983 - 84**

(Rupees crores)

| Date | Loans Floated | Issue price (Rupees Per cent) | Offered | Amount Subscribed | | | Repay-ment in cash for uncon-verted maturing securities | Net Market Borrow-ings (Col. 5 - 8) |
|---|---|---|---|---|---|---|---|---|
| | | | | Cash | Conver-sion | Total (Col. 5 + 6) | | |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| 30 - 5 - 1983* | 10·00 Per Cent Loan, 2014 | 100·00 | 500 | 550·48 | — | 550·48 | | 550·48 |
| 15 - 7 - 1983@ | 7·75 Per Cent Loan, 1991 | 100·00 | | 75·35 | 54·02 | 129·37 | | |
| | 10·00 Per Cent Loan, 2014 (2nd Issue) | 100·00 | 750 | 527·27 | 168·95 | 696·22 | | |
| | | | | 602·62 | 222·97 | 825·59 | 113·61 | 489·01 |
| 30 - 9 - 1983* | 7·75 Per Cent Loan, 1991 (2nd Issue) | 100·00 | | 70·00 | — | 70·00 | | |
| | 8·25 Per Cent Loan, 1995 | 100·00 | 600 | 94·42 | — | 94·42 | | |
| | 10·00 Per Cent Loan, 2014 (3rd Issue) | 100·00 | | 495·66 | — | 495·66 | | |
| | | | | 660·08 | — | 660·08 | | 660·08 |
| 7 - 11 - 1983* | 7·75 Per Cent Loan, 1991 (3rd Issue) | 100·00 | | 115·54 | — | 115·54 | | |
| | 8·25 Per Cent Loan, 1995 (2nd Issue) | 100·00 | 600 | 270·74 | — | 270·74 | | |
| | 10·00 Per Cent Loan, 2014 (4th Issue) | 100·00 | | 275·63 | — | 275·63 | | |
| | | | | 660·91 | — | 660·91 | | 660·91 |
| 30 - 12 - 1983* | 7·75 Per Cent Loan, 1991 (4th Issue) | 100·00 | | 221·71 | — | 221·71 | | |
| | 8·25 Per Cent Loan, 1995 (3rd Issue) | 100·00 | 700 | 233·56 | — | 233·56 | | |
| | 10·00 Per Cent Loan, 2014 (5th Issue) | 100·00 | | 315·27 | — | 315·27 | | |
| | | | | 770·54 | — | 770·54 | | 770·54 |
| 20 - 2 - 1984 * | 7·75 Per Cent Loan, 1991 (5th Issue) | 100·00 | | 204·13 | — | 204·13 | | |
| | 9·50 Per Cent Loan, 2008 | 100·00 | 600 | 456·48 | — | 456·48 | | |
| | | | | 660·61 | — | 660·61 | | 660·61 |
| 31 - 3 - 1984 | 9·50 Per Cent Loan, 2008 £ | 100·00 | 216 | 216·00 | — | 216·00 | | 216·00 |
| | **Total during 1983 - 84** | | **3966** | **4122·24** | **222·97** | **4345·21** | **113·61** | **4008·63** |

* Offered for cash subscription only.

@ Offered on cash-cum-conversion basis.

£ Special issue by the Central Government, initially taken up by the Reserve Bank of India.

*Source* : Reserve Bank of India Records.

entirely on cash basis and realised an aggregate amount of Rs.660·08 crores.

In the fourth tranche of borrowing on November 7, 1983, the Central Government issued 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). These were entirely on a cash basis and netted an amount of Rs.661·91 crores.

In its fifth market floatation, the Government issued on December 30, 1983, three loans, *viz.* 7·75 per cent Loan 1991 (fourth issue), 8·25 per cent Loan 1995 (third issue) and 10·00 per cent Loan 2014 (fifth issue), entirely on a cash basis and realised Rs.770·54 crores. On February 20, 1984, the Central Government entered the market for the sixth time with two loans, *viz.* 7·75 per cent Loan 1991 (fifth issue) and 9·50 per cent Loan 2008, entirely on a cash basis and raised an amount of Rs.660·61crores.

On March 31, 1984, the Central Government issued 9·50 per cent Loan 2008 entirely on a cash basis for private placement in favour of the Reserve Bank of India. The trend witnessed during the last year in the hike in the coupon rates continued during the year. There was a sharp increase of 1 per cent in coupon rate for loans of 7 years maturity and that of 31 years maturity; even in respect of loan of 24 years maturity, the coupon rate was 9·50 per cent as compared to 8·25 per cent in respect of loans of 23 years maturity issued last year. The monthly average of gross redemption yield on Government securities was higher at 7·72 per cent during 1983-84 as against 7·34 per cent during the provious year.

**1984-85:**

The Central Government Budget for 1984-85 envisages gross and net market borrowings of Rs.4591 crores and Rs.4100 crores respectively. The Central Government entered the market on June 1, 1984 with three loans, *viz*. 8·50 per cent Loan 1994, 9·50 per cent Loan 2004 and 10·25 per cent Loan 2012 on cash-cum-conversion basis and raised an aggregate amount of Rs.882 crores. The Government entered the market for the second time on July 9, 1984 with the issue of 8·50 per cent Loan 1994 (second issue), 9·50 per cent Loan 2004 (second issue) and 10·25 per cent Loan 2012 (second issue) on a cash-cum-conversion basis and raised an aggregate amount of Rs.775 crores. The cash component comprised of Rs.692 crores while the rest was by way of conversion.

The Government of India entered the market for the third time on October 29, 1984, with the issue of three loans, *viz,* 7·75 per cent loan 1989, 8·50 per cent loan 1994 (third issue) and 10·50 per cent loan 2014 on a cash-cum-conversion basis and raised an aggregate amount of Rs. 825·00 crores. Of the total subscription, Rs. 753·57 crores was by way of cash and the remaining (Rs. 71·43 crores) by way of conversion.

**National Rural Development Bonds**

The 7 Year National Rural Development Bonds, the first of the two in the series, with an interest rate of 7·5 per cent per annum were introduced from July 9, 1979 to provide investment facility to persons desirous of availing the exemption from capital gains tax on transfer/ sale of capital assets. The second , the 3 Year National Rural Development Bonds (Second Issue) carrying an interest rate of 7·5 per cent per annum were introduced from July 7, 1983. Both these bonds continued to be on tap from the date of their introduction. The receipts from the sale of 7 year National Rural Development Bonds were placed at Rs.182·5 crores at the end of September 1984, while the receipts from 3 year bonds amounted to Rs. 59·9 crores by end September 1984.

**Social Security Certificates**

The Social Security Certificates were placed on sale in all the Post Offices from June 1, 1982

to mobilise private savings, specially from small savers, for public use. The certificates are available in two denominations *viz*., Rs.500 and Rs.1,000. Under this scheme, an individual between the age of 18 and 45 can invest upto Rs.5,000 and the amount invested will triple in 10 years. The rate of interest works out to 11·3 per cent per annum compunded half-yearly. The Certificates carry a provision for payment of full maturity value to the nominee or legal heirs in the event of the investor's demise. Moreover, premature encashment will be allowed at any time after the first 3 years and the certificates can be pledged as security to Government authorities. The total subscriptions from these certifcates at end-march 1984 amounted to Rs.15·00 crores.

**Capital Investment Bonds**

Capital Investment Bonds were introduced on June 28, 1982 to mobilise private savings for public use. These bonds with a ten year maturity period carry an interest rate of 7 per cent. Subscriptions to these bonds netted an amount of Rs.40·6 crores during 1983-84 as against the budgeted estimate of Rs.200 crores. During 1984-85, receipts from these bonds are placed at Rs.60 crores. The total receipts through the sale of these bonds since inception amounted to Rs.131·4 crores at the end of September 1984.

**National Deposit Scheme**

With a view to mopping up excess liquidity in the banking system as also to mobilise some resources for public investment, the Government introduced the 'National Deposit Scheme' with effect from July 30, 1984 having broadly the same features as long-term time deposits with banks. Under the scheme, certificates of deposits with a maximum maturity of four years can be purchased from designated outlets from selected branches of State Bank of India as well as 14 Nationalised Banks. The investor will have the option to encash these deposits anytime after one year. The interest rate will be 10·5 per cent if these deposits are held for four years and 10, 9 and 7 per cent if these are held for three, two and one year respectively. Interest income from these deposits will be eligible for additional exemption of Rs.2,000 in addition to Rs.10,000 (inclusive of Rs.3,000 for income from units of Unit Trust of India) now available under section 80 L of the Income-tax Act. Further an additional exemption under the Wealth Tax Act in respect of cash deposits upto Rs.25,000 is also provided. The Government has set a collection target of Rs.500 crores over a period of time. The scheme is temporary and will be discontinued soon after this target is reached, or earlier, if monetary developments so warrant.

**Market borrowings by Local Authorities and Institutions sponsored by Central and State Governments**

The net market borrowings by local authorities and institutions sponsored by Central and State Governments at Rs.1738·3 crores were substantially higher by Rs.239·1 crores (or 15·9 per cent) during 1983-84 as against a smaller rise of Rs.140·6 crores (or 10·3 per cent) during 1982-83 (Table VIII-18). The net market borrowings of the institutions sponsored by the Central Government at Rs.1082 crores were higher by Rs.174·1 crores (19·2 per cent), while those sponsored by the State Governments at Rs.626·5 crores were higher by Rs.62·6 crores over the preceding year. Among the Central and State Government sponsored institutions, those engaged in providing long-term finance to industry and for export accounted for more than half (57·5 per cent) of the net aggregate borrowings of all the institutions and local authorities taken together.

**Table VIII—18 : Net Market Borrowings of Local Authorities and Institutions Sponsored by Central and State Governments**

(Rupees crores)

| Institutions | Year 1982-83 | 1983-84 |
|---|---|---|
| 1. | 2. | 3. |
| **Local Authorities** | **27·45** | **29·81** |
| Municipal Corporations | 27·45 | 29·81 |
| **Institutions Sponspored by the Central Government** | **907·87** | **1082·00** |
| Industrial Development Bank of India | 528·00 | 528·00 |
| Industrial Credit and Investment Corporation of India | 137·50 | 152·00 |
| Industrial Finance Corporation of India | 105·00 | 151·00 |
| Exim Bank | — | 53·00 |
| Industrial Reconstruction Corporation of India | 5·50 | 5·00 |
| National Bank for Agriculture and Rural Development | 29·97 | 30·25 |
| Rural Electrification Corporation | 29·98 | 33·00 |
| Housing Urban Development Corporation | 33·00 | 52·30 |
| National Cooperative Development Corporation | 31·35 | 34·50 |
| Damodar Valley Corporation | 7·57 | 41·95 |
| Goa Economic Development Corporation | — | 1·00 |
| **Institutions Sponspored by State Governments** | **563·91** | **626·53** |
| State Electricity Boards | 443·83 | 449·83 |
| State Financial Corporations | 70·68 | 100·06 |
| Industrial Investment Corporation & Industrial Development Corporations | 12·13 | 12·94 |
| Land Development Banks | 15·74 | 33·96 |
| Housing Boards | 8·81 | 9·92 |
| Other Institutions | 12·72 | 19·82 |
| **GRAND TOTAL** | **1499·23** | **1738·34** |

*Source* : Reserve Bank of India.

## Maturity Pattern of Rupee Debt

The maturity pattern of Government of India rupee loans witnessed some change during the year under review (vide statement No. 95 in volume II of the Report). While the proportion of long-dated securities (maturing after 10 years and undated) in the total showed a further improvement from 72·2 per cent at end March 1983 to 73·4 per cent at end March 1984, that of short-dated securities (maturing within 5 years) declined from 14·0 per cent to 12·4 per cent in the respective periods. In fact, the proportion of short dated securities was showing a consistent rise between end-March 1981 and end-March 1983. On the other hand, the proportion of medium-dated securities (maturing between 5 and 10 years) which steadily declined during the same periods and remained at 13·8 per cent at end-March 1983 increased to 14·2 per cent at end-March 1984.

## Treasury Bills

Government of India's outstanding Treasury Bills at Rs.15,756 crores showed a decline of Rs.1,675 crores (or 9·6 per cent) during 1983-84 as against a steep increase of Rs.7,158 crores (or 69·7 per cent) in the preceding year (vide statement No.85 in Volume II of the Report). The decline during the year was solely in the holdings by Reserve Bank of India (Rs.1,258 crores), commercial banks (Rs.217 crores) and State Governments (Rs.280 crores). Treasury Bills holdings by other category of investors showed an increase of Rs.80 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.2,181 crores at end March 1984 showed a large rise of Rs.508 crores (or 30·4 per cent) as against a rise of Rs.137 crores (or 8·9 per cent) in the previous year.

## Special Securities issued to the Reserve Bank

Special securities issued to the Reserve Bank against compulsory deposit and those in lieu of *ad hoc* Treasury Bills amounted to Rs.4,570 crores as at end March 1984 and were higher by Rs.360 crores (or 8·6 per cent) as compared to a rise of only Rs.100 crores (or 2·4 per cent) during the

previous year. The budget for 1984-85 envisages an increase of Rs.320 crores under this head.

**Other Liabilities**

The non-marketable debt liabilities of the Government of India rose from Rs.24,251 crores in 1982-83 to Rs.29,754 crores in 1983-84; up by Rs.5,503 crores (or 22·7 per cent) during the year. During the preceding year, these liabilities had increased by Rs.4,046 crores (or 20 per cent).

**Small Savings**

Small savings outstandings at end-March 1984 aggregated Rs.14,048 crores, as against Rs. 11,807 crores at end-March 1983 and showed an increase of about 19 per cent (vide statement 97 in Volume II of the Report). Small savings collections (net) during the year 1983-84 were higher at Rs.2,241 crores as compared with 1,845 crores in the preceding year. A major portion Rs. 1,513 crores of the increase in outstandings was on account of substantial investment 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.1,336 crores, Rs.201 crores and Rs.109 crores respectively, while 7- year National Savings Certificates (III, IV and V issue) showed a decline of Rs.133 crores. The spectacular rise in collections from 6-year National Savings Certificates (VI issue) was due to attractive tax concessions given on these certificates in the past two years. Thus the holder of these certificates is entitled to : (i) Wealth tax exemption upto a ceiling of Rs.2·65 lakhs along with other specified assets with affect from April 1984; taken together with the separate exemp- tion of Rs.35,000 available in respect of units of UTI (and extended to deposits with IDBI and under the National Deposit Scheme) and the additional exemptions of Rs.25,000 in respect of National Deposit Scheme, the overall monetary ceiling will be Rs.3·25 lakhs (ii) deposits upto Rs. 40,000 along with other specified assets quality for income tax rebate under section 80-C of the Income- Tax Act (iii) interest is exempt from tax up to Rs.7,000 under Section 80-L of Income-Tax Act aggregated with income from other specified investments. Together with the income from investments in units of UTI and deposits under National Deposit Scheme, the effective exemption limit is Rs.12,000 at present. The net increase in small savings through the Post Office Time Deposits was lower at Rs.478 crores compared to a slightly higher amount of Rs.515 crores in the previous year. The net rise in the case of Post Office Savings Bank Deposits, Cumulative Time Deposits and Post Office Recurring Deposits was lower at Rs.236 crores than that in the preceding year (Rs.312 crores).

**Promotional Measures**

The various tax concessions and the hike in the interest rates provided for small savings in the past two years have substantially boosted the net collection under them. With a view to achieving higher collections, the Government through the press advertisements and other mass media like radio and *Doordarshan* intensified the sales promotion campaign to reach the message of small savings in the remote areas. Folders, leaflets and documentary films were among the other media used by the Government to popularise small savings. The number of Post Office Savings banks enrolled as sub-members of the local clearing houses remained unchanged at 221.

**B. State Governments**

The outstanding debt liabilities of the State Governments at Rs.37,184 crores as at the end of March 1984 showed an increase of Rs.4,771 crores (or 14·7 per cent) as against a rise of Rs.4,791 crores (or 17·3 per cent) in the previous year. According to the State budgets, the combined debt liabilities of all States are expected to move up by Rs.4,675 crores (or 12·6

per cent) to reach Rs.41,859 crores at the end of March 1985@.

**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 portion of the States' debt increased by Rs.3,172 crores (or 13·5 per cent) to Rs.26,722 crores during 1983-84 as against the rise of Rs.4,479 crores (or 23·5 per cent) in the previous year. The share of loans and advances in the States' debt declined marginally from 72·6 per cent at the end of March 1983 to 71·9 per cent at the end of March 1984. The States' indebtedness to the centre is expected to increase further by Rs.2,887 crores (or 10·8 per cent) during 1984-85 to reach a level of Rs.29,609 crores at the end of March 1985.

**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 etc. at Rs.4,318 crores as at the end of March 1984 recorded a rise of Rs.560 crores (or 14·9 per cent) as compared to a rise of Rs.389 crores (or 11·5 per cent) in the previous year.

**Market Borrowings.**
**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 & Kashmir, Karnataka, Meghalaya, Orissa and Uttar Pradesh floated 12 year loans bearing coupon rate of 8·25 per cent. The remaining 14 State Governments floated 17 year loans at a coupon rate of 8·75 per cent. Maturing 5·75 per cent Loans, 1983 of 15 State Governments amounting to Rs.175·5 crores were offered conversion facility into new loans of the respective State Governments.

The total subscriptions for State loans amounted to Rs.763·2 crores out of which cash subscriptions were Rs.675·4 crores and the balance was by way of conversions. After taking into account the cash repayment for the unconverted portion of the maturing loans, the net amount raised by the State Governments aggregated Rs.587·5 crores. Consistent with higher coupon rates offered on market loans raised by the Central Government, the yields on State Government loans at issue price in 1983-84 were higher at 8·25 per cent for 12 years loans and 8·75 per cent for 17 years loans as compared with 7·50 per cent for 15 years loans in the previous year. The monthly gross redemption yield was higher at 6·31 per cent during 1983-84 as compared with 6·26 per cent in 1982-83.

**1984-85 :**

On September 4, 1984, twenty one State Governments (excluding Sikkim) entered the market with a notified amount of Rs.1,178·8 crores. All the loans were issued at par with maturity period of 15 years and carrying interest of 9 per cent per annum.

The total subscription retained for these loans amounted to Rs.1,296·6 crores of which cash subscriptions amounted to Rs.1064·4 crores and balance was by way of conversion. The net amount raised by State Governments aggregated to Rs.767·8 crores after taking into account repayment of maturing loans amounting to Rs.528·8 crores.

**Ways and Means Advances from Reserve Bank**

According to the data presented in the State budgets for 1984-85, the ways and means advances from Reserve Bank including temporary overdrafts repayable within 7 working days declined from Rs.359 crores at the end of March 1983 to Rs.322 crores at the end of March 1984, showing a reduction of Rs.37

@ For State-wise break-up, refer to Statement No.94 in Volume II of this Report.

crores. The outstanding amount of ways and means advances at the end of March 1985 are expected to be reduced further by Rs.3 crores to Rs.319 crores.

**Overdrafts**

The tendency among the States to resort to overdraft from the Reserve bank persists. It may be recalled that the outstanding overdrafts at the end of June 1983 were cleared by the States with the release of Central assistance. However, the phenomenon re-emerged immediately on July 1, 1983. Since then resort to overdraft has been substantial and presistent. On July 1, 1983 three States had overdrafts of Rs.66·10 crores which rose to a peak level of Rs.739·59 crores in respect of 9 States on January 21,1984. Since then position had deteriorated considerably. The centre discussed in January 1984 the problem once again with the States whose overdrafts with Reserve Bank were very high. Several states agreed to take necessary measures to improve their financial position and to reduce the recourse to overdrafts. The revised estimates of the Central Government budget for 1983-84 provided for a special assistance of Rs.400 crores to the States for clearing a part of their deficits of 1982-83. The States were also informed that closing deficits of 1983-84 upto permissible ways and means limits from the Reserve Bank will not be adjusted from the Plan resources for 1984-85. Despite these measures, 7 States Governments had overdrafts amounting to Rs.257·56 crores as on March 31, 1984 as against Rs.56·93 crores by 3 states as on March 31, 1983.

The position subsequently deteriorated in regard to the magnitude of overdrafts, as well as the number of days for which overdrafts remained outstanding. The peak level overdrafts during the current financial year 1984-85 was reached on April 23, 1984 with 14 states running a total overdraft of Rs.949·86 crores. The Central Government gave medium-term loan of Rs.499·12 crores to 11 State Governments to clear their overdrafts outstanding during the year 1983-84. Subsequently, the level of overdrafts declined. As on June 28, 1984, 9 States had overdrafts totalling Rs.517·60 crores. The overdrafts were cleared by the concerned State Governments with the assistance of Rs.570·02 crores released by the Central Government to the State Governments on June 29, 1984 and there were no outstanding overdrafts as at the end of June 1984.

**Loans from Banks and other Institutions**

Loans from Banks and other institutions include *inter alia*, loans and cash credit from the State Bank of India and other commercial banks and loans from the National Rural Credit (Long Term Operations) Funds of the NABARD, National Co-operative Development Corporation and Life Insurance Corporation of India. Outstanding loans from these institutions estimated at Rs.1,319crores at end of March 1984 were higher by Rs.215 crores (or 19·5 per cent) These loans are expected to rise further by Rs.190 crores to reach a level of Rs.1,509 crores by end of March 1985.

**Provident Funds and Other Funds**

Provident Funds and Other Funds mainly represent balances in State Provident Funds. These funds increased by Rs.861 crores (or 23·6 per cent) during 1983-84 as against a rise of Rs.730 crores (or 25·1 per cent) in the previous year. A further rise of Rs.825 crores (or 18·3 per cent) in these funds is expected during 1984-85.

## Chapter IX

# Industrial Finance

In the course of the last few years, the Indian capital market has become wider and deeper. The activity on the market has increased considerably mainly on account of a number of promotional measures initiated by the Government with ultimate objective of stimulating the tempo of industrial investment. A review of stock exchanges and the operations of financial institutions which constitute important segments of the Indian capital market during the year is presented in this chapter.

The aggregate value of consents/acknowledgements granted, during 1983, by the Controller of Capital Issues to non-Government public limited companies at Rs.1,001 crores showed a decline of 10·4 per cent over Rs.1,116·9 crores in 1982. However, the consents for new issues of shares and debentures (i.e., excluding bonus issues and loans, etc.) increased by 11·3 per cent to Rs.858·6 crores during 1983 from Rs.771·3 crores in 1982. The amount of consents/acknowledgements granted during January-June .1984 aggregated Rs.663·1 crores compared with Rs.444·0 crores during January-June 1983. New capital issues by public limited companies (other than term lending institutions) increased by 18·0 per cent to Rs.770·1 crores in 1983 from Rs.652·7 crores in 1982. During the first half of 1984, new capital issues amounted to Rs.391·3 crores compared with Rs.371·4 crores in the corresponding period of 1983. Capital raised (paid-up) by non-Government companies(under consents/ acknowledgements of proposals granted by the Controller of Capital Issues) recorded a rise of 59·4 per cent to Rs.796·4 crores during 1983 from Rs.499·6 crores in 1982.

Assistance sanctioned by all-India and state-level financial institutions during 1983-84 (April-March) aggregated Rs.4,065·7 crores, 25·3 per cent higher than Rs.3,244·7 crores in 1982-83. Aggregate disbursements by these institutions at Rs.2,863·9 crores showed a rise of 21·3 per cent over Rs.2,360·1 crores during 1982-83.

Equity prices on important stock exchanges moved in a narrow range during major part of the year July 1983-June 1984, excepting the period November 1983 to the first week of January 1984, when there was a sharp upward movement. The RBI all-India weekly index number of ordinary share prices (1970-71 = 100) at 203·0 for the week ended June 30, 1984 stood marginally higher by 1·1 per cent than its level of 200·7 for the week ended June 25, 1983.

### I. Capital Market

#### (i) Industrial Securities Market

Trading on the major stock exchanges of the country during July 1983-June 1984 was chara-

cterised by narrow movements in equity prices excepting the period November 1983 to first week of January 1984 when equities moved up sharply and touched the peak for the year. A gradual decline thereafter till end-May 1984 completely wiped out the gains in equity prices. Recovering again, at the end of June 1984 equity prices stood a shade better than the level a year ago.

The Reserve Bank's all-India weekly index number of ordinary share prices (1970-71 = 100) at 203·0 for the week ended June 30, 1984 stood marginally higher by 1·1 per cent than its level of 200·7 for the week ended June 25, 1983 (Table IX-1). Initially the index declined from 200·7 for the week ended June 25, 1983 to 196·9 for the week ended July 9 and hovered around that level till the end of October 1983. The index registered a continuous rise during the months of November and December and touched peak for the year at 211·7 in the first week of January 1984. After a gradual decline to 194·7 in the week ended May 26, 1984, the index perked up during June 1984 and stood at 203·0 for the week ended June 30. The average index for 1983-84 at 200·2 showed a rise of 9·7 per cent over that for the preceding year.

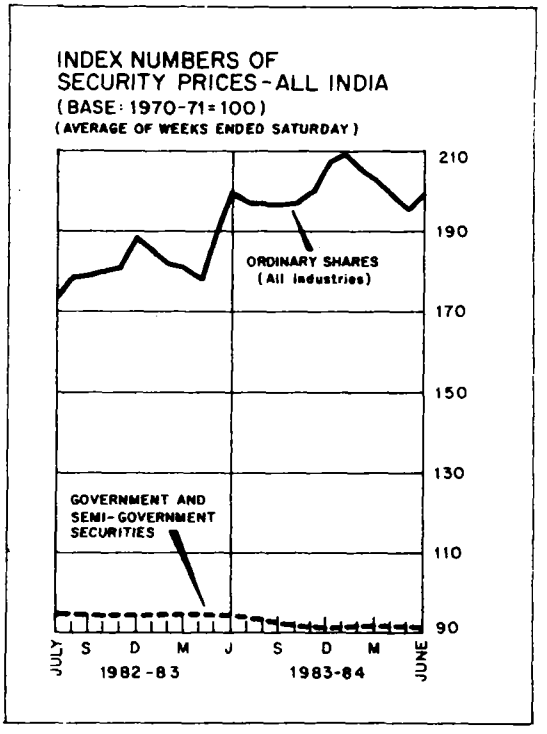



**Table IX—1 : Index Number of and Yield on Ordinary Shares**

| 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 |
| 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 |
| 1983 - 84 | 203·0 | 211·7 | 194·7 | 200·2 (+9·7) | 5·1 |

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

Easiness in equities during the month of July was largely on account of a virtual suspension of trading on the Bombay Stock Exchange (BSE) from June 30 to July 25 when brokers refrained from trading following an agitation by their employees. In view of the agitation, the BSE authorities had restricted trading since June 15 to spot/ready delivery transactions. Trading was resumed on the BSE from July 26 but market sentiment remained nervous on doubts about prospects of investment by non-resident Indians (NRIs) following refusal by some companies to register transfer of shares, purchased by NRIs. However, marginal gains in equities were noticed in August on the expectations of revival of buying support in response to the Government's instruction to stock exchanges to advise companies not to refuse transfer of shares purchased by NRIs (except in exceptional cases). The partial removal of restrictions on trading in the BSE, the expectations of a bumper *kharif* crop, the reduction in customs duty on certain electronic inputs and sophisticated textile machinery also aided market sentiment. The clarification by the Reserve Bank of India regarding eligibility of NRIs for investment under the direct and portfolio investment schemes and the withdrawal of curbs on trading at the BSE further helped to improve the market sentiment. The removal of limits for fresh business in 15 volatile scrips by the BSE authorities from October 14 led to heavy selling pressure, but after a short spell of subduedness equities rallied again on institutional buying support coupled with short covering. The upward movement continued almost unabated upto the first week of January 1984 influenced by technical consideration and other developments such as the Government's decision to establish a central advisory council for textile industry, better price realisation for tea in auctions, the decision to reduce steel import to help domestic manufacturers, reduction in interest rate for export credit effected by the Exim Bank and the cut in excise and customs duty on certain automobile spare parts. The Government's affirmation to retain the existing incentive for investment by NRIs further emboldened bull operators. An increase in the import duty on rayon yarns to help the indigenous producers also aided the market sentiment.

The 25 per cent hike in coal prices effected in January 1984, the Government's decision to cut annual plan out-lay by 5 per cent and the ban on exports of CTC tea affected the sentiment and equities eased from the second week of January 1984. Moreover a cautious attitude emerged in the market in view of the proximity of the Union Budget 1984-85. Though the general easy trend in equities continued till the end of February, some select scrips firmed up on the eve of the budget as the reduction in freight rates announced in the Railway Budget and the prospects of growth in industrial production projected in the pre-budget Economic Survey brightened the budget expectations.

In the post-budget session, equities reacted as the proposals fell short of market expectations. The sentiment was mainly affected by the proposals to withdraw weighted deductions available to companies under the various sections of the Income-tax Act and to withdraw the exemption on subscription to new issues under Section 80CC (since restored for three more years). Absence of fresh levies on corporate sector was welcomed but excise duty relief which was confined to a few industries namely paper, cotton and blended textiles, etc., did not cheer the market. Market welcomed the budget proposals of relief in personal tax, a rise in exemption limit for wealth tax, facility to deposit whole of the surcharge on corporate tax with the IDBI, exemption of interest/dividend upto Rs.1,000 from deduction of tax at source and reduction in rate of interest on the IDBI's loans under soft loan scheme for modernisation. After a modest recovery early in March, equities suffered a set back as the market sentiment was adversely affected by the revised Government guidelines to financial institutions providing for a wider role for nominee directors on the boards of assisted concerns. The workers' strike from March 15 to April 10 in the major ports of the country and the developments in Punjab also had a bearish impact on the market. The drift in equities continued upto the third week of May,

barring a shortlived steadiness in April on institutional support and on the market optimism derived from the liberal features of the import-export policy, the discussions on productivity linked wages and the announcement of further concessions in the Finance Bill 1984.

A small rally in equities emerged towards the end of May on speculative and institutional support. The sentiment was mainly aided by the timely onset of monsoon. The upward revision of iron and steel prices by an average of 15 per cent announced on June 22, 1984 also had an immediate bullish effect on the market. Hopes of an immediate revision of levy cement prices further added to the cheerful mood of the market. Thus by end of June 1984 pivotals registered substantial gains over the low levels marked in the previous month.

*New Stock Exchanges*

During the year under review, two more new stock exchanges, namely, the Ludhiana Stock Exchange Ltd., Ludhiana and the Gauhati Stock Exchange Ltd., Gauhati started functioning, and thereby raising the number of stock exchanges in the country to thirteen.

*Yield on Industrial Securities*

The average gross yield on ordinary shares which showed marginal rise to 5·7 per cent in 1982-83 from 5·5 per cent in 1981-82 declined to 5·1 per cent during 1983-84.

**(ii) Open Market Operations**

The quantum of both sales and purchases of Central Government securities under the RBI's open market operations was substantially lower during 1983-84 (April-March) than in the preceding year; the net absorption of securities by the market through these operations (*i.e.*, net sales) was also very much lower than that in 1982-83. During the first quarter of the 1984-85 financial year also, both the purchases and sales of securities were of a smaller order than in the corresponding quarter of the previous year. However, as against an excess of purchases over sales in the first quarter of 1983-84, sales of securities in 1984-85 (April-June) exceeded purchases.

The sales of securities during the financial year 1983-84 amounted to Rs.891·3 crores, which was less than half the quantum of sales in 1982-83 (Rs.2185·1 crores). The purchases of securities at Rs.827·5 crores in 1983-84 recorded a decline of 32·3 per cent over the purchases in 1982-83 (Rs.1223·1 crores). Consequently, the

**TABLE—IX-2 : The Reserve Bank's Open Market Operations**

(Rupees in crores)

| Year | Purchases | Sales | Net Sales |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1970 - 71 (July - June) | 207·2 (276·5) | 312·9 (374·7) | 105·7 (98·2) |
| April-March | | | |
| 1975 - 76 | 540·1 (715·9) | 941·6 (1107·0) | 401·5 (391·1) |
| 1980 - 81 | 933·4 (1986·4) | 1257·4 (2269·4) | 324·0 (283·0) |
| 1981 - 82 | 751·8 (1865·2) | 735·9 (2158·5) | -15·9 (293·3) |
| 1982 - 83 | 1223·1 (3521·5) | 2185·1 (4792·2) | 962·0 (1270·7) |
| 1983 - 84 | 827·5 (3026·1) | 891·3 (3717·9) | 63·8 (691·8) |
| April-June | | | |
| 1983 - 84 | 184·1 (948·0) | 165·7 (595·3) | -18·4 (-352·7) |
| 1984 - 85 | 120·6 (1106·2) | 135·6 (444·5) | +15·0 (-661·7) |

*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.

net sales of securities during the year, at Rs.63·8 crores was very much less than the net sales of Rs.962 crores recorded in 1982-83. During the first quarter of 1984-85 also, sales of securities at Rs.135·6 crores were lower than those of Rs.165·7 crores recorded in the corresponding quarter of 1983-84. As the purchases at Rs.120·6 crores (Rs.184·1 crores last year) were still lower, there was net sale of securities of Rs.15·0 crores as against net purchase of Rs.18·4 crores in the first quarter of 1983-84.

Table IX-2 presents data on the Reserve Bank's purchases and sales of Government securities for the years 1970-71, 1975-76 and the latest 4 years. The Table indicates open market operations proper as also the data relating to the aggregate purchases and sales inclusive of those effected from time to time out of the surplus funds of the IDBI, the EXIM Bank and the NABARD under a special arrangement.

*Gilt-edged Market*

The gilt-edged market continued to remain subdued during 1983-84 (April-March). The improvement in the coupon rates of some of the fresh Government securities issued during the year contributed to this sluggish trend. All the three groups of securities, Central, State and semi-Government, suffered erosion, the decline of 3·7 points being more marked in Central Government securities, than the fall of 0·2 point in State Government scrips. Within the Central Government securities, the decline occurred largely in medium-dated and long- dated scrips, whereas short-dated securities recorded gains. During the period April-June of the fiscal year 1984-85, the conditions in the gilt-edged market ruled quiet.

The all-India index for Government and semi-Government securities (base :1970-71 = 100) which stood at 94·7 in the last week of March 1983 declined steadily to 93·1 by August 6 and remained more or less steady thereafter ranging between 93·4 and 93·8 upto October 15, 1983. The index moved down subsequently to reach a low of 91·5 on January 7, 1984 following floatations of Central loans in quick succession on November 7 and December 30, 1983. There was a slight revival in the last quarter of the year, the index moving up gradually to close at 92·0 on March 31 recording a decline of 2·9 per cent over the year. The decline was more pronounced in Madras, the index declining by 3·7 points as compared to 2·9 points in Calcutta and 2·5 points in Bombay.

The price index of Central Government securities which stood at 92·8 in the last week of March 1983 ruled more or less steady initially, moving up to 92·9 by the first week of May but declined steadily thereafter to a low of 88·6 on January 7,1984. The index improved in the subsequent weeks and at 89·1 in the last week of March 1984, recorded a fall of 4·0 per cent over the year.

The index of State Government securities, after an initial decline from 100·0 in the last week of March 1983 to 99·9 in mid-April 1983 remained more or less steady at around that level, the lowest level reached being 99·7 for the week ended December 10, 1983. At 99·8 for the week ended March 31, 1984, the index recorded a fall of 0·2 per cent over the March 1983 level.

The index of semi-Government securities remained almost steady at 102·0 during the first four months, and after recording the highest and the lowest levels of the year at 102·2 and 101·7 during August 1983, remained constant at 101·9 from September 1983 to March 1984.

In Bombay, among Central Government securities some of the short-dated securities registered increases over the year ranging from Re.0·35 to Rs.5·90. 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 Rs.2·75 and Rs.7·55 in the case of loans maturing in 5 to 10 years, between Re.0·30 and Rs.10·90 in respect of loans maturing in 10 to 15 years and between Rs.5·00 and Rs.10·70 in the case of loans

**TABLE IX-3 : Variations in Price and Yield of the Central Government Securities**

| Loans | Price as on | | | Variation | | Yield as on | | | Variation | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2.4.83 | 30.3.84 | 29.6.84 | Col. (3) over Col (2) | Col. (4) over Col. (3) | 2.4.83 | 30.3.84 | 29.6.84 | Col. (8) over Col. (7) | Col. (9) over Col. (8) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **Terminable less than 5 years** | | | | | | | | | | |
| 5% 1984 | 99·90 | | | | | 5·08 | | | | |
| 5½% 1984 | 100·50 | | | | | 5·08 | | | | |
| 5¼% 1984 | 100·55 | 102·00 | | + 1·45 | | 5·38 | 2·26 | | - 3·12 | |
| 4½% 1985 | 93·60 | 99·50 | 99·70 | + 5·90 | + 0·20 | 7·61 | 4·90 | 4·80 | - 2·71 | - 0·10 |
| 5½% 1985 | 99·25 | 100·70 | 100·80 | + 1·45 | + 0·10 | 5·86 | 4·93 | 4·70 | - 0·93 | - 0·23 |
| 6 % 1985 | 100·25 | 101·80 | 101·00 | + 1·55 | - 0·80 | 5·88 | 4·56 | 5·01 | - 1·32 | + 0·45 |
| 6 % 1985 (II) | 100·00$ | 100·00$ | 100·00$ | — | — | 6·00 | 6·00 | 6·00 | — | — |
| 4½% 1986 | 93·05 | 94·00 | 94·00 | + 0·95 | - | 7·04 | 7·64 | 8·04 | + 0·60 | + 0·40 |
| 5½% 1986 | 96·70 | 97·45 | 97·45 | + 0·75 | - | 6·39 | 6·52 | 6·63 | + 0·13 | + 0·11 |
| 5¼% 1986 (N.D.L.) | 97·50 | 97·25 | 97·25 | - 0·25 | - | 6·01 | 6·36 | 6·47 | + 0·35 | + 0·11 |
| 6 % 1986 | 99·40 | 99·75 | 99·75 | + 0·35 | - | 6·21 | 6·12 | 6·14 | - 0·09 | + 0·02 |
| 6¼% 1986 | 100·00$ | 99·65 | 99·65 | - 0·35 | - | 6·25 | 6·41 | 6·43 | + 0·16 | + 0·02 |
| 6¼% 1986 (II) | 100·00$ | 100·00$ | 100·00$ | - | - | 6·25 | 6·25 | 6·25 | - | - |
| 6¼% 1986 (III) | 100·00$ | | | - | - | 6·25 | | | | |
| 5¼% 1987 | 94·50 | 94·50 | 94·50 | - | - | 6·74 | 7·14 | 7·29 | + 0·40 | + 0·15 |
| 6% 1987 | 98·25 | 97·60 | 97·60 | - 0·65 | - | 6·48 | 6·83 | 6·90 | + 0·35 | + 0·07 |
| 6¼% 1987 | 99·55 | 99·55 | 99·55 | - | - | 6·38 | 6·48 | 6·42 | + 0·10 | - 0·06 |
| 5¼% 1988 | 94·25 | 98·10 | 98·10 | + 3·85 | - | 6·58 | 5·77 | 5·80 | - 0·81 | + 0·03 |
| 6 % 1988 | 96·85 | 96·25 | 96·25 | - 0·60 | - | 6·67 | 6·96 | 6·99 | + 0·29 | + 0·03 |
| 4¼% 1989 | 89·25 | 89·00 | 89·00 | - 0·25 | - | 6·96 | 7·40 | 7·52 | + 0·44 | + 0·12 |
| 6¼% 1989 | 97·35 | 95·55 | 94·75 | - 1·80 | - 0·80 | 6·78 | 7·30 | 7·54 | + 0·52 | + 0·24 |

*(Contd.)*

TABLE IX-3 : *(Contd.)*

| Loans | Price as on | | | Variation | | Yield as on | | | Variation | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2.4.83 | 30.3.84 | 29.6.84 | Col. (3) over Col (2) | Col. (4) over Col. (3) | 2.4.83 | 30.3.84 | 29.6.84 | Col. (8) over Col. (7) | Col. (9) over Col. (8) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **5 to 10 years** | | | | | | | | | | |
| 6¼% 1989 | 100·00$ | 97·25 | 97·50 | – 2·75 | + 0·25 | 6·75 | 7·37 | 7·33 | + 0·62 | – 0·04 |
| 6¼% 1989 (II) | 100·00$ | 100·00$ | 100·00$ | – | – | 6·75 | 6·75 | 6·75 | – | – |
| 6 % 1989 | 96·25 | 93·45 | 92·30 | – 2·80 | – 1·15 | 6·70 | 7·44 | 7·77 | + 0·74 | + 0·33 |
| 5½% 1990 | 92·65 | 89·50 | 89·50 | – 3·15 | – | 6·80 | 7·64 | 7·69 | + 0·84 | + 0·05 |
| 6½% 1990 | 97·45 | 94·70 | 94·70 | – 2·75 | – | 6·95 | 7·57 | 7·61 | + 0·62 | + 0·04 |
| 5½% 1991 | 84·55 | 84·55 | 84·55 | – | – | 8·09 | 6·37 | 8·45 | – 1·72 | + 2·08 |
| 6¼ % 1991 | 100·05 | 94·20 | 94·55 | – 5·85 | + 0·35 | 6·74 | 7·80 | 7·76 | + 1·06 | – 0·04 |
| 6¼% 1991 (II) | 100·00$ | 100·00$ | 100·00$ | – | – | 6·75 | 6·75 | 6·75 | – | – |
| 6¼% 1991 | 97·40 | 97·40 | 97·40 | – | – | 6·65 | 6·94 | 6·70 | + 0·29 | – 0·24 |
| 5½% 1992 | 89·00 | 86·00 | 86·00 | – 3·00 | – | 7·14 | 7·82 | 7·88 | + 0·68 | + 0·06 |
| 7¼% 1991 | | 100·00 | 100·05 | | + 0·05 | | 7·75 | 7·74 | | – 0·01 |
| 7¼% 1991 (II) | | 100·00$ | 100·00$ | | – | | 7·75 | 7·75 | | – |
| 7¼% 1991 (III) | | 100·00$ | 100·00$ | | – | | 7·75 | 7·75 | | – |
| 7¼% 1991 (IV) | | 100·00$ | 100·00$ | | – | | 7·75 | 7·75 | | – |
| 7¼% 1991 (V) | | 100·00$ | 100·00$ | | – | | 7·75 | 7·75 | | – |
| 7¼% 1992 | 100·00$ | 96·25 | 96·25 | – 3·75 | | 7·25 | 7·88 | 7·89 | + 0·63 | + 0·01 |
| 7¼% 1992 (II) | 100·00$ | | | | | 7·25 | | | | |
| 7¼% 1992 (III) | 100·00$ | | | | | 7·25 | | | | |
| 7¼% 1992 (IV) | 100·00$ | | | | | 7·25 | | | | |
| 7¼% 1992 (V) | 100·00$ | | | | | 7·25 | | | | |
| 6% 1993 | 94·15 | 86·60 | 86·60 | – 7·55 | – | 6·80 | 8·07 | 8·11 | + 1·27 | + 0·04 |
| 6¼% 1993 | 94·40 | 88·40 | 88·40 | – 6·00 | – | 7·02 | 8·05 | 8·09 | + 1·03 | + 0·04 |
| 6¼% 1994 | 95·60 | 90·80 | 90·80 | – 4·80 | – | 7·34 | 8·13 | 8·16 | + 0·79 | + 0·03 |

*(Contd.)*

**Table IX-3** : *(contd.)*

| Loans | Price as on | | | Variation | | Yield as on | | | Variation | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2.4.83 | 30.3.84 | 29.6.84 | Col. (3) over Col (2) | Col. (4) over Col. (3) | 2.4.83 | 30.3.84 | 29.6.84 | Col. (8) over Col. (7) | Col. (9) over Col. (8) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **10 to 15 years** | | | | | | | | | | |
| 6 % 1994 | 91·50 | 91·50 | 91·50 | – | – | 7·11 | 7·18 | 7·20 | + 0·07 | + 0·02 |
| 7 % 1994 | 97·40 | 92·10 | 89·00 | – 5·30 | – 3·10 | 7·34 | 8·13 | 8·64 | + 0·79 | + 0·51 |
| 8½ % 1994 | | | 100·00$ | | | | | 8·50 | | |
| 5½ % 1995 | 85·90 | 85·90 | 85·90 | – | – | 7·25 | 7·38 | 7·41 | + 0·11 | + 0·03 |
| 6¼ % 1995 | 93·50 | 93·50 | 93·50 | — | – | 7·06 | 7·10 | 7·12 | + 0·04 | + 0·02 |
| 6½ % 1995 | 92·75 | 87·10 | 87·10 | – 5·65 | – | 7·41 | 8·29 | 8·32 | + 0·88 | + 0·03 |
| 8¼ % 1995 | | 100·05 | 100·05 | | – | | 8·22 | 8·24 | | + 0·02 |
| 8¼ % 1995 (II) | | 100·00$ | 100·00$ | | – | | 8·25 | 8·25 | | |
| 8¼ % 1995 (III) | | 100·00$ | 100·00$ | | – | | 8·25 | 8·25 | | |
| 6¼ % 1996 | 94·00 | 83·10 | 83·10 | – 10·90 | – | 6·94 | 8·45 | 8·48 | + 1·51 | + 0·03 |
| 7¼ % 1997 | 98·15 | 98·15 | 98·15 | — | – | 7·46 | 7·44 | 7·48 | – 0·02 | + 0·04 |
| 6½ % 1997 | 91·20 | 84·30 | 84·30 | – 6·90 | – | 7·51 | 8·50 | 8·52 | + 0·99 | + 0·02 |
| 6¼ % 1997 | 89·00 | 81·75 | 81·75 | – 7·25 | – | 7·50 | 8·54 | 8·56 | + 1·04 | + 0·02 |
| 6 % 1998 | 91·00 | 91·00 | 76·35 | – | – 14·65 | 6·97 | 7·00 | 8·75 | + 0·03 | + 1·75 |
| 6¼ % 1998 | 97·95 | 97·95 | 97·95 | – | – | 6·46 | 6·47 | 6·47 | + 0·01 | |
| 7 % 1998 | 95·30 | 95·00 | 85·05 | – 0·30 | – 9·95 | 7·53 | 7·58 | 8·90 | + 0·05 | + 1·32 |
| 5½ % 1999 | 79·85 | 72·50 | 71·65 | – 7·35 | – 0·85 | 7·71 | 8·53 | 8·66 | + 0·82 | + 0·13 |
| **15 years and above** | | | | | | | | | | |
| 5½ % 1999 * | 79·85 | 70·00 | 69·00 | – 9·95 | – 1·00 | 7·68 | 8·83 | 9·00 | + 1·15 | + 0·17 |
| 5½ % 2000 | 77·10 | 72·10 | 70·25 | – 5·00 | – 1·85 | 7·99 | 8·45 | 8·71 | + 0·46 | + 0·26 |
| 6½ % 2000 | 86·85 | 81·25 | 81·25 | – 5·60 | – | 7·91 | 8·67 | 8·69 | + 0·76 | + 0·02 |
| 5¾ % 2001 | 80·70 | 72·75 | 72·75 | – 7·95 | – | 7·74 | 8·52 | 8·55 | + 0·78 | + 0·03 |
| 5¾ % 2001 (NDL) | 90·25 | 90·25 | 90·25 | – | – | 6·67 | 6·70 | 6·71 | + 0·03 | + 0·01 |
| 6½ % 2001 | 86·50 | 79·35 | 79·35 | – 7·15 | – | 7·91 | 8·85 | 8·88 | + 0·94 | + 0·03 |

*(Contd.)*

**Table IX-3** : *(Contd.)*

| Loans | Price as on | | | Variation | | Yield as on | | | Variation | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2.4.83 | 30.3.84 | 29.6.84 | Col. (3) over Col (2) | Col. (4) over Col. (3) | 2.4.83 | 30.3.84 | 29.6.84 | Col. (8) over Col. (7) | Col. (9) over Col. (8) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 7½% 2001 | 96·05 | 88·10 | 88·10 | – 7·95 | – | 7·91 | 8·85 | 8·86 | + 0·94 | + 0·01 |
| 5¾% 2002 | 81·00 | 71·35 | 71·35 | – 9·65 | – | 7·65 | 8·58 | 8·59 | + 0·93 | + 0·01 |
| 6½% 2002 | 86·00 | 86·00 | 86·00 | – | – | 7·92 | 7·95 | 7·96 | + 0·03 | + 0·01 |
| 7¼% 2002 | 100·25 | 89·55 | 89·55 | – 10·70 | – | 7·72 | 8·92 | 8·93 | + 1·20 | + 0·01 |
| 5¾% 2003 | 83·90 | 76·00 | 76·00 | – 7·90 | – | 7·29 | 8·27 | 8·29 | + 0·98 | + 0·02 |
| 6½% 2003 | 83·30 | 77·00 | 74·35 | – 6·30 | – 2·65 | 8·20 | 9·04 | 9·42 | + 0·84 | + 0·38 |
| 6½% 2004 | 85·30 | 76·50 | 76·50 | – 8·80 | – | 7·94 | 9·05 | 9·07 | + 1·11 | + 0·02 |
| 9½% 2004 | | | 100·00$ | | | | | 9·50 | | |
| 6½% 2005 | 82·50 | 74·00 | 87·60 | – 8·50 | + 3·60 | 8·22 | 9·32 | 7·69 | + 1·10 | – 1·63 |
| 8¼% 2005 | 100·00$ | 91·05 | 91·05 | – 8·95 | – | 8·25 | 9·08 | 9·08 | + 0·83 | |
| 6¾% 2006 | 83·50 | 77·00 | 77·00 | – 6·50 | – | 8·38 | 9·20 | 9·21 | + 0·82 | + 0·01 |
| 6¼% 2007 | 82·45 | 74·95 | 74·95 | – 7·50 | – | 8·45 | 9·40 | 9·41 | + 0·95 | + 0·01 |
| 7 % 2009 | 84·00 | 74·80 | 72·75 | – 9·20 | – 2·05 | 8·54 | 9·18 | 9·39 | + 0·64 | + 0·21 |
| 9½% 2008 | | 100·00$ | 96·65 | | – 3·35 | | 9·50 | 9·81 | | + 0·31 |
| 7½% 2010 | 88·40 | 79·75 | 76·55 | – 8·65 | – 3·20 | 8·61 | 7·22 | 9·55 | – 1·39 | + 2·33 |
| 8¾% 2010 | 100·10 | 92·25 | 92·25 | – 7·85 | – | 8·74 | 9·41 | 9·41 | + 0·67 | – |
| 8 % 2011 | 92·50 | 84·00 | 80·30 | – 8·50 | – 3·70 | 8·72 | 9·34 | 9·71 | + 0·62 | + 0·37 |
| 10¼% 2012 | | | 100·00$ | | | | | 10·25 | | |
| 9 % 2013 | 100·15 | 92·00 | 88·50 | – 8·15 | – 3·50 | 8·99 | 9·67 | 9·98 | + 0·68 | + 0·31 |
| 9% 2013 (II) | 100·00$ | | | | | 9·00 | | | | |
| 9 % 2013 (III) | 99·95 | | | | | 9·00 | | | | |
| 9 % 2013 (IV) | 99·95 | | | | | 9·00 | | | | |
| 9 % 2013 (V) | 100·00$ | 100·00$ | 100·00$ | – | – | 9·00 | 9·00 | 9·00 | – | – |

*(Contd)*

**TABLE IX-3 :** *(Concld.)*

| Loans | Price as on | | | Variation | | Yield as on | | | Variation | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2.4.83 | 30.3.84 | 29.6.84 | Col. (3) over Col (2) | Col. (4) over Col. (3) | 2.4.83 | 30.3.84 | 29.6.84 | Col. (8) over Col. (7) | Col. (9) over Col. (8) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 10% 2014 | | 100·20 | 98·00 | | – 2·20 | | 9·98 | 10·17 | | + 0·19 |
| 10 % 2014 (II) | | 100·00$ | 100·00$ | | – | | 10·00 | 10·00 | | – |
| 10 % 2014 (III) | | 100·00$ | 100·00$ | | – | | 10·00 | 10·00 | | – |
| 10 % 2014 (IV) | | 100·00$ | 100·00$ | | – | | 10·00 | 10·00 | | – |
| 10 % 2014 (V) | | 100·00$ | 100·00$ | | – | | 10·00 | 10·00 | | – |
| **Non-Terminable** | | | | | | | | | | |
| 3 % 1986 or later | 71·00 | 89·75 | 84·50 | + 18·75 | – 5·25 | 4·22 F | 3·34 F | 3·55 F | – 0·88 | + 0·21 |
| 3 % Govt. Rupee Paper | 69·00 | 73·00 | 78·00 | + 4·00 | + 5·00 | 4·35 F | 4·11 F | 3·85 F | – 2·24 | – 0·26 |

N.D.L. : National Defence Loans.
* : Banks (Acquisition & Transfer) Compensation Bonds.
F : Flat yield
$ : Issue price.

with maturity of over 15 years. Both the non-terminables appreciated over the year, the 3 per cent 1986 or later recording an increase of Rs.18·75 and the 3 per cent Government Rupee Paper gaining Rs.4·00 over the year.

The State Government securities displayed a mixed trend. Most of the securities of Maharashtra and Gujarat State Governments showed declines ranging from Re.0·10 to Rs.3·95, while a few securities of Andhra Pradesh, Karnataka, Uttar Pradesh and Madhya Pradesh State Governments registered marginal increases. In the case of Haryana, Tamil Nadu and Rajasthan State Governments only three scrips showed variations and these were marginal. The securities of Bihar, Kerala, Meghalaya, Orissa, Nagaland and Himachal Pradesh Governments showed only marginal variations which were confined to one or two scrips while those of other States did not show any change over the year.

During the first quarter of the 1984-85 financial year, the Reserve Bank's all-India weekly price index (base :1970-71 = 100) for Government and Semi-Government securities hovered around 92·0 - 91·8 for most of the period and closed for the week ended June 30, 1984 at 91·7. The index of Central Government securities declined from 89·1 to 88·9 by the week ended April 28, and further to 88·8 for the week ended June 30, 1984. The index of State Government securities moved narrowly and closed unchanged at 99·8. The index of semi-Government securities remained steady at 101·9 throughout the three-month period.

In Bombay, among short-dated Central Government securities only four scrips showed marginal variations in prices. Some of the medium-dated and long-dated securities registered declines over the quarter. The declines ranged between Re.0·85 and Rs.14·65 in the case of loans maturing in 10 to 15 years and between Re.1·00 and Rs.3·70 in the case of loans maturing after 15 years. The $6\frac{1}{2}$per cent loan, 2005 appreciated over the quarter by Rs.13·60. Among the non-terminables, while the 3 per cent 1986 or later registered a decline of Rs.5·25, the 3 per cent Government Rupee Paper appreciated by Rs.5·00

The prices of most of the States Government securities remained steady. A few securities of Maharashtra, Andhra Pradesh, Gujarat, Orissa and Tamil Nadu showed marginal variations.

**(iii) New Issue Activity**

According to the data collected by the Reserve Bank, new capital issues by public limited companies (other than term-lending institutions) aggregated Rs.770·1 crores (through 908 issues) during 1983, 18 per cent higher than Rs. 652·7 crores (through 530 issues) during 1982 (Table IX-4). There was a distinct shift in the mode of capital issues with issues on rights basis constituting the bulk during the year as against the predominance of prospectus issues in earlier years. The amount of prospectus issues during 1983 declined to Rs.357·0 crores from Rs.446·1 crores in 1982 while that of rights issues increased from Rs.206·6 crores to Rs. 413·1 crores.

Security-wise, debenture issues continued to dominate the new issues market. During 1983, debenture issues amounted to Rs.426·9 crores as against Rs.400·7 crores during 1982. However, within debentures, companies showed a marked preference for non-convertibles over convertibles Non-convertible debentures constituted 79·0 per cent of debenture issues during 1983 as aginast 27·1 per cent in 1982. Policy measures such as enhancement of the rate of interest to 15 per cent coupled with the introduction of buy-back facility with a view to increasing the liquidity of the non-convertible debentures, popularised the non-convertible debenture issues. The amount issued through equity issues also aggregated higher at Rs.342·8 crores than Rs. 249·2 crores in 1982. New issues of preference shares which amounted to Rs. 2·8 crores in 1982 further declined to just Rs.45 lakhs in 1983. In May 1984, the Government raised the ceiling of dividend on preference shares to 15 per cent.

**Table IX—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 @ | 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) | | | | | | | | | | | | | | | | |
| 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 | 307 | 256·2 | 2·0 | 137·1 | 395·3 | 73 | 23·8 | 0·1 | 58·9 | 82·8 | 380 | 478·1 | 243 | 207·3 | 137 | 270·8 |
| 1982 ** | 447 | 228·8 | 2·1 | 215·2 | 446·1 | 82 | 17·7 | 0·7 | 185·5 | 203·9 | 529 | 650·0 | 371 | 205·6 | 158 | 444·4 |
| 1983 ** | 807 | 319·0 | 0·2 | 37·8 | 357·0 | 101 | 23·8 | 0·2 | 389·1 | 413·1 | 908 | 770·1 | 756 | 275·6 | 152 | 494·5 |
| (January-June) | | | | | | | | | | | | | | | | |
| 1983 ** | 413 | 128·4 | 0·1 | 27·1 | 155·6 | 62 | 12·5 | 0·2 | 203·1 | 215·8 | 475 | 371·4 | 390 | 110·4 | 85 | 261·0 |
| 1984 ** | 166 | 126·1 | 0·3 | 0·7 | 127·1 | 38 | 6·0 | 0·1 | 258·1 | 264·2 | 204 | 391·3 | 159 | 123·4 | 45 | 267·9 |
| **II. Government Companies** | | | | | | | | | | | | | | | | |
| (January-December) | | | | | | | | | | | | | | | | |
| 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 |
| 1983 ** | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| (January-June) | | | | | | | | | | | | | | | | |
| 1983 ** | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 1984 ** | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| **III. Grand Total (I + II)** | | | | | | | | | | | | | | | | |
| (January-December) | | | | | | | | | | | | | | | | |
| 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 | 307 | 256·2 | 2·0 | 137·1 | 395·3 | 74 | 23·9 | 0·1 | 58·9 | 82·9 | 381 | 478·2 | 243 | 207·3 | 138 | 270·9 |
| 1982 ** | 447 | 228·8 | 2·1 | 215·2 | 446·1 | 83 | 20·4 | 0·7 | 185·5 | 206·6 | 530 | 652·7 | 371 | 205·6 | 159 | 447·1 |
| 1983 ** | 807 | 319·0 | 0·2 | 37·8 | 357·0 | 101 | 23·8 | 0·2 | 389·1 | 413·1 | 908 | 770·1 | 756 | 275·6 | 152 | 494·5 |
| (January-June) | | | | | | | | | | | | | | | | |
| 1983 ** | 413 | 128·4 | 0·1 | 27·1 | 155·6 | 62 | 12·5 | 0·2 | 203·1 | 215·8 | 475 | 371·4 | 390 | 110·4 | 85 | 261·0 |
| 1984 ** | 166 | 126·1 | 0·3 | 0·7 | 127·1 | 38 | 6·0 | 0·1 | 258·1 | 264·2 | 204 | 391·3 | 159 | 123·4 | 45 | 267·9 |

* : Other than term-lending institutions.

** : Provisional.

@ : Companies which had not gone in for commercial production/business at the time of the public issue. Total amount of issue 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.

As a result of the dominance of debentures, issues of existing companies constituted the major part of total new issues during 1983. Issues of new companies aggregated Rs. 275·6 crores (through 756 issues) whereas those of existing companies Rs. 494·5 crores (through 152 issues). The rise in number of issues was due largely to public issues for small amounts of less than Rs.25 lakhs. Out of 756 issues of new companies (for Rs.275·6 crores) 675 issues were for less than Rs.25 lakhs accounting for Rs.142·8 crores. A notable feature about these small issues was that a large number of companies making these issues were Calcutta based financial companies. Another development in the capital market was the increase in issues by companies engaged to be engaged in leasing business. The concept of equipment leasing is relatively new in India, but during the past two-three years many public limited companies have entered this field and some of the public financial institutions have also diversified into equipment leasing. During 1983, twenty-seven companies engaged/proposed to be engaged in leasing business made public issues of shares debentures for an aggregate amount of Rs.15·7 crores.

Out of the total amount of Rs.357·0 crores through prospectus issues, during 1983, the amount offered for public subscription aggregated Rs. 233·5 crores, which was lower than Rs.258·8 crores in 1982. As regards the public response, the data available for 458 issues indicate that 400 issues were over-subsrcibed, 22 were fully-subscribed and 36 were under-subscribed.

During the first half of 1984, there were 204 issues for a total amout of Rs.391·3 crores as against 475 issues for Rs.371·4 crores during the corresponding period of 1983. The amount issued through prospectus was, however, lower at Rs.127·1 crores than Rs.155·6 crores, during 1982 whereas that of issues on rights basis increased to Rs.264·2 crores from Rs.215·8 crores, largely on account of issues of non-convertible debentures by well established existing companies for substantially big amounts. The issues of equity shares declined to Rs.132·1 crores from Rs. 140·9 crores.

### (iv) Consents for Capital Issues

The aggregate value of consents/acknowledgements granted during 1983 by the Controller of Capital Issues to non-Government public limited companies for raising capital at Rs.1,001 crores showed a decline of 10·4 per cent over Rs.1,116·9 crores in 1982 (Table IX-5). The decline in consents/acknowledgements during 1983 was on account of lower value of consents for issues of bonus shares and miscellaneous issues. Consents for fresh capital (*i.e.*, new issues of shares and debentures) during 1983 at Rs.858·6 crores was 11·3 per cent higher than Rs.771·3 crores during 1982.

Among new issues, consents for debentures at Rs.584·3 crores accounted for the bulk (or 68 per cent), followed by equity shares for Rs.267·9 crores (or 31·2 per cent) and preference shares for Rs.6·4 crores (or 0·8 per cent). The predominance of debentures in the consents for new issues for the third year in succession is mainly on account of the measures adopted to enhance yield and liquidity of investment in debentures.

During the first half of 1984, the value of consents acknowledgements of proposals aggregated Rs.663·1 crores, 49·3 per cent higher than Rs.444·0 crores consented during the corresponding period of 1983.

### (v) Capital Raised

Capital raised (paid-up) by non-Government companies (under consents/acknowledgements of proposals granted by the Controller of Capital Issues) during 1983 aggregated Rs.796·4 crores, 59·4 per cent higher than Rs.499·6 crores raised during 1982 (Table IX-6). As in the previous year, in 1983 also substantial part of the increase in capital raised was accounted for by debentures which rose from Rs.286·7 crores

**Table IX—5 : Consents/Acknowledgements of Proposals Granted by the Controller of Capital Issues to Non-Government Public Limited Companies**

(Rupees crores)

| Year | 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** | | | | | | | | | |
| 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 |
| 1983 | 267·9 (31·2) | 6·4 (0·8) | 584·3 (68·0) | 858·6 (100·0) | 161·2 (18·8) | 697·4 (81·2) | 82·5 | 59·9 | 1001·0 |
| **January-June** | | | | | | | | | |
| 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 |
| 1984 | 274·5 (47·3) | | 305·3 (52·7) | 579·8 (100·0) | 197·2 (34·0) | 382·6 (66·0) | 50·5 | 32·8 | 663·1 |

* : Other than loans granted by public financial institutions, banks, etc., which are exempted from control of capital issues.

*Note* : Figures in parentheses 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.

to Rs.458·6 crores. Capital raised through equity shares which had declined in 1982 over 1981, increased during 1983 to Rs.153·3 crores. Capitalisation of reserves (i.e., bonus issues) was also of higher order of Rs.96·7 crores than Rs.74·4 crores during 1982. Capital raised through miscellaneous issues (loans, etc.) also increased from Rs.13·6 crores to Rs.86·1 crores during 1983.

During the first half of 1984, capital raised by non-Government companies aggregated Rs.345·6 crores (provisional) compared with Rs.379·6 crores during the corresponding period of 1983.

### (vi) Developments in Policy

During 1983-84 (July-June), the following important policy measures affecting the corporate sector were adopted.

With a view to regulating the growth of investment companies, the Government issued revised guidelines to stock exchanges in October 1983, tightening the eligibility criteria for listing such companies. Accordingly, to be eligible for listing on stock exchanges, investment companies should have a minimum paid-up capital of Rs.1 crore and at least 2000 share holders other than promoters and the number of share holders should proportionately increase with increase in paid-up capital. Delisting of investment companies has also been provided in the event their number of share holders other than promoters fall below one thousand for companies having a paid-up capital of Rs.1 crore and correspondingly higher number of share holders for companies with proportionately higher capital.

Presenting the Union Budget for 1984-85, the Finance Minister announced the following important decisions of the Government.

(i) The option to companies to keep one half of the surcharge on corporate tax in a special deposit with the Industrial Development Bank of India which was introduced last year has been extended to the entire surcharge of 5 per cent.

(ii) Payment of interest on debentures and dividend on shares upto Rs.1000 by widely held companies has been allowed without deduction of tax at source provided the payment is made by an account payee cheque or a bank draft. This measure, intended to reduce paper work and avoid inconvenience to small investors, came into effect from June 1,1984.

(iii) In view of the experience that expenditure related to the concession has a tendency to get inflated, all weighted deductions allowed under sections 35 (2A), 35 (2B), and 36 (1)(iia) of the Income-tax Act in respect of expenditure incurred for sponsored/scientific research and salary paid to blind and permanently disabled persons have been withdrawn.

(iv) The facility of rehabilitation allowance and agricultural development allowance, provided under sections 33B and 35C, respectively of the Income-tax Act, have also been withdrawn as these deductions have either been open to misuse or have benefited only a few.

**Table IX—6 : Capital Raised (Paid-up) under Consents/Acknowledgements of Proposals**

(Rupees crores)

| Item | 1982 | 1983 @ | January-June 1983 @ | January-June 1984 @ |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| **A. Non-Government Companies (i to v)** | **499·6** | **796·4** | **379·6** | **345·6** |
| i) Equity shares | 122·0 | 153·3 | 73·6 | 93·7 |
| ii) Preference shares | 2·9 | 1·7 | 0·6 | 0·7 |
| iii) Debentures | 286·7 | 458·6 | 237·0 | 197·0 |
| **Total (i to iii)** | **411·6** | **613·6** | **311·2** | **291·4** |
| iv) Bonus | 74·4 | 96·7 | 34·2 | 31·4 |
| v) Loans, etc. * | 13·6 | 86·1 | 34·2 | 22·8 |
| **B. Government companies** | **N.A.** | **N.A.** | **N.A.** | **N.A.** |

@ : Provisional

* : Other than loans granted by the public financial institutions, banks, etc., which are exempted from control of capital issues

N.A.–Not Available.

*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.

(v) The rate of interest on the IDBI's assistance for modernisation of industries has been reduced for assistance upto Rs.4 crores from 12·5 per cent to 11·5 per cent and to 10 per cent in the case of weak units.

In July 1983, the Government of India had appointed a Committee under the Chairmanship of Shri M. Narasimham, former finance secretary, to look into various aspects related to investments made by public financial institutions in the assisted companies. On recommendations of the Committee, the Government issued revised guidelines to financial institutions in March 1984 regarding stipulation of convertibility clause in the loan agreements with companies and the role of nominee directors on the boards of assisted concerns. Following are the salient features of the guidelines :

(i) Convertibility clause shall be stipulated only in respect of rupee loans sanctioned and/or rupee debentures subscribed/devolved and the threshold limit of financial assistance for the mandatory stipulation of the clause has been raised from Rs.1 crore to Rs.5 crores.
(ii) The convertibility clause will not be stipulated where the combined equity holding of all the all-India financial institutions (including the investment institutions) exceed 26 per cent in the case of non-MRTP Companies and 40 per cent in case of MRTP Companies/Large Houses except in case of default in repayment of institutional dues or mismanagement of the affairs of the company.
(iii) Sick units, projects in no-industry districts/ special regions and assistance under Soft Loan Scheme would not attract the convertibility clause.
(iv) The responsibility and role of nominee directors have been clearly spelt out under the new guidelines particularly in areas such as the financial performance of the companies, payment of dues to the institutions/ the Government, intercorporate investment, all transactions in shares, expenditure on management group and policies regarding award of contracts, etc.
(v) While nominee directors should be appointed on the boards of all MRTP companies assisted by the institutions, in the case of non-MRTP companies such appointments should be on selective basis, especially in cases where one or more of the following conditions obtain : (a) the unit is likely to become sick (b) institutional holding is more than 26 per cent (c) institutional stake by way of loans and/ or investment exceed Rs.5 crores.
(vi) The IDBI, the IFCI, the ICICI and the IRCI would create a separate department/cell with officials at the level of General Manager and Deputy General Manager whose exclusive and whole time function will be to represent the institutions in the boards of companies.

On the recommendations of the Rangarajan Study Group set up by the Planning Commission on financing of the private corporate sector during the Sixth Plan, Government raised ceiling rate of dividend on preference shares from 13·5 per cent to 15 per cent on May 18, 1984. On May 17, 1984, the Union Government also on the recommendation of the Study Group announced appointment of a high level committee under the Chairmanship of Shri G. S. Patel, former Chairman of the Unit Trust of India, to make a comprehensive review of the working of the stock exchanges in the country with a view to ensuring their smooth functioning and for the expansion of their activity.

## II. Term-Lending Institutions

Assistance by term-financing institutions (i.e., the IDBI, IFCI, ICICI, IRCI, UTI, LIC, GIC and its subsidiaries, SFCs and SIDCs/SIICs) during 1983-84 (April-March) recorded a sizeable growth with sanctions rising by 25·3 per cent to Rs.4,065·7 crores and disbursements by 21·3 per cent to Rs.2,863·9 crores (Table IX-7). During 1982-83 sanctions had increased by 16·3 per cent and disbursements by 15·6 per cent. Sanctions of loans (both rupee and foreign currency loans) increased by 22·1 per cent to Rs.3,628·6 crores and disbursements by 18·4 per cent to Rs.2,576·9 crores, during the year. Assistance by way of underwriting and direct subscriptions to shares and debentures was substantially higher during 1983-84 than in

**Table IX-7 : Assistance Sanctioned and Disbursed by Financial Institutions @**

(Rupees crores)

| Year (April-March) | Rupee Loans | | Foreign Currency Loans | | Underwriting and Direct Subscriptions | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Ordinary & Preference Shares | | Debentures | | | |
| | Sanctions | Disbursements | Sanctions | Disbursements | Sanctions | Disbursements | Sanctions | Disbursements | Sanctions | Disbursements |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. |
| 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 £ ... ... | 2,841·0 (+18·1) | 2,048·0 (+14·2) | 131·6 (−13·9) | 128·2 (+4·6) | 108·8 (−11·8) | 93·6 (+94·6) | 163·3 (+50·9) | 90·3 (+17·3) | 3,244·7 (+16·3) | 2,360·1 (+15·6) |
| 1983-84 £ ... ... | 3,347·4 (+17·8) | 2,442·2 (+19·2) | 281·2 (+113·7) | 134·7 (+5·1) | 190·4 (+75·0) | 56·2 (−40·0) | 246·7 (+51·1) | 230·8 (+155·6) | 4,065·7 (+25·3) | 2,863·9 (+21·3) |

@ Covers IDBI, IFCI, ICICI, IRCI, UTI, LIC, GIC and its four subsidiaries, SFCs and SIDCs/SIICs.
* Covers data in respect of 19 SIDCs/SIICs.
£ Covers data in respect of 24 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 1981-82 data to facilitate comparison with 1982-83 and 1983-84 data.

2) LIC assistance excludes short-term loans.
3) Assistance by GIC and its subsidiaries relates to project finance only.
4) Figures in parentheses indicate percentage variations over the previous year.

*Source :* Industrial Development Bank of India.

1982-83 indicating the increasing role of these institutions in providing support to new capital issues of the corporate sector. Under this head, sanctions during 1983-84 rose by Rs.165·0 crores to Rs.437·1 crores and disbursements by Rs.103·1 crores to Rs.287·0 crores.

Institution-wise, the IDBI provided the highest amount of assistance, accounting for 43·7 per cent of total sanctions and 44·9 per cent of total disbursements by all institutions (Table IX-8). All the institutions recorded rise in both sanctions and disbursements during the year 1983-84.

*Soft Loan Scheme*

Assistance under the soft loan scheme operated by the IDBI in collaboration with ICICI and IFCI for financing modernisation of units in cotton textiles, jute, cement, sugar and certain specified engineering industries was higher during July-December 1983 than during corresponding period in 1982. Assistance sanctioned and disbursed under the scheme during July-December 1983 amounted to Rs.65·3 crores and Rs.30·7 crores, respectively, as against sanctions of Rs.34·5 crores and disbursements of Rs.57·4 crores effected during the period July-December 1982. Cumulative sanctions and disbursements upto December 1983 amounted to Rs.1,089·8 crores and Rs.604·8 crores respectively, (Table IX-9). Effective January 1,1984, the soft loan assistance has been extended to cover all industries under a modified scheme known as Soft Loan Scheme for Modernisation. Programmes for upgradation of process, technology and product, cost reduction, energy saving, higher capacity utilisation, export promotion and import substitution are given priority. With effect from March 1, 1984, the rate of interest on loans upto Rs.4 crores was reduced from 12·5 per cent to 11·5 per cent which may be reduced further to 10 per cent for weak units, loans above Rs.4 crores will carry interest at normal lending rate.

*Assistance to Small-scale Industries/Backward Areas.*

During 1983-84 (April-March), IDBI's sanctions to small-scale industries under the schemes of refinance and bills re-discounting amounted to Rs.737·9 crores, about 7 per cent lower than Rs.791·4 crores sanctioned in 1982-83 (Table IX-10). The decline in sanctions was mainly on account of the suspension of fresh refinance sanctions under the Automatic Refinance Scheme (ARS) for four weeks prior to the introduction of a modified ARS in October 1983 for streamlining procedures and expediting provision of refinance in respect of loans up to Rs.5 lakhs to SSI units and small road transport operators. Disbursements under the scheme of refinance in 1983-84 amounted to Rs.578·5 crores, 14·2 per cent higher than Rs.506·5 crores in 1982-83. During 1983-84, the SFCs sanctioned and disbursed assistance of Rs.472.0 crores and Rs.316·0 crores respectively, compared with Rs.459·7 crores and Rs.291·1 crores respectively, in 1982-83. Under the DICGC's credit guarantee scheme for small-scale industries, total guaranteed advances increased to Rs.4,154 crores at the end of June 1983 from Rs. 3,822 crores at the end of June 1982.

Assistance by financial institutions to units located in backward districts/areas showed substantial increase with sanctions rising from Rs.1,495·2 crores to Rs.2,027·9 crores and disbursements from Rs.1,235·3 crores to Rs.1,370·1 crores in 1983-84 (Table IX-11). Assistance to units in public sector also recorded a rise in sanctions (Table IX-12).

*Foreign Currency Borrowings*

With the increasing volume of assistance being provided by them, the term-lending institutions viz., IDBI, ICICI and IFCI have been strengthening their resource position. The rupee resources of these institutions are augmented by the Government contributions, RBI assistance under National Industrial Credit (Long Term Operations) Fund and through market borrowings. The institutions are also mobilising foreign currency resources, which

**Table IX-8 : Institution-wise Details of Financial Assistance**

(Year April-March) (Rupees crores)

| Institutions | 1982 - 83 | | 1983-84 (Provisional) | | Percentage change in 1983-84 over 1982-83 | |
|---|---|---|---|---|---|---|
| | Sanctions | Disburse-ments | Sanctions | Disburse-ments | Sanctions | Disburse-ments |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| IDBI @ S | 1,317·9 (40·6) | 1,040·1 (44·1) | 1,776·9 (43·7) | 1,285·4 (44·9) | + 34·8 | + 23·6 |
| IFCI @ | 230·2 (7·1) | 196·1* (8·3) | 330·0 (8·1) | 224·5* (7·8) | + 43·4 | + 14·5 |
| ICICI @ | 348·6 (10·8) | 271·2 (11·5) | 438·5 (10·8) | 295·0 (10·3) | + 25·8 | + 8·8 |
| IRCI | 57·9 (1·8) | 36·1 (1·5) | 64·9 (1·6) | 38·2 (1·3) | + 12·1 | + 5·8 |
| UTI | 127·5 (3·9) | 71·7 (3·0) | 165·8 (4·1) | 139·3 (4·9) | + 30·0 | + 94·3 |
| LIC ** | 136·5 (4·2) | 86·6 (3·7) | 166·8 (4·1) | 140·9 (4·9) | + 22·2 | + 62·7 |
| GIC and its Subsidiaries | 92·7 (2·9) | 44·7 (1·9) | 108·5 (2·7) | 84·5 (3·0) | + 17·0 | + 89·0 |
| SFCs | 636·8 (19·6) | 405·6 (17·2) | 655·1 (16·1) | 433·6 (15·1) | + 2·9 | + 6·9 |
| SIDCs | 296·6 (9·1) | 208·0 (8·8) | 359·2 (8·8) | 222·5 (7·8) | + 21·1 | + 7·0 |
| **Total** | **3,244·7 (100·0)** | **2,360·1 (100·0)** | **4,065·7 (100·0)** | **2,863·9 (100·0)** | + 25·3 | + 21·3 |

@ Including guarantees * Excluding guarantees
** Excluding short-term loans.
S 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 24 SIDCs/SIICs

*Note :* Figures in parentheses indicate percentage share of each institution.

*Source :* Industrial Development Bank of India.

**Table IX-9 : Progress of Soft Loan Scheme**
(Upto end of December 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 ... ... | 413 | 844·5 | 382 | 554·2 | 518 | 343·6 | 62·0 |
| | (348) | (691·3) | (334) | (478·7) | (269) | (295·2) | (61·7) |
| Cement ... ... | 26 | 245·3 | 26 | 167·2 | 26 | 72·5 | 43·4 |
| | (23) | (209·0) | (21) | (137·1) | (18) | (66·6) | (48·6) |
| Sugar ... ... | 41 | 91·7 | 38 | 63·5 | 18 | 14·9 | 23·5 |
| | (39) | (87·4) | (37) | (62·7) | (31) | (43·3) | (69··1) |
| Jute ... ... | 28 | 86·6 | 27 | 53·6 | 59 | 52·0 | 97·0 |
| | (27) | (85·1) | (26) | (51·3) | (10) | (14·0) | (27·3) |
| Engineering ... ... | 144 | 314·8 | 143 | 251·3 | 147 | 121·8 | 48·5 |
| | (135) | (311·0) | (131) | (223·7) | (103) | (109·1) | (48·8) |
| **Total** ... ... | **652** | **1,582·9** | **616** | **1,089·8** | **768** | **604·8** | **55·5** |
| | **(572)** | **(1,383·8)** | **(549)** | **(953·5)** | **(431)** | **(528·2)** | **(55·4)** |

* After adjusting proposals rejected withdrawn closed.
*Note* : Figures in parentheses indicate progress upto end of December 1982.
*Source* : Industrial Development Bank of India.

have traditionally been provided by the World Bank, other development finance agencies and multilateral and bilateral aid, by tapping resources from the world capital markets. During 1983-84 (April-March), IDBI raised a syndicated Euro-currency loan of US $ 30 million and raised an export credit of £ 5 million, backed by the Export Credits Guarantee Department of the UK. The IDBI had contracted a syndicated Euro-currency loan of US $ 25 million in January 1982 for the first time. In June 1984, as the first Indian financial institution, IDBI entered the Japanese capital market and raised funds amounting to Yen 5 billion by way of private placement of yen bonds. The ICICI has been raising funds directly from the world capital market since 1973. During 1983-84, ICICI entered into an agreement of Swiss Frame Credit of SF10 million. In May 1984, ICICI signed a loan agreement for raising a Euro-currency loan of US $ 30 million.

**Table IX-10 : Financial Assistance Sanctioned and Disbursed by Term-Lending Institutions to Projects in the Small-Scale Industries Sector**

(Year : April-March) (Rupees Crores)

| Institutions | 1982-83 | | 1983-84 (Provisional) | |
|---|---|---|---|---|
| | Sanctioned | Disbursed | Sanctioned | Disbursed |
| IDBI * | 791·4 | 506·5 | 737·9 | 578·5 |
| IRCI | 0·9 | 0·5 | 0·7 | 0·7 |
| SFCs | 459·7 | 291·1 | 472·0 | 316·0 |
| SIDCs/SIICs @ | 6·9 | 6·3 | 8·6 | 5·3 |

* Comprising assistance under refinance and bills rediscounting schemes.
@ Relates to 24 SIDCs/SIICs.
*Source* : Data received from respective institutions.

**Table IX—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 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1981-82 | | 1982-83 | | 1983-84 | | 1981-82 | | 1982-83 | | 1983-84 | |
| | 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 @ * | 720·7 | 510·0 | 752·7 | 668·3 | 1,015·4 | 751·8 | 21·4 | 12·3 | N.A. | N.A. | N.A. | N.A. |
| IFCI @ | 118·7 | 73·0 | 114·9 | 105·2 | 208·0 | 125·7 | 11·9 | 7·5 | 0·2 | 0·1 | 0·2 | 0·1 |
| ICICI @ | 121·4 | 110·8 | 142·5£ | 112·6£ | 224·3£ | 127·7£ | 36·9 | 10·2 | 53·0£ | 35·7£ | 67·1£ | 40·6£ |
| IRCI | 12·1 | 4·9 | 12·5 | 9·3 | 15·7 | 8·8 | .... | .... | .... | .... | .... | .... |
| SFCs | 232·6 | 150·9 | 278·7 | 189·1 | 306·4 | 201·2 | 71·7●● | 41·6●● | N.A. | N.A. | N.A. | N.A. |
| SIDCs/SHCs | 177·2● | 112·7● | 169·8** | 126·2** | 226·7** | 134·6** | 21·0●● | 10·9●● | N.A. | N.A. | N.A. | N.A. |
| **Total** | **1,382·7** | **962·3** | **1,471·1** | **1,210·7** | **1,996·5** | **1,349·8** | **162·9** | **82·5** | .... | .... | .... | .... |
| LIC @@ | 26·4 | 13·6 | 22·7 | 19·7 | 22·2 | 13·1 | 9·7 | 23·0 | 44·2 | 17·7 | 37·0 | 17·6 |
| GIC and its subsidiaries | 8·7 | 4·0 | 1·4 | 4·9 | 9·2 | 7·2 | .... | .... | .... | .... | .... | .... |
| **Grand Total** | **1,417·8** | **979·9** | **1,495·2** | **1,235·3** | **2,027·9** | **1,370·1** | **172·6** | **105·5** | .... | .... | .... | .... |

* Data on assistance to backward areas relate to concessional finance and those to new and small entrepreneurs cover assistance to technician entrepreneurs only.

@ Including guarantees

@@ Including short-term loans

N.A. : Not Available

£ Other than leasing, guarantees etc.

● Data for the year 1981-82 relate to 19 SIDCs

●● Relates to 13 SFCs and 12 SIDCs

** Relates to 24 SIDCs/SHCs

*Source* : Data received from respective institutions.

**Table IX-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 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1981-82 | | 1982-83 | | 1983-84 (Provisional) | | 1981-82 | | 1982-83 | | 1983-84 (Provisional) | |
| | Sanctions | Disbursements | Sanctions | Disbursements | Sanctions | Disbursements | Sanctions | Disbursements | Sanctions | Disbursements | Sanctions | Disbursements |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. | 13. |
| IDBI * | 46·7 | 9·4 | 119·4 | 32·4 | 54·3 | 50·0 | 264·2 | 107·8 | 207·4 | 199·8 | 437·4 | 429·4 |
| IFCI @ | 20·8 | 6·0 | 41·1 | 14·7 | 33·1 | 25·7 | 34·6 | 29·2 | 42·3 | 44·9 | 34·4 | 48·9 |
| ICICI @ | 21·0 | 4·0 | 43·0 | 15·6 | 24·9 | 22·5 | 12·6 | 4·4 | 9·4 | 9·2 | 8·8 | 11·9 |
| IRCI | — | — | — | — | 0·8 | — | 9·7 | 7·3 | 7·5 | 5·4 | 8·3 | 7·6 |
| SFCs | 0·2 | 0·6 | 4·8 | 1·1 | 4·8 | 1·2 | 5·1 | 6·6 | 6·4 | 4·3 | 6·2 | 4·2 |
| SIDCs/SICs ** | 0·7 | 0·2 | 1·4 | 0·5 | 1·1 | 1·0 | 24·7 | 22·8 | 27·3 | 13·9 | 25·5 | 13·0 |
| **Total** | **89·4** | **20·2** | **209·7** | **64·3** | **119·0** | **100·4** | **350·9** | **178·1** | **300·3** | **277·5** | **520·6** | **515·0** |
| LIC £ | 17·5 | 18·2 | 25·0 | 0·2 | — | 0·2 | 34·1 | 37·3 | 30·4 | 29·2 | 47·1 | 44·8 |
| GIC & its subsidiaries | — | — | — | — | — | — | 0·5 | 0·5 | 3·6 | 4·5 | 16·6 | 6·5 |
| **Grand Total** | **106·9** | **38·4** | **234·7** | **64·5** | **119·0** | **100·6** | **385·5** | **215·9** | **334·3** | **311·2** | **584·3** | **566·3** |

* Total assistance under all schemes of IDBI (excluding guarantees and assistance to financial institutions).
@ Including guarantees.
** Data for 1981-82 relate to 19 SIDCs/SICs and for 1982-83, 1983-84 relate to 24 SIDCs/SICs.
£ Includes short-term loans.

*Source* : Data received from respective institutions.

**(i) Industrial Development Bank of India**

The Industrial Development Bank of India (IDBI) recorded a significant growth in its operations during the year 1983-84 (July-June) with aggregate sanctions (excluding guarantees) rising by 22·4 per cent to Rs.2,599·8 crores in respect of 50,062 applications and disbursements (excluding guarantees)by 23·4 per cent to Rs.1,945·5 crores (Table IX-13). Cumulative assistance sanctioned and disbursed by the IDBI upto the end of June 1984, aggregated Rs.12,760·6 crores and Rs.9,327·6 crores, respectively. Total amount outstanding as on June 30, 1984 stood at Rs.6,363·1 crores as against Rs.5,091·6 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 1983-84 at Rs.787·4 crores to 498 applicants was 57·2 per cent higher than Rs.500·8 crores sanctioned to 413 applicants in 1982-83. Direct assistance disbursed during 1983-84 at Rs.534·7 crores showed a rise of 17·0 per cent over Rs.457·0 crores disbursed in 1982-83. While assistance sanctioned during 1983-84 under the soft loan scheme at Rs.53·8 crores was higher by 82·3 per cent, disbursements at Rs.42·9 crores showed a decline of 27·9 per cent. Industry-wise, over 76 per cent of the direct assistance was sanctioned to units in high priority industries, such as basic industrial chemicals, cement, fertilisers, textiles, paper and industrial machinery. Basic industrial chemicals received Rs.191·9 crores (23·6 per cent) for 13 projects followed by cement Rs.97·4 crores (12·0 per cent), textiles Rs.80·1 crores (9·9 per cent), paper and paper products Rs.79·7 crores (9·8 per cent), fertilisers Rs.73·8 crores (9·1 per cent), electrical machinery, apparatus, appliances and supplies Rs.45·9 crores (5·6 per cent) and transport equipment Rs.40·7 crores (5·0 per cent).

Sector-wise, assistance sanctioned to projects in joint sector more than doubled from Rs.116·6 crores in 1982-83 to Rs.253·4 crores in 1983-84. In respect of public and private sectors, sanctions rose from Rs.75·5 crores and Rs.257·3 crores to Rs.149·8 crores and Rs.357·9 crores, respectively.

*Refinance and Bills Rediscounting*

The IDBI's indirect assistance to industrial units is provided 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.

Refinance assistance sanctioned under the refinance of industrial loans scheme during the year was Rs.1,010·1 crores as against Rs.1,057·0 crores during the previous year. The decline in sanctions was transitional in nature arising mainly out of procedural change in Automatic Refinance Scheme. Disbursements at Rs.802·4 crores during the year were higher by 16·3 per cent than Rs.690·1 crores in the previous year.

Refinance assistance to small-scale sector (including small road transport operators) during the year aggregated Rs.585·0 crores or 57·9 per cent of total refinance. IDBI also sanctioned, during the year, Rs.7 crores to 8,464 village and cottage units in the tiny sector under the composite loan scheme to meet the working and fixed capital requirements of the units in the decentralised sector.

During the year, IDBI effected certain liberalisations under the refinance scheme in the form of enhancement from Rs.200 lakhs to Rs.300 lakhs (effective October 1983) in respect of ceiling on cost of projects eligible for assistance. Simultaneously, the ceiling on term loans eligible for refinance was raised from Rs.140 lakhs to Rs.200 lakhs.

To provide assistance for modernisation and rehabilitation of small-scale industries, the IDBI introduced in January 1984, two new schemes, viz., the Refinance Scheme for Modernisation of Small and Medium Industries, and the Re-

**Table IX—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 1984@ | | Disbursements | | Cumulative disbursements since inception upto end of June 1984@ | Amount Outstanding as on June 30, 1984@ |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1982-83 | | 1983-84@ | | | | 1982-83 | 1983-84@ | | |
| | 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 | 345 | 460·3 | 402 | 697·3 | 2,558 | 3,700·6 | 432·6 | 524·1 | 2,705·9 | 2,312·0 |
| 2. Underwriting and direct subscriptions to shares and debentures of industrial concerns | 68 | 40·5 | 96 | 90·1 | 756 | 393·9 | 24·4 | 10·6 | 137·0 | 126·8 |
| 3. Refinance of industrial loans | 76,983 | 1,057·0 | 47,019 | 1,010·1 | 3,76,483 | 5,283·5 | 690·1 | 802·4 | 3,831·4 | 2,177·1 |
| 4. Rediscounting of bills | 2,959 | 514·1 | 2,376 | 740·2 | 8,772 | 2,916·0 | 382·8 | 559·4 | 2,216·1 | 1,347·9 |
| 5. Seed capital through SFCs/SIDCs | 110 | 7·8 | 142 | 11·7 | 460 | 30·3 | 4·6 | 7·6 | 16·4 | 16·4 |
| 6. Subscriptions to shares and bonds of financial institutions | 23 | 44·8 | 27 | 50·4 | 39 | 436·3 | 42·0 | 41·4 | 420·8 | 382·9 |
| **Total (1 to 6)** | **80,488** | **2,124·5** | **50,062** | **2,599·8** | **3,89,068** | **12,760·6** | **1,576·5** | **1,945·5** | **9,327·6** | **6,363·1** |
| 7. Guarantees for loans and deferred payments | 6 | 5·4 | 7 | 25·3 | 36 | 95·2 | 0·1* | 2·9* | 26·8* | — |

* Guarantees executed

@ Provisional

*Notes* : i) The number of applications in respect of rediscounting of bills (item 4) relate to the number of purchaser-users and in the case of subscriptions to shares and bonds of financial institutions (item 6) to the number of financial institutions.

ii) In the case of bills rediscounting scheme, amount sanctioned represents face value of bills rediscounted while amount disbursed indicate the net disbursements after deduction of discount charges from the face value of the bills.

*Source:* Industrial Development Bank of India.

finance Scheme for Rehabilitation of Small Industries. Under the refinance scheme for modernisation, the primary lending institutions, effective April 1984, charge a concessional rate of interest of 11·5 per cent and the scheme provides for flexible norms of debt-equity and promoters' contribution. Under the scheme for rehabilitation of small industries which is operated through SFCs, assistance is extended to borrowers at concessional interest rate of 10 per cent.

Assistance under the Bills Rediscounting Scheme showed considerable increase and the face value of bills rediscounted during the year at Rs.740·2 crores was higher by 44·0 per cent than that in the previous year. Disbursements under the scheme during 1983-84 increased to Rs.559·4 crores from Rs.382·8 crores during 1982-83. Keeping in view the increase in cost of equipment over the years, the IDBI raised the annual purchaser-wise limit under the bills rediscounting scheme from Rs.150 lakhs to Rs.300 lakhs. Further the municipal transport undertakings which maintained separate accounts of their transport division were brought on par with SRTCs, particularly in regard to the quantum of limit and rate of interest.

*Assistance to Backward Areas*

IDBI's assistance to backward areas is in the form of direct assistance and indirect assistance under the refinance scheme and bills rediscounting scheme. Assistance sanctioned under these three schemes to units in backward areas constituted 42·4 per cent of the aggregate sanctions during the year as against 40·6 per cent during 1982-83. During the year, IDBI sanctioned Rs.14 crores to six projects in No-Industry Districts.

*Assistance to Small-Scale Industries*

IDBI extends indirect assistance to small-scale sector, including small road transport operators (SRTOs) principally through its schemes of refinance of industrial loans and bills rediscounting. The share of small-scale sector in IDBI's total sanctions in 1983-84 was 27·4 per cent, the share was 30·8 per cent in cumulative assistance sanctioned upto end-June 1984. Since 1981-82, IDBI has also been assisting National Small Industries Corporation (NSIC) for augmenting its resources for extending hire-purchase facility to small-sector. Such assistance amounted to Rs.9 crores during the year as against Rs.3 crores during last year.

*Subscriptions to Shares and Bonds of Financial Institutions*

During 1983-84, the IDBI sanctioned Rs.50·4 crores for subscriptions to shares and bond issues of all-India and State level institutions and disbursed Rs.41·4 crores on this account. In 1982-83, sanctions and disbursements of financial support to these institutions had amounted to Rs.44·8 crores and Rs.42·0 crores, respectively.

*Seed Capital Assistance*

During 1983-84, seed capital assistance of Rs.11·7 crores, in respect of 142 proposals, was sanctioned as against Rs.7·8 crores for 110 proposals in 1982-83. The assistance disbursed during 1983-84 went up significantly from Rs.4·6 crores to Rs.7·6 crores.

*Interest Rates*

There was no change in the basic lending rate but the discount and rediscount rates in respect of bills drawn by SEBs and SRTCs were reduced to bring down the effective cost of borrowing to SEBs and SRTCs under the bills rediscounting scheme to 15 per cent per annum since July 1, 1983. Further, the interest rate structure under the refinance scheme was rationalised and interest rates on loans to weaker sections and artisans were reduced (Table IX-14).

**(ii) Industrial Finance Corporation of India**

The Industrial Finance Corporation of India (IFCI) sanctioned and disbursed financial assistance of Rs.330·0 crores and Rs.225·4 crores respectively during 1983-84 (April-March) (Table IX-15). Sanctions increased by 43·4 per cent and disbursements by 14·2 per cent over the year. Cumulative sanctions and disbursements

**Table IX—14 : Structure of IDBI's Interest Rates**

(Per cent per annum)

| Scheme | Interest rate |
|---|---|
| **A. Direct lending** | |
| a) Basic lending rate (normal) | 14·00 |
| b) Concessional rates | |
| i) Project in Backward Areas* | |
| 'A' Category districts (upto Rs. 5 crores) | 12·50 |
| 'B' Category districts (upto Rs. 3 crores) | 12·50 |
| 'C' Category districts (upto Rs. 2 crores) | 12·50 |
| ii) Project - specific infrastructure of new projects in 'A' category districts during construction period (upto 20% of the project cost) | Interest free |
| iii) Manufacture and installation of renewable energy system | 12·50 |
| iv) Soft loan for modernisation (upto Rs. 4 crores per project) | 11·50 |

| **B. Indirect Lending** | IDBI's rate for primary lenders (Banks SFCs SIDCs) | Ceiling on primary lenders' rate |
|---|---|---|
| I. Refinance Scheme | | |
| a) Basic lending rate | 10·50 | 14·00 |
| b) Concessional rates for units in backward areas | | |
| i) Small scale units | 9·00 | 12·50 |
| ii) Other new units | 9·00 | 12·50 |
| iii) Composite loans to artisans and tiny units (upto Rs. 25,000) | 6·50 | 10·00 |
| c) Concessional rates for units in non-backward areas for | | |
| i) Small scale units | 10·00 | 13·50 |
| ii) All units for modernisation | 9·00 | 11·50 |
| iii) Rehabilitation assistance to small scale units | 9·00 | 10·00 |
| iv) Composite loans to artisans and tiny units (upto Rs. 25,000/- per unit) | 8·50 | 12·00 |
| v) Units set up by SC/ST entrepreneurs and physically handicapped persons | 6·50 | 10·00 |
| vi) Manufacture and installation of renewable energy system | 9·00 | 12·50 |
| d) Rates for road transport operators | | |
| i) Upto two vehicles | 9·00 | 12·50 |
| ii) For more than two vehicles | 11·50 | 15·00 |
| II. 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 up to 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 up to 84 months | 9·00 | 10·40 |
| c) SEBs/SRTCs (seller and or purchaser)– | | |
| i) 6 months to 36 months | 9·75 | 11·00 |
| ii) Over 36 months and up to 84 months | 9·25 | 10·50 |
| d) SEBs and SRTCs in North Eastern and Himalayan Hill Regions and SEBs in the state of West Bengal for use in hill districts of Darjeeling– | | |
| i) 6 months to 36 months | 7·75 | 9·00 |
| ii) Over 36 months and up to 84 months | 7·25 | 8·50 |
| e) Manufacture and installation of renewable energy systems– | | |
| i) 6 months to 36 months | 8·25 | 9·60 |
| ii) Over 36 months and up to 84 months | 7·75 | 9·10 |

* Under the new policy of incentives announced by the Government in April 1983, backward areas have been classified into three categories A, B and C.

'A' Category comprises of 131 districts (90 No Industry Districts and 41 Special Region Districts)

'B' Category comprises of 55 districts eligible for the central investment subsidy at the rate of 15 per cent of the project cost with a ceiling of Rs. 15 lakhs per project.

'C' Category comprises of 113 districts eligible for the central investment subsidy at the rate of 10 per cent of project cost subject to a ceiling of Rs. 10 lakhs per project.

**Table IX—15 : Financial Assistance Sanctioned and Disbursed by the IFCI**

(Year : April-March) (Rupees crores)

| Type of Assistance | 1982 - 83 | | 1983 - 84 | | Cumulative Assistance as at the end of March 1984 | |
|---|---|---|---|---|---|---|
| | Sanctions | Disbursements | Sanctions | Disbursements | Sanctions | Disbursements |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| 1. Rupee Loans | 209·1@ | 168·7@ | 261·2@ | 208·7@ | 1,594·8@ | 1,225·7@ |
| 2. Foreign Currency Loans | 5·8 | 21·1 | 38·9 | 10·8 | 247·5 * | 200·3 * |
| 3. **Underwriting and Direct Subscriptions (i + ii)** | **15·3** | **7·6** | **29·9** | **5·9** | **151·2** | **58·6** |
| (i) Ordinary & Preference Shares | 13·4 | 6·4 | 29·9 | 5·8 | 129·8 | 46·3 |
| (ii) Debentures | 1·9 | 1·2 | — | 0·1 | 21·4 | 12·3 |
| **Total** | **230·2** | **197·4** | **330·0** | **225·4** | **1,993·5** | **1,484·6** |

@ Includes guarantees

* Includes guarantees for foreign loans.

*Source* : Industrial Finance Corporation of India.

by the IFCI as at the end of March 1984, aggregated Rs.1,993·5 crores and Rs.1,484·6 crores, respectively.

Loans (excluding guarantees) sanctioned during the year increased substantially to Rs.296·5 crores from Rs.209·5 crores recording a rise of 41·5 per cent. Disbursement of loans increased by 15·9 per cent from Rs.188·6 crores to Rs.218·5 crores. Out of the total term loans of Rs.296·5 crores, Rs.177·2 crores were sanctioned to newly established companies and Rs.119·3 crores to existing companies (of which Rs.22·9 crores were for new projects and Rs.96·4 crores for expansion of existing capacity/ modernisation). Of the loans disbursed, newly established companies accounted for Rs.131·1 crores and existing companies for Rs.87·4 crores.

During 1983-84, under the head underwriting and direct subscriptions, while sanctions showed almost a two-fold rise from Rs.15·3 crores to Rs. 29·9 crores, disbursements declined by Rs.1·7 crores to Rs.5·9 crores. During the year, the IFCI sanctioned Rs.208·0 crores for 178 projects in the specified backward districts. This constituted 63 per cent of the total assistance sanctioned during the year by the IFCI. Of the total amount disbursed by the IFCI during 1983-84, Rs.125·7 crores (55·8 per cent) was in respect of projects in such areas.

As on March 31, 1984, IFCI had assisted 333 projects to the extent of Rs.189·6 crores, both under the earlier "Soft Loans Scheme" and the modified "Soft Loans Scheme for Modernisation".

The IFCI sponsored Risk Capital Foundation (RCF), which extends assistance by way of interest free personal loans to promoters for meeting a part of the promoter's contribution to the equity capital, sanctioned Rs.161·2 lakhs to 23 promoters of 13 projects during the year 1983-84. Cumulative assistance sanctioned by the RCF upto March 31, 1984, amounted to Rs.5·2 crores to 99 promoters of 61 projects. Cumulative disbursements amounted to Rs.3·6 crores benefitting 76 promoters of 48 projects.

During 1983-84, the IFCI raised funds to the extent of Rs.159·8 crores by issue of bonds in three tranches, one each in June and October, 1983 for Rs.79·8 crores and Rs.50·0 crores, respectively, and the third in February 1984 for

Rs.30·0 crores. The total outstanding borrowings by way of bonds as on March 31, 1984 amounted to Rs.760·6 crores.

IFCI was granted further loan of DM 20 million from KfW during the year, being the XXIInd line of credit, bringing the total credit from KfW to the Corporation as on March 31, 1984 to DM 277·5 million. Assistance in Deutshe marks sanctioned by IFCI to industrial concerns during the year amounted to DM 34·1 million, while disbursements aggregated DM 10·4 million.

### (iii) Industrial Credit and Investment Corporation of India Ltd.

During 1983-84 (April-March), the Industrial Credit and Investment Corporation of India Ltd., (ICICI) sanctioned financial assistance (including guarantees) of Rs.438·5 crores, 25·8 per cent higher than Rs.348·7 crores sanctioned during 1982-83. Disbursements of financial assistance by the ICICI increased during the year by 8·8 per cent to Rs.295·0 crores (Table IX-16). Besides, the ICICI also sanctioned credit facilities, under its suppliers' credit scheme of Rs.49·7 crores (as against Rs.43·4 crores in 1982-83) to indigenous manufacturers for promoting sale of industrial equipment on deferred payment terms, and equipment leasing facilities of Rs.19·4 crores. Disbursements on account of suppliers' credit during 1983-84 amounted to Rs.34·2 crores and on account of equipment leasing amounted to Rs.5 crores. Loans sanctioned increased from Rs.322·1 crores in 1982-83 to Rs.404·7 crores during 1983-84, largely on account of higher sanctions of foreign currency loans which increased by Rs.72·9 crores to Rs.176·2 crores; rupee loans showed a marginal rise of Rs.9·7 crores over the year. Disbursements of loans aggregated Rs.282·4 crores compared with Rs.258·4 crores in the preceding year. The ICICI's assistance to companies by way of underwriting and direct subscription to shares and debentures presented a mixed picture with sanctions increasing by Rs.7·2 crores to Rs.33·8 crores and disbursements

**Table IX-16 : Financial Assistance Sanctioned and Disbursed by the ICICI**

(Year : April-March) (Rupees crores)

| Type of Assistance | 1982 - 83 | | 1983 - 84 | | Cumulative Assistance as at the end of March 1984 | |
|---|---|---|---|---|---|---|
| | Sanctions | Disbursements | Sanctions | Disbursements | Sanctions | Disbursements |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| 1. Rupee Loans | 218·8* | 155·0 | 228·5* | 166·5 | 1,183·5* | 862·1* |
| 2. Foreign Currency Loans | 103·3 | 103·4 | 176·2 | 115·9 | 1,202·1 | 981·7 |
| **3. Underwriting and Direct Subscriptions (a + b)** | **26·6** | **12·8** | **33·8** | **12·6** | **242·1** | **122·2** |
| (a) Ordinary and Preference Shares | 15·9 | 6·3 | 29·4 | 6·1 | 171·3 | 72·4 |
| (b) Debentures | 10·7 | 6·5 | 4·4 | 6·5 | 70·8 | 49·8 |
| **Total (1 + 2 + 3)** | **348·7** | **271·2** | **438·5** | **295·0** | **2,627·7** | **1,966·0** |
| 4. Others | | | | | | |
| a) Suppliers' Credit | 43·4 | 11·0 | 49·7 | 34·2 | 172·4 | 100·3 |
| b) Equipment Leasing | — | — | 19·4 | 5·0 | 19·4 | 5·0 |
| **Total (1 to 4)** | **392·1** | **282·2** | **507·6** | **334·2** | **2,819·5** | **2,071·3** |

* Including guarantees.
*Source* : Industrial Credit and Investment Corporation of India.

at Rs.12·6 crores amounting slightly lower than Rs.12·8 crores in 1982-83.

Cumulative sanctions and disbursements including suppliers' credit and leasing by the ICICI at the end of March 1984, aggregated Rs.2,819·5 crores and Rs.2,071·3 crores, respectively.

Assistance sanctioned and disbursed by ICICI to projects located in classified backward areas increased from Rs.142·5 crores and Rs.112·6 crores, respectively, in 1982-83 to Rs.224·3 crores and Rs.127·7 crores, respectively, in 1983-84.

Direct loans sanctioned to new companies amounted to Rs.157·9 crores (41·8 per cent) and to existing companies Rs.219·6 crores (58·2 per cent). Of the total assistance to existing companies, the major portion, amounting to Rs.180·8 crores, was mainly for expansion of existing capacity and modernisation and Rs.38·8 crores for new projects.

The total resources (net of cancellation and repayments) of ICICI at the end of March 1984 amounted to Rs.1,681·8 crores comprising Rs.1,020·4 crores (60·7 per cent) in rupees and the rest 39·3 per cent in foreign currencies equivalent to Rs.661·4 crores. The rupee resources of the ICICI during 1983-84 were augmented by two bond issues aggregating Rs.152 crores (one in July 1983 for Rs.82·5 crores and the other in January 1984 for Rs.69·5 crores). ICICI raised its foreign currency resources by entering into an agreement for Swiss Frame Credit of S.F. 10 million in September 1983.

**(iv) Housing Development Finance Corporation Ltd.**

The Housing Development Finance Corporation Ltd. (HDFC) provides financial assistance to individuals, co-operative societies and companies for new residential housing.

During 1983-84 (April-March), HDFC sanctioned housing loans to the tune of Rs.89·0 crores and disbursed a sum of Rs.64·6 crores for over 23,000 units spread all over the country. HDFC recorded a rise of 39 per cent in sanctions and 47 per cent in disbursements over the year. These loans have been sanctioned in respect of dwelling units spread over nearly 300 towns and cities thereby covering 46 additional towns all over the country during the year. The cumulative sanctions as at the end of March 1984 aggregated Rs.245·2 crores, in respect of more than 72,000 units while cumulative disbursements as on that date reached Rs. 160·4 crores.

During the year, the HDFC raised a sum of Rs.18·6 crores from commercial banks under the RBI guidelines, besides mobilising deposits through its various schemes to the tune of Rs.67·3 crores. The HDFC also finalised borrowing of additional US $ 10 million under the Housing Guarantee Programme of the United States Agency for International Development. Under a swap transaction with Bank of India, the HDFC handed over the funds so raised abroad to the Bank of India, New York and in turn the bank sanctioned a term loan of Rs.10 crores to the HDFC.

**(v) Life Insurance Corporation of India**

Financial assistance[@] sanctioned and disbursed by the Life Insurance Corporation of India (LIC) during 1983-84 (April-March) were higher than in 1982-83; sanctions increased from Rs.203·5 crores to Rs.209·5 crores and disbursements from Rs.145·3 crores to Rs.188·6 crores (Table IX-17). LIC's assistance by way of loans (including short-term loans) showed a decline of 15·9 per cent in sanctions and a rise of 4·0 per cent in disbursements during the year. However, the assistance by way of underwriting and direct subscriptions to shares and debentures recorded considerable rise with sanctions increasing by 62·6 per cent to Rs.79·4 crores and disburse-

@ Sanctions and disbursements relate to investments made by way of term loans (including short-term loans) to companies, industrial co-operatives, sugar co-operatives, underwriting direct subscriptions (including subscriptions to rights issues) of shares and debentures of companies.

**Table IX—17 : Assistance Sanctioned and Disbursed by the LIC**

(Year : April-March) (Rupees crores)

| Type of Assistance | 1982 - 83 | | 1983 - 84 | | Amount outstanding as on March 31, 1984 |
|---|---|---|---|---|---|
| | Sanctions | Disbursements | Sanctions | Disbursements | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **1. Loans (i + ii)** | **154·7** | **110·9** | **130·1** | **115·4** | **430·5** |
| i) Term Loans | 87·7 | 52·2 | 87·5 | 67·7 | 312·9 |
| a) Public Sector | 9·1 | 8·0 | 6·6 | 4·7 | N.A. |
| b) Private Sector (including Joint-Sector) | 53·6 | 44·0 | 80·9 | 62·8 | N.A. |
| c) Co-operative Sector | 25·0 | 0·2 | — | 0·2 | N.A. |
| ii) Short-term loans | 67·0 | 58·7 | 42·7 | 47·7 | **117·6** |
| a) Public Sector | 20·3 | 20·3 | 25·5 | 25·1 | N.A. |
| b) Private Sector (Including Joint Sector) | 46·7 | 38·4 | 17·2 | 22·6 | N.A. |
| **2. Underwriting and Direct Subscriptions (i + ii)** | **48·8** | **34·4** | **79·4** | **73·2** | **464·9@** |
| i) Ordinary and Preference shares | 5·9 | 4·1 | 1·4 | 2·5 | 240·3 |
| ii) Debentures | 42·9 | 30·3 | 78·0 | 70·7 | 224·6 |
| **Total (1 + 2)** | **203·5** | **145·3** | **209·5** | **188·6** | **895·4** |

N.A. : Not Available
@ : Includes market purchases also.
*Source* : Life Insurance Corporation of India.

ments by 112·8 per cent to Rs.73·2 crores. The increase came solely on account of debentures, in respect of which sanctions increased by 82·0 per cent and disbursements by 134·0 per cent.

*Investments by LIC*

Investments by LIC increased from Rs.7,835·0 crores at the end of March 1983 to Rs.8,857·6 crores as at the end of March 1984, a rise of 13·1 per cent or Rs.1,022·6 crores (Table IX-18).

Sector-wise Rs.7,020·8 crores (or 79·3 per cent) was invested in public sector, Rs.905·3 crores (or 10·2 per cent) in co-operative sector, Rs.891·4 crores (or 10·1 per cent) in private sector and Rs.40·1 crores (or 0·4 per cent) in joint sector.

**(vi) General Insurance Corporation of India and its subsidiaries**

Aggregate assistance sanctioned by the General Insurance Corporation of India (GIC) and its subsidiaries * during the year 1983-84 (April-March) for project finance rose to Rs.108·5 crores from Rs.92·7 crores in 1982-83 (Table IX-19). Assistance disbursed increased from Rs.44·7 crores in 1982-83 to Rs.84·5 crores in 1983-84. Amount of loans sanctioned rose during the year by Rs.12·6 crores to Rs.42·8 crores, while disbursements recorded marginal increase of Rs.1·2 crores to Rs.16·5 crores. Assistance by way of underwriting and direct

* 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 IX-18 : Investments by Life Insurance Corporation of India**

(Rupees crores)

| Sector | As at the end of March | | Net during (April-March) | |
|---|---|---|---|---|
| | 1983 | 1984 | 1982—83 | 1983-84 |
| 1 | 2 | 3 | 4 | 5 |
| 1. Public Sector @ | 6,189·7 | 7,020·8 | 779·0 | 831·1 |
| 2. Private Sector | 787·4 | 891·4* | 88·7 | 104·0* |
| i) Equity shares | 193·3 | | 12·0 | |
| ii) Preference shares | 37·4 | | −2·0 | |
| iii) Debentures | 185·0 | | 33·3 | |
| iv) Loans | 371·7 | | 48·1 | |
| v) Others | — | | −2·7 | |
| 3. Joint Sector | 32·7 | 40·1* | 0·7 | 7·4 * |
| i) Shares and Debentures | 8·7 | | 0·2 | |
| ii) Loans | 24·0 | | 0·5 | |
| 4. Co-operative Sector | 825·2 | 905·3* | 72·2 | 80·1 * |
| i) Shares and Debentures | 316·4 | | 24·3 | |
| ii) Loans | 508·8 | | 47·9 | |
| **Total** | **7,835·0** | **8,857·6** | **940·6** | **1,022·6** |

@ Government and other approved securities, loans, investment in Government companies and other statutory bodies, etc.
* Break up not available.
*Source* : Life Insurance Corporation of India.

subscription to shares and debentures recorded a rise of Rs.3·2 crores to Rs.65·7 crores in sanctions and of Rs.38·6 crores to Rs.68·0 crores in disbursements. The increase in the assistance by way of underwriting support and direct subscription to securities was on account of debentures; sanctions for which during 1983-84 amounted to Rs.62·9 crores as against Rs.52·6 crores in 1982-83 and disbursements to Rs.63·3 crores (Rs.20·8 crores in 1982-83).

Sector-wise, assistance sanctioned to units in private sector during 1983-84 registered marginal decline from Rs.88·5 crores to Rs.87·1 crores, while disbursements to units in this sector increased substantially from Rs.39·1 crores to Rs.74·0 crores.Sanctions and disbursements to public sector units rose from Rs. 3·6 crores and Rs.4·5 crores in 1982-83 to Rs.16·6 crores and Rs.6·5 crores, respectively, in 1983-84.

GIC and its subsidiaries charged 14 per cent per annum net for term borrowings (*i.e.*,15 per cent per annum with a rebate of 1 per cent for prompt repayment) and for short term borrowings the rate of interest was 18 per cent with a rebate of 1 per cent.

*Investments by GIC and its Subsidiaries*

Investments by GIC and its subsidiaries increased to Rs.1,627·7 crores as at the end of December 1983 from Rs.1,298·3 crores as at the

**Table IX—19 : Assistance @ Sanctioned and Disbursed by GIC and its Subsidiaries**

(Year : April-March) (Rupees crores)

| | 1982 - 83 | | 1983 - 84 | |
|---|---|---|---|---|
| | Sanctions | Disbursements | Sanctions | Disbursements |
| 1. | 2. | 3. | 4. | 5. |
| **A) Sector-wise Assistance** | | | | |
| 1. Public Sector | 3·6 | 4·5 | 16·6 | 6·5 |
| 2. Private Sector | 88·5 | 39·1 | 87·1 | 74·0 |
| 3. Joint Sector | 0·6 | 1·1 | 4·8 | 4·0 |
| **Total** | **92·7** | **44·7** | **108·5** | **84·5** |
| Of which : for projects in Backward Areas | 1·4 | 4·9 | 9·2 | 7·2 |
| **B) Type of Assistance** | | | | |
| 1. Loans | 30·2 | 15·3 | 42·8 | 16·5 |
| **2. Underwriting and Direct Subscriptions** | **62·5** | **29·4** | **65·7** | **68·0** |
| i) Ordinary and Preference shares | 9·9 | 8·6 | 2·8 | 4·7 |
| ii) Debentures | 52·6 | 20·8 | 62·9 | 63·3 |
| **Total** | **92·7** | **44·7** | **108·5** | **84·5** |

@ Relates to project finance only.

*Source* : General Insurance Corporation of India.

end of December 1982 (Table IX-20). Sector-wise, investments in public sector at Rs.1,013·1 crores accounted for 62·2 per cent of the total investment. Investments in other sectors were; Rs.597·4 crores (or 36·7 per cent) in private sector; Rs.14·3 crores (or 0·9 per cent) in joint sector and Rs.2·9 crores (or 0·2 per cent) in co-operative sector.

### (vii) Unit Trust of India

The sales of units by the Unit Trust of India (UTI) under its various schemes during 1983-84 (July-June) recorded a significant growth of 97·8 per cent at Rs.330·2 crores over Rs.166·9 crores in 1982-83 (Table IX-21). Under the Unit Scheme 1964, the sales increased by Rs.85·4 crores to Rs.161·2 crores and under the Unit Scheme 1971 (ULIP) by Rs.4·3 crores to Rs.25·7 crores. The sales under the Charitable and Religious Trusts and Registered Societies (CRTS) Scheme, 1981, at Rs.6·3 crores was, however, lower than Rs.7·2 crores in 1982-83. During the year, the UTI reintroduced the Monthly Income Unit Scheme for a short period and launched a new scheme *viz.* the Capital Gains Unit Scheme 1983 (CGS-83). The Monthly Income Unit Scheme MIS (2)-83 was reintroduced for a period of two months from 1st November 1983 and units sold under this scheme amounted to Rs.33·6 crores under 16,696 applications.

The new scheme CGS-83, launched on December 1, 1983, to enable the assessees to claim tax exemptions under the amended section 54 E (1) of the Income-tax Act 1961 by investing the net consideration received or accrued as a result of transfer of long term capital assets or part thereof in the units. Under the scheme, a minimum of 500 units of a face value of Rs.10 each are sold at the sale price in

**Table IX-20 : Investments by GIC and its subsidiaries**

(Rupees crores)

| Sector | As at the end of December | | Net during January-December | |
|---|---|---|---|---|
| | 1982 | 1983 | 1982 | 1983 |
| 1 | 2 | 3 | 4 | 5 |
| 1. Public Sector @ | 790·2 | 1,013·1 | 145·8 | 222·9 |
| 2. Private Sector | 494·4 | 597·4 * | 95·4 | 103·0 * |
| i) Equity shares | 209·1 | | 25·3 | |
| ii) Preference shares | 45·2 | | 6·8 | |
| iii) Debentures | 75·4 | | 22·9 | |
| iv) Loans | 146·5 | | 31·8 | |
| v) Others | 18·2 | | 8·6 | |
| 3. Joint Sector | 10·8 | 14·3 * | 1·4 | 3·5 * |
| i) Shares and Debentures | 6·4 | | 0·9 | |
| ii) Loans | 4·4 | | 0·5 | |
| 4. Co-operative Sector £ | 2·9 | 2·9 | — | — |
| **Total** | **1,298·3** | **1,627·7** | **242·6** | **329·4** |

@ 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.

multiples of 10 with no maximum limit. Repurchases are allowed only after a period of 3 years. A dividend of 8 per cent was declared for 1983-84 under this scheme. Under this scheme, the sale of units was Rs.102·9 crores under 9,767 applications.

During 1983-84 (July-June), repurchases of units at Rs.15·7 crores were higher than Rs.15·4 crores in 1982-83 indicating a rise of 1·9 per cent. At the end of June 1984, units sold and outstanding with the public under all the schemes aggregated Rs.1,021·3 crores as against Rs.706·9 crores as at the end of June 1983.

The Trust has raised the rate of dividend from 13·5 per cent to 14 per cent in 1983-84 under the Unit Scheme 1964, from 10·5 per cent to 11·5 per cent under the Unit Scheme (ULIP) 1971, from 12·75 per cent to 13 per cent under Unit Scheme (CRTS) 1981, from 12 per cent to 12·5 per cent under Income Unit Scheme 1982.

Assistance sanctioned and disbursed by the UTI in the sphere of industrial finance through privately placed debentures and underwriting and direct subscriptions to public issues of capital by companies during 1983-84 (April-March) amounted to Rs.165·8 crores and Rs.139·3 crores, respectively, as against Rs.127·5 crores and Rs.71·7 crores, respectively in 1982-83 (Table IX-22). Sanctions of loans (privately placed debentures) at Rs.62·5 crores, was lower by Rs.7·8 crores than Rs. 70·3 crores in 1982-83. Disbursements on this account, however, increased by Rs.8·8 crores from Rs.38·4 crores to Rs.47·2 crores. Sanctions under the head under-

**Table IX—21 : Sales and Repurchases of Units by Unit Trust of India**

(Year : July-June) (Rupee crores)

| Schemes | Sales | | Repurchases | | Outstanding | | Dividend Rate for 1983-84 (Per cent) |
|---|---|---|---|---|---|---|---|
| | 1982-83 | 1983-84@ | 1982-83 | 1983-84@ | 1982-83 | 1983-84@ | |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. |
| Unit Scheme 1964 | 75·8 | 161·2 | 12·5 | 10·5 | 496·5 | 647·1 | 14·00 |
| Unit Scheme 1971 (ULIP) | 21·4* | 25·7* | 2·5 | 4·8 | 64·4 | 85·4 | 11·50 |
| CRTS Scheme 1981 | 7·2 | 6·3 | — | ●● | 16·3 | 22·6 | 13·00 |
| Income Unit Scheme 1982 | — | ● | 0·4** | ●● | 67·2 | 67·1 | 12·50 |
| Monthly Income Unit Scheme 1983 | 49·0 | 0·5 @@ | — | 0·3** | 49·0 | 49·2 | 12·00 |
| Growth and Income Unit Scheme 1983 | 13·5 | — | — | 0·1 | 13·5 | 13·4 | 10·00 |
| Monthly Income Unit Scheme (2) 1983 | — | 33·6 | — | ●● | — | 33·6 | 12·00 |
| Capital Gains Unit Scheme 1983 | — | 102·9 | — | — | — | 102·9 | 8·00 |
| **Total** | **166·9** | **330·2** | **15·4** | **15·7** | **706·9** | **1,021·3** | |

* Represents sales from contributions from new members, renewal contirbutions from existing members and dividend payable to existing members.

@ Provisional

●● Premature withdrawal under CRTS 1981, IUS 1982 and MIS (2) 1983 amounted to Rs.5 lakhs, Rs.2 lakhs and Rs.1 lakh respectively.

@ @ Sales effected on clearance of objections.

** Includes premature withdrawals allowed in case of death of applicants and rejections on technical grounds.

● Sales effected during 1983-84 for Rs.0·12 lakhs on clearance of objections.

*Source* : Unit Trust of India.

writing and direct subscriptions to shares and debentures increased from Rs.57·2 crores to Rs.103·3 crores, and disbursements increased substantially from Rs.33·3 crores to Rs.92·1 crores, in 1983-84. The cumulative assistance sanctioned and disbursed by the Unit Trust of India upto end-March 1984 aggregated Rs.681·2 crores and Rs.512·3 crores, respectively.

The investible funds of the Trust as on June 30, 1984 rose to Rs.1,261·3 crores from Rs.870·2 crores, as on June 30, 1983. Out of the total investible funds, Rs.214·8 crores (17·0 per cent) were invested in equity shares, Rs.11·8 crores (0·9 per cent) in preference shares, Rs.487·9 crores (38·7 per cent) in debentures and the balance amount of Rs.546·8 crores (43·4 per cent) was invested mainly in advance deposits against investment commitments, fixed deposits, bridge finance and money at call and short notice.

### (viii) Industrial Reconstruction Corporation of India Ltd.

The Industrial Reconstruction Corporation of India Ltd. (IRCI) assisted 102 industrial units during the year ending March 1984 compared with 88 units in the preceding year. The financial assistance (term-loans and hire-purchase assistance) sanctioned during 1983-84 amounted to Rs.64·9 crores, 12·1 per cent higher than in the previous year, while disbursements increased by 5·8 per cent to Rs.38·2 crores. The cumulative sanctions and disbursements upto end-March 1984 stood at Rs.266·0 crores and Rs.184·9 crores, respectively (Table IX-23).

The IRCI sanctioned Rs.15·7 crores to the industrial units located in specified backward areas in 1983-84, compared with Rs.12·5 crores in 1982-83. Disbursements to such units were

**Table IX—22 : Financial Assistance Sanctioned and Disbursed by Unit Trust of India**

(Year : April - March) (Rupees crores)

| Type of Assistance | 1982 - 83 | | 1983 - 84 | | Cumulative Assistance as at the end of March 1984 | |
|---|---|---|---|---|---|---|
| | Sanctions | Disburse-ments | Sanctions | Disburse-ments | Sanctions | Disburse-ments |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| 1. Subscriptions to Privately Placed Debentures | 70·3 | 38·4 | 62·5 | 47·2 | 304·5 | 247·3 |
| **2. Underwriting and Direct Subscriptions (a + b)** | **57·2** | **33·3** | **103·3** | **92·1** | **376·7** | **265·0** |
| a) Ordinary and Preference shares | 4·7 | 3·6 | 2·3 | 2·0 | 59·2 | 45·0 |
| b) Debentures | 52·5 | 29·7 | 101·0 | 90·1 | 317·5 | 220·0 |
| **Total** | **127·5** | **71·7** | **165·8** | **139·3** | **681·2** | **512·3** |

*Source* : Unit Trust of India.

however, lower at Rs.8·8 crores in 1983-84 than Rs.9·3 crores in 1982-83.

The IRCI extends Line of Credit facilities tc various State-level institutions/Union Territories agencies like SFCs and SIDCs to help rehabilitation of sick small scale units. Till the end of March 1984, the IRCI sanctioned such facilities to 17 State-level/Union Territories agencies for a total amount of Rs.8·5 crores and disbursed Rs.1·5 crores.

The IRCI has recently diversified its activities, *inter-alia*, to equipment leasing, and till the end of March 1984, it sanctioned Rs.3·7 crores and disbursed Rs.3 crores under the scheme.

*Industrial Reconstruction Bank of India*

Parliament passed a Bill in August 1984 to convert the Industrial Reconstruction Corporation of India, which is a company registered under the Companies Act, into a statutory corporation to be called the Industrial Reconstruction Bank of India (IRBI) with a view to overcoming the inherent difficulties which had been faced by the IRCI in its efforts to rehabilitate and reconstruct sick industrial concerns.

The IRBI will function as the principal credit and reconstruction agency for industrial revival and will coordinate the work of other institutions engaged in the revival of industries. It will also assist and promote industrial development and rehabilitation of industrial concerns.

The authorised capital of the IRBI will be Rs.200 crores and paid up capital will be Rs.50 crores comprising of Rs.20 crores of the IRCI's paid up capital, conversion of Central Government loans to IRCI into capital to the extent of Rs.20 crores and Rs.10 crores direct subscription by the Central Government. The IRBI could receive interest free loans from Central Government ranging from Rs.40 crores to Rs.80 crores every year, depending upon the magnitude of its operations. It could also raise foreign loans with guarantees from the Government of India.

In addition to its normal fund, a special fund to be called the reconstruction assistance fund would be set up for the purpose of financing any loan or advance or entering into any arrangements which are not supported by the RBI, the scheduled commercial banks and the financial institutions.

**Table IX—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. |
| 1982 - 83 | 88 (50*) | 57·9 | 36·1 |
| 1983 - 84 | 102 (59*) | 64·9 | 38·2 |
| Cumulative Position as at the end of March 1984 | 242 | 266·0 | 184·9 |

@ 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.
*Source* : Industrial Reconstruction Corporation of India Ltd.

The IRBI will have powers to take over the management of assisted sick industrial units, lease them out or sell them as running concerns or prepare schemes for reconstruction by scaling down the liabilities with the approval of the Government of India.

### (ix) Export-Import Bank of India

The Export-Import Bank of India (Exim Bank), which commenced operations from March 1, 1982 extends both funded and non-funded assistance for promotion of the trade sector of the economy. The bank's funded assistance programmes in the forms of direct financial support to exporters, rediscounting of export bills, technology and consultancy services financing, refinancing of export credit and re-lending facility to banks abroad are extended to enable Indian exporters to operate in international markets. Non-funded assistance is in the form of guarantees which are in the nature of bid bonds, advance payment and performance guarantees, retention money guarantees, and guarantees for raising finance 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/ employers and banks. In 1983, the Exim Bank introduced a scheme called the Exim Syndication Facility to attract greater participation in export credit by commercial banks in India, who are authorised dealers in foreign exchange. Under this facility, Exim Bank provides funds for an export proposal and syndicates the credi risks to commercial banks, and the banks for assuming credit risks earn a commission of 0·5 per cent per annum from the Exim Bank. This facility has already been availed of by banks in two projects in Algeria and Malaysia.

During January-December 1983, the Exim Bank's approvals (commitments in principle) under funded assistance aggregated Rs.313·8 crores, of which, sanctions and utilisations amounted to Rs.287·2 crores and Rs.205·7 crores, respectively. Approvals of funded assistance during March-December 1982 amounted to Rs.292·9 crores, of which, sanctions and utilisations amounted to Rs.236·0 crores and Rs.178·5 crores, respectively. Approvals on account of non-funded (guarantees) facilities aggregated Rs.391·7 crores. Export guarantees of Rs.75·3 crores were executed during January-December 1983 compared with Rs.101·9 crores during March-December 1982 (Table IX-24). The reasons for the decline in non-funded assistance which is mostly extended to civil engineering construction contracts include the economic problems being faced by some countries in West Asia and also the continuing war between Iran and Iraq. At the end of December 1983, outstandings under funded and non-funded assistance amounted to Rs.293·0 crores and Rs.451·5 crores, respectively.

**Table IX—24 : Operations of Export-Import Bank of India**

(Rupees crores)

| Lending Programmes | March-December 1982 | | | January-December 1983 | | |
|---|---|---|---|---|---|---|
| | Sanctions | Utilisations | Outstandings | Sanctions | Utilisations | Outstandings |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| **A. Funded** | | | | | | |
| Buyers' Credit | 11·9 | 0·4 | 15·6 | 8·9 | 13·5 | 26·9 |
| Direct Financial Assistance | 38·7 | 30·0 | 84·0 | 54·5 | 36·4 | 105·1 |
| Export Bills Rediscounting | 122·1 | 111·0 | 18·4 | 124·4 | 124·4 | 45·9 |
| Export Credit Refinance | 6·7 | 14·1 | 30·7 | 17·5 | 7·0 | 24·1 |
| Lines of Credit | 42·0 | 16·6 | 59·8 | 44·0 | 22·5 | 81·4 |
| Overseas Investment Finance | 0·4 | 6·4 | 10·4 | 2·9 | 1·9 | 9·6 |
| Pre-shipment Credit | — | — | 1·0 | — | — | — |
| Relending Facility | 14·2 | — | — | 35·0 | — | — |
| **Total - Funded** | **236·0** | **178·5** | **219·9** | **287·2** | **205·7** | **293·0** |
| **B. Non-Funded** | **101·9** | **56·4*** | **398·6**** | **75·3** | **71·2*** | **451·5** |

* Guarantee issued.
** At book value. When revalued at exchange rate prevailing on December 30, 1982, non-funded outstandings amount to Rs.467·7 crores.
*Source* : Export-Import Bank of India.

Material handling equipment ropeways, air-conditioning and refrigeration equipment, pumping equipment, food processing plant, jute machinery, sugar plants, transport equipment and construction goods accounted for 90 per cent of the funded assistance sanctioned during 1983. In the utilisations of funded assitance (excluding export bills rediscounting) cement and sugar plant machinery, power generation and distribution equipment, transport equipment, pump sets, electrical hardware and insulators and other engineering plants accounted for 82 per cent. Of the total non- funded (guarantees) assistance sanctioned, the major share (86 per cent) was claimed by the construction industry (Table IX-25).

Region-wise, the two regions *viz.*, South-East Asia and Africa accounted for 94 per cent of funded commitments during the year as against 93 per cent during the period March-December 1982. Of the non-funded approvals, projects in West Asia received the largest share (42 per cent) followed by Africa (33 per cent) and South-East Asia (25 per cent). During the period March-December 1982, projects in West Asia received 66 per cent of the non-funded approvals followed by Africa 22 per cent and South-East Asia 12 per cent(Table IX-26).

The Exim Bank's resources, as on December 31, 1983 aggregated Rs.540·2 crores, including paid-up capital of Rs.100 crores, long-term loan of Rs.45·0 crores from Government of India, Rs.125·0 crores from Reserve Bank of India, Rs.154·6 crores due to IDBI on transfer of export loans from IDBI and reserves of Rs.12·1 crores. During 1983, Exim Bank raised Rs.53 crores through bond issue in the domestic capital market. Foreign currency resources of the Exim Bank were augmented by raising two Euro-dollar loans aggregating US $ 50·0 million and also finalisation of a line of French credit for 100·0 million French francs in 1983.

**Table IX—25 : Operations of Exim Bank— Industry-wise (January-December 1983)**

(Rupees crores)

| Lending Programmes | Cement Plant Machinery | | Chemical and Processing Plants | | Construction goods and services | | Power generation and distribution equipment | | Sugar Plants | | Textile Machinery | | Transport Equipment | | Other Engineering Plants | | Others * | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | S | U | S | U | S | U | S | U | S | U | S | U | S | U | S | U | S | U |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| **A. Funded** | | | | | | | | | | | | | | | | | | |
| Buyers' Credit | — | 7·74 | — | — | 0·85 | 0·78 | — | — | 8·00 | 5·01 | — | — | — | — | — | — | — | — |
| Direct Financial Assistance | — | — | — | — | 22·56 | 10·96 | 11·02 | 7·80 | — | — | — | — | 20·95 | 3·33 | — | 1·32 | — | 13·02 |
| Export Credit Refinance | — | — | — | 0·07 | — | — | 1·15 | 2·09 | — | — | 3·17 | 2·13 | 4·03 | — | 0·73 | 1·40 | 8·43 | 1·29 |
| Lines of Credit | — | 0·51 | — | 0·19 | — | — | — | 0·17 | — | 0·03 | — | 0·39 | — | 11·98 | — | 0·83 | 44·00 | 8·35 |
| Overseas Investment Finance | — | — | 0·25 | — | — | — | 0·17 | 0·25 | — | — | — | 0·09 | — | — | — | — | 2·45 | 1·56 |
| Relending Facility | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 35·00 | — |
| Total Funded | — | 8·25 | 0·25 | 0·26 | 23·41 | 11·74 | 12·34 | 10·31 | 8·00 | 5·04 | 3·17 | 2·61 | 24·98 | 15·31 | 0·73 | 3·55 | 89·88 | 24·22 |
| **B. Non-funded** | | | | | 64·61 | | 8·77 | | — | | — | | — | | 0·43 | | 1·51 | |

S = Sanctions U = Utilisations

* Others include marine freight containers, diesel engines, air conditioning and refrigeration equipment, material handling equipment, pumping equipment, etc.

*Note* : Table does not include portfolio of Export Bills Rediscounting.

*Source* : Export Import Bank of India.

**Table IX—26 : Operations of Exim Bank—Region-wise (January-December 1983)**

(Rupees crores)

| Lending Programmes | Africa | | America | | Europe | | South East Asia, Far East and Pacific | | West Asia | |
|---|---|---|---|---|---|---|---|---|---|---|
| | S | U | S | U | S | U | S | U | S | U |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **A. Funded** | | | | | | | | | | |
| Buyers' Credit | 8·85 | 0·78 | — | — | — | — | — | 12·75 | — | — |
| Direct Financial Assistance | 20·95 | 18·67 | — | — | — | — | 7·92 | 5·89 | 25·65 | 11·86 |
| Export Credit Refinance | 11·36 | 3·42 | — | 0·78 | 0·17 | — | 5·79 | 2·67 | 0·17 | 0·10 |
| Lines of Credit | 2·00 | 13·36 | 2·00 | — | — | — | 40·00 | 9·10 | — | — |
| Overseas Investment Finance | 0·12 | 0·41 | — | — | — | 0·10 | 2·77 | 1·39 | — | — |
| Relending Facility | | — | 10·00 | — | 15·00 | — | 10·00 | — | — | — |
| **Total – Funded** | **43·28** | **36·64** | **12·00** | **0·78** | **15·17** | **0·10** | **66·48** | **31·80** | **25·82** | **11·96** |
| **B. Non-Funded** | **32·40** | — | — | — | — | — | **4·41** | — | **38·51** | — |

S = Sanctions U = Utilisations

*Note* : Table does not include portfolio of Export Bills Rediscounting.

*Source* : Export-Import Bank of India.

### (x) Operations of State Financial Corporations

During the year 1983-84 (April-March) the aggregate assistance sanctioned by the 18 SFCs (including the Tamil Nadu Industrial Investment Corporation Ltd.) amounted to Rs.655·1 crores, 2·9 per cent higher than Rs.636·8 crores sanctioned in 1982-83. The assistance disbursed at Rs.433·6 crores during 1983-84 showed a rise of 6·9 per cent over the preceding year. Loans outstanding as on March 31, 1984 stood at Rs.1,824·2crores as against Rs.1,503·4 crores at the end of March 1983 (Table IX-27). About 72 per cent of the SFCs' total assistance, sanctions and disbursements, was provided to small scale industries. During 1983-84, SFCs sanctioned Rs.306·4 crores to projects in backward areas as against Rs.278·7 crores sanctioned in 1982-83. Disbursements to such units during 1983-84 aggregated Rs.201·2 crores compared with Rs.189·1 crores during 1982-83.

**Table IX-27 : Operations of State Financial Corporations**

(Year (April-March) (Rupees crores)

| | 1982-83 | 1983-84 * |
|---|---|---|
| Assistance Sanctioned | 636·8 | 655·1 |
| Assistance Disbursed | 405·6 | 433·6 |
| Loans outstanding as at the end of March | 1,503·4 | 1,824·2 |

* Provisional

*Source* : Industrial Development Bank of India

### (xi) National Small Industries Corporation Ltd.

The National Small Industries Corporation Ltd., (NSIC) recorded a further improvement in its performance during 1983-84 (Table IX-28). The NSIC supplied machines worth Rs.13·4 crores under its hire-purchase scheme during the year compared with Rs.11·0 crores in 1982-83. Total value of machines delivered on hire-purchase basis to small scale units since inception upto the end of March 1984 aggregated Rs.161·0 crores. The NSIC's assistance to small units in the field of marketting also showed improvement over the last year. Under the Central Government Stores Purchase Programme, 1837 new units were registered with the NSIC during 1983-84. These units secured orders from DGS & D and other government departments worth Rs.266·6 crores during 1983-84 compared with Rs.209·2 crores during 1982-83. During 1983-84, 768 persons received training in the Prototype Development and Training Centres of the NSIC compared with 721 in 1982-83. The value of machine tools sold and job orders executed during 1983-84 through the PDTCs amounted to Rs.2·1 crores as against Rs.1·4 crores in 1982-83.

During the year, the NSIC participated in seven exhibitions both in India and abroad with a view to promoting the products of small scale units and to ensure for them wider markets.

### (xii) National Industrial Development Corporation Ltd.

The National Industrial Development Corporation Ltd. (NIDC) renders consultancy services for industrial development including the provision of services for design and detailed engineering of industrial projects, economic development planning and management consultancy services to various governmental and private agencies as also to foreign institutions. Some of the important projects taken up by NIDC during the year 1983-84 (April-March) included (i) detailed design, engineering, construction management and consultant's supervision services for townships for Indian Telephone Industry, a housing complex for Coal India Ltd., R & D Centre buildings for Indian Oil Corporation, three seed processing plants, civil and electrical works for cables factory of Hindustan Cables Ltd., two repair workshops for BHEL, and modernisation of Kanpur unit for Tannery and Footwear Corporation and (ii) feasibility reports for industrial projects in Libya, setting up of an iron foundry on turn-key basis in Aden and detailed design and construction management services for an industrial estate in Zanzibar.

**Table IX—28 : Business Turnover of NSIC**

| Type of Activities | 1982 - 83 (April-March) | 1983 - 84 (April-March) |
|---|---|---|
| 1 | 2 | 3 |
| 1. Value of Machines supplied under Hire-Purchase Scheme to Small-Scale Units (Rupees crores) | 11·04 | 13·44 |
| 2. Marketing Activity (Rupees crores) | 4·97 | 6·89 |
| 3. Number of Small-scale Units listed with NSIC for executing Government contracts | 2,015 | 1,837 |
| 4. Value of contracts secured under Central Govt. Store Purchase Programme (Rupees crores) | 209·22 | 266·64 |
| 5. Number of trainees at various PDT centres | 721 | 768 |

*Source* : National Small Industries Corporation Ltd.

The value of the consultancy services rendered by the NIDC during 1983-84 amounted to Rs.1·6 crores compared with Rs.1·3 crores in 1982-83. The net foreign exchange earned by the NIDC aggregated Rs.14·3 lakhs during the year as against Rs.51·0 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

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.5,518·3 crores as on last Friday of December 1982, 12·9 per cent more than the limits of Rs.4,885·9 crores as at the end of December 1981. The number of units availing of credit limits at 10,49,675 increased by 89,027 or 9·3 per cent. The amount outstanding at the end of December 1982 stood at Rs.4,464·3 crores, higher by Rs.511·2 crores or 12·9 per cent than that at the end of December 1981 (Table IX-29).

Of the total limits in force, Rs. 150·2 crores were for artisans/village and cottage industries, Rs.301·5 crores for units in the tiny sector @ and Rs.143·1 crores for craftsmen and other qualified entrepreneurs. The amounts outstanding at the end of December 1982 stood at Rs.109·9 crores for artisans/village and cottage industries, Rs.249·8 crores for tiny sector and Rs.123·3 crores for craftsmen and other qualified entrepreneurs.

*Term Loans*

Term loans sanctioned by scheduled commercial banks to small-scale industrial units during 1982 showed a decline of Rs.110·2 crores, and as at the end of December 1982,stood at Rs.857·2 crores in respect of 1,86,161 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 December 1982 amounted to Rs.1,487·2 crores and the amount outstanding stood at Rs.1,246·6 crores, showing an increase of Rs.300·4 crores and

* Industrial units with investments in plant and machinery upto Rs.20 lakhs and in 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 machinery did not exceed Rs.2 lakhs.

**Table IX—29 : Loans and Advances by Scheduled Commercial Banks to Small Scale Industries, Small Road and Water Transport Operations and for Setting up of Industrial Estates**

| Particulars as on last Friday of | Number of units | | Limits in Force (Rupees crores) | | Balance outstanding (Rupees crores) | |
|---|---|---|---|---|---|---|
| | December 1981 | December 1982 | December 1981 | December 1982 | December 1981 | December 1982 |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| I. Small Scale Industries | 9,60,648 (1,72,000) | 10,49,675 (1,86,161) | 4,885·9 (967·3) | 5,518·3 (857·2) | 3,953·1 (820·7) | 4,464·3 (746·2) |
| *Of which to :* | | | | | | |
| i) Artisans, Village and Cottage Industries | 4,31,506 | 4,38,687 | 120·1 | 150·2 | 98·4 | 109·9 |
| ii) Tiny Sector | 1,51,950 | 1,55,765 | 258·9 | 301·5 | 209·7 | 249·8 |
| iii) Craftsmen and Other Qualified Entrepreneurs | 86,816 | 72,786 | 172·8 | 143·1 | 148·4 | 123·3 |
| II. Small Road and Water Transport Operators | 3,55,999 | 4,03,409 | 1,186·8 | 1,487·2 | 996·6 | 1,246·6 |
| III. For setting up of Industrial Estates | 348 | 293 | 52·7 | 66·0 | 47·0 | 55·6 |

*Note* : Figures in parentheses relate to term loans.

Rs.250·0 crores, respectively, over the December 1981 position. Of the total outstandings at Rs.1,246·6 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 293 industrial estates aggregated Rs.66·0 crores and amount outstanding at the end of December 1982 was Rs.55·6 crores.

**(ii) Credit Guarantee Function of Deposit Insurance and Credit Guarantee Corporation relating to Small-Scale Industries**

The number of institutions participating in the Deposit Insurance and Credit Guarantee Corporation's (DICGC) Small Loans (Small-Scale Industries) Guarantee Scheme, 1981 rose from 339 as at the end of June 1983 to 387 by the end of June 1984, comprising 72 commercial banks, 110 regional rural banks, 16 State Financial Corporations, seven other State development agencies and 182 co-operative banks. Besides, one non-scheduled commercial bank, one State Financial Corporation and six co-operative banks have expressed their willingness to join the scheme.

The total guaranteed advances to small-scale industrial sector rose from Rs.3,822 crores at the end of June, 1982 to Rs.4,154 crores at the end of June 1983, recording a rise of 8·7 per cent over the previous year. Under this scheme, during the period April 1,1981 to end-June, 1984, 24,831 claims for Rs.69 crores were received. The Corporation disposed of 16,123 claims for Rs.24 crores during the same period.

As regards the Government Scheme cancelled on March 31, 1981 (where the Corporation has been acting as an agent for the discharge of residual functions), the Corporation had taken over 30,826 claims for Rs.98 crores as on April 1, 1981, and had received further 35,965 claims for Rs.71 crores between April 1, 1981 and June 30, 1984. Till end-June 1984, the Corporation had disposed of 56,539 claims for Rs.77 crores. During the period April 1,1981 to end-June 1984, Rs.42 crores were disbursed against such claims, of which, Rs.41 crores were reimbursed by Government in respect of claims paid upto May 1984.

**IV. Private Sector Investment**

The trends in capital consents, new capital issues and assistance extended by term-lending institutions discussed in the earlier paragraphs indicate an overall growth in the investment

**Table IX—30 : Trends in Issue of Letters of Intent, Industrial Licences and Foreign Collaboration Approvals**

(Numbers)

| Year. | Letters of Intent | Industrial Licences | Foreign Collaboration Approvals |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1981 ... ... | 916 | 476 | 389 |
| 1982 ... ... | 1043 | 432 | 591 |
| 1983 ... ... | 1055 | 1072 | 673 |
| January-June 1983 ... ... | 445 | 512 | 315 |
| 1984 ... ... | 500 | 480 | 336 |

*Source* : Indian Investment Centre, New Delhi.

**Table IX—31 : 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 |
| 1981 - 82 | 1234 (+70·9) | 526 (+29·9) | 1760 (+56·2) |
| 1982 - 83 | 843 (-31·7) | 477 (-9·3) | 1320 (-25·0) |
| **April- November** | | | |
| 1982 | 628 | 308 | 936 |
| 1983 | 1183 | 268 | 1451 |

*Note* : Figures in parentheses are percentage variations over the previous year.
*Source* : Chief Controller of Imports and Exports.

activity in private corporate sector during 1983-84 compared with 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 are discussed here.

The number of letters of intent issued to prospective entrepreneurs during the period January-June 1984 at 500 was higher as compared to 445 during the corresponding period 1983. However, the number of industrial licences issued, which had increased to 1,072 in 1983 from 432 in 1982 was lower at 480 during January-June 1984 than 512 issued during the corresponding period of 1983, partly as a result of the raising of the exemption limit in April 1983, for industrial licence from Rs.3 crores to Rs.5 crores of investment in fixed assets. The number of foreign collaboration approvals during January- June 1984 rose to 336 from 315 during the same period of last year (Table IX-30).

The value of import licences issued to private sector for import of capital goods and heavy electrical plants during 1983 (April-November) at Rs.1,451 crores was 55·0 per cent higher than Rs.936 crores during the corresponding period last year (Table IX-31).

*Indian Joint-Ventures Abroad*

At the end of December 1983, 154 joint-ventures were in production/operation and 81 proposals were in various stages of implementation and the Indian investment in the 154 joint ventures in operation, by way of equity shares capital, aggregated Rs.62·6 crores (Table IX 32).

Indian joint-ventures abroad have mainly been established by private sector. Units in public sector have also come forward to set up joint-ventures and by end of December 1983 a total of 13 joint-ventures were promoted by public sector organisations. The joint-ventures are largely in the manufacturing sector. Out of 154 joint-ventures that have become operational 94 are in this sector with largest participation being in the field of light engineering followed by textiles. Other industries in which Indian joint-ventures have been set up include chemicals and pharmaceuticals, palm oil refining and fractionation, iron and steel products, pulp and paper, glass and glass products, food products, leather and rubber products, etc. In the Non-manufacturing sector, trading and marketing accounted for the largest number followed by hotels and restaurants, engineering contracts and construction, consultancy,etc.

**Table IX-32 : Indian Joint Ventures Abroad**

| As at end-December | 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 | 140 | 59·63 | 93 | 65·24 |
| 1983 | 154 | 62·55 | 81 | 59·57 |

*Source* : Annual Reports, Ministry of Commerce, Government of India.

Region-wise, the largest number of joint-ventures in operation are located in South and South-East Asian countries (82) followed by Africa (26). Over 82 per cent of the joint ventures in operation are concentrated in 10 countries, *viz.*, Malaysia (26), Singapore (19), Nigeria (13), Indonesia and USA (12 each), Sri Lanka (10), UAE, Thailand and UK (9 each) and Kenya (8). The other countries where joint ventures are in operation are Mauritius, West Germany and Saudi Arabia (3 each), the Philippines, Oman and Hongkong (2 each). Tonga, Uganda, Switzerland, the Netherlands, Nepal, Kuwait, France, Fiji, Botswana, Bangladesh, Bahrain and Australia (1 each).

Chapter X

# Developments in India's Foreign Trade

## I. TRENDS IN INDIA'S FOREIGN TRADE: 1983-84 (APRIL-MARCH)

### Overall Trends

For most part of the year trade statistics showed a continuation of the fall in trade deficit. Towards the end of the year, however, the situation was reversed, and for the year as a whole, the deficit widened in relation to the previous year. According to the partially revised figures of the Directorate General of Commercial Intelligence and Statistics (DGCI & S), the merchandise trade deficit which narrowed down to Rs.5,448 crores in 1982-83 from Rs.5,779 crores in 1981-82 rose to Rs.5,861 crores in 1983-84. The latest revisions show that the trade deficit for the year 1982-83 at Rs.5,526 crores was lower than that of Rs.5,868 crores in 1981-82. (Table X-1). Thus, for the fourth successive year, the trade deficit has exceeded Rs.5,500 crores.

### Exports

Exports (including re-exports), at Rs.9,727 crores during 1983-84 according to the partially revised figures of the DGCI & S, increased by 10·4 per cent compared to Rs.8,814 crores (partially revised) in 1982-83. The rate of growth in exports was lower than that of 13·2 per cent in 1982-83 (partially revised). The improvement in exports has been uneven in recent years, the growth rate fluctuating between 4 per cent and 16 per cent.

Table X-1 : India's Trade Balance

(Rupees crores)

| | Imports | Exports | Balance |
|---|---|---|---|
| 1983-84 (PR) | 15,588 | 9,727 | -5,861 |
| 1982-83 (PR) | 14,262 | 8,814 | -5,448 |
| | (14,360) | (8,834) | (-5,526) |
| 1981-82 (PR) | 13,560 | 7,781 | -5,779 |
| | (13,671) | (7,803) | (-5,868) |

PR.: Partially revised.

Figures in brackets relate to revised data.

*Source* : DGCI & S.

For the first quarter (April-June) of the current financial year 1984-85, exports aggregated to Rs.2,236 crores and were higher by Rs.222 crores or by 11 per cent as compared to Rs.2,014 crores recorded during the comparable quarter of 1983-84, (partially revised). Imports at the level of Rs.3,405 crores were higher by Rs.277 crores or by 8·9 per cent over the level of Rs.3,128 crores recorded during the first quarter of 1983-84. As a result, the trade balance during the first three months showed a deficit of Rs.1,169 crores as against Rs.1,114 crores during the corresponding period of last year.

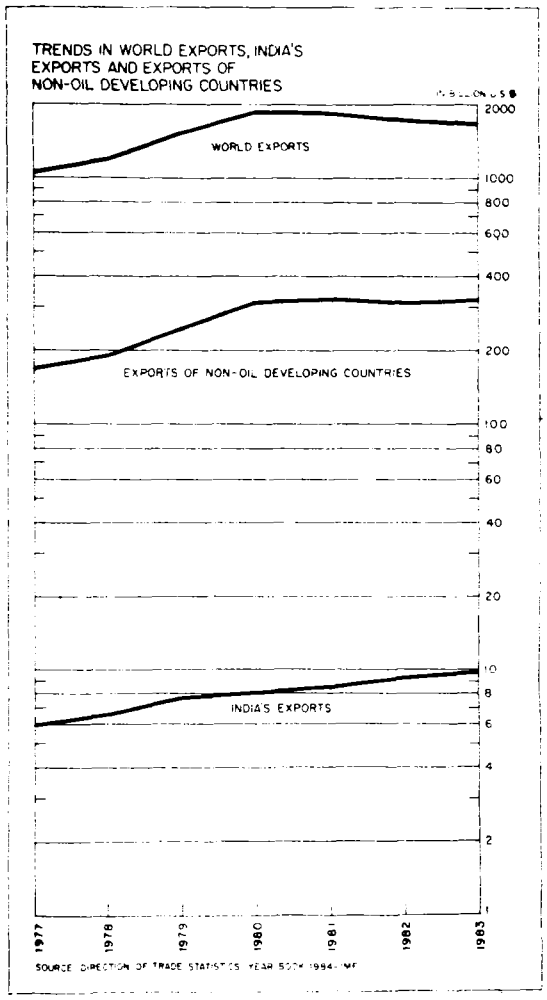
The Indian export performance needs to be viewed against the continued unfavourable trading environment in the world. The GNP of industrial countries after near stagnation in 1980

and 1981, and a fall in 1982 rose only by 2·3 per cent in 1983, with the unemployment rate quite high at 9·0 per cent. The protectionist tendencies, in fact, strengthened in many of these countries during 1983. The persistence of balance of payments difficulties and the acute external debt problem faced by a number of countries from the group of non-oil developing countries forced them to cut back on their imports. The OPEC countries too, slowed down their imports in view of the decline in earnings from oil exports. The East European countries also reduced their offtake of various items in response to their overall trade plans.

The rise in prices of non-oil primary commodities, in terms of U. S. dollars, by 6·7 per cent in 1983, after a fall of 12 per cent in 1982 and 15 per cent in 1981, was beneficial to many developing countries and might have favourably influenced the unit value realisations in respect of some of the items exported by India.

Although the value of world exports in terms of U.S dollars declined in 1983 for the third consecutive year, the rate of fall slowed down from 7·2 per cent in 1982 to 2·4 per cent in 1983. Exports of non-oil developing countries improved by 3·4 per cent during the year 1983. The dollar value of India's exports also rose by 4·1 per cent in U.S. dollar terms during 1983. The share of India in world exports rose from 0·4 per cent in 1980 to 0·5 per cent in 1981 and further to 0·6 per cent in 1983.

Exports of crude oil and oil products (oil exports) played an important role during the last two years. Exports of crude oil began in the last quarter of 1981-82 because of the inadequacy of refining capacity domestically. Exports of oil products on a small scale have been taking place for some years. During the first three quarters of 1983-84 oil exports amounted to Rs.998 crores and on a *pro rata* basis, for 1983-84 as a whole, these exports might be of the order of Rs.1,400 crores, as compared with those of Rs.1,157 crores in 1982-83, and Rs.211 crores in 1981-82. Non-oil exports, thus, recorded a rise of 8·8 per cent in 1983-84 (on provisional basis) as against 1·1 per cent in 1982-83 and over 13·1 per cent in 1981-82 (revised).




Commodity-wise data are available for the financial year 1983-84 on a provisional basis, and subject to considerable revision. These data are set out in Table X-2, alongwith those for 1982-83 and 1981-82.

The expansion in exports during the year 1983-84 was 10·1 per cent over the revised data for the year 1982-83; the rate of growth in 30 enumerated items (excluding crude oil and POL products) together was, however, lower at 6·0 per cent. The rate of growth might work out to be somewhat higher on the basis of

**Table X—2 : India's Principal Exports**

(Value in Rupees crores)

| Commodities | Unit of Quantity | 1981 - 82 | | 1982 - 83 Partially revised | | Increase (+) Decrease (-) Absolute (6 over 4) | 1983 - 84 Provisional | | Increase (+) Decrease (-) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Quantity | Value | Quantity | Value | | Quantity | Value | Absolute (9 over 6) | Percentage |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1. Pearls, precious stones, semi-precious stones, etc. | Value | — | 761 | — | 835 | + 64 | — | 1,200 | + 375 | + 45·5 |
| 2. Tea and mate | Million Kgs. | 213·8 | 395 | 191·6 | 368 | - 27 | 191·5 | 501 | + 133 | + 36·1 |
| 3. Machinery including transport equipment | Value | — | 618 | — | 585 | - 33 | — | 476 | - 109 | - 18·6 |
| 4. Readymade garments | Value | — | 658 | — | 528 | - 130 | — | 588 | + 60 | + 11·4 |
| 5. Iron ore | Million tonnes | 23·7 | 352 | 20·7 | 374 | + 22 | 21·2 | 385 | + 11 | + 2·9 |
| 6. Fish, crustaceans and molluses and preparations thereof | '000 tonnes | 73·9 | 280 | 94·8 | 349 | + 69 | 80·8 | 322 | - 27 | - 7·7 |
| 7. Leather & leather manufactures (except footwear) | Value | — | 369 | — | 346 | - 23 | — | 344 | - 2 | - 0·6 |
| 8. Cotton fabrics | Million Sq. Mts. | N.A. | 295 | 322·5 | 266 | - 29 | 299·5 | 271 | + 5 | + 1·9 |
| 9. Chemicals & allied products | Value | — | 240 | — | 308 | + 58 | — | 270 | - 38 | - 12·3 |
| 10. Coffee & coffee substitutes | Million Kgs. | 73·9 | 146 | 75·4 | 184 | + 38 | 70·5 | 183 | - 1 | - 0·5 |
| 11. Metal manufactures except iron & steel | Value | — | 221 | — | 202 | - 19 | — | 192 | - 10 | - 5·0 |
| 12. Carpets handmade | Value | — | 172 | — | 169 | - 3 | — | 193 | + 24 | + 14·2 |
| 13. Jute manufactures including twist & yarn | Lakh tonnes | N.A | 252 | 3·3 | 203 | - 49 | 3·0 | 165 | - 38 | - 18·7 |
| 14. Cotton raw | '000 tonnes | 112·7 | 44 | 76·3 | 101 | + 57 | 124·4 | 148 | + 47 | + 46·5 |
| 15. Cashew kernels | '000 tonnes | 30·7 | 182 | 30·5 | 134 | - 48 | 39·1 | 156 | + 22 | + 16·4 |
| 16. Tobacco unmanufactured & tobacco refuse | '000 tonnes | 115·4 | 205 | 98·0 | 209 | + 4 | 75·7 | 149 | - 60 | - 28·7 |
| 17. Sugar & sugar preparations | '000 tonnes | 197·3 | 64 | 212·7 | 62 | - 2 | 200·9 | 137 | + 75 | + 121·0 |
| 18. Vegetables & fruits excluding cashew kernels | Value | — | 106 | — | 159 | + 53 | — | 141 | - 18 | - 11·3 |
| 19. Mineral fuel, lubricants & related products | Value | — | 225 | — | 134 | - 91 | — | 165 | + 31 | + 23·1 |
| 20. Oil cakes | '000 tonnes | 824·4 | 118 | 1,051·4 | 149 | + 31 | 936·3 | 143 | - 6 | - 4·0 |
| 21. Works of art (handicrafts) | Value | — | 148 | — | 110 | - 38 | — | 115 | + 5 | + 4·5 |
| 22. Crude vegetable materials | Value | — | 188 | — | 81 | - 107 | — | 96 | + 15 | + 18·5 |
| 23. Spices | '000 tonnes | 78·1 | 99 | 76·1 | 89 | - 10 | 85·7 | 108 | + 19 | + 21·3 |
| 24. Gold jewellery | Value | — | 50 | — | 69 | + 19 | — | 74 | + 5 | + 7·2 |
| 25. Made-up articles wholly or chiefly of cotton n.e.s. | Value | — | 242 | — | 97 | - 145 | — | 74 | - 23 | - 23·7 |
| 26. Rice | '000 tonnes | 872·5 | 368 | 435·0 | 200 | - 168 | 137·0 | 123 | - 77 | - 38·5 |
| 27. Meat & meat preparations | Value | — | 80 | — | 81 | + 1 | — | 62 | - 19 | - 23·5 |
| 28. Iron & steel | Value | — | 79 | — | 56 | - 23 | — | 46 | - 10 | - 17·9 |
| 29. Rubber and rubber manufactures | Value | — | 35 | — | 45 | + 10 | — | 42 | - 3 | - 6·7 |
| 30. Silk fabrics | Value | — | 32 | — | 32 | 0 | — | 40 | + 8 | + 25·0 |
| **A. Total of above items** | **Value** | | **7,024** | | **6,515** | **- 509** | | **6,909** | **+ 394** | **+ 6·0** |
| **B. Others** | **Value** | | **779** | | **2,319** | **+ 1,540** | | **2,818** | **+ 499** | **+ 21·5** |
| **C. Grand Total** | **Value** | | **7,803** | | **8,834** | **+ 1,031** | | **9,727** | **+ 893** | **+ 10·1** |

*Note* : Total exports data for 1982 - 83 are revised from Rs. 8,830 crores as given in the Ministry of Commerce, Annual Report, 1983 - 84 to Rs. 8,834 crores as per March 1984 press note and that for 1983 - 84 are revised from Rs. 9,396 crores as given in the March 1984 press note to Rs. 9,727 crores as per June 1984 press note issued by the DGCI & S. These data are subject to further revisions. However, commodity-wise data are partially revised for 1982 - 83 and provisional for 1983 - 84 and break -up of revised figures is not yet available: these are adjusted under 'B' others.

*Source* : DGCI & S. 1. Monthly Statistics of the Foreign Trade of India — March 1982.

2. Annual Report of the Ministry of Commerce — 1983 - 84.

3. Foreign Trade Statistics of India — March 1984 (Principal commodities and countries).

revised data for 1983-84. The expansion in exports of the following items contributed significantly to the rise in exports; pearls, precious stones and semi-precious stones (Rs.375 crores); tea and mate (Rs.133 crores); sugar and sugar preparations (Rs.75 crores); readymade garments (Rs.60 crores); and raw cotton (Rs.47 crores). On the other hand, exports of machinery and transport equipment (Rs. 109 crores); rice (Rs. 77 crores) and of unmanufactured tobacco (Rs. 60 crores) declined substantially.

Exports of pearls, precious stones and semi-precious stones, gold jewellery, raw cotton and iron ore continued to show increases in 1983-84 as in 1982-83. Exports of readymade garments, tea and mate, sugar and sugar preparations, handmade carpets, spices, crude vegetable materials, and cashew kernels, recorded significant increases in 1983-84 following declines in April-March 1982-83.

In contrast, exports of machinery and transport equipment, leather and leather manufactures, metal manufactures, jute manufactures, made-up articles wholly or chiefly of cotton, iron and steel and rice continued to decline. Exports of chemicals and allied products, coffee and coffee substitutes, fish and fish preparations, rubber and rubber manufactures, oil cakes, vegetables and fruits excluding cashew kernels recorded declines in 1983-84, but had increased in 1982-83.

Information on quantity of exports is available in respect of 13 of the selected items. Of these, during the financial year 1983-84, export volume of iron-ore, raw cotton, cashew and spices increased over 1982-83. Quantity of exports of fish, cotton fabrics, coffee, jute manufactures, tobacco, oil cakes and rice declined.

Export performance of some of the major items is reviewed below.

Exports of *pearls, precious stones and semi-precious stones* which comprise mainly cut and polished diamonds showed a marked rise of Rs.375 crores to Rs.1,200 crores in 1983-84 over those in the last year. India specialises in processing of small-sized diamonds which is a labour-intensive industry. The demand for small-sized diamonds was unaffected by worldwide recession and improved strongly with the progress of recovery in the industrial countries.

Exports of *tea and mate* rose by Rs.133 crores to Rs.501 crores, chiefly due to higher unit value realisation. The upward trend in international tea prices noticed since August 1983 resulting from shortage of world supplies and reduced stock position in international markets raised the unit value realisation. On December 27 1983, the Government of India imposed a ban * on export of CTC (Cut, Tear and Curl) tea which is consumed mainly in domestic market, with a view to making available adequate quantities of tea to domestic consumers and prevent its price rise.

*Sugar* exports (including sugar preparations) rose from Rs.62 crores to Rs.137 crores. Improvement in unit value realisation contributed towards larger export earnings. Special efforts made by the STC on bilateral trade as well as packaging of sugar aided higher exports and unit value realisation.

Exports of *raw cotton* increased from Rs.101 crores to Rs.148 crores due to volume growth, while unit value realised was lower. In 1982-83, the quantity of raw cotton exported had declined, the rise therein during 1983-84 was so much that its level exceeded that in 1981-82. The Government suspended export of raw cotton in May 1983, with a view to catering to the domestic demand of mills. Subsequently, the export of raw cotton of 2·65 lakh bales was allowed in November 1983, but again banned in January 1984.

Exports of *iron ore* were marginally larger at Rs.385 crores as against Rs.374 crores in the previous year due to higher unit value realisation as well as larger quantity exported.

* The ban was subsequently lifted on May 12, 1984.

*Handmade carpet* exports increased by Rs.24 crores to Rs.193 crores mainly as a result of revival of demand in industrial countries consequent upon economic recovery and special incentives offered by the Government.

Exports of *cashew kernels* improved after a setback in 1982-83, and were larger by Rs.22 crores over the previous year's level of Rs.134 crores, due to volume growth, while prices remained depressed. The quantity of exports exceeded significantly in 1983-84. Larger offtake by the USA, Japan, the UK and the Netherlands contributed to the increase in volume, compensating lower exports to the USSR.

Export earnings from *spices* rose to Rs.108 crores compared with Rs.89 crores. In quantum terms also, they increased from 76·1 thousand tonnes to 85·7 thousand tonnes, despite decline in cardamom exports. Most of the items in this group viz., pepper, turmeric, cummins,chillies, etc. recorded increases. The unit value realisations for the group as a whole was also higher, mainly due to higher prices of pepper in the international markets during 1983. Exports of *readymade garments* increased from Rs.528 crores to Rs.588 crores mainly due to the revival of demand in industrial countries.

Exports of *gold jewellery* are picking up. In 1982-83, these exports increased from Rs.50 crores in 1981-82 to Rs.69 crores and further to Rs.74 crores in 1983-84.

The export performance of items which showed declines in 1983-84 compared to 1982-83 is discussed below.

Exports of *rice* continued to drop both in quantity and value. In 1981-82, rice exports amounted to Rs.368 crores but declined sharply to Rs.200 crores in the next year. During 1983-84 these exports fetched only Rs.123 crores. The unit value realisation during 1983- 84, however, was higher. The Government imposed a ban on export of ordinary rice since March 1983 owing to shortfall in production while export of Basmati rice was allowed.

Exports of *machinery and transport equipment* received a setback in 1983-84 with earnings falling by Rs.109 crores to Rs.476 crores, as a result of factors such as the developments in some of India's principal markets, payments difficulties faced by African countries and severe competition.

*Unmanufactured tobacco* exports declined by Rs.60 crores to Rs.149 crores due to a fall in quantity exported as well as fall in unit value. Weak demand arising from comfortable stock position in world markets and stagnancy in economic conditions in some of the major markets affected the offtake. In 1982-83 also, the quantity of exports declined but as a result of higher unit value realisations, the value of exports recorded an increase.

Exports of *fish and fish preparations* declined from Rs.349 crores to Rs.322 crores due to a fall in quantity although unit value realisation improved. In the preceding year, both the quantity and value of exports had increased substantially.

Exports of *coffee and coffee substitutes* declined marginally from Rs.184 crores to Rs.183 crores as a result of a fall in quantity. The export quota fixed for India by the International Coffee Organization for the period October 1982 to September 1983 was reduced. The unit value realisation, however, was higher. In 1982-83, there was a sharp rise in export value almost entirely due to higher unit prices.

*Jute manufactures* registered a fall in exports of Rs.38 crores to Rs.165 crores due to depressed demand and lower prices resulting from competition from Bangladesh and use of synthetic substitutes. The quantity exported also declined from 3·3 lakh tonnes to 3·0 lakh tonnes.

**Imports**

According to the DGCI & S, during 1983-84, imports amounted to Rs.15,588 crores (partially revised upto June 1984) showing a rise of 9·3 per cent over imports of Rs.14,261 crores in 1982-83 (partially revised upto June 1983).

Total imports were lower by 2·0 per cent at Rs.10,417 crores during April-December 1983 but spurted up in the last quarter of 1983-84 and reversed the declining trend in the growth rate. The rate of growth in imports which had dropped significantly from 40·6 per cent in 1980-81 to 9·2 per cent in 1981-82, declined further to 5·0 per cent in 1982-83.

As in the case of exports, the commodity-wise classification of imports during 1983-84 is available only on a provisional basis. Moreover, the classification of upward revisions amounting to Rs.241 crores reported upto June 1984 is not available and is, therefore, included under the miscellaneous group 'others'. These data which are presented in TableX-3 are liable to undergo substantial changes particularly in respect of 1983-84 when the full details are available.

The growth rate in imports in 1983-84 would have been even higher but for the sharp decline of Rs.912 crores (or 16·3 per cent) in oil imports to Rs.4,686 crores. In 1982-83, oil imports had increased by Rs.409 crores (or 7·9 per cent).

In 1983-84, non-oil imports expanded by 24·4 per cent to Rs.10,902 crores, compared to a small rise of 3·3 per cent in 1982-83. Of these, imports of 20 major items (enumerated in Table X-3) at Rs.8,596 crores showed an increase of 26·5 per cent in 1983-84 as against a decline of 9·9 per cent in 1982-83.

Significant increases in imports were recorded in the case of machinery and transport equipment (Rs.545 crores or 24·4 per cent), pearls, precious and semi-precious stones (Rs.405 crores or 59·8 per cent), edible oils (Rs.315 crores or 139·4 per cent), wheat (Rs.203 crores or 69·5 per cent), organic and inorganic chemicals (Rs.185 crores or 47·8 per cent), professional and scientific instruments etc. (Rs.83 crores or 43·7 per cent) and non-ferrous metals (Rs.82 crores or 29·4 per cent). Moderate increases were recorded in the case of artificial resins and plastic materials (Rs.58 crores or 46·0 per cent), medicinal and pharmaceutical products (Rs.47 crores or 58·0 per cent), chemicals (Rs.46 crores or 63 per cent), crude fertilisers (Rs.25 crores or 44·6 per cent), paper and paper boards (Rs.22 crores or 15·0 per cent) and crude rubber (Rs.18 crores or 33·3 per cent). Of these, machinery and transport equipment, pearls and precious and semi-precious stones had shown substantial increases during 1982-83, while edible oils, non-ferrous metals, organic and inorganic chemicals, paper and paper boards had shown substantial declines.

Besides oil, substantial declines in imports were recorded in 1983-84, in the case of iron and steel (Rs.208 crores or 18·2 per cent), non-metallic mineral manufactures (Rs.50 crores or 35·5 per cent) and manufactured fertilisers (Rs.40 crores or 27·4 per cent). Of these, manufactured fertilisers and iron and steel, had shown declines in 1982-83 also.

Unit values of imports were higher in 1983-84, as compared to the previous year in the case of iron and steel, wheat, vegetable oils, paper and paper boards, crude and manufactured fertilisers, and crude rubber, while these were slightly lower in the case of synthetic and regenerated fibres.

Developments in commodity-wise imports are discussed below in respect of selected items.

Imports of petroleum, petroleum products and related materials (*oil imports*) accounted for 39 per cent of the total import bill in 1982-83, but the proportion dropped to 30·1 per cent during the year 1983-84. Allowing for the oil exports, referred to in the previous section, net oil imports declined by about one fourth from Rs.4,441 crores in 1982-83 to around Rs.3,400 crores in 1983-84. The fall in imports is mainly attributable to the progress achieved in the domestic production of crude oil which increased from 21·1 MMT (million metric tonnes) in 1982-83 to an estimated 25·5 MMT in 1983-84. There was also a decline in the c. i. f. unit value of imports during the year, reflecting the world trends in oil prices.

**Table X—3 : India's Principal Imports**

(Value in Rupees crores)

| Commodities | Unit of Quantity | 1981 - 82 Quantity | 1981 - 82 Value | 1982 - 83 (Partially Revised) Quantity | 1982 - 83 (Partially Revised) Value | Increase/Decrease in 1982 - 83 over 1981 - 82 in value Absolute | Increase/Decrease in 1982 - 83 over 1981 - 82 in value Percentage | 1983 - 84 (Provisional) Quantity | 1983 - 84 (Provisional) Value | Increase/Decrease in 1983 - 84 over 1982 - 83 in value Absolute | Increase/Decrease in 1983 - 84 over 1982 - 83 in value Percentage |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. |
| 1. Petroleum, petroleum products and related materials | Million Tonnes | 20·2 | 5,189 | 22·0 | 5,598 | + 409 | + 7·9 | 20·2 | 4,686 | 912 | - 16·3 |
| 2. Machinery and transport equipment | Value | — | 1,981 | — | 2,232 | + 251 | + 12·7 | — | 2,777 | + 545 | + 24·4 |
| 3. Iron and Steel | 000' Tonnes | 2,950·8 | 1,204 | 2,758·5 | 1,146 | - 58 | - 4·8 | 2,152·3 | 938 | - 208 | - 18·2 |
| 4. Pearls, precious and semi-precious stones | Value | — | 397 | — | 677 | + 280 | + 70·5 | — | 1,082 | + 405 | + 59·8 |
| 5. Cereals and cereal preparations | 000' Tonnes | 1,522·5 | 347 | 1,342·2 | 306 | - 41 | - 11·8 | 2,465·9 | 598 | + 292 | + 95·4 |
| *Of which*, (a) Wheat | 000' Tonnes | 1,328·1 | 300 | 1,300·7 | 292 | - 8 | - 2·7 | 2,084·2 | 495 | + 203 | + 69·5 |
| (b) Rice | 000' tonnes | 64·9 | 15 | 11·4 | 3 | - 12 | - 80·0 | 320·7 | 78 | + 75 | + 2,500·0 |
| 6. Organic and inorganic chemicals | Value | — | 485 | — | 387 | - 98 | - 20·2 | — | 572 | + 185 | + 47·8 |
| 7. Vegetable oils fixed (edible oils) | 000' Tonnes | 1,352·1 | 625 | 495·3 | 226 | - 399 | - 63·8 | 1,001·3 | 541 | + 315 | + 139·4 |
| 8. Non-ferrous metals | 000' Tonnes | 1,061·8 | 397 | — | 279 | - 118 | - 29·7 | — | 361 | + 82 | + 29·4 |
| 9. Professional, scientific, controlling instruments, photographic, optical goods | Value | — | 201 | — | 190 | - 11 | - 5·5 | — | 273 | + 83 | + 43·7 |
| 10. Paper, paper boards and manufactures there of | 000' Tonnes | 412·3 | 245 | 208·7 | 147 | - 98 | - 40·0 | 236·7 | 169 | + 22 | + 15·0 |
| 11. Artificial resins, plastic materials etc. | Value | — | 125 | — | 126 | + 1 | — | — | 184 | + 58 | + 46·0 |
| 12. Manufactures of metals | Value | — | 116 | — | 136 | + 20 | + 17·2 | — | 140 | + 4 | + 2·9 |
| 13. Metalliferrous ores and metal scrap | Value | — | 203 | — | 152 | - 51 | - 25·1 | — | 141 | - 11 | - 7·2 |
| 14. Textile yarn, fabric and made-up articles etc. | Value | — | 97 | — | 113 | + 16 | + 16·5 | — | 122 | + 9 | + 8·0 |
| 15. Medicinal and pharmaceutical products | Value | — | 84 | — | 81 | - 3 | - 3·6 | — | 128 | + 47 | + 58·0 |
| 16. Non-metallic mineral manufactures (excluding cement, pearls, etc.) | Value | — | 114 | — | 141 | + 27 | + 23·7 | — | 91 | - 50 | - 35·5 |
| 17. Chemical materials and products | Value | — | 78 | — | 73 | - 5 | - 6·4 | — | 119 | + 46 | + 63·0 |

*(Contd.)*

**Table X—3 : India's Principal Imports (concld.)**

(Value in Rupees Crores)

| 1 | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 18. Synthetic and regenerated fibre | 000' Tonnes | 116·5 | 173 | 79·8 | 125 | − 48 | − 27·7 | 66·4 | 101 | − 24 | − 19·2 |
| 19. Fertiliser, crude | 000' Tonnes | 1,218·3 | 83 | 688·1 | 56 | − 27 | − 32·5 | 952·4 | 81 | + 25 | + 44·6 |
| 20. Fertilizer, manufactured | 000' Tonnes | 2,792·3 | 510 | 939·7 | 146 | − 364 | − 71·4 | 671·3 | 106 | − 40 | − 27·4 |
| 21. Crude Rubber (including synthetic and re-claimed) | 000' Tonnes | 76·9 | 76 | 50·2 | 54 | − 22 | − 28·9 | 63·0 | 72 | + 18 | + 33·3 |
| **A. Total of the above items** | | | **12,730** | | **12,391** | **− 339** | **− 2·7** | | **13,282** | **+ 891** | **+ 7·2** |
| **B. Others** | | | **941** | | **1,969** | **+ 1,028** | **+ 109·2** | | **2,306** | **+ 337** | **+ 17·1** |
| **C. Grand Total** | | | **13,671** | | **14,360** | **+ 689** | **+ 5·0** | | **15,588** | **+ 1,228** | **+ 8·6** |

*Note* : Total imports data for 1982 - 83 are revised from Rs. 14,356 crores as given in the Ministry of Commerce, Annual Report, 1983 - 84 to Rs. 14, 360 crores as per March 1984 press note and that for 1983 - 84 are revised from Rs. 15,347 crores as given in the March 1984 press note to Rs. 15,588 crores as per June 1984 press note issued by the DGCI & S. These data are subject to further revisions. However, commodity-wise data are partially revised for 1982 - 83 and provisional for 1983 -84 as break-up of revised figures is not yet available; these are adjusted under 'B' others.

*Sources* : 1. Monthly Statistics of the foreign Trade of India – March 1982.
2. Annual Report of the Ministry of Commerce - 1983 - 84.
3. Foreign Trade Statistics of India – March 1984 (Principal Commodities and Countries)

Imports of *iron and steel* which registered a decline of 6·5 per cent in volume and 4·8 per cent in value in 1982-83, fell further by 18·2 per cent in value terms in 1983-84, despite continuously rising unit prices. Though the domestic production failed to pickup in view of power shortage, the decline in imports was partly due to large stocks and slackness in demand.

Imports of *manufactured fertilisers* had dropped steeply by 71·4 per cent to Rs.146 crores in 1982-83. A number of steps like provision of adequate coal and removal of equipment and power bottlenecks were taken by the Government which led to increase in capacity utilisation and production during 1983-84. As a result, imports continued to decline. Imports of manufactured fertilisers dropped by more than one-quarter to Rs.106 crores in 1983-84 though unit price paid was somewhat higher than in the previous year.

Imports of *machinery and transport equipment* which increased from Rs.1,981 crores in 1981-82 to Rs.2,232 crores in 1982-83, witnessed a substantial rise of 24·4 per cent during 1983-84. These imports at Rs.2,777 crores accounted for 17·8 per cent of total imports during 1983-84. The step-up in imports of this item was largely in connection with investment in petroleum, coal, power and fertilisers industry.

Most of the imports of *cereals and cereal preparations* were accounted for by *wheat* and *rice*. In 1982-83, wheat imports had declined marginally to Rs.292 crores because of fractionally lower quantity of imports. In 1983-84, wheat imports increased to Rs.495 crores, mostly because of a rise in quantity imported to 2·1 million tonnes. The unit prices paid for imports were also higher in 1983-84. In 1983-84, *rice* import amounted to 0·3 million tonnes valued at Rs.78 crores, as against the imports of only Rs.3 crores in 1982-83 and of Rs.15 crores in 1981-82. In spite of two consecutive years of good harvest, these imports were effected more as a precaution, as objective was to dampen the inflationary expectations through making known that adequate public stocks are available to meet the demands on public distribution system.

The oilseeds production, particularly that of groundnut was damaged during the 1982-83 crop year and as a result internal prices of *edible oils* spurted up, necessitating substantial imports of edible oils valued at Rs.541 crores during 1983-84. The fall in their imports in 1982-83 was thus reversed. The import of 10·0 lakh tonnes during 1983-84 was almost twice of that during 1982-83. International prices of edible oils remained firm raising the unit value of imports by nearly one-fifth.

Imported *pearls, precious and semi-precious* stones are used in making jewellery for exports and therefore, these imports are linked with the performance of our exports of gems and jewellery. The dynamism exhibited by the exports of this item got reflected in the continued rise in their imports in 1983-84. These imports during the year valued at Rs.1,082 crores were higher by 59·8 per cent over those in 1982-83.

### Direction of Foreign Trade

Data on the direction of India's foreign trade for the years 1981-82 to 1983-84 are presented in Table X-4. It may be mentioned here that country-wise/regionwise classification to the extent of Rs.241 crores in imports and Rs.431 crores in exports during 1983-84 are not available and are, therefore, clubbed together with 'others'. Similarly, exports of crude petroleum during 1981-82, 1982-83 and 1983-84 are included under 'others'. The trends described below might undergo a change when the full details are available.

The regional classification has been modified to highlight the geographical regions that are more commonly known: the classification now adopted is North America, Western Europe, Eastern Europe, West Asia, Japan, 'other' Asia, Africa, 'other developing countries,' Oceania and 'others'.

During 1983-84, Indian exports expanded by Rs.893 crores to Rs.9,727 crores. This increase was largely shared by North America (Rs.461 crores), Western Europe (Rs.240 crores), 'other' Asia (Rs.145 crores) and the group

**Table X—4 : Regional Pattern Of India's Trade**

(Rupees crores)

| Regions | 1981 - 82 | | | 1982 - 83 | | | 1983 - 84 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Exports | Imports | Balance | Exports | Imports | Balance | Exports | Imports | Balance |
| 1. | 2. | 3. | 4. | 5. | 6 | 7. | 8. | 9. | 10. |
| North America ... ... | 988 (12·7) | 1,728 (12·6) | 740 | 1,006 (11·4) | 1,622 (11·3) | 616 | 1,467 (15·1) | 2,079 (13·3) | 612 |
| Western Europe ... ... | 1,650 (21·2) | 3,516 (25·7) | 1,866 | 1,694 (19·2) | 3,697 (25·8) | 2,003 | 1,934 (19·9) | 4,277 (27·3) | 2,343 |
| Eastern Europe ... ... | 1,975 (25·3) | 1,507 (11·0) | + 468 | 1,907 (21·6) | 1,825 (12·7) | + 82 | 1,558 (16·0) | 1,973 (12·7) | 415 |
| West Asia * ... ... | 896 (11·5) | 3,469 (25·4) | 2,573 | 905 (10·2) | 4,040 (28·1) | 3,135 | 987 (10·1) | 3,224 (20·7) | 2,237 |
| Japan ... ... | 690 (8·8) | 886 (6·5) | 196 | 795 (9·0) | 1,070 (7·5) | 275 | 817 (8·4) | 1,415 (9·1) | 598 |
| Other Asia * ... ... | 774 (9·9) | 1,274 (9·3) | 500 | 877 (9·9) | 1,227 (8·5) | 350 | 1,022 (10·5) | 1,409 (9·0) | 387 |
| Africa ... ... | 428 (5·5) | 447 (3·3) | 19 | 390 (4·4) | 178 (1·2) | +212 | 354 (3·6) | 392 (2·5) | 38 |
| Other Developing Countries * ... ... | 21 (0·3) | 477 (3·5) | 456 | 22 (0·3) | 244 (1·7) | 222 | 19 (0·2) | 351 (2·3) | 332 |
| Oceania * ... ... | 159 (2·0) | 289 (2·1) | 130 | 126 (1·4) | 304 (2·1) | 178 | 115 (1·2) | 166 (1·1) | 51 |

*(Contd.)*

**Table X—4 : Reigional Pattern of India's Trade** *(Concld.)*

(Rupees crores)

| Region | 1981-82 | | | 1982-83 | | | 1983-84 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Export | Import | Balance | Export | Import | Balance | export | Import | Balance |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10 |
| Others * ... ... | 222 | 78 | + 144 | 1,112 | 153 | + 959 | 1,454 | 302 | + 1,152 |
| | (2·8) | (0·6) | | (12·6) | (1·1) | | (15·0) | (1·9) | |
| **Total** ... ... | **7,803** | **13,671** | **–5,868** | **8,834** | **14,360** | **– 5,526** | **9,727** | **15,588** | **– 5,861** |

* West Asia Group includes Bahrain, Iran, Iraq, Jordan, Kuwait, Qatar, Saudi Arabia, United Arab Emirates, Oman, Israel, Syrian Arab Republic, Lebanon, Yemen Arab Republic, Yemen P. Dem. Rep..
Other Asia Group includes Afghanistan, Bangladesh, Burma, Nepal,Pakistan, Sri Lanka, Indonesia, Malaysia, Philippines, Singapore, Thailand, Hong Kong, China P. Republic (Mainland), China Republic (Formerly Formosa), Korean Republic, Socialist Republic of Vietnam, Korean Democratic P. Republic.

*Notes* : 1. For 1982 - 83 imports data are revised from Rs. 14,356 crores as given in the Ministry of Commerce, Annual Report 1983 - 84 to Rs. 14,360 crores as per March 1984 press note. Similarly exports data are revised from Rs. 8,830 crores as given in the Ministry of Commerce Report 1983 - 84 to Rs. 8,834 crores as per March 1984 press note.
For 1983 - 84 imports data are revised from Rs. 15, 347 crores as given in March 1984 press note to Rs. 15,588 crores as per June 1984 press note issued byDGCI&S. Similarly exports data are revised from Rs. 9,396 crores as per March 1984 press note to Rs. 9,727 crores as per June 1984 press note issued by DGCI & S.
These data are subject to further revisions.

2. Exports of Crude Petroleum from Bombay High amounting to Rs. 196 crores in 1981 - 82, Rs. 1,023 crores in 1982 - 83 and Rs. 1,111 crores in 1983 - 84 are not included in the Country details. These are included under 'others' as well as under Grand Total.

3. Figures in brackets represent percentages to the totals.

*Sources* : 1. Foreign Trade Statistics of India, DGCI & S - March 1984
2. Annual Report, Ministry of Commerce, 1983 - 84
3. Monthly Statistics of the Foreign Trade of India - March 1982.

Other Developing Countries Group includes Argentina, Bolivia, Brazil, Chile, Colombia, Paraguay, Peru, Uruguay, Venezuela, Bahamas, Barbados, Guatemala, Mexico, Panama Republic, Netherlands Antilles, Nicaragua, Trinidad and Tobago, Guyana.
Oceania Group includes Australia, New Zealand, Fiji.
'Others' Group consists of countries not included elsewhere.

'others' (Rs.342 crores). On the other hand, exports to Eastern Europe and Africa decreased by Rs.349 crores and Rs.36 crores, respectively. In relation to their shares in India's exports in 1982-83, a distinct shift was noticed in respect of North America and Eastern Europe during 1983-84. In the case of the former, its share rose by about 4 percentage points to 15·1 per cent, while in the case of the latter, the share declined by more than 5 percentage points to 16·0 per-cent. Country-wise, exports to the USA, the UK and Germany rose sharply, and to Japan, substantially. A large fall in exports to the USSR and Romania was noticed during the year. The USA, the USSR and Japan, the top three countries in that order accounted for 35 per cent of total Indian exports in 1983-84 as against 37 per cent in 1982-83.

The increase of Rs.1,228 crores in imports of Rs.15,588 crores during 1983-84 was contributed by all the regions except West Asia and Oceania. In relation to 1982-83 imports, the rising trend witnessed in respect of Western and Eastern Europe, Japan and 'others' group continued in 1983-84, while the declining trend noticed in the case of North America, 'other' Asia, Africa and 'other' developing countries reversed. In absolute terms, while imports from Africa more than doubled to Rs.392 crores in 1983-84, those from North America and 'other' Asia recorded increases of 28·2 per cent and 14·8 per cent, respectively, over 1982-83. The most significant change was observed in respect of the West Asia region. Imports from this region which increased by Rs.571 crores in 1982-83 decreased sharply by Rs.816 crores in 1983-84 to Rs.3,224 crores and the region's share in total Indian imports dropped by 7 percentage points to 21 per cent. Country-wise, imports from the USA were up by Rs.373 crores, from Japan by Rs.345 crores, from West Germany by Rs.273 crores and from the UK by Rs.243 crores. Major declines in imports were from Saudi Arabia (–Rs.369 crores), Iraq (–Rs.185 crores) and United Arab Emirates (–Rs.135 crores). The top five suppliers of imports in 1983-84 were the USA, the USSR, Japan, the United Kingdom and Saudi Arabia. Together, these countries contributed 45 per cent of total Indian imports in 1983-84. In 1982-83, the USSR topped the list of exporters to India, followed by Saudi Arabia, the USA, Japan and the UK, and they together accounted for 44 per cent of the imports in that year.

It has been already stated that during the year 1983-84, the trade deficit at Rs.5,861 crores was higher by Rs.335 crores. India had a trade deficit with all the regions, except with the group 'others'. The largest deficit of Rs.2,343 crores was with Western Europe, followed by that of Rs.2,237 crores with West Asia. The deficit widened with all the regions, other than with North America, West Asia, and Oceania. The major swing was noticed in Eastern Europe and Africa, mainly due to lower exports and higher imports. The small surplus of Rs.82 crores during 1982-83 with Eastern Europe turned into a deficit of Rs.415 crores in 1983-84. Similarly, a surplus of Rs.212 crores with Africa in 1982-83 became a negative trade balance of Rs.38 crores in 1983-84. The trade deficits with Western Europe, Japan, 'other Asia' and other developing countries widened further as a result of larger imports from these regions in 1983-84. Among the major trading partners, it was only with Hongkong and Sri Lanka that India had sizeable trade surplus of Rs.155 crores and Rs.73 crores, respectively, during 1983-84. The largest trade deficit in 1983-84 continued to be with Saudi Arabia, followed by Iran and Iraq. While the surplus of Rs.45 crores with the USSR in 1982-83 turned into a deficit of Rs.416 crores in 1983-84, the deficit with Japan more than doubled to Rs.598 crores in 1983-84. During the year, trade deficit with several oil exporting countries and with France, the Netherlands and Australia contracted significantly.

## IMPORT LICENCES

Data on Sector-wise and category-wise distribution of the value of import licences issued during recent period are presented in Table X-5. For the year 1983-84, these details are available for the first eight months of the year-April to November 1983 only. The interpretation of these data is subject to following limitations:

(1) Generally, a licence for the import of capital goods/heavy electrical plants is valid for two years while the currency of other import licences is one year. According to the Import-Export policy for 1984-85, the validity of the licences which was earlier one year has been extended to eighteen months. (2) Some times, the licences issued are revalidated, their period extended or value thereof is raised due to price rise. Subject to these limitations, the changes in the value of licences from year to year would reflect variations in volume of permitted imports and unit prices thereof and additional items brought under the licensing system or deleted therefrom.

Though there is no direct correspondence between the value of import licences issued during the year and the value of imports in that year, a broad indication of the relative importance of licensing in import trade can be had from the movement in this ratio. The ratio of the value of licences to total imports which was 57 per cent in 1981-82 declined to 50 per cent in 1982-83.

The fall in the value of import licences witnessed during 1982-83 to Rs.7,166 crores continued during the first eight months of 1983-84, at a rate of 6·5 per cent as compared with the value of licences during the corresponding period of 1982-83. The value of licences under the categories 'capital goods/heavy electrical plants' and "registered exporters" showed significant increases both in absolute terms and as a proportion of total value of licences. The proportion of the value of licences for capital goods/heavy electrical plants rose from 18·2 per cent during April-November 1982 to 30·2 per cent in the same period of 1983, and that of registered exporters from 23·8 per cent to 28·6 per cent. The share of licences to actual users, both industrial and non-industrial as also for raw materials declined appreciably. The average value per import licence which had dropped from Rs.9·9 lakhs in 1981-82 to Rs.8·3 lakhs in 1982-83, rose again to Rs.9·6 lakhs during the eight months of 1983-84 as compared to Rs.9·5 lakhs in the same period of 1982-83.

Over the eight months of 1983-84, the share of licences to Government sector increased slightly from 52·5 per cent to 54·7 per cent and amounted to Rs.2,632 crores though the total value of licences to this sector declined somewhat. The rise in the public sector's share was mainly the result of the permission granted to various public sector enterprises like Oil India, Bharat Coal Mines, Air India, and Railways to import capital goods for maintenance and strengthening of the capital assets. The proportion of 'Capital goods/heavy electrical plants' category under Government sector in the total value of licences to public sector increased sharply from 23·2 per cent in April-November 1982 to 44·9 per cent during April-November 1983. This increase in the share was more or less offset by an equally marked decline in the share of actual users (industrial). The proportion of licences to registered exporters increased significantly from 1·0 per cent to 6·2 per cent.

The value of licences to private sector declined by 10·8 per cent to Rs.2,182 crores during the first eight months of 1983-84, significant contraction being recorded under the categories 'raw materials (DGTD Units), small scale industries and capital goods/heavy electrical plants. Value of licences issued to registered exporters and to actual users (industrial) showed a marginal rise.

## II. DEVELOPMENTS IN FOREIGN TRADE POLICY

Promotion of exports continued to be an important aspect of the trade policy. Some important measures adopted during the year in this area are described below.

The last year's Report described the salient features of the Import-Export Policy for 1983-84; it carried a step further the progressive liberalisation in policy witnessed since 1979-80. Major developments in this area during the year 1983-84 and subsequent to the main policy announcement are presented in Appendices I and II. The more important of these are given below :

**Export Controls**

From time to time notifications were issued allowing exports, within specified ceilings, of pure milk, ghee, writing and printing paper (excluding hand-made paper), peacock tail feathers and articles thereof, potato seeds, onion seeds, vanaspati ghee, pearl barley, corundum (except blue, saphire and rubies), bleached and roasted peanuts (with a minimum export price), maize, bauxite with specified alumina, silica, iron oxide and titania contents, frog legs, real hand-made handkerchiefs to Contonon, Lome and Accra, raw wool indigenous (except Angore goat hair and Moherir) and rayon filament yarn of 120 deniers. Minimum export price stipulation for export of niger seeds was removed from December 1983. Exports were allowed subject to minimum export prices, of kirilac and maloma, protein isolate and edible groundnut flour, brucine alkoids and sulphates, strychnine alkoids and sulphates, strychnine Hcl and nitrate, man-made fibres and yarns, black pepper (ASTA Quality MGI). While exports of seeds of all foodgrains were allowed 'on merits' from August 1983, those of wooltops and raw magnesite were brought under control and allowed 'on merits' from September 1983.

The ban on exports of semi-precious stones excluding quartz which was imposed in April 1983 was lifted in February 1984. Similarly, the ban on exports of CTC tea imposed on December 25, 1983 was removed after the 1983-84 fiscal year from May 12, 1984. Exports of artistic articles/handicrafted wooden furniture and decorative accessories with silver content were banned from June 1983 and those of silk waste (excepting silk noils and noil droppings which were allowed on merits) from February 1984.

**Import Controls**

Diesel generating sets were allowed for imports under OGL by units located in Kandla and SEEPZ as capital goods. Imports of palm acid oil/palm fatty acid palm kernel oil/palm stearive/ palmatic acid soap stocks and other fatty acids pure or mixed including acid oils of all types which were banned earlier were permitted under OGL through the STC.

Similarly, boiler tubes ERW variety 8 mm to 80 mm cut to shape and size, and ceramic fibres were allowed for import under OGL. Further, lauric acid, Oleic acid and Stearic acid were removed from limited permissible list and their imports allowed under OGL through the STC.

The value limit restriction of 50 per cent in respect of imports of real or cultured pearls, unset/undrilled for use in the manufacture of gems and jewellery exported by Registered exporters has been reduced by half to 25 per cent.

Among the items, imports of which were banned, were sizing machines including size cooking/mixing equipment centrifuges (laboratory/refrigerator type) upto 16000 rpm, cellulosic tops/spun yarn/waste, mutton and beef tallow.

**Export Promotion Measures**

Export Inspection Council is trying to consolidate, stabilise and streamline the existing system of preshipment inspection to make it simple and more effective.

The scope of the Duty Exemption Scheme in operation since 1977 was enlarged by addition of a few items in the list of materials allowed to be imported duty free. A 'Quick Payment of Duty Drawback Scheme' under which the drawback is paid across the counter was introduced at all the major custom houses and international airports.

Hundred per cent export-oriented units were allowed to sell 25 per cent of their output in the home market against valid import licences. Green cards were issued to the approved 100 per cent export oriented units which have already commenced production or are likely to commence production in the near future to facilitate speedy clearance of requests from these units by various departments and organizations of the Central and State Governments. Priority is

**Table X—5 : Value of Import Licences issued classified by Major Categories & Sectors, 1981-82 to 1983-84**

(Rupees crores)

| Sr. No. | Category | Government Sector | | | | Private Sector | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1981 - 82 | 1982 - 83 | 1982 - 83 April November | 1983 - 84 April November | 1981 - 82 | 1982 - 83 | 1982 - 83 April November | 1983 - 84 April November | 1981 - 82 | 1982 - 83 | 1982 - 83 April November | 1983 - 84 April November |
| | | 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. |
| 1. | Actual Users (Industrial) | 2,212 | 1,804 | 1,345 | 694 | 96 | 90 | 65 | 69 | 2,308 | 1,894 | 1,410 | 763 |
| | | (49·4) | (50·1) | (49·8) | (26·4) | (2·9) | (2·5) | (2·7) | (3·2) | (29·8) | (26·4) | (27·4) | (15·9) |
| 2. | Actual Users ( Non-Industrial ) | 228 | 302 | 239 | 47 | 6 | 11 | 5 | 3 | 234 | 313 | 244 | 50 |
| | | (5·1) | (8·4) | (8·9) | (1·8) | (0·2) | (0·3) | (0·2) | (0·1) | (3·0) | (4·4) | (4·7) | (1·0) |
| 3. | Raw Materials ( DGTD Units ) | 449 | 467 | 417 | 331 | 642 | 708 | 593 | 420 | 1,090 | 1,175 | 1,010 | 751 |
| | | (10·0) | (13·0) | (15·4) | (12·6) | (19·6) | (19·8) | (24·2) | (19·3) | (14·1) | (16·4) | (19·6) | (15·6) |
| 4. | Small Scale Industries | — | — | — | — | 233 | 252 | 181 | 136 | 233 | 252 | 181 | 136 |
| | | | | | | (7·1) | (7·1) | (7·4) | (6·2) | (3·0) | (3·5) | (3·5) | (2·8) |
| 5. | Registered Exporters | 44 | 55 | 26 | 162 | 1,719 | 1,908 | 1,200 | 1,216 | 1,763 | 1,963 | 1,226 | 1,378 |
| | | (1·0) | (1·5) | (1·0) | (6·2) | (52·4) | (53·5) | (49·0) | (55·8) | (22·7) | (27·4) | (23·8) | (28·6) |
| 6. | Capital Goods/Heavy Electrical Plants | 1,234 | 843 | 627 | 1,183 | 526 | 477 | 308 | 268 | 1,760 | 1,320 | 935 | 1,451 |
| | | (27·6) | (23·4) | (23·2) | (44·9) | (16·0) | (13·4) | (12·6) | (12·3) | (22·7) | (18·4) | (18·2) | (30·2) |
| 7. | State Trading Agencies | 157 | 93 | 26 | 55 | — | — | — | — | 157 | 93 | 26 | 55 |
| | | (3·5) | (2·6) | (1·0) | (2·1) | | | | | (2·0) | (1·3) | (0·5) | (1·1) |
| 8. | Others * | 153 | 34 | 22 | 160 | 58 | 122 | 95 | 69 | 211 | 156 | 117 | 229 |
| | | (3·4) | (0·9) | (0·8) | (6·1) | (1·8) | (3·4) | (3·9) | (3·2) | (2·7) | (2·2) | (2·3) | (4·8) |
| | **Total** | **4,476** | **3,598** | **2,702** | **2,632** | **3,279** | **3,568** | **2,447** | **2,182** | **7,755** | **7,166** | **5,149** | **4,814** |
| | | **[4,159]** | **[3,981]** | **[2,615]** | **[2,272]** | **[73,911]** | **[82,583]** | **[51,752]** | **[47,749]** | **[78,070]** | **[86,564]** | **[54,367]** | **[50,021]** |

* Include the categories 'Ad-hoc licences', 'Customs Clearance Permits', 'Director General of Supplies and Disposals Contracts', 'Railway Contracts', 'Government and against Government Contracts', 'Replacement Licences' and 'Co-operative Societies'.

*Notes* : 1. Square brackets indicate number of licences issued.

2. Figures in parenthesis relate to percentages to value of total licences issued to the Sector.

*Source* : Chief Controller of Imports and Exports.

being accorded to these units in matters relating to the supply of power, preferential tariff schedules, telephone/telex connections, etc. Higher rates of market development assistance-60 per cent instead of 50 per cent to export houses and 70 per cent instead of 60 per cent to export promotion councils were granted for participation in exhibitions and fairs in the new and difficult markets of Latin America and Africa to recognised export houses and export promotion councils. The existing assistance to export Promotion councils, sponsoring the exporters from the large scale category was increased from 25 per cent to 30 per cent. Certain relaxations were made to provide increased grant-in-aid to export promotion councils for their promotional activities.

It was decided to set up three more export promotion councils for carpet, construction and Civil engineering and Indian art silk.

Four new Free Trade Zones, at Madras, Cochin, Noida (New Okhla Industrial Development Agency) and Falta are to be set up. Some details of these are given in Section III.

Internal Container Depots (ICD) which confer all the facilities of dry port and facilitate the movement of traded goods by ISO containers * were installed at Bangalore, Coimbatore and Guntur and the Delhi ICD is expected to be functional shortly. Efforts are being made to set up ICDs at Gauhati and Ahmedabad.

**Foreign Trade Policy for 1984-85**

In the interest of continuity and stability, the Import Export Policy for 1984-85, announced on April 12, 1984, maintained the general framework as in the preceding year. Thus, the policy for import of raw materials, components and spares, the facilities for supplementary and automatic licences including repeat licences to actual users for import of raw materials, components and consumables continues almost unaltered. The provision for 10 per cent higher REP rates against exports of new products or to new markets introduced last year continues and so also the scheme for advance licences under Duty Exemption Scheme. The liberal policy towards non-resident Indians setting up industries in India, and facilities given to Free Trade Zones and 100 per cent Export Oriented Units are continued.

Some modifications towards further liberalisation and streamlining of procedures have been introduced. The banned list for imports has been virtually abolished, except for animal tallow. The OGL list has been enlarged by adding 149 new items including 94 items relating to industrial machinery for electronics, lamp manufactures, cinematographic equipment, garments, hosiery and made-ups, an item required by the gems and jewellery industry and eggs and poultry processing. Simultaneously 53 items have been removed from the OGL in the light of developments in the domestic industry, bringing the net addition to the OGL to 96.

Regulations regarding canalisation have been modified to ensure that actual users get their import requirements on time. Import of polynosic fibre has been decanalised and put under OGL. However, items like jute-pulp, nutmeg/mace, nickel powder, ferro-nickel and nickel oxide sinter and some items of iron and steel etc., have been added to the canalised list. The canalising agency is now required to indicate within 60 days (instead of the earlier 90 day period) the arrangements it will make to effect supplies. Further, when the canalising agency is unable to provide the material in time, actual users may approach the licensing authority for a licence for direct import upto 25 per cent of the allotment in the preceding year and the earlier value limit of Rs. one crore in this regard has been removed. Besides, the actual users may register their demands on 6 monthly or 12 monthly basis and indicate their requirements of delivery on a bi-monthly basis instead of on a quarterly basis as at present. The leasing companies are now permitted to import capital goods largely under the OGL. The State Agro-Industries Corporations would henceforth be able to import agricultural machinery and

* International Standards Organisation containers mostly of 8' × 8 ½' profile with a length of either 20' or 40'.

spares for distribution to actual users. The National Small Industries Corporation and approved SIDCs are now permitted to import capital goods for stock and sale to 'Actual Users' in Small Scale Industries (SSI) sector. The maximum age limit for import of second hand machinery was reduced from 10 years to 7 years.

The policy for imports of spares for maintenance of machinery and equipment has been further liberalised by enlarging the list of eligible industries. In the case of agents of foreign machinery manufacturers, import entitlement for spares has been raised from 2 to 3 per cent of the base imports of 10 years.

The value limits in respect of certain imports was raised. Thus the limit for import of samples by manufacturer exporters for product development was raised from Rs.75,000 to Rs.1 lakh and that of single restricted spare from Rs.1 lakh to Rs.5 lakhs. Photo-types/samples against automatic licences could be imported for Rs.50,000 instead of Rs.20,000 earlier. Spares of computers are now allowed, without clearance by the Department of Electronics upto a value of 5 per cent of the cost of the photo composing units.

The validity period of import licences in respect of items which used to be 12 months has been extended to 18 months, but so far as capital goods and emergency spares are concerned the existing period of 24 months and 6 months respectively, continues. Registered exporters would now be able to get input/output norms approved in anticipation of the export order in order to enable them to apply for and obtain advance licences expeditiously. The import policy for registered exporters has been liberalised and linked to the export performance in certain cases. For registered exporters, the import replenishment rate wherever it had been below 10 per cent was raised by one percentage point. The flexibility for import of limited permissible items as well as for canalised items by manufacturer exporters of select export products against their own REP licences was increased from 20 per cent to 25 per cent, where the REP rate was 20 per cent or less. The flexibility upto 100 per cent (i.e. 50 per cent of the REP value for import of limited permissible items and 50 per cent for canalised items) would be available to manufacturer exporters against their own REP licences, where the REP rate was 20 per cent or less, and where 50 per cent or more of the production of select products was exported. Limits for import of a single item have been fixed at Rs.3 lakhs to Rs.4 lakhs depending upon export production and REP rate. Producers catering exclusively for export of specified select products are allowed to import their requirements against their own as well as acquired REP licences. The maximum value limit for capital goods imported against REP licences was raised from Rs.50 lakhs to Rs.75 lakhs. A graded slab system of imports has been introduced in order to relate the facility to the FOB value of exports and to the proportion of production exported.

The import of technology has been liberalised further particularly in some priority areas like export production, use of renewable non-conventional sources of energy, population stabilisation, low cost housing and development environment, agriculture (including dryland farming), increased production of pulses and oilseeds, optimum use of water resources, provision for drinking water in rural areas, improvement of nutrition, rapid reduction in the incidence of blindness and eradication of major communicable diseases. The limit for import of drawings and designs for technical upgradation was raised from Rs.10 lakhs to Rs.25 lakhs, subject to the approval of the Secretariat for Industrial Approvals (SIA).

Exporters of computer software will be allowed to augment their capability through import of computer hardware, software and peripherals, to the extent of 50 per cent of the foreign exhange earned by them in excess of their export obligation for export of computer software and related services.

In order to promote long-term and enduring relationships between Trading Houses and their

associate manufacturers and thus to develop inkages between production and export, additional licences for imports will be provided at a higher rate to Trading Houses which undertake to have such association for at least five years. Exports of new products or to new markets would be reckoned at twice the f.o.b. value of such incremental exports for purposes of eligibility for recognition as Export Houses or Trading Houses. The minimum level of qualifying exports of select products for the recognition as an Export House has been retained at Rs.50 lakhs and Rs.2 crores, respectively, in the case of SSI unit registered with the concerned Director of Industries, or a consortia of SSI units. The threshold of exports has been raised to Rs.3 crores for units exporting 'select' and to Rs.7 crores in the case of 'non-select' products. Similarly, the threshold of exports in the case of Trading Houses has been raised to Rs.15 crores. The existing Export Trading Houses having lower levels of exports are given time to achieve these levels. The minimum annual growth rate prescribed for Export Houses continues to be 20 per cent, but for trading Houses it is raised from 15 per cent to 20 per cent. To encourage the growth of the new category of entrepreneur merchant exporters (EME) (i.e. merchant-exporters who are not manufacturers themselves) 'Additional Licence' (for import) will be provided with effect from April 1, 1985 to the EMEs who export select products from the SSI cottage industries sector.

A gold jewellery replenishment and export promotion scheme is to be introduced during the year.

*Export Control Policy*

Most of the export items continue to remain outside the purview of the export control. With a view to ensuring continuity in policy, only minimum modifications have been effected. Among the changes introduced are the decision to allow, within a limit, export of all types of sea weeds, and synthetic blended yarn (under OGL 3) subject to certain conditions. Hard cotton waste has been brought under export control. Exports of forestry seeds and foundation and breeder seeds are stopped in the interests of development of agriculture and forestry and so also of export of samples of peacock tail feathers and articles/ handicrafts manufactured therefrom.

**Changes in Export/Import Controls : April-June 1984**

The following further modifications were made after the comprehensive policy for the fiscal year 1984-85 was announced. Exports of semi-precious stones other than crystalised quartz were decontrolled from June 1984. Exports, within specified ceilings, were allowed of polyester filament texturised yarns, pure milk ghee, solvant extracted cotton seed cakes, de-oiled rice bran, de-oiled groundnut cake, live buffaloes, goats and sheep and maize. Export of seedlac will be allowed to the extent of 10 per cent of the quantity of shellac exported in 1984-85. Export quotas at the previous year's level were fixed for semi- processed hides and skins. Minimium export price stipulations for tobacco of various grades of 1984, 1983 and 1982 crops prescrbied earlier were removed in April 1984.

## III. SPECIALISED FOREIGN TRADE AGENCIES

*State Trading Corporation of India.*

The State Trading Corporation of India (STC) is a major canalising agency for imports and exports and plays a vital role in promoting exports of canalised and also of non-canalised items.

During 1983-84, STC's total exports amounted to Rs.761 crores showing an increase of 21 per cent over the previous year's level of Rs.631 crores and surpassed the 1975-76 record exports of Rs.760 crores. Imports at Rs.1419 crores were up by 19 per cent and reached a new peak. The total turnover * during the year reached an all time high record of Rs.2193 crores as against Rs.1832 crores in 1982-83, registering an inerease of 20 per cent.

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* Include domestic transactions of the order of Rs. 13 crores in each year, in 1982-83 and 1983-84.
The commodity-wise exports and imports are given in Table X-6.

*Exports :*

Exports of canalised items during the year increased significantly to Rs.373 crores from Rs.260 crores in 1982-83, registering a rise of 43 per cent, while those of non-canalised items rose by 4·5 per cent to Rs.388 crores. Substantial increases were recorded in exports of canalised items like sugar, molasses and salt. Among the non-canalised items, the export performance in respect of tea, engineering products and construction material, consumer products and livestock, dryfish and marine products was noteworthy. Exports of coffee, instant coffee and tobacco reported sizeable declines.

In its efforts to increase exports of manufactured products and to diversify markets, STC has added many new items to its export basket and found new markets for existing products during the year. The new items exported include sheet glass to China, frozen veal and tamarind concentrate to Kuwait, perfumery compounds, sewing and embroidery thread to France, silk noil to South Korea, buses and spares to Afghanistan, asbestos sheets to Seychelles and milk powder, condensed milk and baby food to Nepal. Regarding new markets, mention may be made of Australia for tea; Kuwait for cahsewnuts in consumer packs, assorted fruit and coffee; Hongkong for fresh grapes and tea; Srilanka for potatoes; Japan for mango slice, pickles, salted and roasted cashewnut and hessian rice bags; France for jute yarn; Bangladesh for cycle rickshaw tyres; Iraq for bicycle and motorcycle tyres; Morocco for sugar; Saudi Arabia for sanitary fittings and sugar; U. S. A. for black pepper and bicycle; Iran for black pepper and turmeric; Romania for black pepper; Libya for tea and U. K. for bicycles and leather handbags.

Towards creating capacity for exports, and improving the quality of products to bring it on par with international standards the STC has undertaken a number of projects such as the Indo-Bulgarian Leather Gloves Projects, Aseptic Bulk Packing of Tropical Fruit Pulp, Tuna Fish Project, Shoe uppers unit at Noida, Textile Design-cum-Development Centre and Sports Goods Design-Cum-Development Centre at Jullandar.

The STC has also entered into link deal arrangements with some of the countries like Poland for exports of Indian groundnut extraction worth Rs.587 lakhs against import of Polish cement, and with Yugoslavia for export of finshied leather worth Rs.250 lakhs against import of newsprint.

*Imports :*

Among the items imported through the STC, edible oils, chemicals, rubber and fatty acid recorded significant increases, while cement, newsprint, tallow and drugs and pharmaceuticals reported substantial declines (Table X-6-B).

For several years, India has been importing edible oils on a substantial scale to meet the needs of Vanaspati Industry and public distribution system (PDS). During 1983-84 these imports through the STC of 13 lakh tonnes valued at Rs.1,079 crores, were higher than those of 9·8 lakh tonnes valued at Rs.834 crores in the previous year and constituted roughly three-fourth of total imports by the STC. The STC also arranged timely import of vital drugs and chemicals and linear alkyl benzene on urgent basis due to break down in IPCL production units. Imports of chemicals were substantially higher at Rs.100 crores compared with Rs.48 crores in the previous year, while those of cement dropped from Rs.49 crores to Rs.26 crores in view of the improved domestic production.

*Cashew Corporation of India*

The Cashew Corporation of India (CCI) assists the export-oriented units in the cashew processing industry by importing and distributing raw cashew nuts at fair prices. During 1983-84, there was a marginal reduction in export turnover from Rs.6 crores during 1982-83 to Rs.5·5 crores due to adverse market conditions and consequent steep fall in unit value realisation, although the quantity exported improved.

**Table X-6 : Exports and Imports by STC**

**Major items**

(Rupees crores)

| (A) | Exports | 1982-83 (Actual) | 1983-84 (provisional) |
|---|---|---|---|
| | **Canalised** | | |
| | Sugar | 85 | 205 |
| | Semi-Processed Leather | 45 | 50 |
| | Castor-oil | 47 | 36 |
| | Molasses | 2 | 26 |
| | Opium | 16 | 21 |
| | Seedlac Shellac | 14 | 16 |
| | Salt | 4 | 8 |
| | Groundnut Extractions | 44 | * |
| | Others (Including SBO and Tallow re-export) | 3 | 11 |
| | **Total I** | **260** | **373** |
| II. | **Non-canalised** | | |
| | Coffee | 72 | 58 |
| | Tobacco | 65 | 45 |
| | Tea | 12 | 36 |
| | Footware & Footware Components | 27 | 32 |
| | RMG Cotton Textiles Fabrics | 50 | 46 |
| | Jute Goods | 24 | 25 |
| | Finished Leather | 26 | 25 |
| | Engineering products and Construction Material | 4 | 21 |
| | Drugs and Chemicals | 13 | 16 |
| | Processed Foods & Fruits | 18 | 15 |
| | Consumer Products | 8 | 15 |
| | Livestock, Dry Fish, Meat & Marine products | 9 | 14 |
| | Instant Coffee | 20 | 11 |
| | Groundnut extractions | @ | 7 |
| | Others | 23 | 22 |
| | **Total II** | **371** | **388** |
| | **Grand Total (I + II)** | **631** | **761** |

*(Contd.)*

Table X-6 : Exports and Imports by STC —Major items *(Concld.)*

| (B) | Imports | 1982-83 (Actual) | 1983-84 (Provisional) |
|---|---|---|---|
| (I) | **Canalised** | | |
| | Edible oils | 834 | 1079 |
| | Newsprint | 141 | 122 |
| | Chemicals | 48 | 100 |
| | Rubber | 37 | 55 |
| | Cement | 49 | 26 |
| | Drugs & Pharmaceuticals | 22 | 14 |
| | Fatty Acid | - | 10 |
| | Tallow | 26 | 8 |
| | Printing Paper | 5 | 4 |
| | Others | 10 | - |
| | **Total I** | **1172** | **1418** |
| II. | **Total non-canalised II** | **16** | **1** |
| | **Total (I + II)** | **1188** | **1419** |

* Decanalised @ Canalised

*Handicrafts and Handloom Exports Corporation of India Ltd. (HHEC)*

The Handicrafts and Handloom Exports Corporation of India Ltd., played an important role during 1983-84 in promoting exports of both canalised and non-canalised items. The total exports by the HHEC rose by almost one-half from Rs.84·9 crores in 1982-83 to Rs.123·9 crores in 1983-84. Canalised exports increased from Rs.9·3 crores to Rs.24·0 crores while exports of non-canalised items rose from Rs.75·6 crores to Rs.99·9 crores. Among the non-canalised items, gold jewellery exports showed an appreciable rise from Rs.57·7 crores in 1982-83 to Rs.85·0 crores in 1983-84. For the last two years, the Corporation has laid greater emphasis on design development, introduction of new designs in all product groups and entry into new markets through increasing participation in fairs and exhibitions.

*Projects and Equipment Corporation of India.*

During the year 1983-84, the turnover of the Corporation is expected to be Rs.90·0 crores or 30 per cent higher than that of Rs.66·2 crores in the previous year. The rise in the turnover is to be mainly in respect of exports of non-canalised items which is expected to move up from Rs.53·2 crores in 1982-83 to Rs.78·6 crores in 1983-84. The import turnover remained almost the same as in the previous year.

*Minerals and Metals Trading Corporation of India* *

During the year 1983-84, the total foreign trade handled by the Minerals and Metals Trading Corporation of India (MMTC), increased by 20·8 per cent to Rs.1040 crores from Rs.861 crores in the previous year, mainly because of a sharp rise in imports, from Rs.572 crores in 1982-83 to Rs.765 crores in 1983-84, particularly of fertilizers. Exports at Rs. 274 crores were lower by Rs.15 crores or 5·2 per cent over the previous year (Rs.289 crores), due mainly to a lower export value of iron ore, although in quantum terms they were higher than in the last year (Table X-7 and X-8).

But for the breakdown in transport and shipping facilities due to land slides and dock strikes, exports could have been higher. Japan continued to be the largest market for iron ore exports from India and despite lower demand and competition from other suppliers, the MMTC succeeded in concluding long-term export contracts with Japan at remunerative prices. As a result, MMTC's exports to Japan during 1984-85 are expected to be 30 per cent larger than in 1983-84. The Corporation explored the new markets like Turkey and China during the year 1983-84 for iron ore exports. Exports of other minerals such as Manganese ore declined from Rs. 16·84 crores in 1982-83 to Rs.14·61 crores during 1983-84 due mainly to limited demand from the world steel industry (Table X-7 A). The technological development has also resulted in lower use of manganese ore in steel making leading to lower demand overseas. In contrast, exports of chrome ores included in 'other minerals' increased substantially mainly due to larger demand from East European countries, China and other countries. Exports of cut and polished diamonds by the MMTC for the year 1983-84 amounted to Rs.4 crores. The Corporation proposes to play an

**Table X-7 : Exports through MMTC**

(Quantity in lakh tonnes', values in crores of Rs.)

| | 1982-83 (Actuals) | | 1983-84 (provisional) | |
|---|---|---|---|---|
| | Quantity | value | quantity | value |
| Iron ore | 122·05 | 259·51 | 125·21 | 245·85 |
| Manganese Ore | 4·76 | 16·84 | 4·05 | 14·61 |
| Coal | 0·92 | 4·79 | 0·30 | 1·41 |
| Other minerals | 1·20 | 6·95 | 1·27 | 8·33 |
| Finished goods & stainless steel utensils | — | 0·61 | — | 4·19 |
| **Total** | — | **288·70** | — | **274·39** |

* The data presented in Table X-7 and X-8 would differ from the commodity-wise exports and imports data presented Table X-2 and X-3 which are based on DGCI & S data, on account of differences with regard to timing and valuation. Moreover, DGCI & S data are provisional as mentioned earlier and subject to revisions.

active role in coming years for strengthening and developing Indian diamond industry with a view to maintain its position as an important foreign exchange earner.

With this view, the Corporation has successfully arranged import of rough diamonds directly from producers, in addition to procuring them from the open market. It also intensified its efforts to participate in the mining and procurement of rough diamonds from primary sources.

The Corporation continued to be the canalising agency for the country's imports of non-ferrous metals such as copper, aluminium, zinc, lead, tin, nickel and platinum. Total imports of these items during 1983-84 were higher at Rs.244 crores as compared with those of Rs.189 crores during 1982-83 (Table X-8).

During the year 1983-84 imports of fertilizers were up from Rs.336 crores in 1982-83 to Rs.470 crores or by 40 per cent. A good monsoon and reduction in the prices of fertilizers led to an upsurge of their consumption in the country, it rose by 18 per cent necessitating larger imports. In response to larger demand for fertilizers, the MMTC urgently arranged to import fertilizers, particularly urea. As a result, the quantities procured during October 1983 to March 1984, of urea and DAP were higher by 90 per cent.

Imports of industrial raw materials were higher at Rs.40 crores as against Rs.30 crores last year. Import of stainless steel dropped from Rs.7·50 crores to Rs.3·65 crores mainly as a result of higher domestic production and easy availability of thinner gauges from the local ratailers.

*Trade Development Authority*

The Trade Development Authority of India (TDA) which is one of the major export promotion organisations continued to play an active role during 1983-84 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, organising buyer/seller meets, arrangements of visits of foreign buying delegations, joint commission meetings, participation in seminars, organisation of seminar/training courses, etc. Besides, it also provided various services to exporters such as consultancy services, market research and status reports etc. Further, it assisted exporters in upgradation of quality and product adaptation. The details are as follows :

**Table X-8 : Imports through MMTC**

(Rupees Crores)

| | 1982-83 (Actuals) | 1983-84 (Provisional) |
|---|---|---|
| Non-ferrous metals | 188·78 | 243·55 |
| Stainless Steel | 7·50 | 3·63 |
| Fertilizers | 336·25 | 469·88 |
| Industrial raw materials | 29·77 | 40·13 |
| Diamonds | 9·50 | 7·97 |
| **Total** | **571·80** | **765·16** |

TDA organised during 1983-84, three buyer seller meets. One was Indian Engineering Exhibition organised in Sydney (Australia) during June 1983 with financial and technical assistance from the Commonwealth Fund for Technical Co-operation, London. The two other buyer/seller meets for consumer products were organised in Oslo (Norway) and in Stockholm (Sweden).

During 1983-84 there was only one exclusive Indian Fair namely India Garment Fair, held in Tokyo and was funded by the International Trade Centre, Geneva. Before the Fair, TDA received the services of a fashion designer to provide technical advice to the participants to develop a range of samples for display in the fair as well as at the fashion shows. As a result of overwhelming response from the readymade garments industry in India, for their fair TDA proposes to repeat its participation during 1984-85. Besides, it also participated in a number of International Trade Fairs.

Contact Promotion Programmes (CPP) were undertaken during April-May 1983 for Hand Tools in Saudi Arabia, Kuwait and UAE, for builders hardware in the U. S. A., Canada, Saudi Arabia, Kuwait and the U. A. E., for auto ancillaries in the U. K., for instruments in ASEAN countries, for home furnishings/ carpets in Australia and for wooden furniture in West Europe.

Under Indo-Italian Export Development Programme a study for electronic products in Italy was completed during the year. Thirteen leading Italian electronic companies showed interest to buy electronic items from potential Indian suppliers.

Under Indo-Dutch Export Development Programme an intensive market promotion project financed by the Centre for Promotion of Imports from Developing Countries (CPI) for the three product groups of auto ancillaries, hand tools and sports goods was taken up last year.

Under the first phase of the programme an in depth market survey in the Netherlands for selected non-traditonal products was conducted by the TDA. Under the second phase, the Dutch delegation visited important production centres in India with a view to identiflying units and to assess the supply capabilities of India for the three product categories.

The TDA continued to play vital role for product development and product adaptation. For this purpose it receives samples of various products from time to time from its foreign offices. These samples are given to suitable manufacturers/ clients for development of counter samples.

In respect of the Market Research Programme in other countries during April-May 1983, a team consisting of TDA officers carried out a market survey for selected products in Sri Lanka and found very good export potential for 3 products viz. scientific instruments, machine tools and accessories and hand tools.

The TDA also carried out a number of feasibility studies e.g. setting up an Indian Trade Centre in Africa and West Asia and North Africa (WANA), setting up an Export Processing Zone in NOIDA (U.P.) and Orissa and also setting up an Export-oriented Industrial Complex and Integrated Export Cargo Complex in Ranjitgarh, Punjab.

The Trade Information and Statistics Division of TDA continued to play its role as the leading source of trade information in the country; it is organised in three sub-sections, *viz.*, the Trade Information Centre, Documentation Centre and a Reprographic Cell. The year under review saw further expansion of these activities and a greater coverage of the information. The Division continued to receive the latest information on trade, industry and economy of different countries and regions from a large number of international organisations, and import promotion bodies of respective countries as well as the World Trade Centre etc.

*Santcruz Electronic Export Processing Zone (SEEPZ)*

Exports from SEEPZ increased by 63 per cent from Rs.54 crores in 1982-83 to Rs.89 crores in 1983-84, and exceeded the target of Rs.70 crores fixed for 1983-84. Exports from the Zone comprise mainly of high technology electronic items. SEEPZ'S share in the country's exports of electronic goods has increased significantly during the last five years from 25 per cent in 1979 to 66 per cent in 1983.

Product-wise components accounted for two third of total exports and professional electronics items over one-fourth.Destination-wise more than one-half of the total exports went to Far East countries, followed by the USA and Canada accounting for one-third, while the share of East Europe and West Europe was modest. During the year, 10 new units, the same number as in the preceding year were set up, making the total units 51.

*New Free Trade Zones*

The Government has recently decided to establish four more Free Trade Zones viz. (1) NOIDA (U.P.) (2) FALTA (West Bengal) (3) Madras Export Processing Zone (Tamil Nadu) (4) THRIKKAKARA (Kerala). The primary objective in their establishment is to meet the rigours of international competition in terms of price, quality and delivery of goods. To attract units to these zones and to achieve the above objective the Government of India in collaboration with State Governments has announced certain special incentives, concessions and facilities such as (1) full reimburesement of central sales tax paid on purchases from other States; (2) assured power supply; (3) a tax holiday for a period of 5 years; (4) permision to sell 25% of units production in domestic tariff area against import licences held by buyers of general currency areas;(5) liberal conditions for foreign investment; (6) finished products of these zones or specified raw materials required by these zones would not be subjected to central excise and (7) liberal foreign exchange facility for business tours etc. The Indian exporters setting units in these zones would have the access to machinery and raw materials at international prices. In addition, all the infrastructural facilities are provided by the Government. The progress of two new zones namely FALTA and Madras is reviewed in the following paras.

*FALTA Free Trade Zone*

The site of Falta zone is in the district of 24 Paraganas at a distance of 50 kms. on South-west of Calcutta. The Calcutta Port Trust has allotted 200 acres of land for the establishment of the zone and another 200 acres of land is expected to be given later. The preliminary work of development of infrastructure has been entrusted to the West Bengal Industrial Development Corporation. Road construction and area development have been in progress.

The Falta zone is a notified area by the Government of India within which units manufacturing for 100 per cent export only can be set up. It is envisaged to be a multiproduct zone with a wide range of products for 100 per cent export manufacturing units. Units set up are assured power supply and are exempted from power cuts for the next 5 years. A separate office of Calcutta Customs, Post & Telegraph, branches of banks, hotels, shoping centres and transport terminals are expected to be set up shortly. The zone is expected to be ready within a year.

A High Level Authority, "FALTA Export Processing Authority," (FEPA) under the Chairmainship of the Union Minister of State for Commerce deals with all major policy issues for speedy creation, growth and development of EPZ.

*Madras Export Processing Zone*

Preliminary work relating to Madras Export Processing Zone near Meenambakkam in Tamil Nadu has been started. The State Government has constituted the Madras Export Processing Zone Board for the purpose and has appointed the State Industries promotion Corporation of Tamil Nadu Ltd., (SIPCOT) as the nodal

agency for carrying out the work relating to the Export Processing Zone. It has been decided to set up the zone initially over an area of about 230 acres, and ultimately to expand it to 500 acres. Upto March 1984, SIPCOT received 250 enquiries for allotment of space in the zone, of which 40 applications were from non-resident Indians.

*100 per cent export oriented units*

Till March 1984, there were 388 units licensed under the 100 per cent export-oriented scheme which is in force since 1981, of which 44 have actually begun production. According to the Ministry of Commerce, the response to the scheme is encouraging. During 1983, 120 proposals were approved as against 159 in 1982 and 103 in 1981. Total number of approvals by December end 1983 was 391. The proposed level of fixed investments is Rs.1,387 crores in respect of the approved units. The exports from some of the units which had commenced production by September 1983 is estimated to be Rs.65 crores during 1983-84.

## IV. TRADE AGREEMENTS AND ECONOMIC AND TECHNICAL CO-OPERATION

The Government of India, from time to time enters into agreements on trade and economic and technical co-operation with various countries with a view to developing trade and improving the economic ties. Though these agreements are indicative in nature and not in any way binding on the parties these do provide sign posts in our relations with the countries.

The annual trade protocols for 1984 were finalised with the USSR, Czechoslovakia, the German Democratic Republic, Poland and Romania. The Indo-USSR protocol envisages record exports of around Rs.2,000 crores from India and a total turn over of Rs.3,840 crores showing an increase of 24% over that in 1983. The stress in the protocol is on India's imports of crude oil, fertilisers, machinery and equipment (including dairy project machinery), and newsprint, and exports from India of cotton fabrics, jute articles, tanning and footwears, knitwear clothiers, tea, coffee, tobacco and spices. The protocol with the German Democratic Republic aims at a trade turnover of about Rs.329 crores or rise of 10 per cent and that with Poland, an outturn of Rs.400 crores implying a 15 per cent growth.

During the year, new protocols were signed with Phillippines and the Netherlands and trade agreements with Bhutan and Greece. The trade protocol with Philippines provides for a bilateral trade of US $ 100 million by 1984-85. Joint working groups of representatives from India and Philippines have worked out the details of trade for a longer period, from July 1, 1983 to June 30, 1988. The protocol with the Netherlands envisages an integrated development package for traditional as well as non-traditioanl exports from India, with special emphasis on software packages and engineering ancilliaries and components, particularly for auto industries and hand and other small tools. In December 1983 a five year trade agreement was signed with Bhutan which provides free trade between India and Bhutan. In order to simplify Bhutan's trade with third countries, one point on Indo-Nepal border and two points on Indo-Bangladesh border have been opened under the agreement.

## V. INTERNATIONAL TRADE NEGOTIATIONS

### GATT

The 39th Session of the GATT Contracting Parties held in November 1983, reviewed progress of the programme of work set out by the Ministerial Meeting held in November 1982. No comprehensive understanding could be reached on any of the three major issues relating to agriculture, textiles and safeguards. Hence no agreed text on these issues could be adopted at the Session. However, in view of the intensive consultations which are in progress, consensus on some major issues may emerge by the time of the next session of the Contracting Parties slated for November 1984.

The Committee on Trade and Development continued to focus attention on issues of trade

interest to developing countries. The opportunity was utilised to review and discuss trade policy/ measures of the members with a view to implementing the differential and more favourable treatment for developing countries that is provided for. Following the Ministerial Declaration, the Committee initiated consultations with a view to identifying the obstacles to and further liberalising the trade in tropical proudcts. The Committee also began consideration of other items relating to work programme set for it by the Ministers including the 'Enabling Clause' (special and differential treatment in favour of developing countries) and prospects for increasing trade between developing and developed countries.

Meanwhile, the Director General has set up a Group to "identify the problems affecting the international trading system and to consider how these may be overcome during the remainder of the 1980s". The Group is expected to report within a year.

*Textiles :*

The GATT Committee on Textiles unanimously approved China's application to participate in the Multi-fibre Arrangement (MFA) which governs a large portion of world trade in textiles and clothing. Although not a Contracting party to GATT, China would become the 49th participant in MFA and thus add to its importance. However, this has not discouraged the United States from imposing further curbs on imports from China or other third world suppliers. In December 1983, new regulations were introduced unilaterally by the US setting criteria to determine when imports disrupted or threatened to disrupt domestic production, thus, opening the way for specific action to curb textile imports in the United States.

*Agriculture .*

The GATT Committee on Trade in Agriculture, set up following the Ministerial Meeting to examine, inter alia, problems of market access and supplies, agricultural subsidies, and exceptions and derogations, made useful progress at its meeting in April 1984. The search for a suitable "framework" for negotiations on liberalisation of trade continued. The consensus regarding the linkage between domestic agricultural policies and trade measures and the need for a clearer definition of permissible limits to their impact on trade is emerging. This would form the basis for draft recommendations, the work on which was initiated by the Committee.

*Multilateral Trade Negotiations (MTNs)*

On January 1, 1984, the Contracting Parties made the fifth of eight annual tariff cuts agreed to at the Tokyo Round of MTNs. When fully effective in January 1987, these will result in tariff cuts of one-third by the industrial countries on imports of manufactured goods. The US and Japan are clamouring for a fresh round of MTNs. As a preliminary step, the US has already announced that it would advance by one year the completion of Tokyo Round tariff reductions. A number of other industrial countries are already following faster schedules for reducing tariffs on imports from developing countries. Bilateral or multilateral negotiations are also underway on liberalising non-tariff measures through exchange of requests and offers in respect of certain products (in particular agricultural and tropical products.)

UNCTAD

The Committee on Economic Co-operation among Developing Countries (ECDC) met in September 1983 to consider proposals on UNCTAD's work in support of ECDC activities. Under discussion were two draft resolutions submitted by the Group of 77 developing countries (G77) on Global System of Trade Preferences (GSTP), a programme for intensified co-operation among developing countries. The discussion remained inconclusive due to differences between G77 and developed market economies (Group B). The Group B countries maintained that GSTP should be designated a priority activity and the programme should be carried out with respect to the principles of

universality, sovereignity and equality of the states. It proposed setting up of a permanent sub-committee for the conduct of negotiations.

The G77 countries rejected this approach and argued that the GSTP is not so much a priority area but only one important element in the programme designed to achieve expansion of trade among developing countries. They did not see the need for the creation of a permanent sub-committee for GSTP negotiations and argued that the principle of universality could be achieved through ECDC Committee itself.

**Protectionism and Structural Adjustment**

As a follow-up to one of the main mandates given to the Trade and Development Board at UNCTAD VI last year, the Board adopted, by consensus, a resolution on protectionism and structural adjustment, establishing a work programme in the key area of trade relations. The resolution provides that henceforth the Board would, as part of its annual review of the problems of protectionism and structural adjustment, monitor the implementation of the Belgrade resolution on the subject. It may be recalled that at UNCTAD VI, the developed countries had, inter alia, agreed "to halt protectionism" and "to work systematically towards reducing and eliminating quantitative restrictions and measures having similar effect." The resolution also requires the annual review to cover all factors relevant to the issue of protectionism and structural adjustment, besides identifying trends in factors important to structural adjustment process.

**International Development Strategy**

Progress towards achieving the goal and objectives of the International Development Strategy (IDS) for the Third Development Decade was reviewed by the Trade and Development Board at its 13th special session held in April 1984. The meeting was unable to consider or discuss, much less agree on, any changes in or reformation of the policy measures required to achieve the goals and objectives of IDS.

**Common Fund for Commodities**

The progress towards the establishment of the Common Fund for Commodities still remains far from satisfactory. Thus, even nearly 4 years after the conclusion of the Agreement, only 75 states, accounting for 45 per cent ($212·6 million) of the Fund's First Account of $470 million had ratified the Articles of Agreement as against the requirement of ratification by 90 states, accoun- ting for two-thirds of the contribution of the First Account. The countries which are yet to ratify the Articles of Agreement include the United States and the block of Socialist countries forming Group D. Voluntary pledges to the Fund's Second Account, however, totalled $255 million, well above the $140 million target. It may be noted that while the DCC is meant to finance buffer stock, the Second Account is meant to finance measures aimed at improving the structural conditions of commodity markets.

**Commodity Agreements**

After protracted discussions, the International Tropical Timber Agreement (ITTA) was concluded in November 1983. In the main, the Agreement seeks to promote research and development with a view to improving the forest management and wood utilization and encourage increased and further processing of tropical timber in producing member countries. It also provides an effective framework for co-operation and consultations between tropical timber producing and consuming countries, with a view to promoting the expansion and diversification of international trade in tropical timber and improving structural conditions in tropical market. Finance for the projects is expected to come from the Second Account of the proposed Common Fund, regional and international financial institutions, and voluntary contributions from governments.

The ITTA is the third new agreement which had been concluded within the framework of UNCTAD's Integrated Programme for Commodities following the International Agreement

on Natural Rubber (1979) and the International Agreement on Jute and Jute Products (1982). Tropical forests, unlike the other two, are found in all the three regions of the world so that the new agreement is truly global in character.

**South Bank**

The idea of setting up of a bank for the developing countries is slowly taking shape. An expert group set up by the developing countries (G77) has already prepared a tentative blue print of the proposed South Bank. According to the recommendations of the expert group, the proposed Bank will be an inter-government institution of developing countries who wish to participate in it. Of the total paid up capital, $1·5 billion will be in convertible currencies; this will be supplemented by borrowings on the capital market. The Group has also recommended that, in the initial phase, the proposed Bank should focus attention on a limited set of functions–export finance, support for payments arrangements, commodity price stabilisation and project/programme finance.

Chapter XI

# Balance of Payments and International Monetary Developments

## I. Balance of Payments Trends

India's detailed balance of payments statistics for the fiscal year 1983-84 are not as yet available. However, judging from the available indicators, particularly a substantial accretion to foreign exchange reserves, improvement in overall balance of payments position noticed in 1982-83 seems to have continued in the fiscal year 1983-84. India's foreign exchange reserves (foreign currency assets of Reserve Bank of India, gold and SDR holdings) increased by Rs.1,182 crores as against a rise of Rs.625 crores in 1982-83. These assets would show a fall in the fiscal year 1983-84 of Rs.27 crores (excluding IMF transactions of net drawals of Rs.1,342 crores under the extended arrangements and payment in reserve assets towards increased quota in the Fund under the Eighth general increase in quotas of Rs.133crores)as compared with a drop of Rs.1,268 crores in 1982-83 (excluding such drawals of Rs.1,893 crores). Encouraged by this improvement, the Government of India terminated three-year Extended Fund Facility arragement with the International Monetary Fund from May 1,1984, about six months in advance of the date by which the arrangement was to come to an end. Thus, India drew SDR 3,900 million under the EFF or, SDR 1,100 million less than the amount of SDR 5,000 million initially agreed to be drawn over the three-year period ending November 8, 1984.

The DGCI & S data on merchandise trade indicate a widening of trade deficit from Rs.5,526 crores in the fiscal year 1982-83 to Rs.5,861 crores in 1983-84. As discussed in Chapter X of this Report, a lower rate of growth in exports at 10·1 per cent, as compared to 13·2 per cent in 1982-83 caused mainly due to the Port Strike in March 1984, coupled with an increase in the rate of growth of imports was responsible for the rise in the trade gap during the year. Oil imports (net of oil exports) continued to show a decline from Rs.4,400 crores in 1982-83 to Rs.3,400 crores during 1983-84 due to increase in the availability of domestic crude oil.

As regards invisibles, there was a net surplus of Rs.3,210 crores during 1982-83 excluding official grants. The position is unlikely to have shown any material change during 1983-84. Receipts from private transfers representing mainly inward remittances of non-resident Indians, as also travel receipts appear to have shown some improvement. Net payments under transpor- tatio are likely to show a rising trend. The payments on account of debt-servicing also seem to have increased due to growth in external borrowings and Fund drawings. As regards

capital account, available indications suggest that net external assistance would be larger during the year. Net inflows on account of other capital transactions such as commercial borrowings and accretion to FC(NR)A deposits have also shown some improvement.

The foreign currency assets of the Reserve Bank rose by Rs.1,233 crores during the year 1983-84 as against a rise of Rs.911 crores during 1982-83. If the drawals from the IMF aggregating to Rs.1,197 crores and Rs.1,893 crores during 1983-84 and 1982-83, respectively, are excluded, these assets would show an increase of Rs.36 crores in 1983-84 as against a decline of Rs.982 crores during 1982-83.

During 1983-84 the SDR holdings declined by SDR 53·8 million to SDR 216·4 million. The fall in the previous year amounted to SDR 154·9 million. Total charges on the use of Fund resources and SDRs amounted to SDR 362·9 million,while receipts from the Fund on account of remuneration and interest on SDR holdings were SDR 16·7 million and SDR 39·7 million, respectively. If drawings of SDR 200 million under the EFF, of repurchases of SDR 66·5 million in SDR under the Compensatory Financing Facility (CFF) and reserve asset payment of SDR 122·6 million for the increase in India's quota with the Fund are excluded, the decline in SDR holdings in the fiscal year 1983-84 would be SDR 64·7 million as against a comparable fall during 1982-83 of SDR 154·9 million.

During the first quarter of 1984-85 (i.e.April - June 1984), foreign currency assets of the RBI increased by Rs.214 crores to Rs.5,712 crores as compared to the rise of Rs.540 crores during the comparable period last year. Excluding the drawals and repurchases from the IMF, these assets would show a rise of Rs.207 crores as against that of Rs.213 crores during the corresponding quarter of 1982-83 (excluding the drawal of Rs.327 crores during that period). SDR holdings of 331 million at the end of June 1984 registered a rise of SDR 114 million during the quarter as compared to a fall of SDR 50 million in the corresponding period of 1983. This was mainly due to a drawal of SDR 160 million under the EFF partly offset by payment of charges on the use of Fund resources of SDR 63 million.

Gold holdings remained unchanged at Rs.226 crores during the year 1983-84 as also the first quarter of 1984-85.

## II. Foreign Investment Policy and Developments

During the year, some further modifications were made regarding facilities for investments by overseas bodies of non-residents of Indian nationality or origin, with a view to encourage their investments in India. In 1981-82 the entire gamut of the facilities of direct and portfolio investments were extended to overseas companies, partnership firms, trusts, societies and other corporate bodies owned to the extent of 60 per cent by non-resident individuals of Indian nationality/origin. During 1983-84, the above facilities were made available to overseas bodies which are owned even indirectly to the extent of at least 60 per cent by such non-residents. Accordingly, they are eligible to invest under the direct and portfolio schemes of investments and also place deposits with public limited companies in India, so long as at least 60 per cent of the ultimate ownership of/beneficial interests in the overseas bodies is in the hands of one or more non-resident individuals of Indian nationality/origin. As regards the limit of purchase of equity shares/convertible debentures under the portfolio investment scheme with repatriation rights, each such investor is eligible to invest upto one per cent of the paid-up equity capital/paid up value of each series of convertible debentures subject to an overall ceiling of 5 per cent of the total paid-up equity capital of the company concerned or 5 per cent of the total paid-up value of each series of convertible debentures issue.

In May 1983, the Government decided that confirmation by the Reserve Bank of India for sale or transfer of shares of Indian companies by some parties would not be required provided some conditions were fulfilled. These modi-

fications were made to facilitate sale and transfer of shares through stock exchanges in India where the original investment was on a non-repatriation basis by non-residents of Indian nationality/origin and the other party is the citizen of India or a person of Indian origin. Accordingly, such sale/transfer of shares is allowed without the Reserve Bank's clearance provided (i) the shares are purchased by the transferee from the stock market through a member of a recognised stock exchange in India and (ii) the proceeds of such a transaction are credited to the transferor's ordinary non-resident account with a bank authorised to deal in foreign exchange in India with no rights of repatriation outside India.

Data on actual foreign investment in India during the year 1983-84 are not available but some information is known regarding the approvals granted for such investment. Thus, the number of proposals approved by the Bank under the facilities available for direct investment with full repatriation rights to non-residents of Indian nationality/origin increased from 103 in 1982-83 to 162 during 1983-84. Similarly, the amount involved was higher at Rs.65 crores during 1983-84 as against Rs.60 crores in 1982-83. A major portion of the investment was under the 40 per cent scheme which accounted for Rs.51 crores or about 78 per cent of the total while the 74 per cent scheme attracted an investment of Rs.13 crores during 1983-84. As regards direct investment on non-repatriation basis, proposals approved during 1983-84 amounted to Rs.16 crores, as against those of Rs.3 crores in 1982-83. There was an increase in the number of proposals approved for portfolio investment on repatriation basis from 81 in 1982-83 to 274 during the year 1983-84, but the amount invested by banks on behalf of their non-resident Indian constituents, through stock exchange transactions declined from Rs.23 crores in 1982-83 to Rs.18 crores in 1983-84.

The scheme for attracting investment from the Oil Exporting Developing Countries (OEDC) was introduced in October 1980. During the year, two proposals for investment under the scheme were approved involving an investment of Rs.72·5 crores, including that of Rs.65 crores for a fertiliser plant, which was approved in principle.

The activities in the field of foreign collaborations made further progress with the sanction of approvals for 654 arrangements during the year showing a small rise over those of 640 approvals in 1982-83. Of the approvals granted during 1983-84, 422 were for technical collaborations, 108 for financial and 124 were for drawings and designs.

By end March 1984, 346 companies out of 379 to whom final orders regarding Indianisation/dilution of non-resident equity holding were issued had complied with the FERA 1973 directives in this regard. The remaining 33 companies were at various stages of compliance such as issue/transfer of shares, winding up etc. In all, as on 30th June 1984, out of the 895 applications received under the FERA, only 7 were to be finally disposed of including 5 for whom letters of intent have been issued and 2 companies which have taken voluntary steps to dilute.

The number of Indian joint ventures in operation abroad as on December 31, 1983 was 154 as against 140 as at end March 1983. Over the same period their investments abroad increased from Rs.55·8 crores to Rs.62·6 crores. The approved Indian equity in Indian joint ventures under implemention, however, declined from Rs.66·3 crores at end March 1983 to Rs.59·6 crores at end December 1983. Details of remittances received in India from joint ventures abroad are given below :

(Rs. lakhs)

| Year (April-March) | Dividends | Other repatriations |
|---|---|---|
| 1980-81 | 148 | 373 |
| 1981-82 @ | 35 | 349 |
| 1982-83 @ | 5 | 53 |

@ As on December 31, 1983.

1. Information is incomplete.
2. Other repatriations include fees for technical know-how, engineering services, consultancy management, etc.

*Source* : Ministry of Commerce, Government of India, New Delhi.

## III. External Assistance *

As in the past two years, fresh commitments of external assistance to India continued to decline during 1983-84. Total external assistance authorised to India declined sharply to Rs.1,657 crores during 1983-84 as compared to Rs.2,080 crores in 1982-83 and Rs.2,366crores in 1981-82 (Table XI-1). This deceleration was mainly due to the progressive slowing down of pledges as well as substantial reduction in loan commitments particularly by the IBRD/IDA and Japan, and to a lesser extent by West Germany. Gross utilisation of assistance (including debt relief provided by donor countries) also showed a decline to Rs.1,632 crores during 1983-84 from the record level of Rs.1,702 crores during the preceding year, reversing the upward trend observed during the last three years. On the other hand,a spurt in the debt service payments by Rs.143 crores or by 19 per cent to Rs.909 crores in 1983-84 resulted in the reduction of net aid inflow (net of amortisation and interest payments) from Rs.936 crores in 1982-83 to Rs.723 crores in the fiscal year 1983-84 (Table XI-5).

### *Authorisations*

Although the USSR, the USA, Canada, Italy and the Netherlands resumed authorising fresh loans during the year, external loan assistance authorised during the year aggregated to only Rs.1,298 crores compared to Rs.1,758 crores in the preceding year. Fresh authorisations of loans by IBRD/IDA and West Germany dropped sharply, while there were no fresh commitments by Japan. There was, however, a marginal increase in assistance from France, IFAD and the OPEC group. On the other hand, authorisations of grants continued to rise and totalled Rs.359 crores showing an improvement of Rs.37 crores during 1983-84. Of the total loans authorised during 1983-84, project loans amounted to Rs.1,214 crores and fell sharply by Rs.505 crores or by 29 per cent from Rs.1,719 crores in 1982-83,reducing its share in total loan component by 4 percentage points to 94 per cent over the year.

The non-project loan authorisations, on the other hand, increased by Rs.45 crores to Rs.84 crores during the year under review, thereby increasing their share in total loan authorisations to 6 per cent in 1983-84 as compared with 2 per cent in 1982-83. Fresh non-project aid authorisations from Italy and the Netherlands together contributed 57 per cent to the total non-project loan authorisations during the year 1983-84.

During the year 1983-84, authorisations of grants at Rs.359 crores increased further by Rs.37 crores from Rs.322 crores in 1982-83 and Rs.213 crores in 1981-82. Sweden and Denmark made fresh authorisations of grants to the extent of Rs.49 crores and Rs.9 crores, respectively, during the year. Japan, the Netherlands, Switzerland and the USA together contributed an additional amount of Rs.79 crores. This increase was, however, partially offset by a substantial reduction in grants of Rs.100 crores by the UK and the EEC. The U.K. continued to be the major donor country during the year, although her share in total grant authorisations declined from 84 per cent to 49 per cent, as donations authorised by that country during the year dropped from Rs.270 crores in 1982-83 to Rs.177 crores or by 34 per cent. (Table XI-3).

### *Debt Relief*

Total debt relief sanctions at Rs.69 crores during 1983-84 were somewhat lower than in the previous year (Rs.72 crores) and in 1981-82 (Rs.70 crores). The United Kingdom and the

* The rupee values of authorisations, utilisation and undisbursed balance of aid to India are given at pre-December 1971 par rates unless specifically stated otherwise. In tables XI-1 to XI-4 and XI-5, the figures are also given for the years 1974-75 through 1983-84 at rupee's relevant annual average exchange rates.

**Table XI—1 : 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** | **188** | **32** | **4,003** |
| **4. Authorisations during 1974 - 79** ... ... | **6,576** | **1,613** | — | **8,189** |
| | **(7,840)** | **(1,706)** | | **(9,546)** |
| **5. Authorisations during :** | | | | |
| (a) 1979 - 80 ... ... | 783 | 434 | — | 1,227 |
| | (967) | (490) | | (1,457) |
| (b) 1980 - 81 ... ... | 2,885 | 125 | — | 3,010 |
| | (3,155) | (160) | | (3,315) |
| (c) 1981 - 82 ... ... | 2,152 | 214 | — | 2,366 |
| | (2,722) | (249) | | (2,971) |
| (d) 1982 - 83 ... ... | 1,758 | 322 | — | 2,080 |
| | (2,378) | (321) | | (2,699) |
| (e) 1983 - 84 ... ... | 1,298 | 359 | — | 1,657 |
| | (1,725) | (409) | | (2,134) |
| **6. Utilisation during 1969 - 74** ... ... | **3,510** | **158** | **155** | **3,823** |
| **7. Utilisation during 1974 - 79** ... ... | **4,607** | **1,215** | — | **5,822** |
| | **(5,615)** | **(1,321)** | | **(6,936)** |
| **8. Utilisation during :** | | | | |
| (a) 1979 - 80 ... ... | 850 | 289 | — | 1,139 |
| | (1,058) | (307) | | (1,365) |
| (b) 1980 - 81 ... ... | 1,020 | 331 | — | 1,351 |
| | (1,226) | (388) | | (1,614) |
| (c) 1981 - 82 ... ... | 1,188 | 330 | — | 1,518 |
| | (1,502) | (355) | | (1,857) |
| (d) 1982 - 83 ... ... | 1,428 | 274 | — | 1,702 |
| | (1,905) | (285) | | (2,190) |
| (e) 1983 - 84 ... ... | 1,395 | 237 | — | 1,632 |
| | (1,956) | (256) | | (2,212) |
| **9. Amount undisbursed as at the end of March 1984** ... ... | **6,848** | **446** | — | **7,294** |
| | **(9,435)** | **(505)** | | **(9,940)** |

*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 Titlel 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 1984 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 1984' (item 9) represent rupee values, calculated at the rates prevalent at end-March 1984.

**Table XI—2 : Loans Authorised and Utilised during 1982 - 83 and 1983 - 84**
(Fiscal Years)

(Rupees crores)

| Country/Institution | Authorisations | | | | | | | | Utilisation | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1982 - 83 | | | | 1983 - 84 | | | | 1982 - 83 | | | | 1983 - 84 | | | |
| | 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 | 1,420 | — | — | 1,420 | 812 | — | — | 812 | 1,073 | — | — | 1,073 | 1,003 | — | — | 1,003 |
| | (1,830) | | | (1,830) | (1,120) | | | (1,120) | (1,383) | | | (1,383) | (1,383) | | | (1,383) |
| 2. IFAD | 20 | — | — | 20 | 26 | — | — | 26 | 11 | — | — | 11 | 13 | — | — | 13 |
| | (26) | | | (26) | (36) | | | (36) | (14) | | | (14) | (18) | | | (18) |
| 3. Canada | — | — | — | — | 30 | — | — | 30 | 26 | 1 | — | 27 | 24 | 1 | — | 25 |
| | | | | | (36) | | | (36) | (29) | (1) | | (30) | (29) | (1) | | (30) |
| 4. Denmark | — | 15 | — | 15 | — | 15 | — | 15 | — | 19 | — | 19 | — | 10 | — | 10 |
| | | (17) | | (17) | | (16) | | (16) | | (22) | | (22) | | (11) | | (11) |
| 5. France | 54 | — | — | 54 | 78 | — | — | 78 | 29 | 9 | — | 38 | 42 | 9 | — | 51 |
| | (57) | | | (57) | (75) | | | (75) | (31) | (9) | | (40) | (40) | (9) | | (49) |
| 6. W. Germany | 82 | 19 | — | 101 | 33 | 13 | — | 46 | 51 | 17 | — | 68 | 40 | 20 | — | 60 |
| | (158) | (37) | | (195) | (63) | (25) | | (88) | (98) | (33) | | (131) | (77) | (38) | | (115) |
| 7. Italy | — | — | — | — | — | 30 | — | 30 | — | — | — | — | — | — | — | — |
| | | | | | | (16) | | (16) | | | | | | | | |
| 6. Japan | 91 | — | — | 91 | — | — | — | — | 57 | — | — | 57 | 62 | — | — | 62 |
| | (170) | | | (170) | | | | | (106) | | | (106) | (130) | | | (130) |
| 9. Netherlands | — | — | — | — | — | 18 | — | 18 | — | 18 | — | 18 | — | 24 | — | 24 |
| | | | | | | (30) | | (30) | | (31) | | (31) | | (41) | | (41) |
| 10. U.S.A. | — | — | — | — | 52 | — | — | 52 | 19 | — | — | 19 | 48 | — | — | 48 |
| | | | | | (72) | | | (72) | (24) | | | (24) | (66) | | | (66) |
| 11. OPEC* | 52 | — | — | 52 | 65 | — | — | 65 | 54 | — | — | 54 | 17 | — | — | 17 |
| | (76) | | | (76) | (105) | | | (105) | (77) | | | (77) | (28) | | | (28) |
| 12. U.S.S.R. | — | — | — | — | 117 | — | — | 117 | 39 | — | — | 39 | 75 | — | — | 75 |
| | | | | | (117) | | | (117) | (39) | | | (39) | (75) | | | (75) |
| 13. Others | — | 5 | — | 5 | 1 | 8 | — | 9 | — | 5 | — | 5 | 1 | 6 | — | 7 |
| | | (7) | | (7) | (1) | (13) | | (14) | | (8) | | (8) | (1) | (9) | | (10) |
| **Total** | **1,719** | **39** | — | **1,758** | **1,214** | **84** | — | **1,298** | **1,359** | **69** | — | **1,428** | **1,325** | **70** | — | **1,395** |
| | **(2,317)** | **(61)** | | **(2,378)** | **(1,625)** | **(100)** | | **(1,725)** | **(1,801)** | **(104)** | | **(1,905)** | **(1,847)** | **(109)** | | **(1,956)** |

* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and OPEC Special Fund.

*Note* : Figures in brackets indicate the rupee values at the average annual rates of exchange prevalent during respective years.

**Table XI—3 : Grants@Authorised and Utilised during 1982 - 83 and 1983 - 84**
(Fiscal Years)

(Rupees crores)

| Country/Institution | Authorisations | | Utilisation | |
|---|---|---|---|---|
| | 1982 - 83 | 1983 - 84 | 1982 - 83 | 1983 - 84 |
| 1. | 2. | 3. | 4. | 5. |
| 1. Denmark ... ... | — | 9 | — | 8 |
| | | (10) | | (9) |
| 2. Japan ... ... | 2 | 9 | 9 | 5 |
| | (4) | (19) | (17) | (11) |
| 3. Netherlands ... ... | 3 | 46 | 10 | 19 |
| | (5) | (78) | (17) | (32) |
| 4. Sweden ... ... | — | 49 | 32 | 30 |
| | | (45) | (32) | (27) |
| 5. Switzerland ... ... | 7 | 8 | 4 | 8 |
| | (18) | (21) | (10) | (21) |
| 6. U.K. ... ... | 270 | 177 | 189 | 142 |
| | (242) | (152) | (170) | (122) |
| 7. U.S.A. other than P.L. 480 P.L. 665 ... ... | 3 | 31 | — | 1 |
| | (4) | (43) | | (1) |
| 8. E.E.C. ... ... | 37 | 30 | 30 | 24 |
| | (48) | (41) | (39) | (33) |
| **Total** ... ... | **322** | **359** | **274** | **237** |
| | **(321)** | **(409)** | **(285)** | **(256)** |

@ Including Debt Relief.

*Note* : Figures in brackets indicate the rupee values at the average annual rates of exchange prevalent during respective years.

Netherlands reduced such assistance marginally, while Japan did not offer any fresh assistance during the year 1983-84 (Table XI-4). The total utilisation of debt relief assistance by India also declined from Rs.93 crores to Rs.91 crores over the year.

*Trends in Utilisation*

At the beginning of 1983-84, aid in the pipe line was Rs.7,269 crores (revised). This together with fresh authorisations of Rs.1,657 crores during the year meant aid available for utilisation of Rs.8,926 crores. Project loans at Rs.7,900 crores accounted for 89 per cent of the total aid available for utilisation. The balance represented non-project loans of Rs.343 crores and grants of Rs.683 crores.

The utilisation of loan assistance of Rs.1,395 crores was Rs.33 crores lower than that in 1982-83. The utilisation of project aid decreased by Rs.34 crores from Rs.1,359 crores in 1982-83 to Rs.1,325 crores in 1983-84, while non-project aid increased nominally by Rs.1 crore to Rs.70 crores. Despite the increase in grant authorisations, utilisation of grants continued to fall from Rs.274 crores in 1982-83 and Rs.330 crores in 1981-82 to Rs.237 crores in 1983-84, (Table XI-2 and XI-3).

The debt servicing bill jumped up by Rs.143 crores or by 19 per cent to Rs.909 crores in 1983-84, compared with a marginal rise of only 4 per cent during 1982-83. The debt service payments at this level formed 56 per cent of the gross aid utilised during the year as compared to 45 per

**Table XI—4 : Debt Relief Assistance**
(Fiscal Years)

(Rupees crores)

| Country | Authorisations | | Utilisation | |
|---|---|---|---|---|
| | 1982 - 83 | 1983 - 84 | 1982 - 83 | 1983 - 84 |
| 1. | 2. | 3. | 4. | 5. |
| **A. By way of Grants** | | | | |
| 1. U.K. | 70·2 | 69·2 | 91·2 | 91·0 |
| 2. Japan | 1·6 | — | 1·9 | — |
| **Total 'A'** | **71·8** | **69·2** | **93·1** | **91·0** |
| **B. By way of reduction of interest payments** | | | | |
| Netherlands | 0·3 | 0·2 | 0·3 | 0·2 |
| **Grand Total** | **72·1** | **69·4** | **93·4** | **91·2** |

cent during the preceding year (Table XI-5). Debt service @ as a proportion of exports (DGCI&S data) thus increased from 8·7 per cent in 1982-83 to 9·6 per cent in the year under review.

*Cumulative Assistance*

Total external assistance authorised to India since August 15, 1947 to end-March 1984 amounted to Rs.33,630 crores. Out of this, loans formed 82 per cent, while grants formed 12 per cent. The balance of 6 per cent was accounted for mostly by P.L. 480 Funds. Assistance utilised upto end-March 1984 totalled Rs.26,449 crores, which formed 79 per cent of the total aid authorised. The utilisation of grants at 89 per cent of the authorisations was somewhat lower than that of 91 per cent upto the end of 1982-83 and 1981-82 (Table XI-6).

@ The debt service payments referred to here pertains to principal and interest repayments in respect of only loans received by Government from foreign countries and from multilateral institutions other than IMF, and loans received by non-government entities from multilateral institutions. Aggregate debt servicepayments as booked in balance of payments data as a proportion of exports works out to around 14 per cent.

At end - March 1984, the share of the World Bank group in the total authorisations remained more or less unchanged at 38 per cent as at the end of March 1983 (Table XI-7). The combined authorisations by the IBRD and IDA upto end-March 1984 increased to Rs.12,698 crores from Rs.11,897 crores as at the end of March 1983. Similarly, the utilisation of assistance provided by these institutions increased from Rs.7,110 to Rs.8,113 crores over the year and formed 31 per cent of the total aid utilised by end-March 1984 as against 29 per cent at end-March 1983.

The USA continued to be the second largest source of external assistance - both in terms of aid authorisations and utilisation. All other countries and the OPEC group maintained their relative shares both in respect of authorisations and utilisation as at the year-end levels of the previous year.

As at the end-March 1984, total assistance of Rs.7,294 crores was available in the pipe-line, which was marginally higher by Rs.25 crores compared to the level at end-March 1983. Out of this, project assistance accounted for

**Table XI—5 : 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 | 331 | 181 | 512 | 456 |
| | (1,087) | (368) | (201) | (569) | (518) |
| 1975 - 76 ... ... | 1,436 | 335 | 174 | 509 | 927 |
| | (1,739) | (427) | (224) | (651) | (1,088) |
| 1976 - 77 ... ... | 1,248 | 383 | 187 | 570 | 678 |
| | (1,529) | (471) | (242) | (713) | (816) |
| 1977 - 78 ... ... | 1,076 | 464 | 203 | 667 | 409 |
| | (1,249) | (561) | (260) | (821) | (428) |
| 1978 - 79 ... ... | 1,094 | 479 | 218 | 697 | 397 |
| | (1,332) | (600) | (286) | (886) | (446) |
| 1979 - 80 ... ... | 1,139 | 440 | 238 | 678 | 461 |
| | (1,365) | (570) | (301) | (871) | (494) |
| 1980 - 81 ... ... | 1,351 | 448 | 239 | 687 | 664 |
| | (1,614) | (569) | (281) | (850) | (764) |
| 1981 - 82 ... ... | 1,518 | 477 | 260 | 737 | 781 |
| | (1,857) | (588) | (323) | (911) | (946) |
| 1982 - 83 ... ... | 1,702 | 474 | 292 | 766 | 936 |
| | (2,190) | (585) | (360) | (945) | (1,245) |
| 1983 - 84 ... ... | 1,632 | 492 | 417 | 909 | 723 |
| | (2,212) | (658) | (424) | (1,082) | (1,130) |

*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 through 1983-84 |
|---|---|---|---|---|---|---|---|---|
| 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** | **25** | **26** | **25** | — |
| | | | | **(44)** | **(32)** | **(36)** | **(36)** | |

**Table XI—6 : Aggregate External Assistance**
(Fiscal Years)

(Rupees crores)

| Period | Loans | Grants | P.L. 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 | 972 | 2,165 | 15,112 |
| 3. Upto March 1979 ... ... | 18,550 | 2,585 | 2,165@ | 23,300 |
| 4. **Authorisations during** | | | | |
| (*a*) 1979 - 80 ... ... | 783 | 434 | — | 1,217 |
| (*b*) 1980 - 81 ... ... | 2,885 | 125 | — | 3,010 |
| (*c*) 1981 - 82 ... ... | 2,152 | 213 | — | 2,365 |
| (*d*) 1982 - 83 ... ... | 1,758 | 323 | — | 2,081 |
| (*e*) 1983 - 84 ... ... | 1,298 | 359 | — | 1,657 |
| **Total (upto March 1984)** ... ... | **27,426** | **4,039** | **2,165@** | **33,630** |
| **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 |
| (*e*) 1983 - 84 ... ... | 1,395 | 237 | — | 1,632 |
| **Total (upto March 1984)** ... ... | **20,579** | **3,593** | **2,277@** | **26,449** |

@ P. L. 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.

*Note* : Refer to notes to Table XI—1.

Rs.6,574 crores or 90 per cent, non-project assistance Rs.274 crores and grants Rs.446 crores.

*Borrowings Under the Extended Arrangement with the Fund*

With the considerable improvement in the overall balance of payments situation discerned in the year 1983-84, the Government of India terminated the three-year Extended Fund Facility (EFF) arrangement with the IMF from May 1, 1984. By that date, under the EFF arrangement India drew SDR 3,900 million or SDR 1,100 million less than the amount of SDR 5,000 million initially agreed to be drawn over the three-year period ending November 8, 1984. The drawings made on a fiscal year basis were as follows :

| | SDR | Rupees |
|---|---|---|
| | Million | Crores |
| 1981-82 | 600 | 637 |
| 1982-83 | 1800 | 1893 |
| 1983-84 | 1300 | 1414 |
| 1984-85 | 200 | 229 |

**Table XI—7 : Aggregate External Assistance-Source-wise**
(Upto end-March 1984)

(Rupees crores)

| Country/Institution | Authorisations | | | | Utilisation | | | |
|---|---|---|---|---|---|---|---|---|
| | Loans | Grants | P. L. 480/ 665 Aid and Third Country Currency Assistance | Total (2 + 3 + 4) | Loans | Grants | P. L. 480/ 665 Aid and Third Country Currency Assistance | Total (6 + 7 + 8) |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| IBRD/IDA | 12,698 | — | — | 12,698 (37·8) | 8,113 | — | — | 8,113 (30·6) |
| United Nations | — | 44 | — | 44 (0·1) | — | 44 | — | 44 (0·2) |
| EEC | 40@ | 391 | — | 431 (1·3) | 40@ | 357 | — | 397 (1·5) |
| IFAD | 140 | — | — | 140 (0·4) | 41 | — | — | 41 (0·2) |
| USA | 3,997 | 345 | 2,165 | 6,507 (19·3) | 3,899 | 278 | 2,277 | 6,454 (24·4) |
| U.S.S.R. | 1,981 | 11 | — | 1,992 (5·9) | 1,226 | 11 | — | 1,237 (4·7) |
| U.K. | 1,419 | 1,817 | — | 3,236 (9·6) | 1,408 | 1,566 | — | 2,974 (11·2) |
| West Germany | 1,742 | 42 | — | 1,784 (5·3) | 1,664 | 42 | — | 1,706 (6·5) |
| Japan | 991 | 49 | — | 1,040 (3·1) | 858 | 44 | — | 902 (3·4) |
| OPEC* | 1,600 | — | — | 1,600 (4·8) | 1,080 | — | — | 1,080 (4·1) |
| Others | 2,818 | 1,340 | — | 4,158 (12·4) | 2,250 | 1,251 | — | 3,501 (13·2) |
| **Total** | **27,426** | **4,039** | **2,165** | **33,630 (100·0)** | **20,579** | **3,593** | **2,277** | **26,449 (100·0)** |

@ Relates to Special Action Credit
* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and OPEC Special Fund.

*Notes :* 1. Please refer to Notes to Table XI—1
2. Figures in brackets represent percentage to the total.

## IV. India's Financial Assistance to Other Countries

During 1983-84, the Government of India extended financial assistance to only four countries as against nine countries in the preceding year. The aggregate assistance extended by India during 1983-84 at Rs.103 crores was also lower by Rs.15 crores than that of Rs.118 crores during 1982-83 (Table XI-8). Grants which formed the major component of the total assistance showed a marginal increase of Rs.9 crores over the year; however, its share in total assistance increased from 56 per cent in

**Table XI—8 : Assistance Extended by India to Other Countries**

(Fiscal Years)

(Rupees crores)

| Country/Programme | Authorisations | | | | | | Utilisation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1982 - 83 | | | 1983 - 84 | | | 1982 - 83 | | | 1983 - 84 | | |
| | 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 | — | 0·3 | 0·3 | — | 0·2 | 0·2 | — | 0·3 | 0·3 | — | 0·2 | 0·2 |
| 2. Bhutan | 13·0 | 43·1 | 56·1 | 18·2 | 56·3 | 74·5 | 13·0 | 43·1 | 56·1 | 18·2 | 56·3 | 74·5 |
| 3. Kenya | 5·0 | — | 5·0 | — | — | — | — | — | — | — | — | — |
| 4. Mauritius | — | — | — | 5·0 | — | 5·0 | 1·2 | — | 1·2 | — | — | — |
| 5. Mozambique | 5·0 | — | 5·0 | — | — | — | 2·3 | — | 2·3 | 3·8 | — | 3·8 |
| 6. Nepal | — | 18·3 | 18·3 | 5·1 | 14·5 | 19·6 | — | 16·8 | 16·8 | 5·1 | 14·5 | 19·6 |
| 7. Peoples' Democratic Republic of Yemen | — | — | — | — | — | — | — | — | — | 0·3 | — | 0·3 |
| 8. Seychelles | — | — | — | — | — | — | — | — | — | 1·2 | — | 1·2 |
| 9. Sri Lanka | — | — | — | — | — | — | 4·9 | — | 4·9 | 1·8 | — | 1·8 |
| 10. Tanzania | 10·0 | — | 10·0 | — | — | — | 1·0 | — | 1·0 | 4·1 | — | 4·1 |
| 11. Viet Nam | 10·0 | — | 10·0 | — | — | — | 7·0 | — | 7·0 | 1·0 | — | 1·0 |
| 12. Uganda | 4·0 | — | 4·0 | — | — | — | 1·2 | — | 1·2 | 0·2 | — | 0·2 |
| 13. Zambia | — | — | — | — | — | — | 3·1 | — | 3·1 | 0·4 | — | 0·4 |
| 14. Zimbabwe | 5·0 | — | 5·0 | — | — | — | 2·2 | — | 2·2 | 0·8 | — | 0·8 |
| 15. Assistance under ITEC Programme | — | 4·1 | 4·1 | — | 3·6 | 3·6 | — | 4·1 | 4·1 | — | 3·6 | 3·6 |
| **Total** | **52·0** | **65·8** | **117·8** | **28·3** | **74·6** | **102·9** | **35·9** | **64·3** | **100·2** | **36·9** | **74·6** | **111·5** |

*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.

1982-83 to 73 per cent in 1983-84. The benefit of fresh authorisations accrued mainly to Bhutan, Nepal and Mauritius. Country-wise, Bhutan retained its prime position in the list of beneficiaries accounting for three-fourths of the total aid authorised, the other major beneficiary in order of importance being Nepal. Thus, Bhutan alongwith Nepal accounted for 95 per cent of total aid authorised during 1983-84.

*Utilisation*

Despite relatively smaller fresh authorisations during the year, the utilisation of aid improved from Rs.100 crores in 1982-83 to Rs.112 crores in 1983-84. The utilisation to authorisation ratio showed a marked rise from 85 per cent in 1982-83 to 110 per cent in 1983-84 reflecting utilisation of authorisations made in preceding period. Bhutan, as in earlier years, utilised the entire aid authorised to that country (Rs.75 crores) accounting for 69 per cent of the total utilisation in 1983-84. Nepal which accounted for 18 per cent of total aid also improved its performance by utilising entirely its authorised aid (Rs.20 crores). Countries like Peoples' Democratic Republic of Yemen, Seychelles, Sri Lanka, Tanzania, Vietnam, Uganda, Zambia,

Zimbabwe and Mozambique also utilised a part of their authorised aid.

*Cumulative Assistance Provided by India*

The total aid authorised by India upto end-March 1984 aggregated Rs.1,288 crores, of which 61 per cent was in the form of grants and the rest, loan assistance (Table XI-9). The major beneficiary continued to be Bhutan, absorbing Rs.438 crores or 34 per cent of the total aid authorised, followed by Bangladesh (Rs.263 crores) and Nepal (Rs.261 crores). These three major beneficiaries accounted for three-fourths of the total aid authorised by India. In terms of utilisation, Bhutan again occupied the prime position absorbing 38 per cent of total aid disbursed, followed by Nepal (20 per cent) and Bangladesh (19 per cent).

The rise in utilisation of aid during 1983-84, referred to earlier, resulted in a decline in undisbursed aid from Rs.129 crores (upto end-March 1983) to Rs.120 crores in 1983-84 (March-end). Cumulative utilisation as a percentage of total aid authorised increased by 2 percentage points over the year.

**Table XI—9 : Aggregate Assistance Extended by India to Other Countries**
(Upto end-March 1984)

(Rupees crores)

| Country/Programme | Authorisations | | | Utilisation | | | Amount undisbursed as at the end of March 1984 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 | 146·6 | 262·9 | 92·5 | 131·7 | 224·2 | 23·8 | 14·9 | 38·7 |
| 3. Bhutan | 68·0 | 370·0 | 438·0 | 68·0 | 369·7 | 437·7 | — | 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 | 20·0 | — | 20·0 | 14·5 | — | 14·5 | 5·5 | — | 5·5 |
| 9. Mozambique | 9·0 | — | 9·0 | 6·3 | — | 6·3 | 2·7 | — | 2·7 |
| 10. Nepal | 26·6 | 234·2 | 260·8 | 26·6 | 212·4 | 239·0 | — | 21·8 | 21·8 |
| 11. Peoples' Democratic Republic of Yemen | 1·0 | — | 1·0 | 0·3 | — | 0·3 | 0·7 | — | 0·7 |
| 12. Seychelles | 2·5 | — | 2·5 | 1·2 | — | 1·2 | 1·3 | — | 1·3 |
| 13. Sri Lanka | 71·9 | — | 71·9 | 61·1 | — | 61·1 | 10·8 | — | 10·8 |
| 14. Tanzania | 17·4 | — | 17·4 | 11·1 | — | 11·1 | 6·3 | — | 6·3 |
| 15. Viet Nam | 98·6 | — | 98·6 | 88·8 | — | 88·8 | 9·8 | — | 9·8 |
| 16. Uganda | 6·5 | — | 6·5 | 2·1 | — | 2·1 | 4·4 | — | 4·4 |
| 17. Zambia | 10·0 | — | 10·0 | 4·4 | — | 4·4 | 5·6 | — | 5·6 |
| 18. Zimbabwe | 5·0 | — | 5·0 | 3·0 | — | 3·0 | 2·0 | — | 2·0 |
| 19. Assistance under ITEC Programme | — | 38·2 | 38·2 | — | 38·2 | 38·2 | — | — | — |
| **Total** | **499·2** | **789·0** | **1288·2** | **416·3** | **752·0** | **1168·3** | **82·9** | **37·0** | **119·9** |

*Notes* : 1. Refer to Notes to Table XI—8

2. Aid to Bangladesh does not cover the relief goods of the value of Rs.17 crores supplied to that country in 1971 - 72.

## V. Exchange Rate Developments

The exchange arrangement of the rupee adopted since September 1975 under which the rupee is linked to a weighted basket of currencies of India's major trading partners, with the pound sterling as the intervention currency, continues to be operative. Since January 1979, India maintains the relationship of the rupee to the value of the basket of currencies within margin of 5 per cent of the value adopted as the basis. Following the movements in exchange rates of major world currencies, revisions were made in the rupee-pound sterling rate from time to time. These revisions at 126 in this fiscal year, exceeded 102 changes effected during last year The number of revisions during the quarter April-June 1984 were 28 as against 36 in the same quarter of 1983. While in the month of August 1983 revisions in the rupee-pound sterling rates were the maximum at 14, followed by 13 in May and 12 each in April 1983 and January 1984, the lowest number of adjustments of 6 took place in July 1983.

Table XI-10 gives annual average exchange rate of the rupee in relation to the SDR and four major international currencies.

The depreciation of the rupee against the SDR the US dollar and the Japanese yen and its appreciation against the pound sterling witnessed since 1981-82 continued in this year. The appreciation of the rupee against the DM during 1980-81 and 1981-82 which halted in 1982-83 resumed again in this year.

The depreciation of the rupee against the U.S. dollar continued though the rate of depreciation declined from 7·2 per cent in 1982-83 to 6·5 per

**Table XI-10: Exchange Rate of the Indian Rupee (Annual Average *)**

(Rs.per unit of SDR/foreign currency)

| April-March | SDR | US $ | £ | DM | Yen |
|---|---|---|---|---|---|
| 1979-80 | 10·5353 | 8·10 | 17·66 | 4·47 | 0·0400 |
| 1980-81 | 10·1777 | 7·91 | 18·50 | 4·19 | 0·0364 |
| | (+3·5) | (+2·4) | (−4·5) | (+6·7) | (+9·9) |
| 1981-82 | 10·3354 | 8·97 | 17·11 | 3·86 | 0·0394 |
| | (−1·5) | (−11·8) | (+8·1) | (+8·5) | (−7·6) |
| 1982-83 | 10·5628 | 9·67 | 16·14 | 3·96 | 0·0399 |
| | (−2·2) | (−7·2) | (+6·0) | (−2·5) | (−1·3) |
| 1983-84 | 10·9405 | 10·34 | 15·42 | 3·94 | 0·0438 |
| | (−3·5) | (−6·5) | (+4·7) | (+0·5) | (−9·9) |

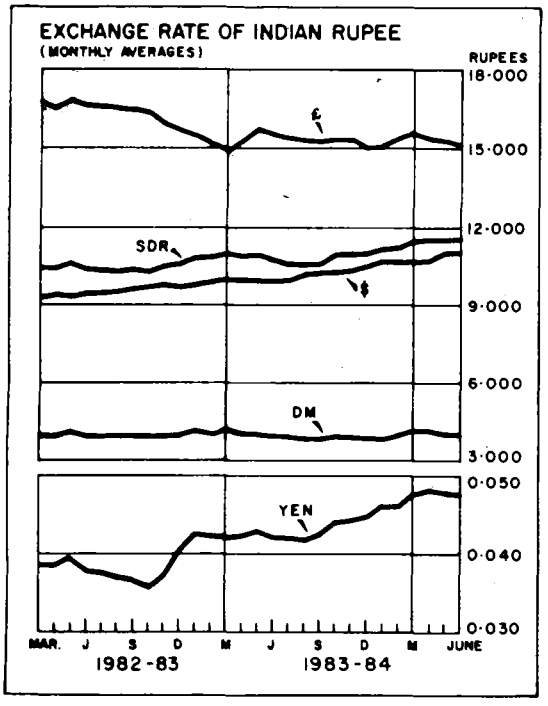
* Based on monthly averages.

*Notes:* 1. The SDR rate is as given in the IMF Survey. For the pound sterling, it is the middle rate of the RBI quotations. For other currencies, the rates are the middle rates on the London market as crossed with the RBI middle rates for the pound sterling.

2. Figures in brackets indicate percentage appreciation depreciation of the rupee in terms of the SDR/currency concerned over the previous fiscal year.

cent in 1983-84, or to Rs. 10·34 per U.S. dollar. The rupee, however, depreciated by as much as 8·9 per cent against the Japanese yen, to rupees 0·0438 per Japanese yen. In relation to the SDR, there was some acceleration in the depreciation of the rupee from 2·2 per cent in 1982-83 to 3·5 per cent in this year or to Rs.10·94 per SDR. The appreciation of the rupee against the pound sterling slowed down from 6·0 per cent in 1982-83 to 4·7 per cent in this year (Rs.15·42 per pound sterling) while the rupee registered a nominal appreciation of 0·5 per cent against the DM to Rs. 3·94 per DM in this year following a depreciation of 2·5 per cent in the preceding year. Data on a monthly average exchange rates of the rupee are given in Table.XI-11

In relation to the SDR, the rupee exhibited some firmness during most of the first half of 1983-84 but subsequently, it weakened continuously. In the month of October 1983 and during the quarter January-March 1984 the depreciation of the rupee was relatively marked. The rupee continued to depreciate during the April-June 1984 quarter.




The uptrend in the U. S. dollar in relation to the many international currencies except the Japanese yen continued during the year. In line with this trend, the rupee displayed a steady decline in terms of the U. S. dollar except in April 1983 and February 1984. A large depreciation occurred during the quarter November 1983 to January 1984. The rupee eased further in the quarter April-June 1984.

The rupee weakened markedly against the pound sterling during April and May 1983. Thereafter, it remained strong right through December 1983. In the quarter January-March 1984, the rupee depreciated, and in March 1984 it was back to the level in June 1983. In the subsequent three months the rupee displayed a steady appreciation.

Against the Deutsche mark, the rupee showed firmness during the initial five months of this fiscal year, but weakened during September and October 1983. After appreciating somewhat during the following two months, the rupee depreciated in the next quarter. In April and May 1984, the rupee strengthened followed by some marginal easing in June 1984.

The rupee was broadly stable in relation to the Japanese yen, during the first half of the year. In the second half, the rupee weakened particularly in October 1983 and in March 1984. The downtrend continued in April 1984, but in the following two months the rupee appreciated somewhat.

## VI. International Monetary Developments

Though the world economy has come out of the most widespread and severe recession during the last 50 years, it is still beset with many serious problems. Thus, the growth of world output which had been declining since 1979 and had virtually ceased in 1982 recovered moderately in 1983. Similarly, for the first time in over

**Table XI–11 : Exchange Rate of the Indian Rupee (Monthly Average)**

(Rs. per unit of SDR/Foreign Currency)

| | SDR | US $ | £ | DM | YEN |
|---|---|---|---|---|---|
| March 1982 | 10·4509 | 9·3118 | 16·8172 | 3·9136 | 0·0386 |
| 1982-83 | | | | | |
| 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 |
| 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 |
| | (–3·8) | (–7·0) | (+ 12·8) | (–5·8) | (–8·1) |
| 1983-84 | | | | | |
| April | 10·8333 | 10·0025 | 15·3929 | 4·0977 | 0·0421 |
| May | 10·8530 | 10·0325 | 15·7691 | 4·0682 | 0·0427 |
| June | 10·7905 | 10·1093 | 15·6593 | 3·9662 | 0·0421 |
| July | 10·7542 | 10·1216 | 15·4648 | 3·9100 | 0·0421 |
| August | 10·7210 | 10·2071 | 15·3372 | 3·8187 | 0·0418 |
| September | 10·7411 | 10·2203 | 15·3203 | 3·8322 | 0·0422 |
| October | 10·8961 | 10·2538 | 15·3612 | 3·9439 | 0·0441 |
| November | 10·9193 | 10·3856 | 15·3428 | 3·8704 | 0·0442 |
| December | 10·9578 | 10·5185 | 15·0857 | 3·8261 | 0·0449 |
| January | 11·1338 | 10·7477 | 15·1543 | 3·8302 | 0·0460 |
| February | 11·2504 | 10·7328 | 15·4681 | 3·9785 | 0·0460 |
| March | 11·4369 | 10·7478 | 15·6531 | 4·1404 | 0·0477 |
| | (–5·1) | (–6·9) | (–4·7) | (+ 0·4) | (–11·9) |
| 1984-85 | | | | | |
| April | 11·4598 | 10·8402 | 15·4212 | 4·1016 | 0·0481 |
| May | 11·4805 | 11·0203 | 15·3193 | 4·0115 | 0·0478 |
| June | 11·5311 | 11·0953 | 15·2805 | 4·0508 | 0·0475 |

*Note* : Figures in brackets indicate percentage appreciation/depreciation of the rupee in terms of the currency concerned over the month of March of the previous year.

a decade, the inflation rate in industrial countries was under 5 per cent. Even among the industrial countries, strong growth is restricted to a few countries, with most others showing only a weak recovery. In many industrial countries, unemployment remains at extremely high levels and in several of them it has increased over the year. Real interest rates have not only remained high, but are also showing signs of further increase thus jeopardizing the prospects of a durable recovery. Following a fall in 1982, the uptrend in world trade began in early 1983, but the growth was still sluggish. There was also a further rise in protectionism. Though volatility in exchange market was less pronounced than during the last two years, reasonable stability continued to elude the exchange rates of major international currencies. For the industrial countries as a group, current account was broadly in balance but the huge imbalance in payments position of the US and Japan remains a cause of concern. Among developing countries, the oil exporting countries exprienced a decline in output for the fourth consecutive year. The growth performance of the non-oil developing countries (NODCs) was also none-too-happy. The output gains recorded in the NODCs were modest and inadequate to take care of the growing population and the substantial current account deficits, though these were substantially lower in 1983. As a result, output per capita declined in many of these countries. With no relief from the flow of resources and debt service burden rising, most NODCs were forced to further compress their imports to unsustainable levels making their adjustment efforts more painful. The debt rescheduling arrangements have given only temporary relief to the debt-ridden NODCs; the threat to the international financial structure still remains.

**Domestic Activity**

The deceleration in the growth of world output, noticed since 1979, was reversed in 1983. Thus, after two years of sluggishness and near stagnation in 1982, world output recovered to register an increase of just over 2 per cent in 1983. This was, however, less than one-half of the average rate of growth recorded during 1967-1979. Moreover, even this modest rate of growth was achieved on account of the pick up in economic activities in industrial countries; the growth of output during 1983 in developing countries as a group was even less than one per cent. Among industrial countries also, strong growth was noticeable in a few countries, notably the two North American countries, Japan, West Germany and, to some extent, the UK. The turn around in the two North American countries was remarkable. On a point-to-point basis, real GNP during the fourth quarter of 1983 rose by 6 per cent in the US and 7 per cent in Canada compared to declines of 2 and 5 per cent, respectively, in the fourth quarter of 1982. On similar reckoning, the West German economy grew by over 3 per cent as against a decline of 2 per cent in 1982 while Japan maintained the growth rate at around 4 per cent. On the other hand, there was a marked deceleration in growth in France. In Italy, real GNP in 1983 actually declined for the second consecutive year.

The pick up in output in 1983 in the major industrial countries reflected a strong rise in real total domestic demand. In most major industrial countries, real total domestic demand rose much faster than total output. In Japan and France, however, recovery in domestic demand slowed down during the year. The underlying pattern of domestic demand was primarily consumer led. The consumer expenditure, mainly for consumer durables and new housing, rose in the US by 4·2 per cent (from 1·4 per cent in 1982), in Canada by 2·9 per cent (−2·1 per cent), and the UK by 3·7 per cent (1·3 per cent). Inventory building activities were also strong; these contributed 1·5 percentage points to the growth of aggregate output in industrial countries on a point-to-point basis in the fourth quarter of 1983. There was a marked turnabout in investment activities, too. However, except in the US and, to some extent, in West Germany, investment activities remained relatively weak. At 3·7

per cent, the growth rate of gross fixed investment during 1983 in major industrial countries as a group was just over one-half of the rates recorded in 1977 and 1978.

With the passage of time, the prospects of economic growth have become brighter. Thus, in the US, real GNP rose at an annual rate of over 10 per cent in the first quarter and 7·1 per cent in the second quarter of 1984. Considerable slowdown, however, is expected in the rest of 1984 following capacity constraints emerging in many sectors of the economy; growth for the year is accordingly projected at a little over 6 per cent. Japan too recorded a growth of 7·4 per cent in the first quarter; growth impulses are expected to remain strong during the rest of the year. The growth in Europe may also firm up in 1984 though only moderately to 2 per cent. Aggregate GNP growth in industrial countries is likely to accelerate to 4·9 per cent from 2·6 per cent in 1983. On a point-to-point basis, the rate of growth may move up to 4·5 per cent in the fourth quarter of 1984 from 4·2 per cent in 1983 but may decelerate to 3 per cent in 1985. With the likely slowdown in economic activity in North America and Japan during 1985, there is likely to be greater convergence of growth rates among industrial countries.

That the recovery in industrial countries is as yet weak and also unbalanced is reflected in the area of unemployment. Thus, despite revival of economic activities in varying degrees, the level of employment actually declined in 1983 in three of the seven major industrial countries. In other three, the increase in employment was inadequate even to absorb the rise in the labour force. As a result, unemployment rate grew in all major industrial countries except the US; in four of these seven countries, the increase in unemployment rate ranged between 0·7 and 1·4 percentage points. In Canada and the UK, unemployment rate was around 12 per cent. For the major industrial countries as a group, unemployment rate grew to 8·3 per cent as compared to 7·9 per cent in 1982. The position seems to have stabilised or improved during the early months of 1984. On present indications, the employment situation is expected to improve considerably during the remainder of 1984 and 1985, with employment growing and unemployment rate receding in all the major industrial countries except France and Germany. Overall, unemployment rate in these seven countries is projected to fall to 7·6 per cent in 1984, though it may remain about 10 per cent in Canada France and Italy and over 12 per cent in the UK.

A noteworthy feature of the economic situation in the industrial countries was the continued success in the fight against inflation. Thus, for the first time in over a decade, the average inflation rate in industrial countries, as reflected in consumer prices, fell under 5 per cent in 1983 - the lowest level since 1972 when it averaged 4·6 per cent. The slowdown in the inflation rate in 1983 was particularly pronounced in some of the major industrial countries, particularly the US (down from 6·2 per cent in 1982 to 3·2 per cent in 1983), Canada (from 10·8 per cent to 5·9 per cent), the UK (from 8·6 per cent to 4·7 per cent), and West Germany (from 5·3 per cent to 3·0 per cent). The rate of deceleration was relatively moderate in the case of France (from 12·0 per cent to 9·5 per cent) and Italy (from 16·5 per cent to 14·7 per cent). For Japan, the already low inflation rate of 2·6 per cent dropped to 1·8 per cent in 1983. However, because of the interplay of various factors, the period of significant deceleration in the inflation rate seems to be over. Consumer prices in many of the major industrial countries are already on the increase, though the increase is as yet moderate. The increase in prices is noticeable in the US (the rate of increase accelerating from 3·8 per cent in December 1983 to 4·9 per cent in June 1984), Japan (from 1·8 per cent to 2·7 per cent) and West Germany (from 2·6 per cent to 2·8 per cent). The IMF expects that the US, the UK and Japan may have higher inflation rate in 1984 as compared with 1983; the major industrial countries as a group may end 1984 with an average inflation of 4·7 per cent as against 4·4

per cent in 1983.

Despite the relatively easy stance at the beginning, the monetary policy followed by major industrial countries remained generally restrictive in 1983 with the nominal monetary aggregates-both the narrow and broad money growing at fractionally lower rates than in 1982. In real terms, however, the expansion of monetary aggregates was greater in 1983 than in 1982. These changes in monetary aggregates are, however, to be viewed in the context of declining income velocity of money. The velocity of narrow money in the major industrial countries declined by 2·4 per cent in 1983 on top of a 0·6 per cent fall in 1982. Similarly, the velocity of broad money, which had already declined by 3·1 per cent in 1982, dipped further by 2·9 per cent in 1983.

As in the preceding year, the growth of monetary aggregates was quite uneven within industrial countries during the year, and between different countries. Thus, the US, the UK, West Germany and France, after allowing monetary aggregates to overshoot in the first half of 1983, tightened the reins to enable the aggregates to return within the target ranges. In Japan, France and Italy, the expansion of both narrow and broad money in 1983 was more restrictive than in 1982. In Japan, the stock of narrow money actually declined in 1983, though only fractionally. On top, the velocity of broad money in Japan and Italy and of narrow money in Italy also declined in 1983.

With narrow money rising, on a year-to-year basis, by 7·2 per cent in the first quarter of 1984 compared to 8·3 per cent in the previous quarter and 8·9 per cent in the first quarter of 1983, the stance of monetary policy in major industrial countries as a group seems to have further hardened in early 1984. The slowdown in the expansion of narrow money during the quarter was noticeable in all major industrial countries but was particularly pronounced in Japan (from 3·7 per cent in the first quarter of 1983 to 1·6 per cent in the first quarter of 1984) and West Germany (from 9·9 per cent to 5·1 per cent).

The relatively strict monetary policy was one factor in the marked slowdown in inflation rate in major industrial countries during 1983. Other, and equally important factors, have been the drop in prices of products imported by them and marked moderation in wage settlement. Thus, for the first time in many years, the unit value of imports (in SDR terms) of industrial countries declined by 2·5 per cent during 1983; decline in US dollar terms would be much larger. As regards wage increases, it may be mentioned that, with high rate of unemployment, the rate of increase in average real wages in manufacturing sector of industrial countries decelerated from 10 per cent in 1981 to 8 per cent in 1982 and only 6 per cent in 1983.

Led by the US, the central government fiscal balances in the major industrial countries deteriorated further during 1983 and remained a major cause of concern. In absolute terms, such deficit in the US alone amounted to $ 175 bn. in 1983, representing 5·8 per cent of the GNP, up from 4·3 per cent in 1982. As a major part of the deficit is structural in nature, it is feared that, if present policies continue, such deficits may continue to remain close to around this level in the foreseeable future. Three other countries with sharply increased deficits in 1983 and which together with the US, account for much of the aggregate deficit of major industrial countries were Canada (deficit increased from 5·7 per cent of GNP in 1982 to 6·7 per cent in 1983), Italy (from 15·1 per cent to 16·8 per cent) and the UK (from 2·9 per cent to 4·9 per cent). In the two

North American countries and the UK, the fiscal impulse in 1983 was distinctly expansionary.

Overall, though deficits did generate some demand and provide some stimulus to the economies, these deficits are estimated to have absorbed more than one-half of the total savings in the industrial countries. The strong demand for funds from the government, particularly in the US, tended to crowd out private investor, maintain the interest rates at high level and induce flow of capital from other major industrial countries to the US. These developments have not only affected growth prospects in other industrial countries, particularly in Europe, but have also exacerbated the debt problem of the NODCs.

Mainly as a result of the continuing huge fiscal deficit in the US and the increasing private demand for funds consequent upon the pick up in economic activity, the downward trend in the US interest rates structure in evidence since mid-1982 proved short-lived. Interest rates started moving up in the US since early 1983. Though the rate of increase slowed down considerably during the second half of 1983, it has accelerated again during the first half of 1984. Thus, the short-term rates in the US, which had moved up one point to 9·1 per cent during the whole of calendar 1983 have already gained nearly 1·5 points to reach 10·6 per cent during the first half of 1984. Long-term rates have kept pace with the short-term rates, increasing from 11 per cent in December 1982 to 12 per cent in December 1983 and further to 13 per cent in June 1984. It is the US nominal interest rates which generally set the pace for interest rates in other markets. Thus, in the Euro-dollar market, the LIBOR lending rate which had moved up slowly during 1983 gaining one-half point to 10·4 per cent, jumped up by 2 points to 12·4 per cent during the first half of 1984. Further, though the nominal rates in other countries also rose, the interest rate differential enjoyed by the US gradually widened and the widening process accelerated somewhat during 1984.

Significantly, with inflation moderating considerably, real US interest rates, both short-term and long-term, have not only remained high but firmed up considerably since early 1983. Real interest rate differential between the US and other major industrial countries has also widened during the period.

The high and the rising level of interest rate structure has addded to the debt servicing problem of the NODCs and reduced their capacity to import. Further, the widening interest rate differential, by inducing flow of capital from other industrialised countries, has adversely affected the recovery process, particularly in Europe.

The impact of the recovery in the industrial countries is yet to be felt by the developing countries. Thus, for the fourth successive year, the oil exporting countries experienced actual decline in output. The decline in 1983 (1·1 per cent) was, however, much more modest than in earlier three years. Further, though the decline in output was confined to the oil sector, the non-oil sector recorded sharp deceleration in the rate of growth—from 5·5 per cent in 1981 to 3·9 per cent in 1982 and 1·9 per cent in 1983. The NODCs also recorded output growth of 1·6 per cent in 1983, practically the same as in the preceding year. However, given the rate of population growth, the per capita output in these countries fell for the second successive year. The slow growth in output may be attributed to the large cutbacks in imports in terms of volume. These fell by 9 per cent between 1981 and 1983 because of continued weakening in their export earnings at a time when availability of net external finance had almost dried up. Production capacities were idle for lack of imports, while in many instances, investment projects were postponed or cancelled, as a result of such sharp cutbacks in the imports by the NODCs. The worst hit among the NODCs were the major exporters of manufactures in Western Hemisphere. Output in these countries as a group declined in 1983 for the second consecutive year. The NODCs in Africa were also badly affected. As a result of hostile external factors and adverse natural

factors, output in African countries stagnated in 1983; this was on top of just meagre growth in the two preceding years. The NODCs in Asia, however, which were least affected by debt rescheduling arrangements and import constraints, recorded a smart growth in output of 6·5 per cent in 1983. By analytical groups, net oil exporters were the worst hit with their output declining by 1·5 per cent. Major exporters of manufactures, too, did not share in the world recovery; output in this group actually fell, though marginally, in 1983 after near stagnation in 1982. Growth rates in low income countries, excluding China and India, also considerably slowed down to 2·6 per cent in 1983 from 3·8 per cent in 1982.

The growth in the NODCs is projected by the IMF to accelerate sharply to 3·7 per cent in 1984. Though, if achieved, it would be a considerable improvement over the performance during the preceding years, the rate would still be considerably below the average annual rate of growth of over 5 per cent recorded during 1967-1980. Among the NODCs, major exporters of manufactures and the net oil exporters are projected to show a considerable improvement over their performance during the immediate past, though not in historical perspective. Low income countries, excluding India and China, are also expected to resume their growth trend path.

The inflation rate in the NODCs, as measured by the weighted average of consumer prices, accelerated in 1983 to 44 per cent compared with around 31 per cent during each of the three preceding years. Among geographical area, the rise was particularly sharp in the Western Hemisphere (78 per cent in 1982 to 128 per cent in 1983) and, by analytical group, in major exporters of manufactures (from 63 per cent to 87 per cent) and net oil exporters (from 44 per cent to 74 per cent). However, the weighted average inflation rate conceals the tremendous success recorded by a large number of the NODCs in their fight against inflation. Thus, as measured by the median rate, inflation rate in the NODCs during 1983 was just about 11 per cent, the same as in 1982 but significantly lower than during the preceding two years. The median rate is not expected to exceed 10 per cent in 1984. This will be on account of better performance expected from the net oil exporters and the low income countries by analytical groups, and countries in Africa, Asia and the Western Hemisphere by geographical areas.

**International Trade and Payments**

Following two years of stagnation and one of decline, the volume of world trade rose by a moderate 2 per cent in 1983 to just about regain the level reached in 1980. The increase in volume was, however, more than offset by the 4·5 per cent decline in the US dollar unit value reflecting further appreciation of the US dollar and decline in fuel prices, during 1983. As a result, in US dollar terms, world trade declined for the third consecutive year, this time by 2 per cent to $ 1,810 billion.

The modest recovery in the volume of world trade conceals highly divergent trends by commodity and country groups. By commodity group, trade in agricultural products rose by 2 per cent, attributed mainly to larger imports by the Eastern Trading Area and the NODCs. Trade in manufactures also rose by 4 per cent, reflecting expansion of trade mainly among industrial countries. Trade in mineral products, on the other hand, declined for the fourth consecutive year, this time by 1·5 per cent. Trade in crude oil contracted by 8 per cent to reach its lowest level since late 1960s.

Country group-wise, industrial countries increased the volume of their exports by 2 per cent and imports by 4 per cent in 1983. The increase in the volume of their imports in 1983 was recorded after three consecutive years of decline. Thus, the volume of total imports into the industrial countries in 1983 was no more than that recorded in 1979. It may, however, be noted that the decline in imports during the preceding three years was in respect of oil only; oil imports declined further in 1983 too. Excluding oil, the volume of imports had increased during the two

preceding years also though only moderately; in 1983 the volume of non-oil imports increased by 6 per cent.

Reflecting the pattern of recovery, the increase in imports of industrial countries was mainly concentrated in the two North American countries and, to some extent, in the UK. In fact, according to a GATT estimate, increase of imports into the US alone accounted for almost one-half of the net increase in the volume of world trade. On the other hand, and reflecting strong appreciation of the US dollar, gains in the volume of exports were shared practically by all industrial countries except the US. In the US, exports declined for the third consecutive year, this time by nearly 7 per cent.

Though the volume increased, the value in US dollars, of both exports and imports of industrial countries declined in 1983; decline in imports was recorded for the third consecutive year. As in the case of volume, the decline in the value of imports during 1983 was in respect of oil only, the value of non-oil merchandise having recorded a marginal increase, despite a 4 per cent decline in the unit dollar value of imports.

The fall in the value of imports by industrial countries was despite a near 7 per cent increase in imports recorded by the two North American countries. All other industrial countries except the UK posted lower imports, the decline being particularly marked in France (9 per cent), Italy (7 per cent) and Japan (4 per cent).

The NODCs, however, despite an impressive increase in volume of exports of 5·3 per cent in 1983, were forced to further reduce the volume of their imports. Over the last two years, these countries had compressed their imports by almost 9 per cent, reflecting serious balance of payments and debt servicing problems. As already noted, this adversely affected the growth prospects in these countries.

If the recovery continues, the NODCs are projected to increase the volume of their imports by 6·4 per cent during 1984. The increase is projected to be pronounced (11·5 per cent) in the case of net oil exporters but modest (1·8 per cent) in the case of low income countries.

The financial constraints faced by the NODCs were as much caused by the unwillingness of industrial countries to open their markets to exports from these countries as by the behaviour of prices of commodities exported by them. As regards the first, while barriers in the form of taxes and tariffs were seemingly reduced, there is growing evidence, particularly in industrial countries, of greater use of quantititative controls/agreements. Mention may specifically be made of the intensification of protectionism, particularly in the US, in respect of import of steel and steel products from the newly industrialised countries. The dampening effect of increased protectionism is evident from the fact that the ratio of world trade volume growth to output growth in 1983 remains considerably below its long term level. As regards prices, oil prices in US dollar terms, lost over 12 per cent in 1983 on top of the loss of over 4 per cent in 1982. Though prices of other primary commodities exported by the NODCs increased sharply (8 per cent) in 1983, the increase was much too small to compensate for the decline sustained in the preceding three years. As a result, these prices were still some 20 per cent lower than in 1980.

The prices of non-oil commodities continued their rise during the first quarter of 1984, though at a slower pace. However, a downward movement since then is clearly discernible. The two commodity groups to have been badly affected are agricultural raw materials and metals; the wholesale prices of both these groups in US dollar terms, have fallen by over 5 per cent during April-June 1984.

The price movements affected the terms of trade of various country groups differently. Thus, while the terms of trade of the industrial countries improved for the second successive year, those of the developing countries worsened, the rate of change during 1983 in both cases being higher than in 1982. Among the

developing countries, the oil exporting countries lost 9 per cent in terms of trade reflecting over 12 per cent decline in oil prices. After declining for three consecutive years, the terms of trade of the NODCs improved marginally by just over one per cent in 1983. Nevertheless, the cumulative loss of the NODCs in their terms of trade since 1977 amounts to almost 16 per cent. Among the NODCs, the terms of trade of the net oil exporters after deteriorating by almost 14 per cent during the last two years, improved marginally in 1983 (0·4 per cent). Among the net oil importers, gains by the major exporters of manufactures (1·2 per cent) and the low income countries (4·8 per cent) were recorded after deterioration during the five consecutive preceding years. In the case of the low income countries, the terms of trade in 1983 were still some 23 per cent down as compared to the position in 1977.

As already noted, while the imports of industrial countries of non-oil merchandise had increased, exports had declined thus causing trade surplus on this account to shrink by 16 per cent to $ 148 billion in 1983. However, in view of the much larger decline in the value of oil imports, their overall deficit on trade account declined by some $ 2 billion to $ 14 billion. In view of the projected marked rise in non-oil imports, some increase in the value of oil imports and relatively modest rise in exports, the trade deficit of industrial countries is expected to multiply nearly three times to $ 40 billion in 1984.

In the case of the NODCs, while the value of imports declined, exports increased. As a result, the deficit on trade account nearly halved to $ 29 billion in 1983. Significantly, nearly 70 per cent of the improvement in this respect was on account of non-oil trade. This, in a way, is indicative of the rigour, and relative success, of the adjustment programmes undertaken by them. Their deficit is projected to further decline to $ 21 billion in 1984; a large part of the improvement is likely to be on account of non-oil trade.

The combined deficit on current account of the industrial countries as a group, at $ 21·7 billion, reflected little change during 1983. This, however, concealed large swings in the current account position of individual countries. Thus, mainly on account of increased imports, the US posted a current account deficit of $ 39 billion in 1983 as against $ 11 billion in 1982. There was also a marked decline, by over $ 6 billion to $ 3 billion, in the surplus posted by the UK. These were matched by a sharp increase in the current account surplus position of Japan (by $ 14 billion to $ 21 bn.) and a sizeable shrinkage in the deficit posted by France (by $ 8 billion to under $ 4 billion). In both these countries, the improvements reflected a better performance on trade account. On present indications, the current account deficit of industrial countries may widen to $ 52·5 billion in 1984 as the projected further sharp deterioration in the current account position of the US (deficit of $ 90 billion) is likely to be only partly offset by a further improvement in the surplus posted by Japan (to $ 35 billion) and the wiping out of the deficit by France.

Though the oil exporting countries had cut down their imports by almost $ 20 billion, the continuing decline in oil export earnings resulted in the widening of their combined deficit on current account from $ 13 billion in 1982 to $ 17·5 billion in 1983. With somewhat better outlook for the oil economy, their current account deficit is projected to come down by almost half to $ 8 billion in 1984.

The current account deficit of the NODCs declined from $ 86 billion in 1982 to $ 53 billion in 1983 and at that level was almost half of that in 1981. As there was little change in the net services and private transfers and their export earnings also rose only modestly, the reduction in the current account deficits was mainly accounted for by the decline in their imports which fell by almost $ 15 billion or 4 per cent in 1983. In view of the projected $ 34 billion improvement in exports and $ 8 billion in balance on trade account, the deficit on current account of the NODCs may decline further to $ 45 billion in 1984.

The improvement in the current account deficit of the NODCs was shared by both oil exporters and net oil importers. In the latter group, while the position of other net oil importers worsened slightly and that of low income countries (excluding India and China) improved marginally, deficit of major exporters of manufactures was reduced by half, from $35 billion in 1982 to $ 16 billion in 1983. While both the major exporters of manufactures and other net oil importers may further reduce their deficits sizeably in 1984, the deficit of low income countries may remain at the same level as in 1983. Region-wise, while there was substantial reduction in the deficits in Western Hemisphere, from $ 39 billion in 1982 to $ 16 billion in 1983, wholly because of the 21 per cent decline in imports, that in Middle East widened by nearly $ 1 billion to $ 10 billion in 1983. The combined deficit of major borrowers which had declined from $ 80 billion in 1981 to $ 75 billion in 1982 fell sharply to $ 40 billion in 1983 reflecting the extent of painful adjustment efforts made by them during 1983.

As a result of the adjustment efforts by the NODCs, the weighted average of the ratio of current account deficits to exports of goods and services, which had already declined from 24 per cent in 1981 to 19 per cent in 1982, fell further to 13 per cent in 1983—its lowest level since 1973. The improvement was shared by all analytical groups (except other net oil importers) and areas (except Middle East). Though the ratio is projected to deteriorate in the case of net oil exporters and some low income net oil importing countries, including India and China, the overall weighted average ratio for the NODCs may decline further to 10 per cent in 1984. That the improvement in 1983 was limited to only some countries but may become more widespread is clear from the fact that the median ratio, which had declined only by less than 4 points to 36 per cent in 1983 may drop by nearly 9 points to 27 per cent in 1984.

There were dramatic shifts in the pattern of financing of the current account deficit of the NODCs. First, net private borrowings, which had nearly halved to $ 37 billion in 1982, declined further to $ 18 billion in 1983. Such borrowings may decline fractionally in 1984. It may be clarified that though the NODCs' long-term borrowings had increased from $ 24 billion in 1982 to $ 37 billion in 1983, a large part of the increase was used to repay short-term debts, and hence the decline in net borrowings. As a result of the fall in such borrowings, these came to finance only about 35 per cent of the current account deficits of the NODCs—a big drop from 61 per cent in 1981 and 43 per cent in 1982. Secondly, in addition to the fractional decline in official transfers, there was a sharp decline in net direct investment. In the net, therefore, non-debt creating flows declined by $ 4·8 billion to $ 21 billion in 1983; this was after the decline of nearly $2 billion recorded during the preceding year. However, in view of the relatively sharp fall in the current account deficit of the NODCs its contribution in financing their deficits increased sharply, from 30 per cent in 1982 to 40 per cent in 1983. After two years of decline, direct investments and, therefore, total non-debt creating flows are projected to increase modestly in 1984. Thirdly, there was a sharp rise in the use of Fund resources, from $ 7 billion in 1982 to $ 10 bn. in 1983; their share in financing the deficits went up to 20 per cent compared to about 8 per cent in 1982. Countries to make greater use of Fund resources during 1983 were the major exporters of manufactures in the Western Hemisphere. Fund resources used by the low income countries, particularly in Asia, noticeably declined in 1983. Total use of such resources is projected to decline to under $ 7 billion in 1984.

**Resource Flows**

In nominal terms, the total external resource flows to developing countries declined sharply from $ 109·8 bn. in 1981 to $ 96·5 bn. in 1982. This was the first fall in the absolute level of total flows to developing countries in recent years.

The fall in external receipts of the developing countries in 1982 was due to an absolute decline in both official development assistance (ODA)

flows from $ 37·3 bn. to $ 33·8 bn., and non-concessional flows from $ 70·5 bn. to $ 60·4 bn. In relative terms, the share of ODA increased from 34 per cent in 1981 to 35 per cent in 1982, the share of non-concessional flows having correspondingly declined during the period.

Under ODA, bilateral assistance declined from $ 29·4 bn. in 1981 to $ 26·3 bn. in 1982; the fall was almost entirely accounted for by the reduced flows from OPEC countries, which declined from $ 7·7 bn. to $ 4·6 bn. during the period. The share of OPEC countries in total bilateral ODA was reduced from 26 per cent to 17 per cent, and in total resource flow from 7 per cent to 5 per cent.

Preliminary data for 1983 indicate that, in nominal terms, total external resource flows to developing countries increased to $ 102·8 bn. from $ 96·5 bn. in 1982. At 1982 prices and exchange rates, the flows in 1983 amounted to $ 103·3 bn. Both in nominal and real terms, the level of resource flows during 1983 was considerably below that achieved during 1981.

For the second consecutive year, nominal ODA declined in 1983, though the reduction was only fractional, from $ 33·8 bn. in 1982 to $ 33·6 bn. in 1983. The decline in ODA in 1983 was in bilateral aid as well as through multilateral agencies and was shared by all donor country groups (except the Council for Mutual Economic Assistance) in varying degrees.

Unlike during 1982, the flow of non-concessional resources to developing countries increased sizeably in 1983, though, at $ 67 bn. it was still some 5 per cent below the level reached in 1981. As a result, its share in total external resource flows increased from 63 per cent to 65 per cent.

It is pertinent to note that even in the non-concessional resource flows, those which are official or officially supported have been consistently declining from $ 24·4 bn. in 1980 to $ 21·0 bn. in 1983. Thus, the entire increase in non-concessional resource flows to developing countries registered in 1983 was on account of increased bank lending and reflects consolidation of earlier short-term credit into long-term lending.

ODA flows from DAC countries, when measured in relation to combined GNP, fell from 0·38 per cent in 1982 to 0·36 per cent in 1983. Countries to register such declines were Australia (from 0·57 per cent in 1982 to 0·49 per cent in 1983), Austria (from 0·35 per cent to 0·23 per cent), Denmark (from 0·76 per cent to 0·72 per cent), the Netherlands (from 1·08 per cent to 0·91 per cent), Sweden (from 1·02 per cent to 0·88 per cent), the UK (from 0·37 per cent to 0·35 per cent) and the US (from 0·27 per cent to 0·24 per cent). Countries to register increases were Japan (from 0·29 per cent in 1982 to 0·33 per cent in 1983), Canada (from 0·41 per cent to 0·45 per cent) and Germany (from 0·48 per cent to 0·49 per cent). Switzerland and Finland also registered increases in ODA/GNP ratio in 1983. Countries to have met or exceeded the UN target of ODA at 0·7 per cent of GNP are Norway, the Netherlands, Sweden, France and Denmark. In the case of OPEC, despite reduced flows, ODA formed 1·05 per cent of their combined GNP, the ratio being as high as 3·48 in the case of Kuwait and 3·53 in the case of Saudi Arabia.

**Developments in Exchange Rates of Major Currencies**

The foreign exchange markets during the period under review continued to be dominated by the movements in the US dollar. Further, though exchange rates remained volatile, fluctuations in nominal exchange rates during 1983 were less pronounced than in the immediate past. The later phenomenon may perhaps be attributed to some convergence in inflation rates and reduction in the variability of nominal interest rate differentials. Coordinated and/or isolated interventions by authorities of major countries were also instrumental in countering short-run disorderly market conditions.

As in the previous year, and short-term fluctuations apart, the *US Dollar* generally tended to appreciate against all major curre-

ncies. The US dollar was bolstered by the strong recovery in the US economy, improving long-term outlook for the economy, upward movement of interest rates in the US, the interest rate differential in favour of the US, labour conflicts and structural difficulties faced by major continental countries and uneasiness about peace prospects in the Middle East. Thus, except for the Japanese yen, the US dollar ruled generally firm till January 1984 against all major currencies, gaining nearly 23 per cent against the French franc, 17 per cent against the Deutsche mark (DM), 9 per cent against the Swiss franc and 2 per cent against the Canadian dollar. Though it eased against the pound sterling during April and May 1983, the initial loss was more than made good during the next 8 months; by January 1984, the US dollar was up against pound sterling by 6 per cent as compare to the March 1983 level. This sustained rise against most leading currencies resulted in the US dollar gaining in nominal effective terms over 8 per cent during the 10 months ending January 1984 and some 44 per cent since July 1980. Except for the 3 months to September 1983, the US dollar ruled easy against the Japanese yen; by January 1984, it was some 2 per cent down against the yen as compared to the March 1983 position. During the next two months, the US dollar eased against all major currencies. The weakening of the dollar was attributed to *(i)* the concern about the mounting trade/budgetary deficits and market apprehensions about the re-emergence of inflationary pressure and *(ii)* improved prospects of economic growth in European countries, particularly West Germany. The easiness notwithstanding, over the 12 months to March 1984, the US dollar gained 14 per cent against the French franc, 8 per cent against the DM, 4 per cent each against the Swiss franc and the Canadian dollar and 2 per cent against the pound sterling; it, however, lost over 5 per cent against the Japanese yen. In nominal effective terms, it gained 4 per cent during the year.

The surge in the US dollar against major currencies has continued since then also. Significantly, during the period since March 1984, it has firmed up against the Japanese yen as well. In all, and in nominal effective terms, it gained another one per cent in April and nearly 3 per cent in May 1984; gain in June was fractional. The firmness is attributed to the continued strength of US economy and widening of the interest rate differential.

The strength of the *Japanese yen* against major continental currencies was another significant feature of the exchange rate developments during the period under review. Thus, on a monthly average basis, despite initial weakness, the yen gained over 8 per cent over the year (April-March) against the pound sterling. Its appreciation against other leading European currencies was even more marked — 21 per cent against the French franc and nearly 14 per cent against the DM. The yen, however, evinced during the early period, distinct weakness against the US dollar, losing nearly 3 per cent in the five months to August 1983. Thereafter, it firmed up against the US dollar too. In the net, it appreciated 6 per cent against the US dollar during the year to March 1984. In nominal effective terms, the yen gained 10 per cent during the period to reach 158·7 in March 1984. The strength of the yen during the period may, in the main, be attributed to its bulging trade/current account surplus, sustained growth and low inflation rate. Direct controls and tight monetary policy restricting capital movement also partly explain the movement. The yen continued its upward march during April 1984 also, gaining almost one percentage point in nominal effective terms during the month. During the next two months, it depreciated considerably against the US dollar losing, in the process, 2 per cent in nominal effective terms.

Meanwhile, on May 30, 1984, Japan and the US have announced an agreed set of measures which will have far reaching effect on the yen/dollar rate. The agreement requires Japan to deregulate its interest rates, liberalise its domestic capital market and allow foreign financial institutions greater access to Japanese financial markets. These measures are expected to encourage creation of a world wide Euro-yen

market and result in further internationalisation of yen. It is also hoped that, by widening and deepening the market for yen denominated assets, these measures will help bring some degree of realism to exchange rate markets, particularly the yen dollar rate. However, the effect of the accord on the yen/dollar rate is not yet visible. The yen has continued to depreciate against the US dollar, losing almost 5 per cent during the 10 weeks since the accord was announced.

The *Deutsche mark* generally remained steady but with easy undertone against major European currencies. It, however, depreciated considerably against both the US dollar and the yen. Over the year, it lost almost 7 per cent against the former and 12 per cent against the latter. In nominal effective terms, it lost nearly 2 points during the period. The pattern noticed during the year has continued since then also.

After evincing some strength during the first quarter, the *pound sterling*, remained weak against all major currencies. During the 12 months to March 1984, it lost nearly 2 per cent against the US dollar, 5 per cent against the DM and 8 per cent against the yen. It, however, gained 11 per cent against the French franc. Its nominal effective exchange rate increased from 79·1 in March 1983 to 80·9 in March 1984. The pound sterling has remained weak, even against the French franc, during the period since March 1984. In nominal effective terms, it has already lost 2 points during the 3 months since then.

The *French franc* evinced all round weakness during the year under review as also the period since then. Its nominal effective exchange rate declined from 73·6 in March 1983 to 67·5 in March 1984 and further to 66·6 in June 1984, thus losing nearly 10 per cent during the period. It depreciated heavily against the US dollar—by 12 per cent during the year to March 1984 and another 5 per cent during the subsequent three months.

**Gold in International Markets**

After sizeable gains during the preceding year, gold generally remained under pressure during the greater part of the year under review. During the year, gold prices were generally influenced by anticipations regarding the course of the US interest rates, the US dollar, inflation rates, changes in silver prices and the prospects of peace in the Middle East.

During the first two months of the year, trading was generally sluggish. However, on anticipation of lower interest rates and weaker dollar, prices inched up, and at $ 437·50 per fine ounce (pfo), gained nearly $ 23 pfo in the London market during the two months to end-May 1983. Thereafter, with firming up of the interest rates and the US dollar gaining strength, gold prices started drifting down. Thus, except for a spurt towards the end of November following reports of gold robbery in London, prices declined almost continuously to reach a low of $ 373·75 pfo by end of January 1984. By then gold had shed nearly $ 41·00 pfo since the close of March 1983 and $ 63·75 pfo since end-May 1983. There was a sharp increase in gold prices during February 1984 concomitant with the sharp depreciation of the US dollar, sizeable increase in silver prices and reported demand by Middle East investors. The month- end price of $ 394·25 pfo was $ 20·50 up over the level a month ago. However, the upsurge proved shortlived. With the increase in the US interest rates and the strong revival of the US dollar, gold prices resumed their downward trend. At $388·50 pfo at end-March 1984, gold had lost $26·25 pfo during the 12 months. Thereafter except for a short spurt in mid-May following reports of escalating Iraq/Iran war, gold prices have continued to slide down. At $ 373·05 pfo at end-June 1984, gold had already lost $ 15·45 pfo during the 3 months of the current fiscal year.

**World Bank Group**

During 1983-84 (July-June), lending operations of the World Bank–International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA)–

continued to show a rise. However, the rate of increase in loan/credit amounts during the year decelerated to 7·2 per cent from 11·2 per cent witnessed in the previous year. Disbursements, on the other hand, recorded a rise of 18·0 per cent as compared to a rise of 12·2 per cent in the preceding year. The rise in disbursements from IBRD was offset by a marked decline in disbursements from the IDA.

**Table XI-12:Loans by the World Bank**

(Million $)

| | IBRD | | IDA | |
|---|---|---|---|---|
| | 1982-83 | 1983-84 | 1982-83 | 1983-84 |
| Loan/Credit Amount | 11,138 (7·8) | 11,949 (7·3) | 3,341 (24·4) | 3,575 * (7·0) |
| Disbursements | 6,817 (7·8) | 8,580 (25·9) | 2,596 (25·6) | 2,524 @ (-2·8) |

*Note*: Figures within brackets show percentage change over the previous year.
* Includes Special Fund approvals of SDR 422 million.
@ Includes Special Fund disbursements of $ 12 million.

**International Bank for Reconstruction and Development ( IBRD)**

The number of operations approved by the IBRD declined further during 1983-84 to 129 from 136 in the previous year. Also, though the amount of loans sanctioned increased by only 7·3 per cent to $ 11·9 billion, recording the lowest increase in the last six years, disbursements shot up by 25·9 per cent to $ 8·6 billion, the highest rate recorded during the last five years.

India, Brazil and Indonesia continued to remain the largest borrowers. Loans approved during the year to India amounted to $ 1·7 billion (14·4 per cent of total commitments) as compared to $ 1·1 billion (9·8 per cent) in the preceding year. Most of the fresh commitments were for energy and power ($ 987 million) and transport ($ 531 million). Fresh commitments to Brazil totalled $ 1·6 billion and to Indonesia $ 1·0 billion.

Under the pool-based variable-rate lending system applicable since July 1, 1982, the lending rate has been lowered successively; thus it was lowered from 10·47 per cent on July 1,1983 to 10·08 per cent on January 1, 1984 and to 9·89 per cent on July 1, 1984. The IBRD has made substantial progress through the system in reducing the "overhang" of undisbursed loans carrying fixed-rate disbursement obligations.

In August 1984, the Board of Governors adopted a resolution for an $ 8·4 billion selective increase in the IBRD capital.

**International Development Association (IDA)**

During 1983-84, fresh commitments at $ 3·6 billion showed only a modest increase of 7·0 per cent, as compared to the rise of 24·4 per cent recorded in the preceding year. Disbursements, on the other hand, declined by $ 72 million to $ 2·5 billion or 2·8 per cent—the first such decline in the last six years—in contrast to the rise of 25·6 per cent in the preceding year.

Though India continued to remain the largest borrower, fresh credits sanctioned to India during the year ($ 1·0 billion) were 6 per cent lower than those in 1982-83. Also, India's share in total credit sanctioned came down to 28·0 per cent from 31·8 per cent in the preceding year. As in the past, agriculture and rural development accounted for a major part ($ 715·0 million or 71 per cent) of the credit sanctioned to India. China ($ 424 million) and Bangladesh ($ 393 million) were the other two large borrowers from IDA.

The operations of the IDA continued to be adversely affected by severe resource constraints. As noted in the earlier Report, because of the delay in the US Congress Authorisation, the $ 12 bn. IDA-6, which was to be fully committed during the three years to June 1983, had to be stretched for another year. This not only adversely affected the IDA

operations during the period but also delayed the start of the negotiations for IDA-7.

In view of the desperate position of most developing countries, made worse by the most prolonged and severe recession during the last 50 years, and the entry of China, the Bank management, as also the developing countries, regarded IDA-7 of $ 16 bn. as the barest minimum. The US, however, remained firm on not only reducing its share in total contribution to 25 per cent (27 per cent in IDA-6) but also limiting its annual contribution to $ 750 m. This, in effect, limited the size of IDA-7 to $ 9 bn. As a result, though other industrial countries were agreeable to a compromise figure of $ 12 bn., the IDA Deputies, at their meeting held in January 1984, could endorse authorisation of $ 9 bn. for IDA-7; this is three-fourths of the size of IDA-6 even in nominal terms.

The agreement on the size of IDA-7 reached in January, however, remained only in principle. The increased share of Japan in IDA-7 (18·7 per cent) assumed that it would become the second largest shareholder in the World Bank. The US, however, was not agreeable to the latter position unless Japan agreed to opening its domestic capital market, and greater internationalisation of the yen. Fortunately for the developing countries, the US and Japan resolved their differences in May 1984 thereby paving the way for making IDA-7 effective from July 1, 1984. As the compromise figure of $ 9 bn. fell considerably short of the level that is considered minimum even by most industrial countries, the management initiated a move to raise another $ 3 bn. from donor countries other than the US by way of a supplementary facility. This would have effectively augmented the IDA-7 resources to $ 12 bn. Initially, the proposal seemed to have the support of all major European donors; Japan was also agreeable to the idea. Japan and West Germany have, however, clarified that their participation in the supplementary facility depended on the US participation. As a result the prospects of securing the supplemental fund have certainly become dim.

For calculating donors' contribution in terms of their national currencies under IDA-7, a new arrangement was also adopted to convert the dollar equivalents of their shares into national currency amounts using the average rate of exchange between the dollar and the national currency over the six month period ending December 9, 1983. This arrangement was necessitated by recent volatility in exchange rate movements. As under previous replenishments, donors to IDA-7 were given a choice of using their national currency, the US dollar or the SDR as their unit of obligation.

**International Finance Corporation (IFC)**

During 1983-84 (July-June), investments of the IFC at $ 696 million recorded a decline of $150 million or 18 per cent in contrast to the rise of 38 per cent in the preceding year. Equity or equity-like investments amounted to about $ 75 million compared to $ 55 million in the previous year. Of the 62 investments approved (against 58 in earlier year), 36 or 58 per cent were in the resource development sector—particularly agriculture. Further, of the investments located in 37 countries, 7 were in countries in which the IFC had not undertaken any investment in the past three years.

Reflecting its central objective of increasing efforts to promote and support ventures in low-income countries, 24 projects sanctioned this year were in countries with a per capita income of $ 805 or less. The IFC's investments in India, during the year, rose to $ 43·7 million as compared to $ 15·2 million in the preceding year.

In addition to corporate restructuring, the IFC expanded its activities into several other new areas like creating a bonding facility for construction firms operating outside their own country and providing finance for a regionally oriented venture capital company. Also, for the first time, the IFC participated as a co-lead manager in a major equity underwriting for a diversified, close-end investment company.

On June 21, 1984, the Board of Directors approved a proposal to double the authorised capital of the IFC to $ 1,300 million. If agreed by the Board of Governors, the capital increase would provide the financial support for the growth and diversification of IFC's activities anticipated in its new Five Year Programme covering fiscal years 1985 to 1989.

**External Debt of the NODCs**

The rate of increase in the external debt of the NODCs further decelerated in 1983, external debt outstanding (excluding debt owed to the Fund) rising by only 6 per cent or $ 36 billion to $ 669 billion in 1983 compared to the rise of 13 per cent ($ 74 billion) in 1982 and 18 per cent ($ 84 billion) in 1981. Nevertheless, the ratio of debt outstanding to both exports of goods and services and GDP continued to rise. The former increased from 148 per cent in 1982 to nearly 154 per cent in 1983 and the latter from 33 per cent to 35 per cent. The rising ratios reflect a marked slow down in the general level of economic activity in dollar terms which appreciated and slow growth in exports. External debt outstanding is expected to increase by another 6 per cent to $ 711 billion in 1984. However, in view of the unbalanced recovery expected, its ratio to exports of goods and services is projected to decline to 147 per cent while that in relation to GDP/GNP may increase fractionally.

It may be mentioned, that even the very modest increase in the external debts outstanding of the NODCs was made possible by the rescheduling and restructuring of the debts of heavily indebted countries falling due during the period. During 1983 alone, 30 developing countries including 5 of the largest borrowers and 11 of the 25 major borrowers had completed or were in the process of completing debt rescheduling negotiations. New maturities set were generally for 7 to 9 years on rescheduled debts including 2-3 years of grace period; interest rates were 1·75 per cent to 2·25 per cent over LIBOR or the US prime rate. Rescheduling fees are reported to have ranged from 1 per cent to 1·5 per cent of the amounts restructured. In almost all the cases the arrangements were anchored to a Fund-supported adjustment programme.

The restructuring arrangements are estimated to have eased the cash flow situation of the NODCs by $ 40 bn. in 1983, equivalent to 8 per cent of their exports of goods and services. Besides, and as a direct result, the share of short-term debt in total debts outstanding of the NODCs, which had increased steadily to a peak of 20 per cent in 1982, declined to 16 per cent in 1983. For the major borrowers, the share declined from 25 per cent to 20 per cent. Similarly, for the first time since 1978, the share of official creditors in total long-term debts increased, though at 32 per cent in 1983, it was still some 3 points below the level in 1978; the share of official creditors is projected to increase further to 33 per cent in 1984.

The rescheduling of debt also eased the magnitude of the debt service payments of the NODCs. The debt servicing which had been increasing year after year, declined by almost $ 10 bn. to $ 97 bn., made up of $ 37 bn. of amortisations (down from $ 63 bn. in 1982) and $ 59 bn. of interest payment ($ 45 bn.). For the first time the interest payment liability exceeded the combined current account deficit of these countries.

As a result of the reduced debt servicing liability, its ratio to the exports of goods and services, which had reached a high of 25 per cent in 1982 also declined to 22 per cent in 1983. Without the rescheduling arrangements, these payments would have been higher by an estimated $ 8 bn. in 1982 and $ 19 bn. in 1983; as a ratio to export earnings these would have been 27 per cent and 26 per cent, respectively. The debt service ratio is expected to decline marginally in 1984.

The reduction in the debt service burden of the NODCs noted in 1983 was pronounced in the case of major exporters of manufactures (from 26 per cent to 21 per cent), but relatively modest for the low income countries (from 14 per cent to 11 per cent); the ratio changed little for other net oil importers and net oil exporters.

The crisis conditions that emerged in the mid-1982 seem to have been over from the short-term view point, largely because of the strenuous and painful adjustment efforts made by the NODCs as reflected in the sharp cut in their imports with unavoidable consequences of fall in their outputs and income, as also of the debt restructuring arrangements. In the medium-term, however, for a number of large debtor countries, a relatively big hump in debt repayments may emerge in 1985 itself reaching a peak in 1988. The amortisation ratio to export earnings would rise from 8 per cent in 1983 to 14 per cent and debt service ratio from 22 per cent to 24 per cent in 1987.

**Use of Fund Resources**

The impact of the prolonged international recession on world trade and payments positions and the strong economic adjustment programmes undertaken by the NODCs in the context of their mounting debt problems were reflected in a sharp rise in the members' aggregate recourse to facilities of the International Monetary Fund (Fund) which reached a new high of SDR 12·6 bn. in 1983, up 70 per cent from the previous record of SDR 7·4 bn. in 1982. This, however, does not include purchases under reserve tranche which also increased from SDR 1·3 bn. in 1982 to SDR 1·5 bn. in 1983. With repurchases increasing to SDR 2 bn. from SDR 1·6 bn., the net use of the Fund credits rose by 83 per cent in 1983 to SDR 10·6 billion.

The pattern of usage of the Fund resources also underwent significant changes during the year (Table XI). Thus, unlike in the preceding year, increase in drawings during 1983 was almost entirely under conditional facilities - credit tranche and Extended Fund Facility (EFF) - which more than doubled to SDR 9·5 bn. Drawings under the Compensatory Financing Facility (CFF) were broadly of the same order as in 1982 indicating reduction in the export shortfalls on account of economic recovery, increase in the world supply of cereals in 1983, and constraints of overall limits of drawings under the facility.

During the first half of 1984 drawings under the credit tranche (excluding reserve tranche) were just half of those during the corresponding period last year, while those under the EFF were maintained. Drawings under the CFF were almost one third of those during the corresponding period last year, while those under the BSFF were negligible. As a result, total purchases from the Fund during the first half of 1984 at SDR 4·3 bn. were just three-fifths as compared to the corresponding period last year. Total net purchases were also sharply down to SDR 3·3 bn. compared to SDR 5·9 bn. during the same period of 1983.

Except for some small drawings by Indonesia under CFF and BSFF, all purchases under Fund facilities during 1983 and so far during 1984 were made by the NODCs. There too, a significant proportion of total purchases (30 per cent) and the bulk of the purchases (83 per cent) under EFF made in 1983 were by only three countries viz. India (SDR 1·5 bn.),Brazil (SDR 1·3 bn.) and Mexico (SDR 1·0 bn.).

The rate of charge on use of the Fund's ordinary resources which was set at 6·6 per cent in May 1982 remained at that level, till it was raised to 7 per cent effective May 1, 1984. The rate of interest on drawings outstanding for less than $3\frac{1}{2}$ years under the Supplementary Financing Facility (SFF) was also raised from 10·45% for the first half of 1983 to 11·70% for the second half of 1983 and further to 12·575% for the first half of 1984. The rate of interest on drawings under the policy on Enlarged Access to Resources, on the other hand, was lowered from 10·75% for the first half of 1983 to 10·60% for the second half of 1983 but was raised slightly to 10·67% during the first half of 1984 in respect of drawings outstanding for less than $3\frac{1}{2}$ years.

The Fund's liquidity position improved considerably during the period under review on account of coming into effect of the revised quotas and the General Arrangements to Borrow.

**Eighth General Review of Quotas**

With the receipt of consent to their individual quota increases from members having not less than 70 per cent of the total quotas as on February 28, 1983, the Eighth General Review of Quotas, came into effect on November 30, 1983. As of March 15, 1984 - the last date for conveying the consent a total of 142 members, accounting for 98·4 per cent of the proposed total quotas, notified the Fund of their consents to increase in their quotas under the Eighth General Review, raising the total of effective quotas in the Fund by 46 per cent, from SDR 61·1 bn. to SDR 89·2 bn.

A major part of the increase in quotas was on a selective basis. As a result, though the aggregate quotas of the NODCs increased from SDR 17 bn. to SDR 23·4 bn., its share in total of effective quotas has declined from 27·8 per cent to 26·2 per cent. Similarly, though India's quota increased from SDR 1717·5 million to SDR 2207·7 million, its share in the total declined from 2·8 per cent to 2·5 per cent. The major beneficiary in the revised quotas have been the oil exporting countries, their combined share in the total quotas having increased from 7·5 per cent to 10·7 per cent.

**General Arrangements to Borrow (GAB)**

With all the ten participants giving their concurrence, the enlarged and revised GAB became effective as of December 26, 1983, raising the resources available to the Fund under these arrangements from approximately SDR 6·4 bn. to SDR 17 bn. The revised GAB provides for the utilisation of the GAB resources to non-participants also in the event of inadequacy of resources with the Fund, the existence of which involves a threat to the international financial structure. The revised arrangements authorise the Swiss National Bank, which had been associated with but was not a full participant, to participate fully in the GAB; its full participation in the GAB became effective from April 10, 1984. Additionally, the Fund has also entered into a similar arrangement with Saudi Arabia for an amount of SDR 1·5 bn.

As a result of the revised quota and the enlarged GAB, the Fund's stock of usable resources increased substantially enhancing the Fund's capacity to provide balance of payments assistance to member countries.

**Policy on Enlarged Access to Fund Resources and Limits to Special Facilities**

Following the coming into effect of the Eighth General Review of Quotas, the Fund has decided to reduce members' potential access to the Fund's resources under this policy as also the two special facilities. A member's access to Fund's resources during 1984 is subject to annual limits of 102 or 125 per cent of quota (as against the previous limit of 150 per cent), 3 year limits of 306 or 375 per cent of quota (450 per cent) and cumulative limits (net of scheduled repurchases) of 408 or 500 per cent (600 per cent), depending on the seriousness of the member's balance of payments and the strength of its adjustment efforts. The new access limits are, however, not to be regarded as targets; within the limits, the amount of access in individual cases would vary according to the circumstances of the member. These decisions are to be reviewed before the end of 1984.

As regards special facilities, a member's access under each of the two components of CFF - one relating to shortfalls in receipt from exports and the other relating to excess in the cost of cereal imports - has been reduced from 100 per cent of the quota to 83 per cent; the combined limit is now set at 105 per cent of the quota compared to 125 per cent earlier. A member's access to the BSFF is also reduced from 50 per cent to 45 per cent of the quota. The new accees limits under the two facilities are to be reviewed before the end of 1984 and annually thereafter, taking into account the relevant factors including the magnitude of members payments problems and the developments in the Fund's liquidity.

**SDR Allocation and SDR Interest Rate**

The Interim Committee of the Fund, at its meeting held in April 1984, considered again the question of fresh allocation of SDRs in the

current basic period which began on January 1, 1982 as an empty one. Though most members of the Committee were convinced that an allocation in the present circumstances would be in full conformity with the requirements of the Fund's Articles of Agreement and this will strenghthen the system and promote economic recovery, some industrial countries continued to feel that the global liquidity shortage had not been demonstrated. As a result, the requisite majority has not yet been evolved on the issue. It was agreed that the Executive Board should continue its urgent examination of the issues involved, and the Managing Director should present a further report on the outcome of the Board discussions to the next meeting of the Interim Committee scheduled to be held in September 1984.

It may be mentioned that the Group of 24 (G-24), representing developing countries, at its meeting held in April 1984 reiterated their view that an annual allocation of SDR 15 billion in the current basic period would be necessary and also reemphasised the need for establishment of a link between SDR allocations and development finance in the present context.

The interest rate on SDRs, to be paid to holders of SDRs and charges payable by the participant on cumulative allocation of SDRs, continued to be set at 100 per cent of the weighted average of market rates on the chosen short-term instruments of the five countries whose currencies comprise the SDR valuation basket.

The rate of remuneration to be paid by the Fund on a member's remunerated position with the Fund in the General Resources Account continued to be set at 85 per cent of the rate of interest on holdings of SDRs. However, in January 1984, it was agreed that, starting May 1, 1984, the rate will be raised by three annual instalments of 3·33 percentage points each or higher when the SDR interest rate was falling. The position is to be reviewed between May 1, 1986 and May 1, 1987 taking into account all relevant factors including the SDR interest rate and the rate of charge. Accordingly, the rate of remuneration was raised from 85 per cent to 88·33 per cent of SDR interest rate with effect from May 1, 1984.

As already noted in last year's Report, effective August 1, 1983, these rates are set on a weekly basis instead of quarterly basis as

**Table XI-13: Fund Purchases and Repurchases**

(Billion SDRs)

| | | | January-June | |
|---|---|---|---|---|
| | 1982 | 1983 | 1983 | 1984 |
| **1. Total Purchases**[1] | **7·4** | **12·6** | **7·0** | **4·3** |
| *of which:* | | | | |
| Credit Tranche[2] | 2·5 | 4·9 | 3·0 | 1·7 |
| Extended Fund Facility | 2·1 | 4·6 | 2·0 | 1·9 |
| Compensatory Financing Facility | 2·6 | 2·8 | 1·9 | 0·7 |
| Buffer Stock Financing Facility | 0·1 | 0·3 | 0·2 | — |
| **2. Total Repurchases** | **1·6** | **2·0** | **1·1** | **1·0** |
| **3. Net Purchases** | **5·8** | **10·6** | **5·9** | **3·3** |

1 Excludes purchases under the reserve tranche.
2 Includes purchases under stand-by arrangements.
— Nil or negligible.

hitherto. Similarly, effective September 1, 1983, interest payments are being settled on a quarterly basis instead of on an annual basis.

**SDR Interest and Remuneration Rates @**

(Per cent per annum)

| For the quarter ended | SDR interest rate | Rate of remuneration |
|---|---|---|
| June 1983 | 8·52 | 7·24 |
| September 1983 | 8·78 | 7·46 |
| December 1983 | 8·61 | 7·32 |
| March 1984 | 8·69 | 7·39 |
| June 1984 | 9·02 | 7·86 |

@ Effective August 1, 1983, both the SDR interest rate and remuneration rate are being set on a weekly basis instead of quarterly basis as hitherto. Hence, the figures for the last 4 quarters represent average of weekly rates.

### International Reserves

After marginally declining in 1982, the total non-gold reserve holdings (foreign exchange, SDRs and reserve position in the Fund) of the Fund members and Switzerland increased by SDR 32 bn. or 9·7 per cent during 1983 to SDR 363 bn. The substantial increase in the non- gold reserves during 1983 followed a sizeable accretion to foreign exchange holdings (SDR 21·7bn.) and building up of reserve positions in the Fund (SDR 13·7 bn.), SDR holdings actually declining by SDR 3·3 billion. As a result of these diverse movements in the three components, there was a significant shift in the composition of the non-gold reserves by the end of 1983. Thus, while the share of foreign exchange in total non-gold reserves declined from 86·9 per cent to 85·3 per cent and that of the SDRs from 5·4 per cent to 4·0 per cent, the share of reserve positions in the Fund went up from 7·7 per cent to 10·8 per cent during the year. The Fund related assets - SDR holdings and reserve positions in the Fund - improved their share marginally to 14·8 per cent compared to 13·1 per cent in 1982.

Of the total increase in non-gold reserves during 1983, a major part (SDR 20·5 bn. or 63 per cent) accrued to the industrial countries and the balance to the NODCs. Non-gold reserves of the oil exporting countries declined for the second consecutive year, though in 1983 the decline was marginal. As a result of these changes, the share of both the industrial countries and the NODCs in the global non-gold reserves increased though marginally. It may be noted that though the reserves of the NODCs as a group increased, 32 out of the 92 NODCs for which comparable data are available registered declines; in quite a few cases, the fall was very sharp.

The surge in reserves witnessed during 1983, continued, though at slower pace and by the first half of 1984, the reserves increased by 2·9 per cent to SDR 373·6 bn. The oil exporting countries' reserves fell sharply during the period by 5 per cent to SDR 64·2 bn. whereas those of the NODCs and industrial countries rose by 9·1 per cent to SDR 86·3 bn. and 2·6 per cent to SDR 210·1 bn. respectively. Component-wise, during the first half of 1984, foreign exchange, SDR holdings and the reserve positions in the Fund rose by 2·5 per cent, 8·0 per cent and 4·1 per cent respectively. The sharpest fall (8·5 per cent) in the foreign exchange holdings during the period was in respect of oil exporting countries; such holdings of industrial countries and the NODCs rose by 2·0 per cent and 10·0 per cent respectively.

## VII. Developments in Exchange Control

### Expert Committee on Exports and Imports

The Expert Committee on Exports and Imports appointed by the Reserve Bank in November 1982 under the Chairmanship of Shri M.S. Patwardhan (M.D., NOCIL) submitted its final report to the Bank in December 1983. The committee has made a number of important recommendations on a wide range of topics

relating to import and export of goods and services which are aimed at simplifying and rationalising the Exchange Control Procedures and improving the overall quality of customer service. The implementation of the Committee's recommendations is underway in consultation with the Government of India, wherever necessary.

Changes in the Reserve Bank's buying and selling rates for the pound sterling - the intervention currency-during the period April 1, 1983 to end-July 1984, the change in the transaction rate for the rouble and important developments in exchange control during the fiscal year 1983-84 are described briefly in the following paragraphs:

**Exchange Rate Changes**

Consequent upon the fluctuations in the exchange rates of major international currencies, the Reserve Bank's buying and selling rates for pound sterling were changed between April 1, 1983 and end-July 1984 as indicated in the Annexure as also in statement 117 in volume II of this Report.

**Rouble - Rupee Exchange Rate**

In terms of the protocol of November 25, 1978 between India and the U. S. S. R., the Rouble - Rupee exchange rate in respect of credit agreements and commercial transactions was revised to Rouble 1 = Rs.10·3306 effective February 13, 1984 from Rouble 1 = Rs. 10·0176 which was in force from December 31, 1982. The rate was further revised to Rouble 1 = Rs.10·6728 effective July 29, 1984. Simultaneously, the Rouble - Rupee rate for contracts concluded under the Deferred Payments protocol of April 30, 1981 between India and the U.S.S.R.relating to deliveries of machinery and equipment from the U. S. S. R. to India was revised to Rs. 10·9186 per Rouble, with effect from February 13, 1984 from Rs.10·5878 per Rouble (effective December 31, 1982) and further to Rs. 11·2803 per Rouble with effect from July 29, 1984.

**Abolition of Sterling Rates Schedule, delinking of interest element from exchange rates and introduction of uniform accounting procedure for import and export transactions**

In order to facilitate the operation of market forces in the matter of rate quotations for the the Pound Sterling as in the case of other currencies, the system of prescribing a Sterling Rates Schedule has been abolished by the RBI with effect from January 1, 1984, in consultation with the Foreign Exchange Dealers' Association of India (FEDAI). Since then authorised dealers have been permitted to quote exchange rates for merchant transactions in pound Sterling on the basis of market conditions as in case of other currencies, subject to the guidelines (regarding margins, etc.) prescribed by the FEDAI, and the maximum spread between the merchant TT purchase and sale rates fixed by the Reserve Bank.

Consistent with international practices, it was also decided to delink the element of interest rates from exchange rates for bill purchases quoted to customers. Under the new arrangement, authorised dealers are required to quote exchange rates for bill purchases (including forward purchases) on the basis of TT rates with a provision for appropriate forward margin and exchange margin in accordance with the guidelines prescribed by the FEDAI in that behalf. The interest charges are to be recovered separately from the customers at applicable rates.

With the intention to provide a relief to customers from swap costs, and also reduce gaps in the maturities of the transactions for sale/purchase of foreign exchange undertaken by authorised dealers, it was decided to prescribe the maximum period upto which import bills under letters of credit could be held in foreign currency and to stipulate that in case of non-payment of any import bill within the

prescribed period by the drawee, his liability in respect of the foreign currency bill should be crystalised by converting the foreign currency amount into rupees at the concerned bank's bills for collection selling rate prevailing on the relevant date or at the forward contract rate, whichever is applicable. Similarly, it has been decided to introduce a uniform procedure under which the foreign currency amounts of outstanding or overdue export bills purchased/negotiated/discounted by authorised dealers should be reversed from the authorised dealers' export bills purchased portfolio at the ready TT selling rate of exchange ruling on the relevant date, after the expiry of such maximum period as may be prescribed by the FEDAI for their retention in the bills purchased portfolio.

**Asian Clearing Union**

With a view to encouraging further the intra-regional trade between member countries of the Asian Clearing Union (ACU), with effect from 1st January 1984 all eligible payments on account of current international transactions (other than payments relating to travel) between India and other member countries in the ACU (except Nepal) are being settled compulsorily through the ACU mechanism. Export and import transactions involving settlement on deferred payment terms have been kept outside the purview of the compulsory settlement procedure. In such cases, there is no bar on the advance/down payment/payment against shipping documents being settled through the ACU. However, importers in Bangladesh are permitted to purchase US dollars at premium under the Wage Earners' Scheme to finance imports and these transactions are exempted from the compulsory settlement through the ACU.

**Ordinary Non-resident Accounts for corporate bodies**

As a part of the liberalisation of investment facilities, authorised dealers in foreign exchange have been permitted to open and maintain Ordinary Non-resident (ONR) Accounts in rupees in the name of overseas corporate bodies/trusts in which at least 60 per cent ownership/beneficial interest is held directly or indirectly but ultimately by non-residents of Indian nationality or origin. They are also allowed to open accounts with rupee funds originating in India. But this is subject to the condition that such funds are otherwise eligible for credit to such non-resident accounts. On application, the RBI may also allow the utilisation of such funds for payment of passage fares for the travel of their directors/partners/office bearers/trustees/employees on the services of Air India and Indian Airlines.

**Exchange rates for purchase and sale of U. S. dollar notes**

The floor and ceiling rates for purchase and sale of U. S. dollar notes from and to the public were revised by the Reserve Bank from time to time. The Bank has prescribed with effect from May 2, 1983, a formula for fixing these rates and permitted authorised dealers and full-fledged money-changers to work out, on their own, the floor and ceiling rates in accordance with it.

**Acquisition of foreign exchange not exceeding US $ 100 or its equivalent**

In order to avoid inconvenience to foreign tourists and to enable Indian citizens like small vendors, tourists guides, taxi drivers, hotel waiters, etc., to receive payment in foreign exchange for goods sold or services rendered, the Reserve Bank has granted general permission, under the Foreign Exchange Regulation Act, to any person in India, to acquire foreign exchange from any person resident outside India, who is on a visit to the country, in payment towards services rendered or in settlement of any lawful obligation, subject to (a) the resident acquiring such foreign exchange shall not, at any one time, hold foreign exchange exceeding US $ 100 or its equivalent and (b) the foreign exchange so acquired by the resident shall be offered for sale to an authorised dealer within seven days of its acquisition.

**Sale of foreign currency notes and coins to outgoing travellers at airports/ docks**

With effect from June 4, 1984, the RBI has permitted Exchange Bureau of ADs and money changers operating at airports/docks to sell foreign currency notes and coins upto US $ 20 or its equivalent (as against the earlier limit of Rs.200/-) per person to travellers proceeding outside India other than those proceeding to Bangladesh, Bhutan and Nepal. The limit of Rs.100/- per person for travellers proceeding to Bangladesh remains unchanged.

**Foreign Travel Scheme (FTS) and Neighbourhood Travel Scheme (NTS) for persons holding official/diplomatic passports**

With effect from June 11, 1984, persons holding official/diplomatic passports are also eligible to obtain exchange upto US $ 500/- or equivalent for travel abroad under the Foreign Travel Scheme and upto US $ 250/- or equivalent under the Neighbourhood Travel Scheme.

**Loans/ overdrafts to non-residents against security of their fixed deposits**

Authorised dealers are now allowed to grant loans and overdrafts to their non-resident account holders upto Rs.2,00,000/- (instead of Rs.50,000), without prior approval of the RBI, for purposes other than investment in India against the security of their fixed deposits in non-resident bank accounts.

**Export of gold ornaments and articles under Gold Jewellery Export Promotion and Replenishment Scheme**

Government of India have introduced a new scheme called 'Gold Jewellery Export Promotion and Replenishment Scheme' with effect from April 25, 1984, for export of gold ornaments and articles (other than coin) with the facility of replenishment by imported gold. Under this Scheme, exports of ornaments and articles made of gold of purity not less than 0·5833 fineness (equivalent to 14 carats) are entitled to the replenishment benefit, provided they satisfy the 'value added' and other requirements of the Scheme. Studded ornaments and articles are also permitted to be exported under the Scheme. Exports are required to be made by air and only through the Customs Houses at Bombay, Calcutta, Madras, Delhi and Jaipur.

**Rationalisation of Export Procedure**

With a view to making the export procedure simpler and more effective, a revised procedure was introduced with effect from October 1, 1983. The exporters are now required to submit the export declaration form in a set of two, as against three forms under the old procedure. Certain other statutory declaration forms such as form EP for declaration of export to Pakistan and Afganistan and form GR X have been abolished.

**Opening of Liaison Offices in India by overseas companies**

Under the existing policy, overseas companies which are engaged in export-import trade with India are allowed to open liaison/representative offices in India for carrying out purely liaison activities, subject to certain conditions. During the year ended March 31, 1984, 30 companies incorporated abroad were allowed to open liaison/representative offices in India. Such permission was granted in 9 more cases during the period April-June 1984.

**Opening of offices abroad by Indian companies**

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 non-recurring and recurring expenses

of such overseas offices/representatives. During the year ended March 1984, permission was granted to 70 different Indian companies/firms for opening trading and non-trading offices and posting of representatives at various foreign centres. During the quarter April-June 1984, permission was granted to 15 more companies/firms.

**Authorised Dealers' Licences**

A licence to deal in foreign exchange was granted to the Bank of Thanjavur Ltd., Thanjavur and the Bank of Nova Scotia, Toronto, Canada. The two banks have been permitted to undertake all types of foreign exchange transactions in all permissible currencies, subject to usual conditions and obligations.

**Opening of an office of the E. C. D. at Panaji, Goa**

A regional office of the Exchange Control Department was opened at Panaji, Goa on November 24, 1983. The Panaji Office has jurisdiction over the Goa region of the Union Territory of Goa, Daman and Diu. The territories of Daman and Diu continue to be dealt with by the Bombay Office of the Exchange Control Department.

## ANNEXURE

### R.B.I's Spot Rate for Purchases and Sales of Pound Sterling

| Date | Buying Rate | | Selling Rate | | Middle Rate |
|---|---|---|---|---|---|
| | £ per Rs. 100/- | Rupees per £ 1 | £ per Rs. 100/- | Rupees per £ 1 | Rupees per £ 1 |
| March 31, 1983 .. .. | 6.7981 | 14.71 | 6.7613 | 14.79 | 14.75 |
| April 4, 1983 .. .. | 6.7522 | 14.81 | 6.7159 | 14.89 | 14.85 |
| April 5, 1983 .. .. | 6.7295 | 14.86 | 6.6934 | 14.94 | 14.90 |
| April 6, 1983 .. .. | 6.6622 | 15.01 | 6.6269 | 15.09 | 15.05 |
| April 7, 1983 .. .. | 6.6181 | 15.11 | 6.5833 | 15.19 | 15.15 |
| April 12, 1983 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| April 13, 1983 .. .. | 6.5893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| April 14, 1983 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |
| April 15, 1983 .. .. | 6.4893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| April 19, 1983 .. .. | 6.4061 | 15.61 | 6.3735 | 15.69 | 15.65 |
| April 20, 1983 .. .. | 6.4475 | 15.51 | 6.4144 | 15.59 | 15.55 |
| April 26, 1983 .. .. | 6.3857 | 15.66 | 6.3532 | 15.74 | 15.70 |
| April 29, 1983 .. .. | 6.4061 | 15.61 | 6.3735 | 15.69 | 15.65 |
| May 3, 1983 .. .. | 6.3452 | 15.76 | 6.3131 | 15.84 | 15.80 |
| May 4, 1983 .. .. | 6.3251 | 15.81 | 6.2933 | 15.89 | 15.85 |
| May 5, 1983 .. .. | 6.3452 | 15.76 | 6.3131 | 15.84 | 15.80 |
| May 9, 1983 .. .. | 6.3251 | 15.81 | 6.2933 | 15.89 | 15.85 |
| May 10, 1983 .. .. | 6.3857 | 15.66 | 6.3532 | 15.74 | 15.70 |
| May 17, 1983 .. .. | 6.4061 | 15.61 | 6.3735 | 15.69 | 15.65 |
| May 20, 1983 .. .. | 6.4267 | 15.56 | 6.3939 | 15.64 | 15.60 |
| May 24, 1983 .. .. | 6.3857 | 15.66 | 6.3532 | 15.74 | 15.70 |
| May 25, 1983 .. .. | 6.3452 | 15.76 | 6.3131 | 15.84 | 15.80 |
| May 26, 1983 .. .. | 6.3052 | 15.86 | 6.2735 | 15.94 | 15.90 |
| May 27, 1983 .. .. | 6.2657 | 15.96 | 6.2344 | 16.04 | 16.00 |
| May 30, 1983 .. .. | 6.2461 | 16.01 | 6.2150 | 16.09 | 16.05 |
| May 31, 1983 .. .. | 6.2267 | 16.06 | 6.1958 | 16.14 | 16.10 |
| June 1, 1983 .. .. | 6.2461 | 16.01 | 6.2150 | 16.09 | 16.05 |
| June 2, 1983 .. .. | 6.2657 | 15.96 | 6.2344 | 16.04 | 16.00 |
| June 3, 1983 .. .. | 6.3052 | 15.86 | 6.2735 | 15.94 | 15.90 |
| June 6, 1983 .. .. | 6.3452 | 15.76 | 6.3131 | 15.84 | 15.80 |
| June 8, 1983 .. .. | 6.3251 | 15.81 | 6.2933 | 15.89 | 15.85 |
| June 14, 1983 .. .. | 6.4267 | 15.56 | 6.3939 | 15.64 | 15.60 |
| June 15, 1983 .. .. | 6.4893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| June 21, 1983 .. .. | 6.4683 | 15.46 | 6.4350 | 15.54 | 15.50 |
| June 24, 1983 .. .. | 6.4475 | 15.51 | 6.4144 | 15.59 | 15.55 |
| June 27, 1983 .. .. | 6.4267 | 15.56 | 6.3939 | 15.64 | 15.60 |
| June 28, 1983 .. .. | 6.4893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| July 7, 1983 .. .. | 6.4475 | 15.51 | 6.4144 | 15.59 | 15.55 |
| July 13, 1983 .. .. | 6.4683 | 15.46 | 6.4350 | 15.54 | 15.50 |

**R.B.I's Spot Rate for Purchases and Sales of Pound Sterling**

| Date | Buying Rate | | Selling Rate | | Middle Rate |
|---|---|---|---|---|---|
| | £ per Rs. 100/- | Rupees per £ 1 | £ per Rs. 100/- | Rupees per £ 1 | Rupees per £ 1 |
| July 15, 1983 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |
| July 21, 1983 | 6.4893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| July 27, 1983 .. .. | 6.4683 | 15.46 | 6.4350 | 15.54 | 15.50 |
| July 29, 1983 .. .. | 6.4893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| August 3, 1983 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |
| August 4, 1983 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| August 5, 1983 .. .. | 6.6622 | 15.01 | 6.6269 | 15.09 | 15.05 |
| August 8, 1983 .. .. | 6.6181 | 15.11 | 6.5833 | 15.19 | 15.15 |
| August 9, 1983 .. .. | 6.5746 | 15.21 | 6.5402 | 15.29 | 15.25 |
| August 10, 1983 .. .. | 6.5963 | 15.16 | 6.5617 | 15.24 | 15.20 |
| August 12, 1983 .. .. | 6.6181 | 15.11 | 6.5833 | 15.19 | 15.15 |
| August 16, 1983 .. .. | 6.5531 | 15.26 | 6.5189 | 15.34 | 15.30 |
| August 18, 1983 .. .. | 6.4683 | 15.46 | 6.4350 | 15.54 | 15.50 |
| August 23, 1983 .. .. | 6.4267 | 15.56 | 6.3939 | 15.64 | 15.60 |
| August 24, 1983 .. .. | 6.4683 | 15.46 | 6.4350 | 15.54 | 15.50 |
| August 25, 1983 .. .. | 6.4893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| August 26, 1983 .. .. | 6.5531 | 15.26 | 6.5189 | 15.34 | 15.30 |
| August 31, 1983 .. .. | 6.5746 | 15.21 | 6.5402 | 15.29 | 15.25 |
| September 1, 1983 .. .. | 6.5531 | 15.26 | 6.5189 | 15.34 | 15.30 |
| September 8, 1983 .. .. | 6.5746 | 15.21 | 6.5402 | 15.29 | 15.25 |
| September 12, 1983 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| September 14, 1983 .. .. | 6.5746 | 15.21 | 6.5402 | 15.29 | 15.25 |
| September 16, 1983 .. .. | 6.5531 | 15.26 | 6.5189 | 15.34 | 15.30 |
| September 20, 1983 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |
| September 21, 1983 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| September 26, 1983 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |
| September 28, 1983 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| September 30, 1983 .. .. | 6.5531 | 15.26 | 6.5189 | 15.34 | 15.30 |
| October 4, 1983 .. .. | 6.6181 | 15.11 | 6.5833 | 15.19 | 15.15 |
| October 6, 1983 .. .. | 6.5746 | 15.21 | 6.5402 | 15.29 | 15.25 |
| October 7, 1983 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| October 10, 1983 .. .. | 6.4893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| October 11, 1983 .. .. | 6.4683 | 15.46 | 6.4350 | 15.54 | 15.50 |
| October 12, 1983 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |
| October 14, 1983 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| October 17, 1983 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |
| October 28, 1983 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| November 1 1983 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |

**R.B.I's Spot Rate for Purchases and Sales of Pound Sterling**

| Date | Buying Rate | | Selling Rate | | Middle Rate |
|---|---|---|---|---|---|
| | £ per Rs. 100/- | Rupees per £ 1 | £ per Rs. 100/- | Rupees per £ 1 | Rupees per £ 1 |
| November 2, 1983 .. .. | 6.5531 | 15.26 | 6.5189 | 15.34 | 15.30 |
| November 3, 1983 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| November 11, 1983 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |
| November 21, 1983 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| November 22, 1983 .. .. | 6.5531 | 15.26 | 6.5189 | 15.34 | 15.30 |
| November 29, 1983 .. .. | 6.5746 | 15.21 | 6.5402 | 15.29 | 15.25 |
| December 2, 1983 .. .. | 6.5963 | 15.16 | 6.5617 | 15.24 | 15.20 |
| December 6, 1983 .. .. | 6.6181 | 15.11 | 6.5833 | 15.19 | 15.15 |
| December 8, 1983 .. .. | 6.6845 | 14.96 | 6.6489 | 15.04 | 15.00 |
| December 9, 1983 .. .. | 6.6622 | 15.01 | 6.6269 | 15.09 | 15.05 |
| December 13, 1983 .. .. | 6.6845 | 14.96 | 6.6489 | 15.04 | 15.00 |
| December 14, 1983 .. .. | 6.7069 | 14.91 | 6.6711 | 14.99 | 14.95 |
| December 20, 1983 .. .. | 6.6845 | 14.96 | 6.6489 | 15.04 | 15.00 |
| December 22, 1983 .. .. | 6.6622 | 15.01 | 6.6269 | 15.09 | 15.05 |
| December 23, 1983 .. .. | 6.6401 | 15.06 | 6.6050 | 15.14 | 15.10 |
| December 26, 1983 .. .. | 6.6181 | 15.11 | 6.5833 | 15.19 | 15.15 |
| December 30, 1983 .. .. | 6.5531 | 15.26 | 6.5189 | 15.34 | 15.30 |
| January 4, 1984 .. .. | 6.5963 | 15.16 | 6.5617 | 15.24 | 15.20 |
| January 5, 1984 .. .. | 6.6181 | 15.11 | 6.5833 | 15.19 | 15.15 |
| January 9, 1984 .. .. | 6.6622 | 15.01 | 6.6269 | 15.09 | 15.05 |
| January 10, 1984 .. .. | 6.7069 | 14.91 | 6.6711 | 14.99 | 14.95 |
| January 11, 1984 .. .. | 6.6845 | 14.96 | 6.6489 | 15.04 | 15.00 |
| January 12, 1984 .. .. | 6.6622 | 15.01 | 6.6269 | 15.09 | 15.05 |
| January 13, 1984 .. .. | 6.6401 | 15.06 | 6.6050 | 15.14 | 15.10 |
| January 16, 1984 .. .. | 6.5963 | 15.16 | 6.5617 | 15.24 | 15.20 |
| January 17, 1984 .. .. | 6.5746 | 15.21 | 6.5402 | 15.29 | 15.25 |
| January 18, 1984 .. .. | 6.5963 | 15.16 | 6.5617 | 15.24 | 15.20 |
| January 20, 1984 .. .. | 6.5746 | 15.21 | 6.5402 | 15.29 | 15.25 |
| January 23, 1984 .. .. | 6.6181 | 15.11 | 6.5833 | 15.19 | 15.15 |
| February 2, 1984 .. .. | 6.5963 | 15.16 | 6.5617 | 15.24 | 15.20 |
| February 3, 1984 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| February 7, 1984 .. .. | 6.5746 | 15.21 | 6.5402 | 15.29 | 15.25 |
| February 9, 1984 .. .. | 6.5531 | 15.26 | 6.5189 | 15.34 | 15.30 |
| February 15, 1984 .. .. | 6.4893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| February 17, 1984 .. .. | 6.4475 | 15.51 | 6.4144 | 15.59 | 15.55 |
| February 20, 1984 .. .. | 6.4267 | 15.56 | 6.3939 | 15.64 | 15.60 |
| February 23, 1984 .. .. | 6.4061 | 15.61 | 6.3735 | 15.69 | 15.65 |
| February 24, 1984 .. .. | 6.3857 | 15.66 | 6.3532 | 15.74 | 15.70 |
| February 27, 1984 .. .. | 6.3654 | 15.71 | 6.3331 | 15.79 | 15.75 |
| February 28, 1984 .. .. | 6.3052 | 15.86 | 6.2735 | 15.94 | 15.90 |

**R.B.I's Spot Rate for Purchases and Sales of Pound Sterling**

| Date | Buying Rate | | Selling Rate | | Middle Rate |
|---|---|---|---|---|---|
| | £ per Rs. 100/- | Rupees per £ 1 | £ per Rs. 100/- | Rupees per £ 1 | Rupees per £ 1 |
| March 7, 1984 .. .. | 6.3251 | 15.81 | 6.2933 | 15.89 | 15.85 |
| March 8, 1984 .. .. | 6.3857 | 15.66 | 6.3532 | 15.74 | 15.70 |
| March 12, 1984 .. .. | 6.4061 | 15.61 | 6.3735 | 15.69 | 15.65 |
| March 14, 1984 .. .. | 6.3857 | 15.66 | 6.3532 | 15.74 | 15.70 |
| March 16, 1984 .. .. | 6.4061 | 15.61 | 6.3735 | 15.69 | 15.65 |
| March 19, 1984 .. .. | 6.4475 | 15.51 | 6.4144 | 15.59 | 15.55 |
| March 21, 1984 .. .. | 6.4683 | 15.46 | 6.4350 | 15.54 | 15.50 |
| March 22, 1984 .. .. | 6.4893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| March 26, 1984 .. .. | 6.4683 | 15.46 | 6.4350 | 15.54 | 15.50 |
| March 27, 1984 .. .. | 6.4475 | 15.51 | 6.4144 | 15.59 | 15.55 |
| April 2, 1984 .. .. | 6.4683 | 15.46 | 6.4350 | 15.54 | 15.50 |
| April 3, 1984 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |
| April 4, 1984 .. .. | 6.4893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| April 6, 1984 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| April 9, 1984 .. .. | 6.4893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| April 11, 1984 .. .. | 6.4683 | 15.46 | 6.4350 | 15.54 | 15.50 |
| April 16, 1984 .. .. | 6.4893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| April 19, 1984 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |
| April 25, 1984 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| April 26, 1984 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |
| April 27, 1984 .. .. | 6.5531 | 15.26 | 6.5189 | 15.34 | 15.30 |
| May 3, 1984 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| May 4, 1984 .. .. | 6.4893 | 15.41 | 6.4558 | 15.49 | 15.45 |
| May 7, 1984 .. .. | 6.5531 | 15.26 | 6.5189 | 15.34 | 15.30 |
| May 8, 1984 .. .. | 6.5746 | 15.21 | 6.5402 | 15.29 | 15.25 |
| May 15, 1984 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| May 17, 1984 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |
| May 23, 1984 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| May 24, 1984 .. .. | 6.5746 | 15.21 | 6.5402 | 15.29 | 15.25 |
| May 25, 1984 .. .. | 6.5531 | 15.26 | 6.5189 | 15.34 | 15.30 |
| June 4, 1984 .. .. | 6.5104 | 15.36 | 6.4767 | 15.44 | 15.40 |
| June 6, 1984 .. .. | 6.5317 | 15.31 | 6.4977 | 15.39 | 15.35 |
| June 13, 1984 .. .. | 6.5531 | 15.26 | 6.5189 | 15.34 | 15.30 |
| June 21, 1984 .. .. | 6.5746 | 15.21 | 6.5402 | 15.29 | 15.25 |
| June 25, 1984 .. .. | 6.5963 | 15.16 | 6.5617 | 15.24 | 15.20 |
| June 26, 1984 .. .. | 6.6181 | 15.11 | 6.5833 | 15.19 | 15.15 |
| June 28, 1984 .. .. | 6.6401 | 15.06 | 6.6050 | 15.14 | 15.10 |
| June 29, 1984 .. .. | 6.6181 | 15.11 | 6.5833 | 15.19 | 15.15 |
| July 4, 1984 .. .. | 6.6622 | 15.01 | 6.6269 | 15.09 | 15.05 |
| July 6, 1984 .. .. | 6.7295 | 14.86 | 6.6934 | 14.94 | 14.90 |

**R.B.I's Spot Rate for Purchases and Sales of Pound Sterling**

| Date | Buying Rate | | Selling Rate | | Middle Rate |
|---|---|---|---|---|---|
| | £ per Rs. 100/- | Rupees per £ 1 | £ per Rs. 100/- | Rupees per £ 1 | Rupees per £ 1 |
| July 9, 1984 .. .. | 6.7522 | 14.81 | 6.7159 | 14.89 | 14.85 |
| July 11, 1984 .. .. | 6.7981 | 14.71 | 6.7613 | 14.79 | 14.75 |
| July 12, 1984 .. .. | 6.7751 | 14.76 | 6.7385 | 14.84 | 14.80 |
| July 13, 1984 .. .. | 6.7295 | 14.86 | 6.6934 | 14.94 | 14.90 |
| July 16, 1984 .. .. | 6.7069 | 14.91 | 6.6711 | 14.99 | 14.95 |
| July 17, 1984 .. .. | 6.6622 | 15.01 | 6.6269 | 15.09 | 15.05 |
| July 18, 1984 .. .. | 6.6845 | 14.96 | 6.6489 | 15.04 | 15.00 |
| July 20, 1984 .. .. | 6.6401 | 15.06 | 6.6050 | 15.14 | 15.10 |
| July 25, 1984 .. .. | 6.6181 | 15.11 | 6.5833 | 15.19 | 15.15 |
| July 26, 1984 .. .. | 6.5746 | 15.21 | 6.5402 | 15.29 | 15.25 |
| July 27, 1984 .. .. | 6.6401 | 15.06 | 6.6050 | 15.14 | 15.10 |
| July 30, 1984 .. .. | 6.6622 | 15.01 | 6.6269 | 15.09 | 15.05 |

## APPENDIX – I

## IMPORTANT EXPORT CONTROL / PROMOTION ANNOUNCEMENTS APRIL 1983 — JUNE 1984

### I A.CHANGES IN EXPORT CONTROL

| Sr. No. | Item | Month of Announcement | Details |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1. | Sesame Seeds | April 1983 | Export of Sesame Seeds was canalised through the National Agricultural Co-operative Marketing Federation of India Ltd. (NAFED). Private parties and others were also allowed to export Sesame Seeds during 1983-84 as associates of NAFED in their own name within the specified quantity earmarked for them. |
| 2. | Jute Carpet Backing Cloth | April 1983 | Jute Carpet Backing Cloth was brought under Export Trade Control and its export was canalised to North American Countries through the State Trading Corporation of India under OGL:4. Export of this item to destinations other than North American Countries were allowed on de-controlled basis. |
| 3. | Kirilac and Molamma | April 1983 | In partial relaxation of the ban, the export of Kirilac and Molamma was allowed on a limited quantity during 1983-84 through the State Trading Corporation of India subject to the following grade-wise Minimum Export Prices.<br>Minimum Export Price (Rs.per bag of 75 kg.)<br>**Kiri I**<br>Kirilac (having lac content between 55% and 65%) 165·00<br>**Kiri II**<br>Kirilac (having lac content between 40% and 55%) 125·00<br>**Molamma I**<br>Dogalee/seedlac scivings (having lac content between 80% and passing through a 30 mash seive) 287·00<br>Export of Molamma II (With lac content 55% to 70%) was not allowed. |
| 4. | HPS Groundnuts | April 1983 | Within the overall canalisation policy for export of HPS Groundnuts through NAFED, private parties and others were allowed to export HPS groundnuts during 1983-84 as Associates NAFED in their own names against ceiling earmarked for them. |
| 5. | Pure Milk Ghee | May 1983 | Export was allowed within a ceiling for the year 1983-84, on 'first-come,first-served' basis. |

| Sr. No. | Item | Month of Announcement | Details |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 6. | Writing and Printing all sorts (excluding hand-made paper) including Air-mail Tissue Paper below 34 GSM. | May 1983 | Export was allowed within a ceiling during 1983-84 on 'first-come, first-served' basis. |
| 7. | Peacock Tail Feathers and articles handicrafts made of Peacock Tail Feathers | May 1983 | Export was allowed within a limited ceiling during 1983-84. However, the export of crest feathers or any other part of Peacock was not allowed. |
| 8. | Potato Seeds (All varieties) and Onion Seeds | May 1983 | Export was allowed within a ceiling, on 'first-come, first-served' basis against Quality Control Certificate from recognised State Certification Agency including N.S.C. (National Seeds Corporation). |
| 9. | Hydrogenated Oil (Vanaspati Ghee) | May 1983 | Export was allowed within a limited ceiling on 'first come, first-served' basis. |
| 10. | Pearl Barley | May 1983 | Export was allowed within a ceiling on 'first-come, first-served' basis, by all categories of exporters to all permissible destinations. |
| 11. | Corundum (other than Blue Saphire & Rubies) | May 1983 | Export was allowed on 'first-come first served' basis within a limited ceiling. |
| 12. | Blanched and Roasted Peanuts | May 1983 | Export was allowed within a limited ceiling on 'first-come, first-served' basis subject to minimum export price of Rs. 11,000/- per tonne. |
| 13. | Maize | May1983 | Export was allowed within a limited ceiling on 'first-come, first-served' basis during the licensing period, April 1983 - March 1984. |
| 14. | Protein Isolate and Groundnut Flour | May 1983 | Export was allowed within a limited ceiling subject to Minimum Export Price of Rs.25,000/- per tonne in respect of protein isolate and Rs.6,000/- per tonne in respect of groundnut flour. |
| 15. | Bauxite | May 1983 | Export of bauxite with alumina content not exceeding 44%, silica content exceeding 5% and iron oxide plus titania exceeding 30% was allowed within a limited ceiling on 'first-come, first-served' basis. However, export of other grades of bauxite and calcined bauxite was banned. |
| 16. | Froglegs | June 1983 | Export was allowed within a limited ceiling on 'first-come, first-served' basis during 1983-84. |

| Sr. No. | Item | Month of Announcement | Details |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 17. | Manufactures and products having silver as ingredient | June 1983 | Export of artistic articles of tortoise shell having silver as ingredient and also export of artistic handcrafted wooden furniture and decorative accessories covered with silver sheet were banned with immediate effect. |
| 18. | Real Madras Handkerchief (RMHK) | July 1983 | Export of Real Madras Handkerchief (RMHK) made on handloom to Cotonou, Lome and Accra (Ghana) was allowed both under irrevocable Letter of Credit terms and CAD (Cash Against Delivery) terms subject to a declaration by the exporter that the Real Madras Handkerchiefs exported were made on handloom. Export of RMHK on CAD terms was allowed only to the extent the exporter produced a cover from the Export Credit and Guarantee Corporation Ltd. (ECGC). Export of Real Madras Handkerchief made on powerloom was not allowed. |
| 19. | Brucine Sulphate, Brucine Alkaloids, Strychnine Alkaloids, Strychnine Hcl, Strychnine Sulphate, Strychnine Nitrate | July 1983 | Export of the following items was allowed under OGL : 3 subject to minimum f.o.b. price per kg. mentioned against each :–<br>Brucine Sulphate Rs.700/-<br>Brucine Alkaloids Rs.800/-<br>Strychnine Alkaloids Rs.450/-<br>Strychnine Hcl Rs.350/-<br>Strychnine Sulphate Rs.350/-<br>Strychnine Nitrate Rs.350/- |
| 20. | Man-made Fibres and Yarns | August 1983 | Export of the following items of man-made fibres and yarns was allowed during the year 1983-84 subject to the Minimum Export Price indicated against each :<br>Synthetic Blended Yarn containing 50% or more of Synthetic Fibre- Rs.19 per kg.<br>Viscose Staple Fibre Spun Yarn Rs.18 per kg. |
| 21. | Black Pepper (ASTA Quality MG - I) | August 1983 | Export was allowed under OGL : 3 subject to Minimum Export Price of Rs.13,000/- per MT f.o.b. Other qualities of Black Pepper were continued to be allowed on de-controlled basis. |
| 22. | Foodgrain Seeds of all varieties including Wheat and Paddy Seeds | August 1983 | Export was considered "On Merits" by the Chief Controller of Imports and Exports, New Delhi. Earlier the export of food grain seeds excluding wheat seeds was allowed under OGL : 3 subject to production of Quality Control Certificate from a Certification Agency recognised by a State Govt. or National Seeds Corporation. Export of wheat seeds was allowed "On Merits" |
| 23. | Wool Tops | September 1983 | Export was brought under Export Trade Control and was considered "On Merits" However, in case where raw wool had been imported against Advance/Imprest Licences, export of wool tops was permitted without licensing formalities in accordance with conditions of such Advance/Imprest Licences. |

| Sr. No. | Item | Month of Announcement | Details |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 24. | Raw Wool (Indigenous) except Angora Goat Hair or Mohair | September 1983 | Export of raw wool (Indigenous) upto 40 counts except Angora goat hair or Mohair was allowed within a ceiling on 'first-come, first-served' basis during the year ending 31st March 1984. Raw wool above 40 counts was not allowed for export. |
| 25. | Raw-Magnesite | September 1983 | Export was considered "On Merits" This was earlier allowed under OGL-3 on production of a certificate from Export Inspection Agency to the effect that silica content in dead burnt magnesite was not below 9 per cent. |
| 26. | Live Sheep and Goats | September 1983 | Export was allowed during the licensing period 1983-84 within an overall ceiling. This was earlier allowed within a limited ceiling on 'first -come, first-served' basis. |
| 27. | Live Buffaloes and Live Sheeps | September 1983 | In order to ensure that only healthy animals are exported it was decided that live Sheep and live buffaloes before actual export, were kept in quarantine for a minimum period of 21 days during which period the animals would be subjected to inspection and vaccination. However, export of live goats was continued to be allowed without any quarantine and vaccination formalities, and would be subjected to general Veterinary Inspection and Certification as hitherto. |
| 28. | Barytes Lumps | September 1983 | Export of Barytes Lumps OCMA API grade to all destinations were allowed at US $ 32 per MT FOBT Indian Port Madras. Earlier it was allowed at US $ 37 per MT FOBT. |
| 29. | Rayon Filament Yarn (Viscose Filment Yarn) | December 1983 | Export of 120 Deniers was allowed within a limited ceiling on 'first-come, first-served' basis. |
| 30. | Niger Seeds | December 1983. | Minimum Export Price requirement was withdrawn. Export was allowed earlier provided Minimum Export Price was Rs.6,500 -per MT. |
| 31. | Semi-precious stones | February 1984 | The ban on the export of semi-precious stones excluding quartz imposed in April 1983 was lifted and its export was allowed on de-controlled basis. |
| 32. | Silk Waste | February 1984 | Export of all varieties of silk waste was banned with immediate effect. However, export of silk noils and noil droppings which was under OGL : 3 was considered "On Merits" |
| 33. | Gold Jewellery | April 1984 | The export of Gold Jewellery was permitted by endorsement of shipping bills by the concerned licensing port authorities in accordance with the provision of Gold Jewellery Export Promotion Scheme. |
| 34. | Peacock Tail Feathers and articles Handicrafts made of Peacock Tail Feather | May 1984 | Export was allowed by all categories of exporters, against valid irrevocable letter of credit. Export of crest feathers or any other part of peocock was not allowed. |

| Sr. No. | Item | Month of Announcement | Details |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 35. | Export of Live Buffaloes | May 1984 | Export was allowed within an overall ceiling by making endorsements on shipping bills. |
| 36. | Maize | May 1984 | Export of Maize was allowed within a limited ceiling on 'first-come, first-served' basis by issue of export licences against 100% confirmed irrevocable letter of Credit. |
| 37. | Seedlac | May 1984 | Export of seedlac was allowed by the exporters of shellac to the extent of 10% of the quantity of shallac shipped during the year April1984-March 1985. |
| 38. | CTC Tea | May,1984 | The ban on the exports of CTC (cuttear and curl) tea imposed in December 1983 was lifted in May 1984. |
| 39. | Semi-precious stones | June 1984 | Semi-precious stones other than crystalline quality was allowed on de-controlled basis. |

## I B.COMMODITIES SUBJECT TO EXPORT DUTY DURING APRIL 1983 – JUNE 1984

| Sr. No. | Item | Rate of export duty as on March 31, 1984 | Changes during the year | | Effective date |
|---|---|---|---|---|---|
| | | | From | To | |
| 1 | 2. | 3. | 4. | 5. | 6 |
| 1. | Coffee | Rs.530 per qtl. | Rs. 530 | Rs. 640 | May 7, 1984 |
| 2. | Cardamom | Nil | No Change | | May 20, 1981 |
| 3. | Turmeric | | | | |
| | (i) Whole turmeric | Nil | No Change | | November11,1980 |
| | (ii) Turmeric Powder | Nil | No Change | | November 11, 1980 |
| 4. | Tobacco (unmanufactured) | 20 per cent *ad valorem* or 75 paise per kg. whichever is less | No Change | | June 16, 1966 |
| 5. | Raw Cotton | | | | |
| | *(i)* Assam Comille Cotton, Yellow Pickings, and Zoda Cotton picking 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 *ad valorem* | 25 per cent *ad valorem* | 12·5 per cent *ad valorem* | October 1, 1982 |
| | *(ii)* Cotton Waste (others) | 40 per cent *ad valorem* | No Change | | June 15, 1966 |
| 7. | Raw Wool | 25 per cent *ad valorem* | No Change | | August 2, 1976 |
| 8. | Mica | | | | |
| | *(i)* Mica loose splitting of grade numbers 5½ and 6 and mica mixed torn loose grade number 5 and 5½ | 15 per cent *ad valorem* | No Change | | January 1, 1973 |
| | *(ii)* Mica splittings of all grades other than those specified against Sr. No. 8 *(i)* above | 20 per cent *ad valorem* | No change | | January 1, 1973 |
| | *(iii)* Mica blocks and condenser films of all grades number 2 and grades superior thereto | 30 per cent *ad valorem* | No Change | | April 28, 1973 |
| | *(iv)* Mica blocks and condenser films of all grades other than those specified against Sr. No. 8 *(iii)* above | 20 per cent *ad valorem* | No Change | | April 28, 1973 |
| | *(v)* Fabricated mica | 10 per cent *ad valorem* | No Change | | May 1, 1972 |

| Sr. No. | Item | Rate of export duty as on March 31, 1984 | Changes during the year From | To | Effective date |
|---|---|---|---|---|---|
| 1 | 2. | 3. | 4. | 5. | 6 |
| 9. | E.I. tanned and vegetable tanned leather | 10 per cent *ad valorem* | 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 |
| 11. | Oilcakes | | | | |
| | *(i)* De-oiled ground 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) | Rs.125 per tonne | No Change | | 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 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 dioxied | 20 per cent *ad valorem* | 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 63 per cent or more but less than 63 per cent of iron content | Rs.6 per tonne | No Change | | May 20, 1981 |
| | *(iv)* Lumpy iron ore having 58 per cent or more but less than 60 per cent of iron content | Rs.5 per tonne | No Change | | August 31, 1968 |
| | *(v)* Lumpy iron ore having less than 58 per cent of iron content | Rs. 4 per tonne | No Change | | August 31, 1968 |
| | *(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 *ad valorem* | No Change | | August 2, 1966 |
| 17. | Kyanite | Rs.40 per tonne | No Change | | August 2, 1966 |
| 18. | Chromite concentrates | Not in tariff | No Change | | August 2, 1966 |

| Sr. No. | Item | Rate of export duty as on March 31, 1984 | Changes during the year | | Effective date |
|---|---|---|---|---|---|
| | | | From | To | |
| 1 | 2. | 3. | 4. | 5. | 6 |
| 19. | Chromites | | | | |
| | *(i)* High grade (fines and concentrate with $Cr_2O_3$ 47 per cent and above | 5 per cent *ad valorem* | | | |
| | *(ii)* Medium grade fines and concentrates with $Cr_2O_3$ content 35 per cent above but below 47 per cent | 5 per cent *ad valorem* | 10 per cent *ad valorem* | 5 per cent *ad valorem* | February 15, 1983 |
| | *(iii)* Lumpy ore with $Cr_2O_3$ content 35 per cent and above but below 42 per cent | 5 per cent *ad valorem* | 10 per cent *ad valorem* | 5 per cent *ad valorem* | February 15, 1983 |
| | *(iv)* Low grade lumpy ore-fines of concentrates with $Cr_2O_3$ content below 35 per cent and FeO content above 25 per cent | 5 per cent *ad valorem* | 10 per cent *ad valorem* | 5 per cent *ad valorem* | February 15, 1983 |
| 20. | Barytes | Rs.50 per tonne | No Change | | September 2, 1978 |

# APPENDIX-II

## IIA-IMPORTANT ANNOUNCEMENTS WITH REGARD TO IMPORT CONTROL POLICY APRIL 1983-MARCH 1984

| Sr. No. | Item | Month of Announcement | Details |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1. | Open General Licence No.1 * @ | April 1983 | 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 fibre, tow, yarns, raw wool, mohair, wollen rags/synthetic rags/shoddy wool, the import contracts were registered with the Textile Commissioner in advance, (iii) man-made fibres, tow and yarns can be imported by the State Trading Corporation of India for distribution to actual users (industrial), (iv) in the case of DMT/TPA, import contracts were registered with the Department of Petroleum, (Ministry of Energy), (v) for the import of Soda Ash, PVC resin, Wood Pulp, Caustic Soda and Synthetic Rubber varieties covered under OGL,the contracts are registered with the DGTD, (vi) In respect of import of components by the DGTD units, the import is subject to the List Attestation Procedure and import contracts for components by actual users (industrial) are registered with DGTD and followed the 'Phased manufacturing Programme' condition, (vii) import of woollen rags/shody wool/synthetic rags would be allowed only if thegoodswere completely mutilated, (viii) import of raw cashewnuts by Cashew Corporation of India for distribution to Actual Users (processing units) and in the case of import of raw cashewnuts by others, half the quantity imported is offered to the CCI for distribution to Actual Users (Processing units) and their import contracts are registered with the CCI within 7 days of its execution, (ix) in the case of import of Carbon Steel items, the contracts were registered with the Iron and Steel Controller within 15 days of entering into the contracts, (x) import of iron and steel items by oil refineries subject to prescribed conditions (xi) in the case of import of insecticides, including pesticides and weedicides, the importer intimated to the Plant Protection Controller, Department of Agriculture, within 7 days, of the clearance of each consignment, the quantity and the c.i.f. value thereof, (xii) brass/copper pipes and tubes, if imported as scrap would be of the size of 15 cms in length, unless they are imported as scrap in hydraulically pressed briquettes, and (xiii) 91 items of raw materials, components and consumables were allowed for import only by Actual Users (industrial) while 74 items were allowed for imports by Actual Users (industrial), export houses/trading houses under REP licences and 15 items in addition to those permitted under Open General Licence and by Actual Users (industrial) and others for stock and sale under OGL. |
| 2. | Open General Licence No.2@ | April 1983 | Permission was granted for the import of Capital Goods, as specified in Appendix-2 of the import and export policy, 1983-84 by industrial and non-industrial actual users for their own use, provided that (i) by importing these goods, production of the unit would be within the licensed/authorised capacity, (ii) in the case of import of second hand or re-conditioned items, they were not more than 10 years old and their residual life was atleast 5 years and a certificate by a professional independent Chartered Engineer/equivalent institute of the country from which imports were made giving the name and year of the machine |

| Sr. No. | Item | Month of Announcement | Details |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| | | | manufactured, present condition, remaining life and the c.i.f. value of equivalent capital goods, if purchased new, is produced at the time of customs clearance. |
| 3. | Open General Licence No.3 | April 1983 | Industrial and non-industrial Actual Users were allowed to import for their own use permissible spares (i.e., other than those in the limited permissible, non-permissible or banned lists of items), for maintenance of capital goods, including accessories, ancillary equipment control and laboratory equipment and safety appliances, installed or in use on or after April, 1, 1983. Import of permissible spare parts for computer systems will be allowed at 3 per cent of the c.i.f. value of the imported computers or 1 per cent per year of the purchase price of the indigenously manufactured computer systems, the c.i.f. value or the purchase price of the imported item to be certified by a Chartered/Cost Accountant or the sponsoring authority. Further, half yearly returns giving the total c.i.f. value of the imported item together with the description of the item should the total c.i.f. value exceed Rs.2 lakhs were to be submitted to the concerned sponsoring/licensing authority. |
| 4. | Open General Licence No.4 | April 1983 | 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) blue prints and drawings (including micro films) relating to machinery and plant sites, work and buildings, research data supplied free of charge and having no commercial value, (iii) bonafide technical and trade samples supplied free of charge below Rs.20,000 in c.i.f. value in one consignment, other than vegetable seeds, bees, tea, and new drugs (iv) bonafide advertising material supplied free of charge, not above Rs.2,000/- in c.i.f. value in one consignment, (v) goods supplied free of charge by foreign suppliers or imported against an insurance (marine) or marine *cum* erection insurance 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 conditions laid down by the Drugs Controller, (vii) bonafide trade samples of drugs and medicines supplied free of charge to the sole agents in India of the foreign suppliers, not exceeding a value of Rs.10,000/- in c.i.f., on recommendation from the Drugs Controller, (viii) Human vaccines and Sera, including animal and poultry vaccines supplied free of charge or against payment, on written recommendation from the Drugs Controller or the State Director/Commissioner of Animal Husbandry and (ix) technical ,and trade samples of insecticides (including pesticides and weedicides) of specified quantity and supplied free of charge, on the basis of the registration issued by the Registration Committee under the Insecticides Act, 1968. |
| 5. | Open General Licence No.5 | April 1983 | Recognised research and development units, research laboratories, hospitals and institutions of higher education, were allowed to import raw materials, components, consumables, machinery equipment,instruments, accessories and spares (but not consumer goods and office machines) provided : (i) they fulfilled the 'actual user' condition, (ii) particulars of recognition by the Central/State Government, were obtained (iii) R & D units declare that the imported items are required are R & D purposes. (iv) that R & D units obtained the prior approval of the Animal Husbandry Commissioner for import of live and attentuated micro organism, (v) in respect of import of computer systems and their spares, a clearance by the Department of Electronics is produced and (vi) produce to the relevant authorities, within 30 days of clearance of the goods by Customs, particulars of goods having a value of over Rs.1 lakh. |

| Sr. No. | Item | Month of Announcement | Details |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 6. | Open General Licence No.6 | April 1983 | Designated Public Sector (canalising) agencies were allowed to import specified goods as listed in Appendices 8 and 9 of the import export policy for 1983-84 against the foreign exchange released by the Government for the purpose and the imported items are distributed by the canalising agency in accordance with the policy and procedure laid down. |
| 7. | Open General Licence No.7 | April 1983 | Actual Users (industrial) were permitted to import for their own use, jigs, fixtures, dies and patterns, moulds (including moulds for die-casting) and press tools (except those in the non-permissible, limited permissible or banned lists) and parts therof. In respect of import of second-hand or reconditioned items, the item is not more than 10 years old and that its remaining life is atleast 5 years. A certificate giving the name, year and the c.i.f. value of the machine issued by an independent professional Chartered Engineer/any equivalent institute of the country from where the imports are made, is produced at the time of customs clearance. |
| 8. | Open General Licence No.8 | April 1983 | Oil and Natural Gas Commission, Oil India Limited, and M/s. Bharat Coal Mines Limited, were allowed to import all items of raw materials, components, consumables, machinery, equipment, instruments, accessories, tools and spares (except consumers goods), subject to the conditions that (i) prior clearance was obtained from the DGTD and in the case of electronic items of Rs.5 lakhs and above and marine electronic equipment and parts irrespective of value, prior clearance of the Department of Electronics was obtained and (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 Limited/other concerned public sector agency undertakes to re-export them on completion of the work in case such imports are made by foreign engineers/contractors/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 Limited/other concerned public sector agency. |
| 9. | Open General Licence No.9 | April 1983. | Air-India, Indian Airlines, members of IATA, and other specified categories were permitted to import spares, consumbales (excluding greases and lubricants which are canalised), aircraft tyres and tubes, manuals, technical drawings, illustrations and technical literature etc., for their own use and required for maintenance and operation of fleet of air-crafts and associate test and training equipment. Companies/owners of public or private sector air-craft could import spares (other than those banned or restricted) for maintenance of their air-crafts/executive air-crafts. |
| 10. | Open General Licence No.10 | April 1983. | Eligible Actual Users were allowed to import, within the value ceiling, 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, testing equipments and instruments, spare parts of motor vehicles and agricultural tractors, amateur radio communication equipment within specified frequency ranges and power limits. |

| Sr. No. | Item | Month of Announcement | Details |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 11. | Open General Licence No.11 | April 1983. | Actual Users engaged in ship repairing work, and registered with the Director General, Shipping were permitted to import capital goods, raw materials, components, consumables and spares provided that: (i) the goods were imported in custom bonded premises, (ii) the imported goods were used for repairs of ocean-going-vessels, Indian or foreign, in the custom bonded premises, (iii) transit bond procedure is followed together with other procedures applicable to custom bonding and (iv) the importer furnished details of the items imported and their c.i.f. value and used in the repair work and foreign exchange earned in ship repairs, duly certified by the bank, to the Director General, Shipping and the concerned licensing authority annually. |
| 12. | Open General Licence No.12 | April 1983. | Permission was granted for imports by Government Departments (Central/State) or for projects owned or controlled by them, any goods, for which no payment was involved and were in accordance with the provisions made in relevant agreements entered into by the Government of India and foreign government. Under this OGL, personal effects of foreign specialists/experts coming into India for the execution of a project work, were also allowed to be imported if the project authorities certified that the imports were in accordance with the concerned agreements and that the imports (except consumables) would be re-exported when the foreign expert left India. |
| 13. | Open General Licence No.13 | April 1983 | Registered exporters of gem and jewellery and co-operative societies of gold smiths and artisans were permitted to import machinery, equipment tools and implements and testing apparatus subject to their fulfilling the 'actual user' condition and import of second hand or reconditioned machinery was allowed provided a certificate to the effect that it is not more than ten years old and its balance life is atleast five years, is produced, at the time of customs clearance, issued by a chartered engineer of the country from which the items are imported. Equipments were also allowed to be imported by the Export Promotion Council for Gem and Jewellery for use in the Institute set up by the Council. |
| | Open General Licence No.14. | April 1983. | 1) Departmentally run Government industrial undertakings and railways were permitted to import, against foreign exchange released for the purpose by the Government, capital goods, raw materials, components, consumables and spares, provided a clearance from DGTD was produced in respect of import of items whose imports are restricted or banned and of the Department of Electronics in the case of electronic items whose c.i.f. value is over Rs.5 lakhs and marine electronic equipment and parts irrespective of value. In the case of capital goods the items should be the ones permitted under OGL. (as specified in Appendix 2) and may includetrigs, fixtures, moulds(including moulds for die-casting) dies and patterns and press tools (other than those in the non-permissible/limited permissible lists) and parts thereof. 2) State Electricity Boards Projects/Undertakings in the Public Sector, and the Director General, Doordarshan and All-India Radio were permitted to import spares under this licence against foreign exchange released for the purpose by the Government, provided that in the case of non-permissible spares, a clearance certificate from DGTD and in respect of electronic items with c.i.f. value of over Rs. 5 lakhs, a clearence from Department of Electronics was obtained. 3) Public Sector industrial undertakings under the Ministry of Defence were allowed to import raw materials, components, consumables and spares as allowed under OGL, R & D units under the Defence Ministry were permitted to import raw materials, components, consumables, machinery, equipment, instruments, accessories, tools, and spares (except office machines). Import of capital goods as listed in |

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| | | | Appendix 2 of the Policy, rigs, fixtures, moulds (including moulds for die-casting) dies and patterns and press tools (other than those banned/restricted) will be allowed. Computer spares also were allowed for imports at the rate of 3 per cent per year, of the c.i.f. value of imported computer systems. The value of imports were limited to the foreign exchange allocated by the Defence Ministry during 1983-84. |
| 15. | Open General Licence No.15 | April 1983. | General permission was granted for the import of certain items specified in a schedule attached to this notification subject to fulfilling the conditions laid down for each item. The items listed include teaching aids, life saving equipment appearing in list No. 2 of Appendix 10 of the import export policy of 1983-84, family welfare equipment instruments and appliances, finished drug preparaions and anti-cancer drugs, homeopathic medicines, crude drugs for Ayurvedic/Unani medicines, pulses (for which import contracts are registered with the National Agricultural Co-operative Marketing Federation Of India (NAFED), spices, dates (wet or dry), Rock salt, X-ray films (medical), lubricating oils for watches, clocks and house servicing meters, fishing hooks, non-fictional educational and instructional short films, photographic films (colour), photographic colour papers, photographic films (black and white) in sizes other than 120 and 620 size rolls, records for learning languages, Rudraksha beads, cinematographic films (8 mm colour and 8 mm black and white negative), dental items(as per list 6 of Appendix 10 of import-export policy 1983-84), energy saving/conservation equipment, spares (except those in the limited permissible, non-permissible/banned lists) of printing machinery, machine tools, cinematographic equipment and trawlers. Importers of energy saving/conservation equipment were required to furnish to the Director (Administration), Commission for Additional Sources of Energy, Department of Technology, within 15 days of the customs clearance, the description of the equipment, country of its origin, the c.i.f. value and the amount of customs duty paid. |
| 16. | Open General Licence No.16 * @ | April 1983 | Permission was granted for the import of (i) poultry vaccines (all types) by farm hatcheries, approved by the Ministry of Agriculture, (ii) medical gas cylinders of 10·2 total water capacity and below, (iii) gibberellic acid, (iv) grape guard paper and (v) photographic chemicals-developers, fixers, intensifiers, reducers, toners and cleaning agents, provided the importers satisfied the following conditions : (i) the importer of poultry vaccines is an 'Actual User' and furnishes to the customs authorities a certificate issued by the Director of Agriculture or the State Director of Animal Husbandry /veterinary services, to the effect that the material imported is essential (including the description/quantity/value), (ii) the importer of medical gas cylinders is an 'Actual User' for manufacture of medical gas (oxygen) and nitrous oxide for compressing and supplying medical gas (industrial) with the import contracts registered under the Drugs and Cosmetics Act 1940, (iii) in respect of imports of gibberellic acid and grape guard paper, the importer is the Agriculture Development Corporation of Central/ State Governments/Union Territories, co-operative societies of farmers and recognised associations of farmers of the imported material is for distribution to grape growers only and (iv) imports of photographic chemicals are made by Actual Users registered with local laws governing shops and establishments and film studios/processing testing laboratories. |

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| 17. | Open General Licence No.17 @ | April 1983 | Government approved hundred per cent export oriented units, satisfying the 'Actual User' condition were allowed to import for manufacture in Custom bonded factory, capital goods (new or second-hand) proto- types and technical samples (2 in each type) for product diversification/ development/evaluation, diesel generating sets, raw materials, consumables and intermediates, components, packing materials and spares, provided : (i) they exported the entire production (except rejects upto 5 per cent or the percentage as fixed by the Government)., (ii) a minimum value added of 20 per cent is necessary for production(domestically procured raw material is treated as imports for computation of minimum value) ;(iii) an annual return, at the end of each financial year, giving details of the items, their c.i.f. value imported, and the products exported together with their f.o.b. value is furnished to the concerned licensing authorites. Unit fulfilling the above conditions were qualified for customs duty exemption on imported material while exports made under this provision did not qualify for import replenishment (REP) licences. Imports of second-hand capital goods were subject to the condition that the details of the name and year of their manufacture, present condition together with its residual life, the c.i.f. value (if purchased new), were certified by an independent professional chartered engineer/equivalent institute of the country from which imported. Further, units requiring for their own use/production, prototypes and technical samples (other than the specified ones) drawings, blue prints, charts, technical data (including micro-films) and office equipment, spares, and consumables thereof, upon recommendations of the Export Commissioner, CCI& ES office. The provisions of this licence are also applicable to industrial units exporting 100 per cent production during the three preceding financial years, but not approved by Government as such, to import capital goods (new of second-hand) on payment of customs duty as may be leviable and on production of a certificate issued by the competent authority for having exported 100% of production during the preceding 3 years. |
| 18. | Open General Licence No. 18 * | April 1983 | Actual Users located in the Kandla Free Trade Zone and Santacruz Electronics Export Processing Zone, were allowed to import for production, product diversification, development and evaluation, prototypes, and technical samples (of not more than two in each typeof sample) capital goods, raw materials, components, consumables, spares, tools, jigs, fixtures and gauges and packing materials. Further, upon recommendations from the Development Commissioners of the respective zones import of prototype and technical samples (other than those specified), microfilms, office equipments, spares and consumables, thereof, were also allowed. Such actual users could also import goods (i) for repairs or reconditioning by them in the zone and to be re-exported or (ii) received back from the overseas consignees within 3 years of the date of their despatch to him. |
| 19. | Open General Licence No.19 | April 1983 | The following eligible units were permitted to import capital goods (except those banned.subject to the conditions that : (1) they fulfilled the 'actual user' condition, (ii) imports were made against the foreign exchange released by the Government for the purpose and (iii) they obtained an indigenous clearance from the D.G.T.D. 1) M/s. Coal India Limited, 2) M/s. Neyveli Lignite Corporation Limited. 3) M/s. Bharat Cooking Coal Limited, 4) M/s. Central Coalfields Limited, 5) M/s. Eastern Coalfields Limited, 6) M/s. Western Coalfields, Limited, 7) M/s. Central Mine Planning and Design Institute Limited and 8) M/s. Singareni Collieries Company Limited. |

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| 20. | Open General Licence No.20 | April 1983 | Eligible disabled persons were permitted to import for their own use, motor cars under the following conditions : (i) the imported motor car is specially designed for the concerned disabled person only (ii) the importer is given customs duty relief by the Department of Revenue, Ministry of Finance and (iii) the motor car is not, at any time, sold, transferred, pledged, hypotheticated. |
| 21. | Open General Licence No.21 | April 1983 | Actual Users (Industrial) were allowed to import, for their own use, under the facilities available to non-resident Indians, capital goods, raw materials, consumables, components and spares provided that : (i) the importer is an Indian residing abroad (a non-resident Indian), or companies, firms, societies and similar other corporate bodies owned to the extent of at least 60 per cent by him. (ii) the eligible importer returns to India for settelement, to set up an industry, or make an investment (including for expansion/modernisation diversification of an existing industry in India, where the share of the eligible importer's investment is not beyound 40 per cent, (iii) a non-resident Indian, fulfilling the 'actual user' condition, and requiring for use in his own industry being set up by him/or in the industry in which he invests, was allowed to import from out of his own foreign exchange earnings and resources abroad, and with no remittance from India, items like machinery and connected raw materials, components, consumables and spares under this licence. Further, he furnished to the customs authorities at the time of clearance, a declaration that the imported machinery and other materials were purchased out of his own earnings resources abroad and does not involve any remittance from India, and also inform, within three months of customs clearance, the details of the imported machinery and other materials, to the Director of Industries of the State in which the imported items are used, (iv) import of generating sets, computer systems, office equipment, prototypes and banned/used (second-hand) capital goods (other than those permitted for imports) were not allowed, (v) in respect of import of capital goods meant for electronics industry no upper limit is fixed if they are engaged in the manufacture of one or more of the following : a) Electronic Components (other than LSI, VLSI. ). b) Electronic instruments, c) Tape recorders d) Two-in -ones, e) Hi-Fi equipment, f) Electronic teaching aids, g) Industrial and process control systems, h) Major sub-systems, radars, navigational aids and communication equipment and (i) electronic medical equipment, (vi) with specific prior approval of the Department of Electronics for taking up manufacture, import of items reuired by units manufacturing radars and navigational aids and communication equipment excepting manufacture of computer was permitted, (vii) import of raw materials, components, consumables and spares, would be only to meet the requirements of the first 12 months of a unit, (viii) prior approval of the Department of Electronics is obtained in respect of import of non-permissible, limited permissible and iron and steel items, (ix) no sale of capital goods takes place for a period of atleast 5 years. (x) industries (other than the electronics industry manufacturing any of the products specified above) whose total capital investment in plant and machinery, at the unit where the imported machinery is intended to be used, does not exceed the upper limit applicable to small scale industries, could also import machinery whose c.i.f. value does not exceed Rs.20 lakhs. Further, industeries importing machinery were also allowed to import, for use in the same unit where the imported machinery is used, raw materials, components, consumables |

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| | | | and spares to meet their first 12 months' requirement subject to a value ceiling of Rs.5 lakhs in c.i.f. A prior clearance from the Department of Electronics or D.G.T.D., as the case may be, was required for importing items covered under the non-permissible/limited permissible/banned lists and (xi) neither the capital investment nor dividend were allowed to be repatriated by those non-resident Indians returning to India and permission for retaining foreign currency balances abroad, from the Reserve Bank of India was necessary. However, repatriation facilities were made available in certain cases subject to Government's policy from time to time. |
| 22. | Second-hand capital goods | April 1983 | Import of second-hand (used) capital goods (except those allowed for import under OGL) by non-resident Indians returning to India, required a specific import licence. |
| 23. | Copper/Copper alloys | April 1983 | Copper/Copper alloys in the form of plain sheets wider than 1200 mm and foils of thickness below 0·06 mm and copper/copper alloys, plates, sheets (below 1200 mm width), strip foils of 0·06 mm or more for automobilies radiator manufacturing and herelogical applications, were included in the list of Automatic Permissible items. |
| 24. | Import of office machine | April 1983 | The f.o.b. value of exports in the case of an exporter importing certain office machines under OGL has been enhanced from Rs.15 lakhs or more during 1982-83, to Rs.25 lakhs or more during 1983-84. |
| 25. | Import of gifts | April 1983 | Gifts received by approved/registered charitable/religious/educational institutions could be imported by them without requiring a customs clearance peermit, based on the duty exemption order of the Finance Ministry.<br><br>Alcohols (c.6 to c.18) including plasticizer alcohols were included in the limited permissible list of items for raw materials.<br><br>Registration of import contracts with the Iron & Steel Controller within 15 days of entering into a contract, was made essential for import of alloys steel items together with carbon steel items under OGL.<br><br>Boiler tubes ERW variety 8 mm to 80 mm OD cut to shape and size was included in the OGL list of items. Monel wire was transferred from the OGL list to the list of limited permissible items. |
| 26. | Peizo electric elements | May 1983 | Peizo electric elements were transferred from the OGL list to the Automatic permissible list of items for imports. |
| 27. | Ferro Niobium/ Columbium | May 1983 | Ferro Niobium/ Columbium covered under the list of items not allowed for import by export houses against additional licences under Automatic permissible items (Appendix 26) was removed from the list. |

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| 28. | Removed from OGL list | May 1983 | Import of boiler, tubes/ERW variety, 8mm to 80mm OD, cut to shape and size was allowed under OGL, while monel wire and peizo, electric elements have been excluded from the OGL list for imports by Actual Users (Industrial). |
| 29. | Import of raw jute/ jute cuttings | May 1983 | Import of raw jute and jute cuttings of Nepalese orgin was allowed by all persons, freely, provided the import contracts were registered with the Jute Corporation of India. |
| 30. | Changes in the import of items/conditions imposed. | May 1983 | The value ceiling per item in respect of imports of raw materials components and consumables by Actual Users (industrial) under Automatic licences and per item value for import of chemical items by units registered under DGTD under OGL, have been enhanced from Rs.1 lakh to Rs.1·5 lakhs and from Rs.1·5 lakhs to Rs.2 lakhs respectively. Further, Actual Users (industrial) in the SSI sector possessing supplementary licences in the place of Repeat operation facility and exported atleast 25 per cent of its production of select products with a minimum f.o.b. value of exports of Rs.1.0 crores, in the preceding two financial years, were made eligible to import, within their over all value limits, items concerned under limited permissible list and limited permissible list for raw materials (Appendices 3 and 6) provided the import value in c.i.f. for a single item did not exceed Rs.1·5 lakhs. |
| 31. | Facilities for registered exporters | May 1983 | Registered exporters exporting a new product or to a new market specified by the Commerce Ministry, by Indian vessels, were made eligible for REP licences at the rate higher by 10% of the REP than the normal rate, i.e. 11 per cent with a view to make available for the purpose of authorised production, a manufacturer-exporter was allowed to import under either his own REP licence or acquired by transfer, technical designs, changings or other documentation or facilities provided their value was below Rs.5 lakhs (or Rs.20 lakhs in value for units exporting atleast 25 per cent of their production subject to a minimum of Rs. 5 lakhs or exported select products with a minimum export value of Rs.One crore in f.o.b. in any two preceding financial years), and the actual user condition is satisfied. A separate non-transferable licence equal in value to the balance of the main REP licence would be issued to a manufacturer-exporter if he transfered the balance of his REP licence. A manufacturer-exporter having export of atleast 50 per cent of the production of select product with not less than Rs.5 lakhs in f.o.b. was allowed to import machinery whose cost does not exceed Rs.50 lakhs in c.i.f. under his own REP licence or against an REP licence acquired by transfer. Further, a manufacturer-exporter was permitted to import any item covered in the limited permissible/limited permissible items of raw materials/canalised lists subject to the following conditions : (i) the entire manufacture is exclusively for exports but not as such approved as a 100 per cent export oriented unit, (ii) the imports are within the overall value of the REP licence acquired through transfer, (iii) the REP licence sought to be endorsed had atleast 3 months unutilised balance and (iv) the importer furnished to the licensing authority, within one month of the end of a quarter, quarterly reports giving details of the quantity and c.i.f. value of each item imported and the quantity and f.o.b. value item-wise, of his exports. |

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| 32. | Banned Capital goods | May 1983 | Sizing machines including size cooking/mixing equipment, except for sizing zero twist filament yarn was included in the list of capital goods banned for import. |
| 33. | Printing machinery | May 1983 | Webfed high speed letter press rotary and off-set rotary printing machines having out put of more than 35,000 composite impressions or copies per hour, were included in the list of capital goods allowed for import under OGL. |
| 34. | Scrap copper | May 1983 | Scrap copper clad laminates in glass epoxy base or paper-base for PCB industry was removed from the Automatic Permissible-list of items. |
| 35. | Sale of goods manufactured in Free Trade Zones | May 1983 | Manufacturing units located in the Kandla Free Trade Zone and Santacruz Electronics Export Processing Zone were allowed to sell during 1983-84, upto 25 per cent of their production, in the Domestic Tariff Area against the General Currency Area import licences, with the prior permission of the concerned Development Commissioner subject to the condition that the units furnished details of the total production and the quantity intended for sale. The import licence will be debited to the extent of the goods taken out of the Zone for sale which becomes invalid to the extent of the debited value for further imports. Further, a buyer of the goods from the Domestic Tarrif Area, was liable to pay excise duty, sales tax and such other tax as may be levied from time to time, governing the production and sales of goods in the Free Trade Zones. |
| 36. | Imports against Special Imprest Licences. | May 1983 | The facility of supplying at competitive prices, the indigenous steel items canalised for import through Steel Authority of India Ltd, and Minerals and Metals Trading Corporation Ltd, was extended against Special Imprest licences along with advance licences issued under Duty exemption scheme. |
| 37. | Ceramic Fibres | July 1983 | Ceramicfibres for energy conservation was included in the OGL list of imports. |
| 38. | Banned capital goods | July 1983 | Centrifuges(laboratory refrigerated type) upto 16,000 rpm was included in the list of banned items of capital goods. |
| 39 | Hydraulic splitting machine | July 1983 | Hydraulic splitting machine for leather was included in the list of capital goods allowed for import under OGL. |

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| 40. | Synthetic fibre tips | July 1983 | Synthetic fibre tips (excluding acrylic fibre tips and polyacetyl tips for writing instruments) and filters for sketch pens were included in the limited permissible list of items of import. |
| 41. | OGL list expanded | July 1983 | Ozone generating apparatus, sodium aurothiomalate injection, polyacatyl tips, ceramic fibre carbon fibre, polyacetyl resin, polytetror fluoroethane resin polycarbonate resin, styrene acrylic nitrile resin, polyurethane resin, glass shells for TV picture tubes chrome metal, manganese metal, magnesium metal, vanadium metal and lung ster metal were included in the OGL list of items for import, while polyacetyl tips were included for import by only Actual Users (industrial), others were allowed for import for stock and sale. |
| 42. | Import of raw cashewnuts | July 1983 | Raw cashewnuts were allowed for import by Actual Users (industrial) Export Houses/Trading Houses and Cashew Corporation of India subject to following conditions: (i) Actual Users (industrial) and other eligible importers of raw cashewnuts registered their import contracts with the CCI within 7 days of its execution, (ii) offered not less than half the quantity of imported quantity to CCI for distribution to Actual Users (processing units) and (iii) other conditions governing their imports and distribution. |
| 43. | Import of raw cashewnuts | July 1983 | The condition regarding offering half the imported quantity of raw cahsewnuts to the Cashew Corporation of India, does not apply to import made by public sector agencies of either central or state governments. Hqwever, these agencies were required to register their import contracts with the CCI within a period of seven days. |
| 44. | Import of tallow | July 1983 | Import of tallow of any animal origin including mutton tallow was canalised through the State Trading Corporation of India only against foreign exchange released by the Government in STC's favour. The imports canalised include tallow, fat and /or oils rendered, unrendered or otherwise of any animal origin beef tallow. However, import made by STC, import against Advance licence,special imprest licences issued under Duty Exemption Scheme or imports of mutton tallow under REP licences issued for Registered Exporters subject to rules governing them, are not affected by these restrictions. |
| 45. | Import of mutton tallow | August 1983 | Import of mutton tallow by manufacturer exporters (registered exporters) was allowed for the manufacture of export products like toilet soap, medicated/laundry/industrial soap within the overall admissible REP replenishment (which is 5 per cent) under the REP licence issued for mutton-tallow on a non-transferable basis. In the case of manufacturer- exporters importing mutton tallow for the manufacture of fatty acids and fatty amines, imports restricted to 50 per cent (overall REP admissible replenishment being 20% of the admissible REP replenishment.) Further, where an exporter is not the actual manufacturer himself in both the above cases, a non-transferable import licence would be issued in the name of the actual manufacturer subject to the condition that the imported mutton tallow was used in the licence holder's factory only for the specified purpose. |

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| 46. | Beef tallow | August 1983 | Beef tallow has been transferred from the canalised list to the Non-Permissible (Banned) list of items. |
| 47. | Prohibition of import of tallow | August 1983 | Import of beef, buffalo and pig tallow for home consumption in any form was prohibted. |
| 48. | Changes in OGL list | August 1983 | Ethylone Dibromide allowed for import under OGL is removed from the list. Import of machinery by non-resident Indian Actual Users(Industrial) excludes those items which are banned for import and canalised through State Agencies. |
| 49. | Import of machinery | August 1983 | Non- resident Indian Actual Users (industrial) setting up industrial units in India were allowed to import machinery for use in their factories. However, the machinery imported should not be those banned or canalised. In respect of import of machinery covered under the limited permissible list/list of limited permissible items of raw materials, prior clearance of DGTD was essential. Further the facility for import of computer would be available only to Indians returning to India for settlement. Import of canalised and non-permissible (banned) items were not allowed by the non-resident Indians. |
| 50. | Endorsement of REP Licence | August 1983 | Endorsement of REP licences held by Registered Exporters on a non-transferable basis was allowed provided that (i) the importer enclosed a copy of the export performance certificate issued by the Export Commissioner certifying that the unit concerned exported 100 per cent of its production during 1982-83 together with a full justification in requesting the endorsement, (ii) a list of items required for imports, being those covered under the limited permissible/limited permissible items of raw materials/canalised list of items and are related to the products exported by the concerned unit, (iii) the 'Actual User' condition is satisfied, (iv) quarterly reports giving c.i.f. value, quantity and description of each item imported is submitted and (v) the endorsement for 1983-84 would be limited upto twice the value of REP licence obtained in the preceding year, unless where a prior clearance from the Chief Controller of Imports & Exports is obtained in case a higher value of endorsement is required. |
| 51. | Removed from OGL list. | August 1983 | Ethylene dibromide was removed from the OGL list of items. |
| 52. | Clearance of tallow | September 1983 | For import consignment of beef, buffalo and pig tallow for home consumption in India that could not be cleared after their imports were banned, the importer concerned was required to approach the concerned customs authority for re-shipment/re-export of the imported material which will be allowed having consideration to the extent to which foreign exchange spent on import would be earned back and any other conditions as imposed by the customs authority. |

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| 53. | Release orders for import of mutton-tallow | September 1983 | Permission granted for the import of mutton tallow, fat and/or oils, rendered or unrendered of any animal origin, directly by the restricted manufacturer exporters for use in the production of soaps and fatty acids and fatty amines under the REP licences/advance/imprest/special imprest licences, was withdrawn, instead these items were made available to them through the State Trading Corporation of India against non-transferable release orders, to be exclusively used in the above mentioned export products. The importer must be an 'Actual User'. Import licences already issued to them were rendered invalid for further imports. |
| 54. | Registered exporters | September 1983 | Supplies of raw materials, components, machinery, equipments, instruments, accessories and spares (but not consumables, consumer goods and office machines) made to ONGC and Oil India Ltd, in persuance of offers/orders, contracts based on such offers/orders received on or after 5th September 1983, would qualify for 'deemed exports.' |
| 55. | Viscose filament yarn | September 1983 | Viscose filament yarn (first quality) below 600 deniers was included in the OGL list of imports. |
| 56. | Changes in OGL list | September 1983 | Cellulosic tops/spun yarn/waste was included in the Non-Permissible (Banned) list of items.<br>Viscose filament yarn below 600 deniers, other than the first quality, was canalised through public sector agencies. |
| 57. | Ban on import of mutton tallow | October 1983 | Import of tallow, fat and/or oil rendered, unrendered or otherwise of any animal origin canalised through the State Trading Corporation of India and by Registered Exporters under REP replenishment entitlement, was banned and included in the Non-Permissible list of items. Accordingly import of mutton tallow even through STC for distribution to Registered Exporters against release orders was not allowed in respect of import consignment which could not be cleared on or after 1st October 1983, the importers were required to approach the customs authorities for re-shipment/ re-export to the country from where imports were made. |
| 58. | Changes in OGL list | October 1983 | Acetic acid and Ethyl acelate were transferred from the Automatic Permissible list to the Limited Permissible list of items of import. Borneol/ Isobornel its esters including borny, lacetate, but excluding, Isobornyl acetate, thread taps 1·6 mm and above, welded steel link chains and components thereof for hoisting, anchoring etc. upto 70mm size and for mining applications upto 20 mm size were included in the Limited Permissible list of items. Components of Dash board instruments were transferred from the limited permissible to the automatic permissible list of items.<br>Threading taps 1·6 mm and above, ship chains, hoisting chains, stud link chains, welded link chains for anchoring, hoisting and mining applications (including all other types of link chains and components thereof except those listed in the limited permissible items list and Titanium and titanium |

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| | | | alloys in any form other than titanium sponge but excluding those covered in the limited Permisible items List, were included in the Automatic permissible list.)<br>Titanium sponge and poly-tetra fluoro ethylene were included in the OGL list. Acetic acid, ethylacetate and titanium were removed from the list of Automatic Permissible items whose imports by Export Houses against Additional Licences were not allowed and included in the OGL. Lead alloys were included in the list of Automatic Permissible items whose imports by Export Houses were not allowed against Additional Licences.<br>Industries engaged in turbine & generators of capacity 60 mw & above were made eligible for import of after sales services spares. |
| 59. | Registered exporters | October 1983 | Supplies made by approved 100 per cent export oriented units to the projects in India against international competitive biddings were made eligible to deemed exporter by Registered Exporters.<br>Supplies of material handling equipment such as fork lifts, over-head cranes, building construction materials and consumables besides capital goods and spares to 100 percent export oriented units in India were made eligible for import replenishment licences for Registered exporters. |
| 60. | Import by 100% Export oriented units. | October 1983 | Material handling equipment such as fork lifts, over-head cranes, and building construction materials were allowed for import by 100 per cent export oriented units under open general licences. |
| 61. | Changes in restricted/banned items | November 1983 | Lauric acid, Oleic acid and Stearic acid were removed from the limited permissible list of items. Palm acid oil, palm fatty acid, palm kernel oil, palm stearive, palmitic acid and soap stocks and other fatty acids, pure or mixed including acid oils of all types were removed from the (Banned) Non-permissible list of items. All the items listed above were canalised for imports by the State Trading Corporation of India under OGL against foreign exchange released in its favour by the Government.<br>Manufacturer exporters obtaining REP licences on their own export, were allowed to obtain their supplies of palm stearine, through State Trading Corporation within the admissible overall REP entitlement, against a non-transferable REP subject to the condition that the material was used in his own factory, in the manufacture of toilet/laundary/medicated/ industrial soaps for export. In cases where the exporter himself is not the manufacturer, a non-transferable REP Release Order was issued to obtain this supply of palm strarine through STC upto the value indicated within the overall REP admissible entitlement in the name and address of the actual manufacturer who exported soaps.<br>Manufacturer exporters importing steric acid for use in the manufacture of stabilisers for export, were required to obtain their supplies through the State Trading Corporation of India since the licencesunder which item was imported, were made invalid. |
| 62. | Changes in banned/ canalised lists | November 1983 | Nialamide was included in the Non-Permissible (Banned) list of items.<br>Acelate filament yarn other than first quality was canalised through |

| Sr. No. | Item | Month of Announcement | Details |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| | | | the public sector agency (State Trading Corporation of India) for import. Import of plates/coils to IS-2062 or equivalent was canalised through the Steel Authority of India Ltd.<br><br>Rayon grade wood pulp, earlier permitted for import under OGL by Export/Trading Houses against REP and Additional licences and Industrial Actual Users fulfilling 'Actual User' condition was allowed for import under OGL by Actual Users (Industrial) only. |
| 63. | Import under OGL | November 1983 | Rayon grade wood pulp earlier allowed for import under OGL, by Actual Users (Industrial) Export Houses and Trading Houses against REP licences/Additional licences was allowed for imports only by Actual Users (industrial) subject to 'Actual User' condition.<br><br>Cupramanium filament yarn and Acetate filament yarn (first quality) was allowed for import by Actual Users and others under OGL for stock and sale. |
| 64. | Registration of import contract. | December 1983 | Trading Houses having OGL licences/ REP/Advance/Special imprest or additional licences were allowed to import copper including copper wire bars under provisions governing the import by Registered Exporters. Imporeters of copper scrap/copper mill scrap under any of the above licences, except those holding advance/Special Imprest licences, were required to register their import contract with the DGTD. Further they were required to furnish to the DGTD, a statement giving the progress made in the import and utilisation/disposal of the imported material against the earlier contract, while applying for subsequent contract. |
| 65. | Import of carbon steel items | December 1983 | :Carbon steel items to IS-2062 or equivalent specifications earlier deleted from the OGL list has been included in the same list for import under OGL, except plates and coils. |
| 66. | Carbon Steel items | December 1983 | Import of Carbon steel items to IS-2062 or equivalent specification, other than plates/coils were allowed by only Actual Users (Industrial) under OGL. |
| 67. | Reduction in value limit of import of pearls | December 1983 | The value limit restriction of 50 per cent in respect of import of real or cultured pearls, unset/ undrilled, for use in the manufacture of gem and jewellery exported by Registered Exporters has been reduced by half to 25 per cent.<br><br>Replenishments for diamonds, unset and uncut; precious and semi precious stones, unset and uncut, real or cultured pearls unset/undrilled was allowed if the export products containing any of the above items were imported within the specified face value restrictions (25 per cent in the case of real or cultured pearls unset/undrilled and 50 per cent for others). |

| Sr. No. | Item | Month of Announcement | Details |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 68. | Components of time pieces. | January 1984 | Components of time pieces, except those covered under the Automatic Permissible list of items, and clocks other than electronic components were included in the list of Limited Permissible items.<br><br>Titanium metal, titanium products and titanium alloys in any form including titanium grids, frames, rings, sleeves and any other fabricated structures and components thereof but excluding titanium sponge, titanium pipes and tubes and their castings, were included in the Limited Permissible list of items.<br><br>Cyano base and Etho Heptazine citiate and Moropnoline propionitrole were included in the Non-permissible list of items (Banned).<br><br>Halogan lamps and infra-red lamps, titanium pipes, tubes and castings and components of time pieces, viz. hair springs, balance staff, balance bearings, screws and pins for balance and levers were included in the list of automatic permissible items.<br><br>Desferrioxamine injection, a life saving drug, was included in the OGL list of import. |
| 69. | Components of tractors/combine harvestors. | January 1984 | Components of tractors and combine harvestors, imported by Export Houses and Trading Houses, have been included in the list of Limited Permissible items. The importers of these items were made ineligible to import them. |
| 70. | Animal rennet | February 1984 | Animal rennet was included in the Non-permissible (Banned) list of items. |
| 71. | Higher REP licence | February 1984 | Registered Exporters exporting new products or to new markets, were made eligible for higher REP licence by 10 per cent of the normal rate. The new products and markets were specified in an annexure attached to the notice. |
| 72. | ——do—— | February 1984 | The above provision was made applicable in the case of export of plastic goods subject to other provisions governing the imports by Registered Exporters.<br><br>The increased REP licence provision by 10 per cent of the normal rate was extended to Registered Exporters exporting textile products and chemicals & allied products to the specified markets. |
| 73. | Import by Registered Exporters | February 1984 | Registered exporters manufacturing ready-made garments for exports were allowed to import lining and inter-lining materials of width not exceeding 35 inches excluding Nylon Taffeta Coated (10 per cent). |
| 74. | Import of capital goods. | February 1984 | Diesel generating sets were allowed for imports under OGL by units located in Kandla and Santacruz Free Trade Zones as Capital Goods. |

| Sr. No. | Item | Month of Announcement | Details |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 75. | Supply of fatty acids | February 1984 | Holders of Advance/Special imprest/Imprest and REP licences were required to register in advance with STC their requirements of fatty acids and acid oils imported by State Trading Corporation of India and supplied by STC against Release Orders in lieu of licences. |
| 76. | Higher REP licence | February 1984 | A higher REP licence by 10 per cent of the normal rate was made applicable in case of Registered Exporters exporting food products to specified new markets. |
| 77. | Triethy lamine | March 1984 | Triethy lamine is removed from the Automatic Permissible list of items. |

* Importer is requited to maintain proper account of consumption and utlisation of the goods imported in the prescribed form and produce such 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.

## II B–CHANGES IN IMPORT DUTIES

| Sr.No. | Item | Proposed percentage changes* | Prevailing Rates of Duties | | |
|---|---|---|---|---|---|
| | | | Basic | Auxillary | Countervailing |
| 1. | a) Liquid Paraffin | Import duty (basic Increase by 30% *ad valoram* | 70% | 40% | 10% |
| | b) Petroleum jelly | - do - | 70% | 40% | 10% |
| | c) Sodium. petroleum sulfonate | - do - | 70% | 40% | 10% |
| 2. | Iron and Steel (Excluding stainless steel) items | Increase by 5 or 10% points on existing rates | - | - | - |
| 3. | Stainless Steel melting scrap | Increase | 5% | 15% | - |
| 4. | Magnetic tape | Increase by 75% to 100% *ad valorem* | 100% | 40% | 25% + 5% of CVD |
| 5. | All imported goods with certain exceptions | Increase by 5% points | - | 5% | |
| 6. | Crude petroleum | Increase from Rs.9·50 per M.T. to Rs.100 per M.T. | - | Rs.100·00 per M.T. | |
| 7. | Vinyl Pyryidine Monomer | Reduction from 105% *ad valorem* to 65% *ad valorem* | - | - | - |
| 8. | Wood pulp for manufacture of paper | Exemption from duty | Duty free | | |
| 9. | Specified machines. equipments for the Gem and Jewellery Industry | Reduction to 40% from existing rates *ad valoram* | 15% | 25% | Nil |
| 10. | Packing machinery. food processing/meat processing machinery | Reduction from existing rates to 40% *ad valorem* | 10% | 30% | - |
| 11. | CNC system for machine tools | Reduction from existing rates to 35% *ad valorem* | 40% | 25% | 10% |
| 12. | All imported goods | Increase | - | - | - |
| 13. | Imported copper wire rods | Increase | 70% | 40% | 10% |
| 14. | Slag. ash and residues containing metals or metallic compounds | Increase | - | - | |
| 15. | Certain petroleum oils and preparations | Increase | - | - | |
| 16. | Wool. raw. wool tops | Increase (for wool tops) | 40% | 10% | Rs.9375 per kg. |
| 17. | Buttons and Button moulds. studs cuff-links and press fasteners. slide fasterners blank and parts of such articles | Increase | 100% | 40% | 10% |
| 18. | Wood chips for measuring pulp for the manufacture of paper paper boards | Exempted | | | |
| 19. | Acrylic Fibre | Reduction | 100% | 40% | Rs.11·25 per kg. |
| 20. | Ferronickel and other ferroalloys (other than ferromolybdenum) | Adjustment | - | - | - |

* As per Central Government budget for 1984 - 85 presented to the Lok Sabha on February 29, 1984.

*Source* : Customs Department, Ministry of Finance.

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