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 1994-95

VOLUME I

ECONOMIC REVIEW

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CONTENTS

Page No.

LIST OF SELECTED ABBREVIATIONS

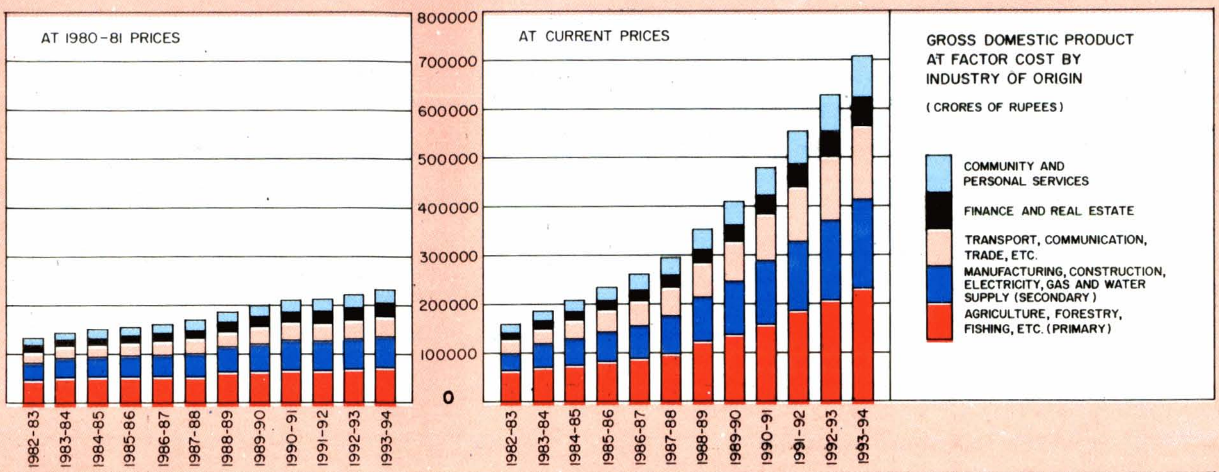
ADB	Asian Development Bank
ADF	Asian Development Fund
APEDA	Agricultural and Processed Food Products Exports Development Authority
ARDR	Agricultural and Rural Debt Relief Scheme
ARM	Additional Resource Mobilisation
ASI	Annual Survey of Industries
ATM	Automated Teller Machine
BIFR	Board for Industrial and Financial Reconstruction
BOP	Balance of Payments
BSE	Bombay Stock Exchange
BSR	Basic Statistical Returns
CAB	Cotton Advisory Board
CACP	Commission for Agricultural Costs and Prices
CAD	Command Area Development
CARE	Credit Analysis and Research Limited
CCFF	Compensatory and Contingency Financing Facility
CCI	Cotton Corporation of India
CCIS	Comprehensive Crap Insurance Scheme
CD	Certificates of Deposit
CIP	Central Issue Price
CIS	Commonwealth of Independent States
CP	Commercial Paper
CPI	Consumer Price Index
CRISIL	The Credit Rating Information Services of India Limited
CRR	Cash Reserve Ratio
CSO	Central Statistical Organistion
DAC	Development Assistant Committee
DDP	Desert Development Programme
DFHI	Discount and Finance House of India Ltd.
DGCI&S	Directorate General of Commercial Intelligence and Statistics
DGFT	Directorate General of Foreign Trade
DGTD	Directorate General of Trade and Development
DMCs	Developing Member Countries
DPAP	Drought Prone Area Programe
DRI	Differential Rate of Interest
DVP	Delivery Versus Payments
ECB	External Commercial Borrowing
EEC	European Economic Community
EEFC	Exchange Earners Foreign Currency
EFF	Extended Fund Facility
EOU	Export Oriented Unit
EPCG (Scheme)	Export Promotion Capital Goods Scheme
EPRS	Engineering Products (Replenishment of Iron and Steel Intermediates) Scheme
EPZ	Export Processing Zone
ESAF	Enhanced Structural Adjustment Facility

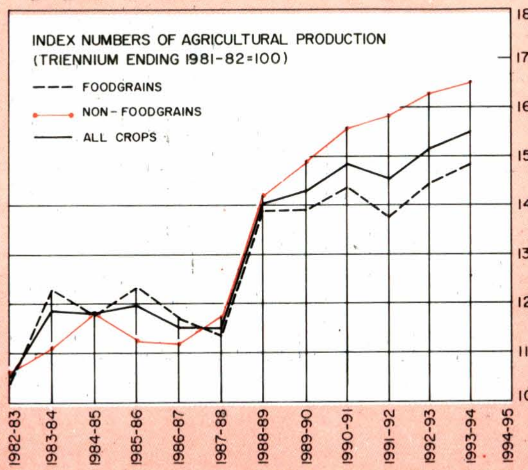
EU	European Union
FAO	Food and Agricultural Organisation
FC(B&O)D	Foreign Currency (Banks & Others) Deposit Scheme
FCCBs	Foreign Currency Convertible Bonds
FCI	Food Corporation of India
FCNRA	Foreign Currency (Non-Resident) Accounts
FCNR (B)	Foreign Currency (Non-Resident) Accounts (Banks) scheme
FC (O) NR	Foreign Currency (Ordinary) Non-Repatriable Deposit Scheme
FEDAI	Foreign Exchange Dealers' Association of India
FIIs	Foreign Institutional Investors
FIPB	Foreign Investment Promotion Board
FSS	Farmers Service Societies
GATT	General Agreement on Tariffs and Trade
GDCF	Gross Domestic Capital Formation
GDP	Gross Domestic Product
GDRs	Global Depository Receipts
GDS	Gross Domestic Saving
GFD	Gross Fiscal Deficit
GIC	General Insurance Corporation of India
GNIE	Government, not included elsewhere
GNP	Gross National Product
HDFC	Housing Development Finance Corporation Ltd.
HUDCO	Housing and Urban Development Corporation Ltd.
HYVP	High Yielding Varieties Programme
IBRD	International Bank for Reconstruction and Development
ICDP	Intensive Cotton Development Programme
ICICI	Industrial Credit and Investment Corporation of India Ltd.
IDA	International Development Association
IDBI	Industrial Development Bank of India
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFCI	Industrial Finance Corporation of India
IIP	Index of Industrial Production
IL&FS	Infrastructure Leasing and Financial Services Ltd.
IMF	International Monetary Fund
IOC	Indian Oil Corporation
IPRs	Intellectual Property Rights
IRBI	Industrial Reconstruction Bank of India
IRDP	Integrated Rural Development Programme
JCI	Jute Corporation of India
KVIC	Khadi and Village Industries Commission
LAMPs	Large Sized Adivasi Multi-Purpose Societies
LERMS	Liberalised Exchange Rate Management System

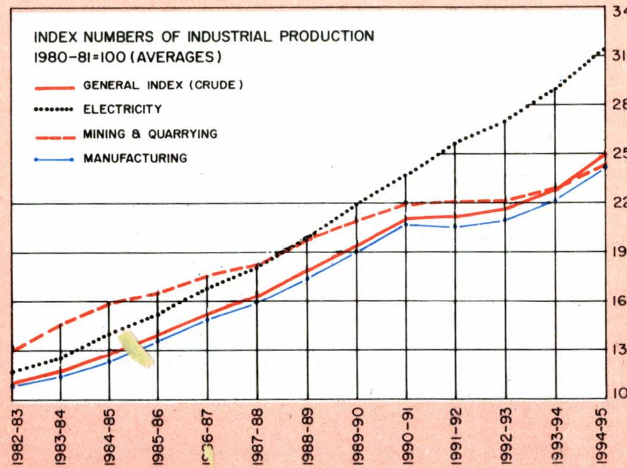
LPG	Liquified Petroleum Gas
MFA	Multi-Fibre Arrangements
MIGA	Multilateral Investment Guarantee Agency
MMTC	Minerals and Metals Trading Corporation of India
MODVAT	Modified Value Added Tax
MPBF	Maximum Permissible Bank Finance
MRTP	Monopolies and Restrictive Trade Practices
MSCCGMF	Maharashtra State Co-operative Cotton Growers' Marketing Federation Ltd.
NABARD	National Bank for Agriculture and Rural Development
NAFED	National Agricultural Co-operative Marketing Federation
NBFCs	Non-Banking Financial Companies
NCDC	National Co-operative Development Corporation
NDDB	National Dairy Development Board
NEER	Nominal Effective Exchange Rate
NFEA	Net Foreign Exchange Assets
NHB	National Housing Bank
NICs	Newly Industrialised Countries
NNP	Net National Product
NOF	Net Owned Funds
NPA	Non Performing Assets
NPDP	National Pulses Development Project
NPP	Nitrogen Phosphate Potash
NR(E)RA	Non Resident (External) Rupee Account
NRI	Non-Resident Indian
NR(NR)D	Non-Resident (Non-Repatriable) Rupee Deposit
NSDP	Net State Domestic Product
NSE	National Stock Exchange
OCBs	Overseas Corporate Bodies
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OGL	Open General Licence
ONGC	Oil and Natural Gas Corporation
OPEC	Organisation of Petroleum Exporting Countries
OTCEI	Over the-Counter Exchange of India
PLF	Plant Load Factor
PLR	Prime Lending Rate
PMRY	Prime Minister's Rojgar Yojana
POL	Petroleum Oil & Lubricants
PSCFC	Post Shipment Credit in Foreign Currency
PSUs	Public Sector Undertakings
PWCS	Primary Weavers' Co-operative Societies
QRs	Quantitative Restrictions
Repos	Repurchase Obligations
RIDF	Rural Infrastructure Development Fund
RCTC	Risk Capital and Technology Finance Corporation Ltd.
SAA	Service Area Approach

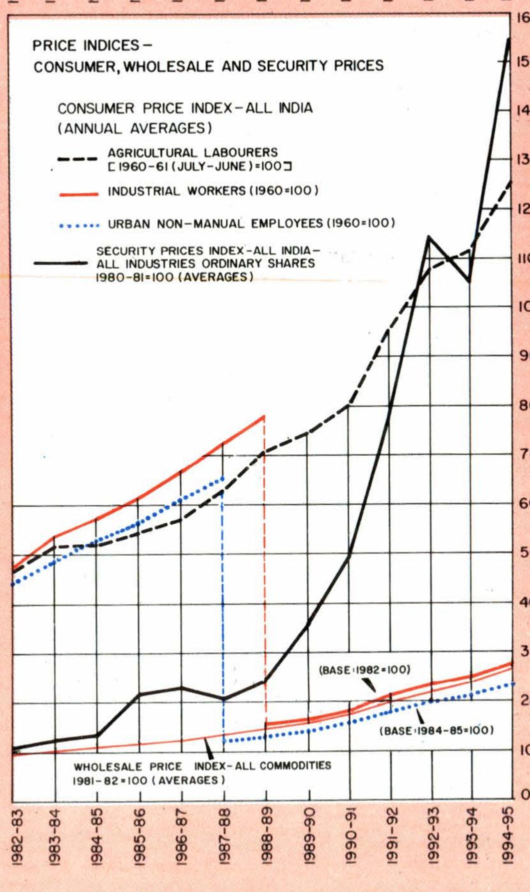
SAARC	South Asian Association for Regional Co-operation
SAF	Structural Adjustment Facility
SDF	Sugar Development Fund
SDP	State Domestic Product
SDR	Special Drawing Rights
SEBI	Securities and Exchange Board of India
SEEUY	Scheme for Self Employment for Educated Unemployed Youth
SFCs	State Financial Corporations
SGL	Subsidiary General Ledger
SHCIL	Stock Holding Corporation of India Ltd.
SIA	Secretariat for Industrial Approval
SIDBI	Small Industries Development Bank of India
SIDCs	State Industrial Development Corporations
SJDP	Special Jute Development Programme
SLR	Statutory Liquidity Ratio
SMP	Statutory Minimum Price
SSI	Small Scale Industry
STCI	Securities Trading Corporation of India
SUME	Scheme of Urban Micro Enterprises
TDICI	Technology Development and Investment Company of India Ltd.
TFCI	Tourism Finance Corporation of India
UNCTAD	United Nations Conference on Trade and Development
VAT	Value Added Tax
WMA	Ways and Means Advances
WPI	Wholesale Price Index
WTO	World Trade Organisation
YTM	Yield To Maturity

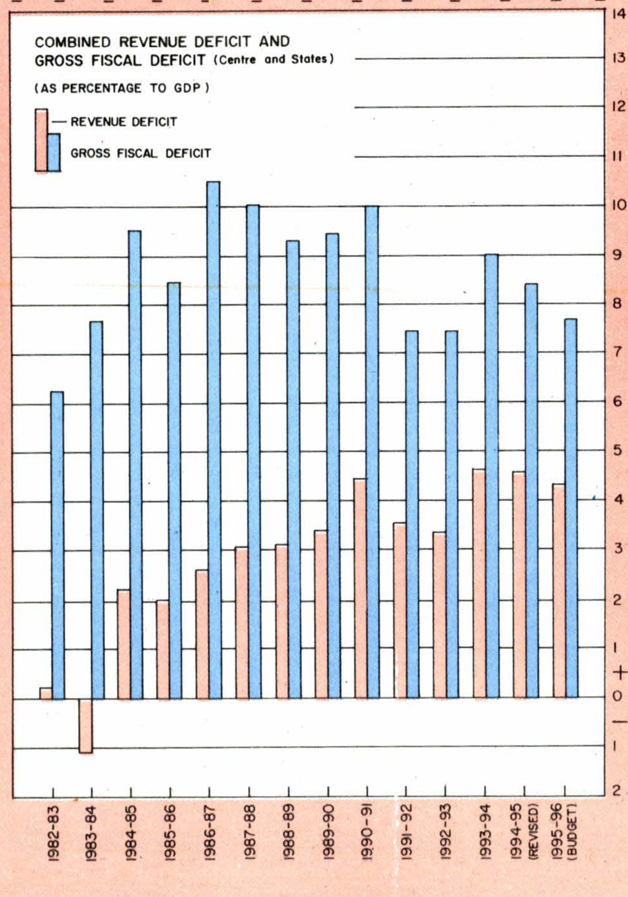
SELECTED ECONOMIC INDICATORS











SELECTED ECONOMIC INDICATORS

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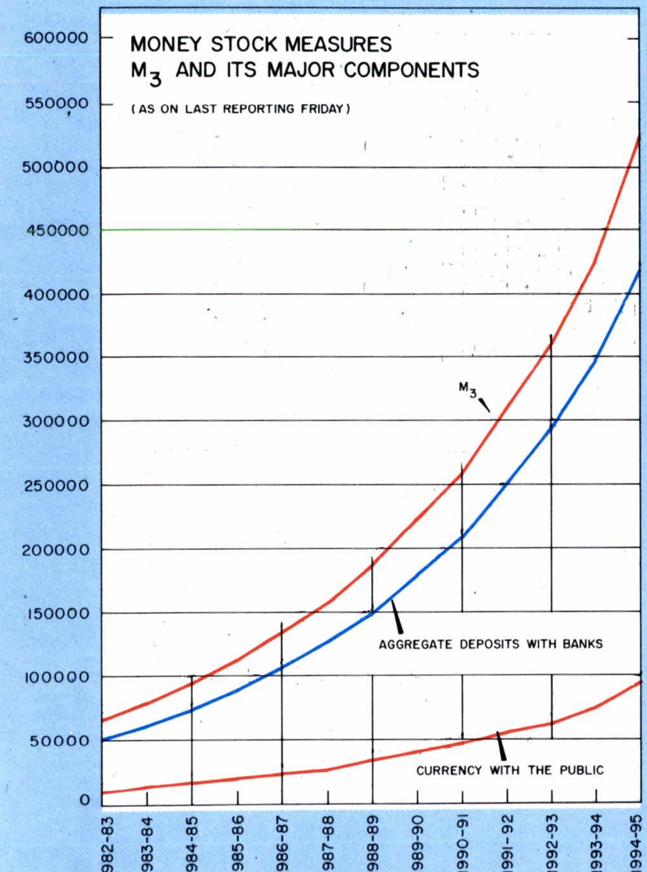

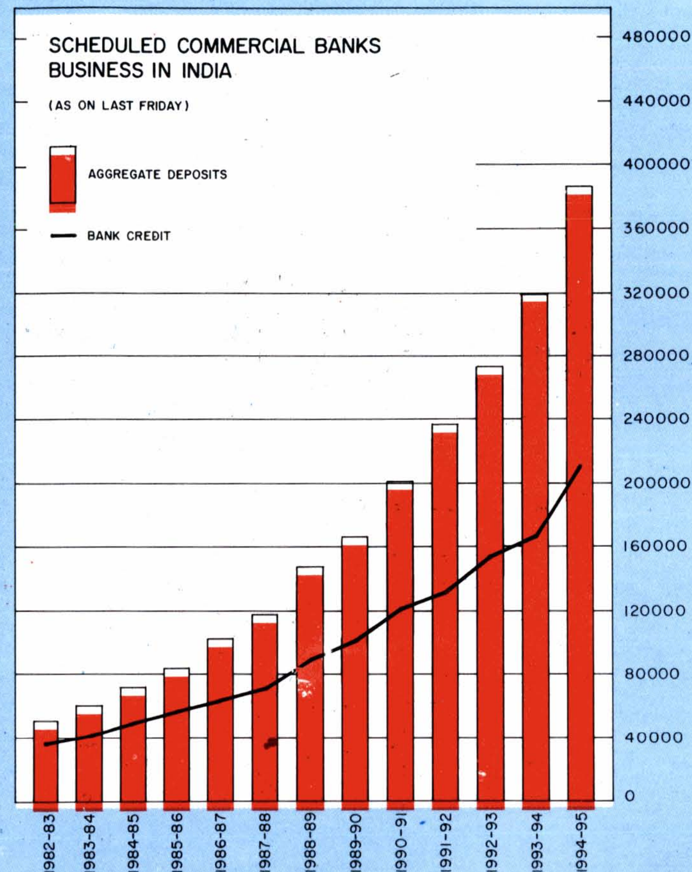

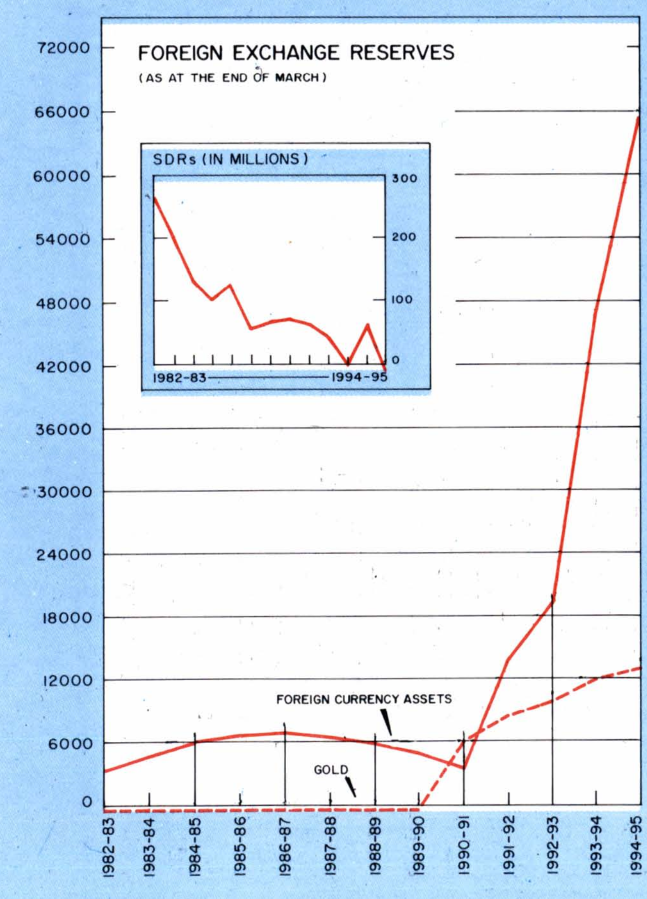

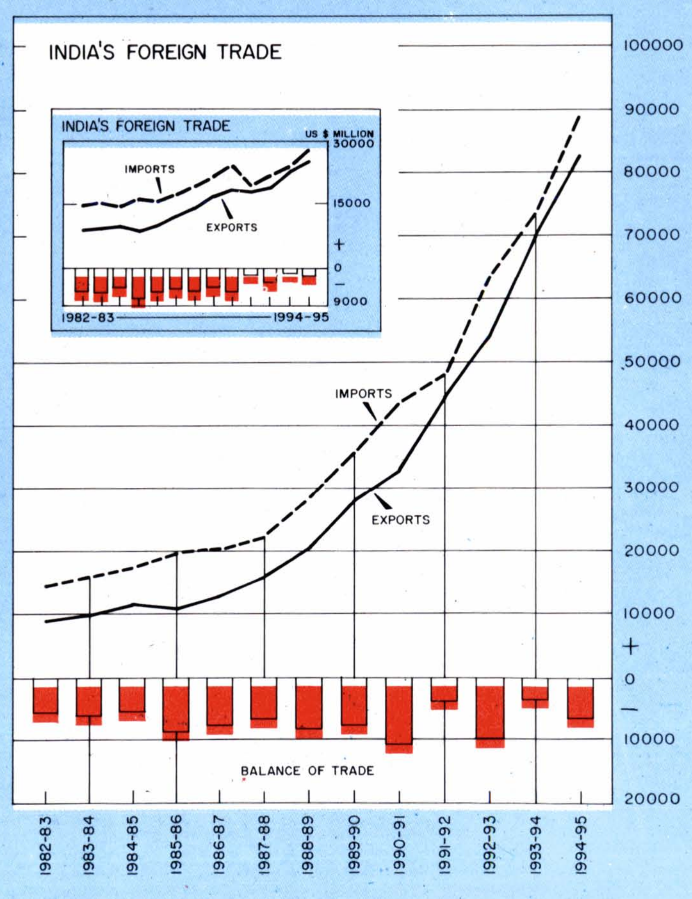

CHAPTER I

REVIEW OF DEVELOPMENTS*

Developments during 1994-95

1. According to the CSO's revised estimates, the real GDP growth was 6.3 per cent in 1994-95. The gross domestic saving as a proportion of GDP at current market prices was 24.4 per cent in 1994-95. The monetary expansion measured in terms of M_3 was 22.2 per cent, though the unusually high rate of expansion in 1994-95 was in part attributable to the year-end bulge in bank deposits as a result of the last reporting Friday coinciding with March 31, 1995. The current account deficit in the balance of payments in 1994-95 was 0.8 per cent of GDP and there was a build-up of foreign exchange reserves by a little less than US$ 6 billion.

2. The agricultural sector posted a growth rate of 4.6 per cent in 1994-95 while the industrial sector registered an increase of 9.0 per cent. New capital issues by non-Government public limited companies, Government companies, public sector undertakings, banks and financial institutions aggregated Rs. 30,824 crore. The sanctions and disbursements of all-India financial institutions increased by 46.8 per cent and 24.3 per cent, respectively. The activity in the secondary market was marked by two distinct phases of an upward trend during the first half followed by a downward movement in the latter half. The RBI Index of Ordinary Share Prices (Base: 1980-81 = 100) rose from 1331.7 as on March 26, 1994 to a peak of 1817.8 as on September 17, 1994 but declined thereafter to 1384.5 as on March 25, 1995.

3. In nominal terms, the Centre's revenue deficit was Rs. 31,029 crore in 1994-95 while the gross fiscal deficit at Rs. 57,704 crore was equivalent to 6.1 per cent of GDP. The Central Government's recourse to *ad hocs* as of March 31, 1995 was only Rs. 1,750 crore during the year against the budget estimates of Rs. 6,000 crore.

4. Monetary expansion (M_3) was high during the year on account of strong growth in net foreign exchange assets during the first half, marked expansion in bank credit to commercial sector in the latter half of the year and the year-end adjustments of banks on March 31,1995 which was a reporting Friday. Broad money (M_3) expanded by 22.2 per cent. The net Reserve Bank credit to the Central Government was low and, therefore, did not contribute much to the monetary expansion.

5. The operations of the scheduled commercial banks were characterised by a marked acceleration in deposits and bank credit. Aggregate deposits and bank credit rose by 22.8 per cent and 28.7 per cent, respectively. Non-food credit, recorded a rise of Rs. 45,775 crore or 29.8 per cent. The increase in banks' investments in Government securities was lower at Rs. 16,484 crore as compared with Rs. 25,256 crore in the previous year.

6. The annual rate of inflation measured in terms of the year-on-year increase in the Wholesale Price Index (WPI) was 10.4 per cent. On an average basis, the increase in the WPI was 10.9 per cent.

7. Exports recorded a growth of 18.4 per cent in dollar terms while imports rose by 22.9 per cent. There was a rise in inflows under

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* The reference period of the Report is the financial year, April-March. This Chapter provides latest data and information available upto March 1996 and therefore differs from the coverage in the subsequent Chapters which were prepared on the basis of information available at different points of time in 1995-96.

private transfers in the invisibles account. The current account deficit in 1994-95 was US$ 2,315 million (0.8 per cent of GDP). As capital inflows were large there was a build up of foreign currency assets of the Reserve Bank of India by US$ 5,741 million.

8. The external value of the rupee *vis-a-vis* the US dollar continued to be stable during 1994-95. Purchases by the RBI, prevented a nominal appreciation of the rupee *vis-a-vis* the U.S.dollar. The rupee, however, depreciated against other major currencies and SDR reflecting the overall weakness of US dollar in the international markets. The real effective exchange rate in March 1995 showed an appreciation of 6.2 per cent over the March 1993 level.

Developments in 1995-96

9. The overall growth in 1995-96 is expected to be around 6 per cent with agriculture and industry both contributing to the overall growth. The current account deficit in the balance of payments in 1995-96 is estimated at around 1.5 per cent of GDP. There was considerable turbulence in the exchange markets during the period October 1995 to early February 1996, but thereafter the exchange rate stabilised.

Agriculture

10. The rainfall in the 1995 South-West monsoon season (June-September) was excess/normal in 33 sub-divisions and deficient in 2 sub-divisions. Foodgrains output in *kharif* 1995 is likely to be lower at 99.7 million tonnes as against the target of 107.5 million tonnes and the actual outturn of 100.6 million tonnes in *kharif* 1994. The *rabi* foodgrains output is placed higher at 92.9 million tonnes. Thus, the total foodgrains output during 1995-96 is placed at 192.6 million tonnes. Public sector foodgrains stocks stood at 26.75 million tonnes at the end of February 1996.

Industry

11. The latest available data for the first nine months of 1995-96 (April-December 1995), show that industrial growth was 12.0 per cent. The 'manufacturing sector' recorded a growth rate of 13.2 per cent, while 'mining and quarrying' and 'electricity' sectors posted growth rates of 7.4 per cent and 9.0 per cent, respectively. In terms of use-based classification, while consumer goods, basic industries and intermediate goods industries recorded higher growth rates, the growth rate of capital goods industries decelerated. Infrastructure industries recorded a slightly lower growth rate.

Capital Market

12. The total amount raised through new issues by non-Government public limited companies, Government companies, public sector undertakings, banks and financial institutions was Rs. 21,228.4 crore. New issues by the private corporate sector accounted for Rs. 16,365.5 crore or 77.1 per cent of the total. Sanctions and disbursements by all-India financial institutions were higher by 12.1 per cent and 12.4 per cent, respectively during 1995-96 than those in the previous year.

13. The monthly average RBI Index of Ordinary Share Prices (Base: 1980-81 = 100) which stood at 1407.9 in March 1995 declined to 1215.1 in July 1995 and further to 1144.7 (provisional) in March 1996.

Fiscal Developments

14. The Centre's budget deficit in 1995-96 was Rs. 9,934 crore as at the end of March 1996 (after closure of Government accounts). Net RBI credit to Centre showed an increase of Rs. 19,855 crore. According to revised estimates for 1995-96, the ratio of gross fiscal deficit to GDP was 5.9 per cent. The net increase in issue

of *ad hocs* in 1995-96 was Rs. 5,965 crore as at end March 1996.

15. During the financial year 1995-96, aggregate market borrowings of the Central Government (normal market borrowings,other medium and long term borrowings and mobilisation through 364-day Treasury bills), as per RBI records, amounted to Rs. 40,509 crore (gross) and Rs. 26,790 crore (net); the Reserve Bank contributed Rs. 12,655 crore by way of primary market subscription to the dated securities issued in 1995-96. Interest rate on dated securities floated during the financial year 1995-96 moved upwards and the structure settled between 13.50 per cent for a 2 year maturity and 14.00 per cent for a 10 year maturity, with the weighted average at 13.75 per cent.

16. During the fiscal year 1995-96, State Governments raised market borrowing of Rs. 5,932 crore(net) in three tranches. The coupon rate for 10 year loans was 14.00 per cent.

Monetary and Banking Trends

17. During the financial year 1995-96 (i.e. March 31, 1995 to March 31, 1996) broad money (M_3) showed an increase of Rs. 69,071 crore (13.0 per cent); the increase between March 17, 1995 and March 31, 1996 was however, Rs. 89,844 crore (17.6 per cent). Reserve money expansion during the financial year 1995-96 was Rs. 25,053 crore. The major factor accounting for the increase in reserve money during 1995-96 was credit to Government by the Reserve Bank of India. During the financial year 1995-96, the cash reserve ratio (CRR) requirements of banks were reduced substantially by Rs. 7,525 crore. Reserve money adjusted for the change in the CRR, showed an increase of Rs. 32,578 crore during 1995-96 (March 31, 1996 over March 31, 1995).

18. Aggregate deposits of scheduled commercial banks rose by Rs. 45,486 crore (11.8 per cent) in 1995-96 (i.e between March 31, 1995 and March 29, 1996); the increase between March 17, 1995 and March 29, 1996 was Rs. 65,647 crore (17.9 per cent). Notwithstanding the moderate deposit growth, non-food credit of scheduled commercial banks increased by Rs. 43,023 crore (21.6 per cent) in 1995-96. The incremental non-food credit-deposit ratio in 1995-96 was 94.6 per cent.

Price Situation

19. According to provisional data, the inflation rate as measured by the increase in the Wholesale Price Index for 'all commodities' during the financial year, 1995-96 on a point-to-point basis, was 4.9 per cent. The indices of 'primary articles' and 'manufactured products' groups increased by 5.5 per cent and 5.3 per cent, respectively. The index of 'fuel, power light and lubricants' group increased by 0.5 per cent. Consumer Price Index for Industrial Workers increased by 8.9 per cent between March 1995 and March 1996.

External Sector

20. The provisional data released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S) show that exports during 1995-96 grew by 21.4 per cent in US dollar terms. Imports registered an increase of 28.7 per cent. POL imports rose by 26.7 per cent while non-POL imports rose by 29.2 per cent.The trade deficit was US $ 4,539 million in 1995-96.

21. The available information on developments in merchandise trade and invisibles indicates that the external current account deficit could be a little above 1.5 per cent of GDP.

22. Net inflows under the capital account in 1995-96 are estimated to be lower than in the previous year primarily on account of lower inflows under external borrowing and external aid and reduced inflows under Global Depository Receipts (GDRs). Net inflows under foreign direct investment, however, are expected to be higher as also portfolio investments by foreign institutional investors (FIIs). During April 1995-February 1996, foreign direct investment amounted to US $ 1,713 million. Investment by FIIs amounted to US $ 1,892 million for the full year 1995-96. Net inflows under the non-resident deposits taken together (inclusive of accrued interest) are estimated at US $ 1,365 million during 1995-96.

23. The foreign exchange reserves of the country comprising foreign currency assets of the RBI, SDRs and gold declined by US $ 3,499 million during 1995-96. There were repayments of about US $ 2,900 million under the FCNRA deposit scheme which was being phased out and repayments to the International Monetary Fund of US $ 1,903 million.

24. The exchange rate of the rupee remained broadly stable at around Rs. 31.40 per US dollar during the first four months of 1995-96. The rupee, however, depreciated in August/ September 1995. The rupee depreciated to Rs. 35.65 per US dollar on October 26, 1995 as per the FEDAI indicative rate. While the rupee stabilised after the Reserve Bank's intervention in the foreign exchange market and various other measures taken by the Reserve Bank, the rupee came under renewed pressure when it touched a low of Rs. 37.95 per US dollar on February 6, 1996 as per FEDAI indicative rates. After the Reserve Bank announced further measures on February 7, 1996 to reverse the leads and lags, the rupee strengthened to Rs. 35.04 per US dollar at the end of February 1996 and ended the financial year at Rs. 34.35 per US dollar. The real effective exchange rate of the rupee in March 1996 showed an appreciation of 4.6 per cent over the March 1993 level.

CHAPTER II

NATIONAL INCOME, SAVING AND INVESTMENT*

The performance of the Indian economy during 1994-95 was better than in the previous year. Real GDP at factor cost is estimated to have gone up by 6.3 per cent in 1994-95 as against 5.0 per cent achieved in 1993-94. 'Agriculture and allied activities' grew by 4.9 per cent in 1994-95 as against 3.3 per cent in 1993-94 and the 'industrial sector' accelerated its growth to 8.5 per cent from 4.6 per cent. Services (including construction), however, experienced a deceleration in its expansion from 6.3 per cent in 1993-94 to 6.1 per cent in 1994-95, despite a better performance in 'construction'. This was due to a lower rate of increase in 'financing, insurance, real estate and business services'.

Gross domestic saving (GDS), as a percentage of GDP at current market prices, is estimated to have improved to 24.4 per cent in 1994-95 from the rate of 21.4 per cent of 1993-94, as a result of better saving rates of all the institutional sectors. This is also the highest annual saving rate recorded since 1950-51. The saving rate of the public sector more than trebled from 0.5 per cent in 1993-94 to 1.7 per cent in 1994-95, while that of the private corporate sector improved from 3.5 per cent to 3.8 per cent and that of the household sector rose from 17.4 per cent to 18.9 per cent.

* This Chapter is based on material available upto end February, 1996, including the "Quick Estimates and Advance Estimates of National Income and Other Macro-Aggregates" released by the CSO in February, 1996.

In view of the revisions in the data released in February, 1996, readers are advised to recalculate the ratios of gross fiscal deficit (in Chapter VIII) and current account deficit (in Chapter X) to GDP and the income velocity of money (in Chapter V) with the latest GDP figures given in this Chapter.

a. Trends in National Product

Performance during 1994-95

As per the CSO's Quick Estimates, all national and domestic product aggregates registered higher growth rates in 1994-95 as compared to 1993-94. The real Gross Domestic Product (GDP) at factor cost, estimated at Rs. 2,51,010 crore, showed a higher growth rate of 6.3 per cent in 1994-95 as against 5.0 per cent in 1993-94.[1] The real Gross National Product (GNP) at factor cost (which takes into account the net factor income from abroad) also recorded a higher growth of 6.7 per cent as against that of 4.5 per cent during 1993-94. In nominal terms, the GNP was placed at Rs.8,39,504 crore, 18.5 per cent higher than in the preceding year. The Net National Product (NNP) at factor cost, also known as the national income, grew by 18.8 per cent to Rs.7,44,663 crore in 1994-95, in nominal terms. The real national income recorded an acceleration in its growth from 4.2 per cent in 1993-94 to 6.7 per cent in 1994-95. The per capita national income is estimated to have increased by 2.3 per cent in 1993-94 and 4.8 per cent in 1994-95, respectively, measuring Rs.2,292 and Rs.2,401. In nominal terms, the per capita income at Rs.8,237 in 1994-95, was higher by 16.7 per cent (Statement No. 5 in Vol. II).

1. As far as the year 1994-95 is concerned, the growth rate of real GDP at factor cost was estimated at 5.3 per cent in the *Advance Estimates*, released in February, 1995 and was revised to 6.2 per cent in November, 1995. This estimate has been further revised to 6.3 per cent in the *Quick Estimates*, which were released in February, 1996.

Sectoral Performance in Recent Years (1992-93 to 1994-95)

The real GDP at factor cost recovering from the setback in 1991-92 (from as low as 0.8 per cent) posted a growth of 5.1 per cent in 1992-93 (Table II-2). This was the result of a turnaround in the performance of the commodity-producing sectors with 'agriculture and allied activities' and the industrial sector posting growth rates of 6.1 per cent and 4.3 per cent, respectively, against the negative growth rates experienced in 1991-92. Services also expanded at a higher rate of 4.9 per cent in 1992-93.

The improved real GDP growth was sustained in 1993-94 with the rate estimated at 5.0 per cent. Though 'agriculture and allied activities' expanded at a lower rate of 3.3 per cent, the industrial and services sectors registered higher growth rates of 4.6 per cent and 6.3 per cent, respectively. While 'electricity, gas and water supply', 'community, social and personal services' and 'construction' suffered deceleration, other sectors, especially 'mining and quarrying', 'financing, insurance, real estate and business services' and 'manufacturing' improved their performance.

The noticeable improvement of 1.3 percentage points in the real GDP growth to 6.3 per cent in 1994-95 was principally due to strong performance of agriculture, manufacturing and construction sectors. The value added originating from agriculture rose by 5.1 per cent in 1994-95 due to increase in the production of wheat, pulses and sugarcane. Manufacturing output is estimated to have recorded a sharp improvement, the growth rate being significantly up from 4.3 per cent in 1993-94 to 9.0 per cent in 1994-95. Construction improved from 2.3 per cent to 7.1 per cent during the period. All the other sectors except 'trade, hotels and restaurants' and 'banking and insurance' registered higher growth rates in 1994-95 as against 1993-94. 'Banking and insurance' expanded by 4.6 per cent in 1994-95 on top of a high growth rate of 12.8 per cent in the preceding year. The growth of 'trade, hotels and restaurants' decelerated marginally from 8.3 per cent in 1993-94 to 7.9 per cent in 1994-95. As a result, the services sector (inclusive of construction) experienced a decline in its growth by 0.2 percentage point to a rate of 6.1 per cent in 1994-95. 'Agriculture and allied activities' and 'industry' registered higher growth rates of 4.9 per cent and 8.5 per cent, respectively, in 1994-95 as against 3.3 per cent and 4.6 per cent, a year before.

As far as sectoral composition of real GDP at factor cost is concerned, the buoyancy in the manufacturing sector has led to an increase in the share of industry by 0.5 percentage point to 24.9 per cent in 1994-95 at the expense of a deterioration in the shares of 'agriculture and allied activities' and 'services (including construction)', respectively, to 29.4 per cent and 45.7 per cent (Table II-1).

An analysis of the performance of real GDP since the year 1980-81 indicates that the average real GDP growth has declined to 4.5 per cent in the period 1990-91 to 1994-95 after accelerating from 5.7 per cent to 6.0 per cent from the early half to the later half of 'eighties (Table II-2). While there has been a decline in the share of value added from 'agriculture and allied activities' from 37.2 per cent in the period 1980-81 to 1984-85 to 30.0 per cent in 1990-91 to 1994-95, the industrial and services sectors have both improved their shares in the two periods (Table II-1).

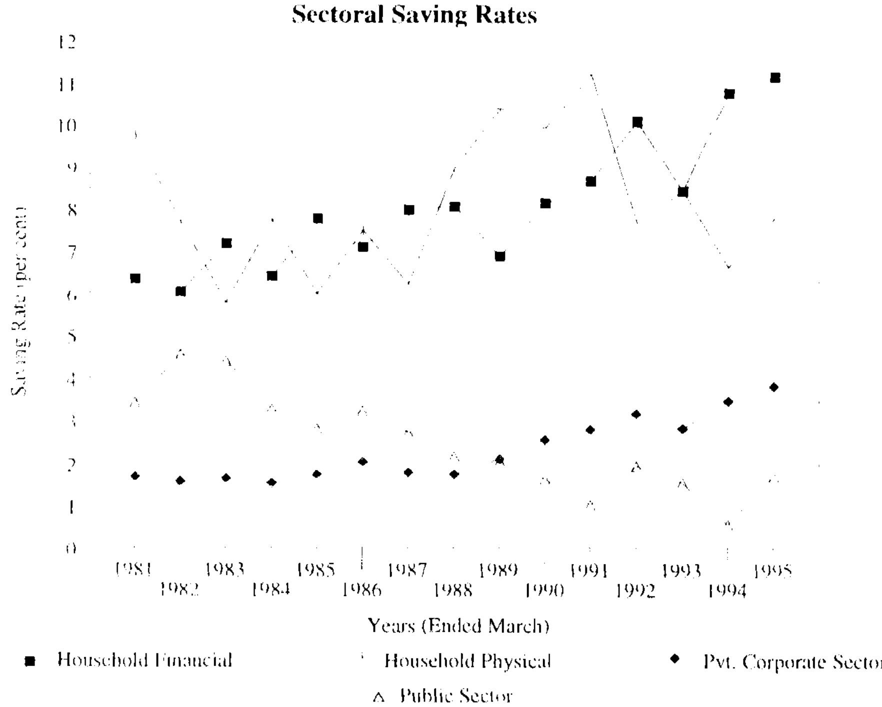
b. Trends in Domestic Saving and Investment

Aggregate Saving and Investment, 1994-95

As per the Quick Estimates, released by the CSO in February 1996, Gross Domestic Saving (GDS), is estimated to have increased from Rs. 1,71,184 crore in 1993-94 to Rs. 2,30,648 crore in 1994-95 (Graph II-1). The saving rate which had been somewhat subdued in the recent past on account of decline in the rates of household sector's saving in physical assets and public sector saving has shown remarkable buoyancy in 1994-95 (Graph II-1). Household sector's saving in physical assets is derived as residual and there were fluctuations in its rate since 1991-92, reflecting errors in the estimation of total capital formation or in any one of its components. The deterioration of public sector saving since 1992-93, due to dissaving on the current account of government administration, has been arrested in 1994-95.

The aggregate investment at current prices is estimated to have increased from Rs. 1,73,333 crore in 1993-94 to Rs. 2,39,141 crore in 1994-95. The impressive recovery in GDS rate in 1994-95 has helped in arresting the continuous downward drift in the rate of aggregate investment from the level of [illegible] GDP in 1990-91 to 21.6 per cent [illegible] aggregate investment to GDP [illegible] impressively to 25.3 per cent [illegible] domestic saving and investment [illegible] narrowed to 0.9 per cent of GDP [illegible] market prices.

Graph II-1
Sectoral Saving Rates



Household Savings in Financial Instruments

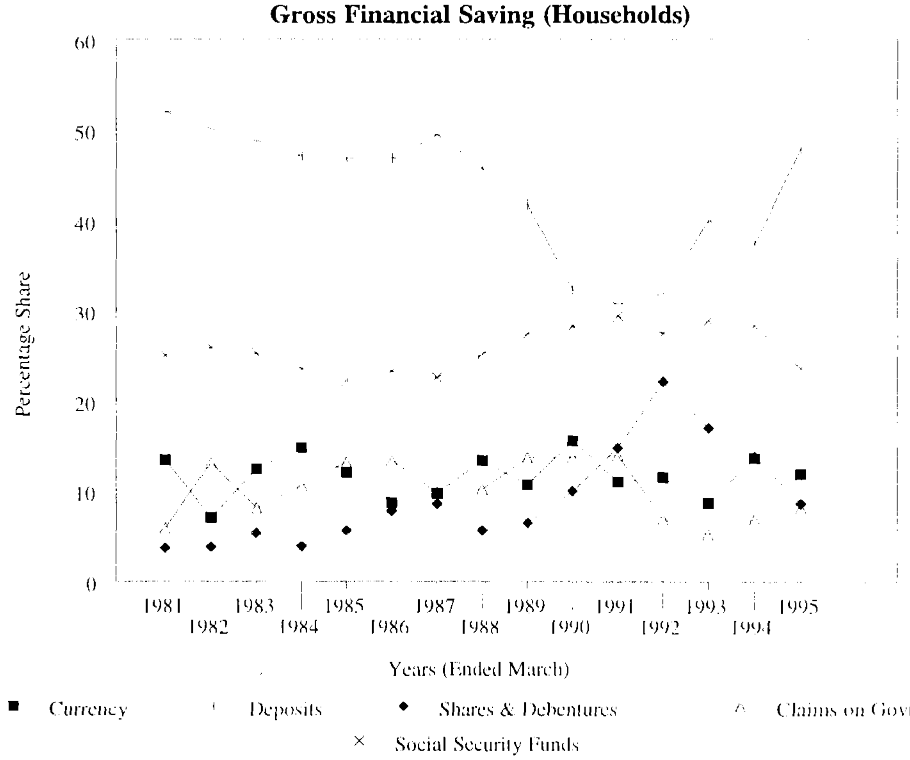
The financial saving of the household sector is estimated instrument-wise by RBI. By definition, the household sector's saving in financial assets is measured as addition to the total financial assets net of all financial liabilities.

The household financial saving rate which had dipped in 1992-93 to 8.4 per cent of nominal GDP on account of a marked increase in the households' financial liabilities to commercial banks has recovered in the following two years, *viz.*, 1993-94 and 1994-95, to 10.8 per cent (Rs. 86,131 crore) and 11.1 per cent (Rs. 1,05,302 crore), respectively (Statement No. 11 in Vol. II). This reflects a preference of households for financial assets.

Currency and bank deposits, the most liquid financial instruments, have been garnering the highest share in household financial savings since 1980-81 followed by the share of contractual savings in life insurance, provident and pension funds. The share of currency and bank deposits increased from around 45 per cent of financial savings (gross) in 1992-93 and 43.4 per cent in 1993-94 to touch 54.3 per cent in 1994-95, while the share of contractual savings has declined from 29.0 per cent in 1992-93 to 23.6 per cent in 1994-95. The trend of rising share of household financial saving in shares and debentures (including units of UTI) in the late 'eighties upto 1991-92 has been reversed due mainly to a drastic dip in resource mobilisation by UTI from households from Rs.5,612 crore in 1992-93 to Rs.2,500 crore in 1994-95 (Graph II-2).

Currency: The saving of the household sector in the form of currency which more than doubled from Rs. 6,562 crore in 1992-93 to Rs. 13,367 crore during 1993-94, has further gone up to Rs. 16,016 crore during 1994-95. The share of currency in financial assets (gross) which was 8.7 per cent in 1992-93, went up to 13.6 per cent in 1993-94, but declined to 11.8 per cent in 1994-95.

Graph II - 2
Percentage Distribution of
Gross Financial Saving (Households)



Bank deposits: The saving of the household sector in the form of deposits with commercial banks, co-operative banks, credit and non-credit societies increased by Rs. 1,678 crore from Rs. 27,542 crore in 1992-93 to Rs. 29,220 crore in 1993-94 and has almost doubled to Rs. 57,426 crore during 1994-95. A large part of the increase emanated from the commercial banks. As a proportion to financial assets (gross), the household saving in bank deposits, which declined from 36.4 per cent in 1992-93 to 29.8 per cent in 1993-94, is now estimated to have increased to 42.4 per cent in 1994-95 indicating a significant increase in the level of intermediation, close to that which prevailed in the economy in the early 'eighties.

Non-banking Deposits: The household sector's saving in the form of non-banking deposits, mainly of the financial companies, has witnessed remarkable overall buoyancy since 1991-92, recording a six-fold increase from Rs. 1,352 crore in 1990-91 to Rs. 8,356 crore in 1994-95, aided by improvements in returns from these companies. In this category, only the government non-financial companies have witnessed a draw-down in deposits since 1991-92. The share of non-banking deposits in gross financial savings of the household, which increased continuously from 2.4 per cent in 1990-91 to 8.3 per cent in 1993-94, is estimated to be at 6.2 per cent in 1994-95.

Social Security Funds: Household sector's savings in the form of traditionally low-yield and low-risk social security funds constitute saving under provident fund (PF) schemes (contributory as well as non-contributory), pension and life insurance funds. Though the inflows into these funds have been increasing in the recent years in absolute terms (Rs. 21,931 crore in 1992-93 to Rs. 27,796 crore in 1993-94 and further to Rs. 31,963 crore in 1994-95), the share of all categories of social security funds in gross financial assets, has deteriorated from 29.0 per cent in 1992-93 to 28.3 per cent in 1993-94 and further to 23.6 per cent in 1994-95 reflecting a shift to high-yielding, high-risk instruments of investments by households in these years.

Claims on Government: Saving of the household in the form of claims on government consists predominantly of investment in small savings. Claims on government which had declined in 1991-92 and 1992-93 have picked up momentum again in 1993-94 and 1994-95 and have aggregated to Rs.6,736 crore and Rs.10,879 crore, respectively, mainly on account of large accretions in small savings which have offset the continuous drawdown in five out of the other eight schemes, *viz.*, Compulsory Deposits, National Rural Development Bonds, Capital Investment Bonds, Special Bearer Bonds and National Deposit Scheme. The share of this item in household's total financial assets (gross) increased from 5.2 per cent in 1992-93 to 6.9 per cent in 1993-94 and further to 8.0 per cent in 1994-95. Small savings, which increased substantially from Rs.-3,956 crore in 1992-93 to Rs. 6,503 crore in 1993-94, is estimated to have increased further to Rs. 10,728 crore in 1994-95.

Investment in shares and debentures including units of UTI: Household investment in shares and debentures, including units of UTI, accelerated from Rs. 12,944 crore during 1992-93 to Rs. 13,558 crore in 1993-94 but is expected to have decelerated to Rs. 11,598 crore in 1994-95. Therefore, its percentage share in households' gross financial assets which declined from 17.1 per cent in 1992-93 to 13.8 per cent in 1993-94 is envisaged to decline sharply to 8.6 per cent in 1994-95.

The fall in the household investment in units of UTI from Rs. 5,612 crore in 1992-93 to Rs. 4,705 crore in 1993-94 and further to Rs. 2,500 crore in 1994-95, on account of larger corporate buying of units of UTI since 1992-93, was somewhat unique. Mobilisation by other mutual funds, also declined, though marginally, from Rs. 1,492 crore in 1992-93 to Rs. 1,479 crore in 1993-94, but is estimated to have increased to Rs. 2,022 crore in 1994-95. The household sector's direct investment in equities and debentures of private corporate business, witnessed a boom upto 1992-93, and moved up from Rs. 5,992 crore in 1993-94 to Rs. 6,818 crore in 1994-95. Public sector bonds, however, have not succeeded in mopping up much of the investible surplus of the households during 1994-95 having garnered only Rs. 105 crore as against Rs 504 crore in 1993-94.

Household financial liabilities comprise borrowings from commercial and co-operative banks, co-operative credit and non-credit societies, insurance and term-lending institutions and central and state governments. Loans and advances from commercial banks constitute the bulk of financial liabilities and hence account for a major part of variation in this aggregate. The total financial liabilities which declined from Rs. 16,395 crore or 2.3 per cent of GDP in 1992-93 to Rs. 11,995 crore or 1.5 per cent of GDP in 1993-94 is again estimated to have risen to Rs. 30,046 crore or 3.2 per cent of GDP in 1994-95.

Saving in Physical Assets

Household saving in physical assets takes the form of investment in fixed assets of construction and machinery and equipment and changes in stocks. The gross saving in these assets after recording a fall from Rs. 59,376 crore in 1992-93 to Rs. 53,015 crore in 1993-94 has gone up to Rs. 73,394 crore in 1994-95. Thus, physical saving as percentage of GDP at current market prices declined from 8.4 per cent in 1992-93 to 6.6 per cent in 1993-94 but subsequently recorded an increase to 7.8 per cent in 1994-95.

Saving of the Private Corporate Sector

The domestic private corporate sector comprises all non-government financial and non-financial corporate enterprises and co-operative institutions. As a proportion to GDP, the private corporate sector saving recorded a rise from 2.8 per cent in 1992-93 to 3.5 per cent in 1993-94 and further increased to 3.8 per cent in 1994-95. In absolute terms, the gross saving of the private corporate sector is estimated to have increased from Rs. 19,841 crore in 1992-93 to Rs. 27,666 crore in 1993-94 and further to Rs. 35,966 crore in 1994-95. The gross saving of the non-financial companies, which constitutes bulk of the private corporate saving is estimated to have increased from Rs. 23,956 crore (or 3.0 per cent of GDP) in 1993-94 to Rs. 32,008 crore (or 3.4 per cent of GDP) in 1994-95. Financial companies increased their gross savings from Rs. 3,049 crore (or 0.4 per cent of GDP) in 1993-94 to Rs. 3,297 crore (or 0.3 per cent of GDP) in 1994-95.

Public Sector Saving

Public sector comprises (a) public authorities consisting of government administration and departmental commercial enterprises and (b) non-departmental enterprises consisting of government companies and statutory corporations (including port trusts). The rate of gross public sector saving (as percent of GDP at current market prices) declined from 1.5 per cent in 1992-93 to 0.5 per cent in 1993-94 but subsequently recovered to 1.7 per cent in 1994-95. The saving of public sector as percentage of GDS recorded a sharp fall from 7.2 per cent in 1992-93 to 2.6 per cent in 1993-94 but subsequently increased to 6.9 per cent in 1994-95. In absolute terms, the gross saving of the public sector decreased from Rs. 10,820 crore in 1992-93 to Rs. 4,372 crore in 1993-94 and then recorded a sharp rise to Rs. 15,986 crore in 1994-95.

Table II - 1 : Trends in Sectoral Composition of Real GDP (Averages)

(Per cent)

Item	Period I (1980-81to 1984-85)	Period II (1985-86 to 1989-90)	Period III (1990-91 to 1994-95	1991-92	1992-93	1993-94	1994-95
	2	3	4	5	6		
1. Agriculture and Allied Activities	**37.2**	**32.6**	**30.0**	**30.0**	30.2	[illegible]	[illegible]
1.1 Agriculture	34.0	30.1	28.0	27.8	28.1	[illegible]	[illegible]
2. Industry	**21.9**	**24.1**	**24.8**	**24.7**	**24.5**	24.4	24.9
2.1. Mining and quarrying	1.7	1.8	2.0	2.0	2.0	1.9	[illegible]
2.2. Manufacturing	18.5	20.2	20.3	20.3	20.0	19.9	[illegible]
2.3. Electricity, Gas and Water Supply	1.8	2.1	2.5	2.5	2.5	2.6	[illegible]
3. Services	**40.9**	**43.3**	**45.2**	**45.3**	45.3	45.8	[illegible]
3.1. Trade, Hotels, Transport and Communication	16.8	17.8	18.4	18.0	18.3	[illegible]	[illegible]
3.2. Financing,Insurance, Real Estate and Business Services	8.9	9.8	11.0	11.2	11.0	11.3	[illegible]
3.3 Community, Social and Personal Services	10.4	11.1	11.2	11.4	[illegible]	11.3	[illegible]
3.4. Construction	4.7	4.5	4.6	4.7	4.6	4.5	4.5
Total Gross Domestic Product (1+2+3)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

P Provisional * Quick Estimates

Note : The totals may not add up due to rounding off.

Source : Central Statistical Organisation (as of February, 1996.)

TABLE II - 2 : Trends in Sectoral Growth Rates of Real GDP (Averages)

(Per cent)

Item	Period I (1980-81 to 1984-85)	Period II (1985-86 to 1989-90)	Period III (1990-91 to 1994-95	1991-92	1992-93	1993-94P	1994-95*
1	2	3	4	5	6	7	8
1. Agriculture and Allied Activities	**5.7**	**3.4**	**3.1**	**-2.3**	**6.1**	**3.3**	**4.9**
1.1 Agriculture	6.2	3.6	3.3	-2.6	6.6	3.4	5.1
2. Industry	**6.5**	**8.0**	**4.4**	**-1.9**	**4.3**	**4.6**	**8.5**
2.1. Mining and quarrying	8.2	9.0	4.8	3.7	1.1	4.1	4.3
2.2. Manufacturing	6.2	7.7	4.0	-3.7	4.1	4.3	9.0
2.3. Electricity, Gas and Water Supply	7.9	9.5	7.9	9.6	8.3	7.3	8.0
3. Services	**5.4**	**7.2**	**5.6**	**4.6**	**4.9**	**6.3**	**6.1**
3.1. Trade, Hotels, Transport and Communication	5.7	7.1	5.9	2.3	6.4	7.5	8.0
3.2. Financing, Insurance, Real Estate and Business Services	5.3	8.3	6.5	10.5	3.0	8.5	4.3
3.3. Community, Social and Personal Services	5.2	7.3	4.3	4.1	5.0	3.9	4.3
3.4. Construction	5.0	5.2	5.3	2.2	3.3	2.3	7.1
Total Gross Domestic Product (1+2+3)	**5.7**	**6.0**	**4.5**	**0.8**	**5.1**	**5.0**	**6.3**

P Provisional * Quick Estimates

Source: Central Statistical Organisation (as of February, 1996.)

CHAPTER III

AGRICULTURAL PRODUCTION*

An overview

The year (1994-95) under review witnessed sharp increase in agricultural production with almost all the principal crops achieving new peak production levels. The impressive performance in production was spurred by all round improvements in crop yields. The spurt in foodgrains output amid somewhat sluggish expansion in the off-take resulted in an accumulation of foodgrain reserves. This encouraging phenomenon on food front provided to the Government enough leverage for intervening through open market sales in the domestic market with the objective of imparting reasonable amount of stability to the foodgrain prices and through export of foodgrains.

Trends in Production

For the third year in succession, agricultural production during 1994-95 registered an all round improvement. The index number of agricultural production for 1994-95 (with the triennium ending 1981-82 as the base) accelerated to 164.5, showing an increase of a little more than 5.5 per cent, compared with a rise of 2.8 per cent during the previous year. The acceleration in growth reflects the healthy impact of favourable rainfall and weather conditions, as also better crop intensity, technological breakthroughs, increased accent on the application of fertilisers and credit back-up from financial institutions. The price support system for agricultural crops acted as significant impetus to farmers for maximisation of production. The indices for both foodgrains and non-foodgrains crops production at 156.0 and 178.9, respectively, for 1994-95 showed remarkable increases of 5.2 per cent, and 6.3 per cent, respectively, over 1993-94 (Table III-1).

Quantitatively, the production of total foodgrains scaled a new high of 191.9 million tonnes, showing an increase of 5.4 per cent over the year, mainly because of a sharp rise in the output of wheat. Yield rate of foodgrains increased by 3.3 per cent from 1,487 kgs. per hectare in 1993-94 to 1,536 kgs. per hectare in 1994-95. The area under foodgrains also increased by 2.0 per cent during the year. Season-wise, the *kharif* foodgrains output at 101.5 million tonnes was higher in modest order, as compared to the previous *kharif* season output of 99.4 million tonnes. *Rabi* output touched a new peak of 90.4 million tonnes during 1994-95 which was higher by 9.3 per cent over that in 1993-94 (Table III-3 and Table III-4). The broad crop-wise break-up shows that the production of both cereals and pulses was higher during 1994-95; the former at 177.5 million tonnes, and the latter at 14.5 million tonnes were higher by 5.0 per cent and 10.4 per cent, respectively, over 1993-94 (Table III-2). The increase in the output of pulses was due to a sharp rise in the cropped area (Table III-5).

Amongst the non-foodgrains group, though the output of nine major oilseeds registered only a modest rise of about 1.0 million tonnes, the total output at 22.4 million tonnes marked a new level. The output of sugarcane among commercial crops posted by far the most spectacular growth of 14.5 per cent: the production at 260.0 million tonnes marked a new production record. Cotton production also rose to a new peak of 11.8 million bales, compared with 10.7 million bales in 1993-94. The output

* This Chapter is based on information/data available upto end-September, 1995.

of jute and mesta swelled from nearly 8.5 million bales in 1993-94 to 9.3 million bales in 1994-95.

Higher production coupled with high support prices induced the farmers for much larger offloading of their produce. Accordingly, the Food Corporation of India (FCI) supplemented by other state government agencies procured a large quantity of 25.5 million tonnes of foodgrains during 1994-95. Off-take (including for open market sales), totalled 18.7 million tonnes. Consequently, the stocks at 27.7 million tonnes at the end of March 1995 were higher with reference to both the laid down 'norms' for stocks and the level a year ago. These trends continued during the first quarter of 1995-96 as well, with stocks reaching a level of 36.4 million tonnes by end-June 1995.

Availability

Net availability of foodgrains in the country expanded from 149.8 million tonnes during the calendar year 1993 to 155.9 million tonnes during 1994, solely due to the increase in the production of foodgrains. Consequently, the per capita net availability of foodgrains per day increased from 464.4 grams in 1993 to 474.2 grams in 1994: cereals from 427.4 grams in 1993 to 436.4 grams in 1994, and pulses from 37.0 grams to 37.8 grams (Table III-6).

Minimum Support Prices

The Central Government fixes Minimum Support Prices (MSP) after taking into account the recommendations of the Commission for Agricultural Costs and Prices (CACP), views of the State Governments, and concerned Central Ministries. The main objective of MSP is to ensure remunerative prices to the growers, as well as to adequately compensate them for the increases having taken place in the prices of various farm inputs. During 1994-95, MSP for various agricultural commodities were revised upwards (Table III-7).

Procurment

The total procurement of foodgrains both rice and wheat during 1994-95 totalled 25.5 million tonnes, which showed a drop of 6.3 per cent over 1993-94. Procurement of rice during 1994-95 aggregated 13.6 million tonnes, as against 14.4 million tonnes in the last season. Procurement of wheat during 1994-95 aggregated 11.9 million tonnes falling short of the last season's procurement of 12.8 million tonnes. Total procurement of both rice and wheat during April-June 1995 quarter, aggregated 13.7 million tonnes which was higher by 3.5 per cent over 13.3 million tonnes in the corresponding quarter of 1994 (Table III-8).

Public Distribution

The Public Distribution System (PDS) operates through a wide network of fair price shops (FPS) for the distribution of essential commodities such as rice, wheat, edible oils, and kerosene, at prices generally lower than the market prices.

The Government had revised the Central Issue Price (CIP) of foodgrains with effect from February 1, 1994, the CIP of the common, fine, and super fine varieties of rice was raised to Rs.537, Rs.617, and Rs. 648, from Rs.437, Rs.497 and Rs.518 per quintal, respectively, and that of wheat was raised to Rs.402 per quintal from Rs.330 per quintal (Table III-9). Subsequently, the Government announced upward revision of CIP of the three varieties of rice with effect from October 1994, by Rs.60 each to Rs.597, Rs.677, and Rs 708 per quintal, respectively. However, these revisions have been kept in abeyance.

Off-take

During 1994-95, the total off-take of foodgrains stood at 18.7 million tonnes (including 0.36 million tonnes under Jawahar

Rozgar Yojana, and 5.48 million tonnes under open market sale by the Food Corporation of India (FCI); it was 4.3 per cent higher than 1993-94 (17.9 million tonnes). Component-wise, the off-take comprised 8.6 million tonnes of rice and 10.1 million tonnes of wheat. As compared with 1993-94, off-take of rice was lower by 4.7 per cent while off-take of wheat was higher by 13.2 per cent. During the first quarter of 1995-96 (April-June), total off-take of foodgrains at 4.4 million tonnes was higher by 33.5 per cent as compared with 3.3 million tonnes during the corresponding quarter of the preceding year (Table III-10).

Stocks

At the end of March 1995, total stocks of foodgrains stood at 27.7 million tonnes which were substantially higher (25.0 per cent) over the corresponding day of the previous year (22.2 million tonnes) and higher than the prescribed norms. Component-wise, stocks of both rice at 18.9 million tonnes and wheat at 8.8 million tonnes, were higher by 28.9 per cent and 21.3 per cent, respectively, over the previous end-March level.

Foodgrains stocks reached a level of 36.4 million tonnes as at end-June 1995 comprising 17.1 million tonnes of rice and 19.3 million tonnes of wheat. At these levels, they were higher by 18.7 per cent, 8.7 per cent, and 12.5 per cent, respectively, over end-June 1994 (Table III-11) (Graph).

In view of the large foodgrain stocks, the Government has authorised the FCI to sell wheat and rice in the open market. During 1994-95, about 5.03 million tonnes of wheat was sold by the FCI. The FCI also sold about 0.45 million tonnes of rice.

Production of Major Crops

Foodgrains

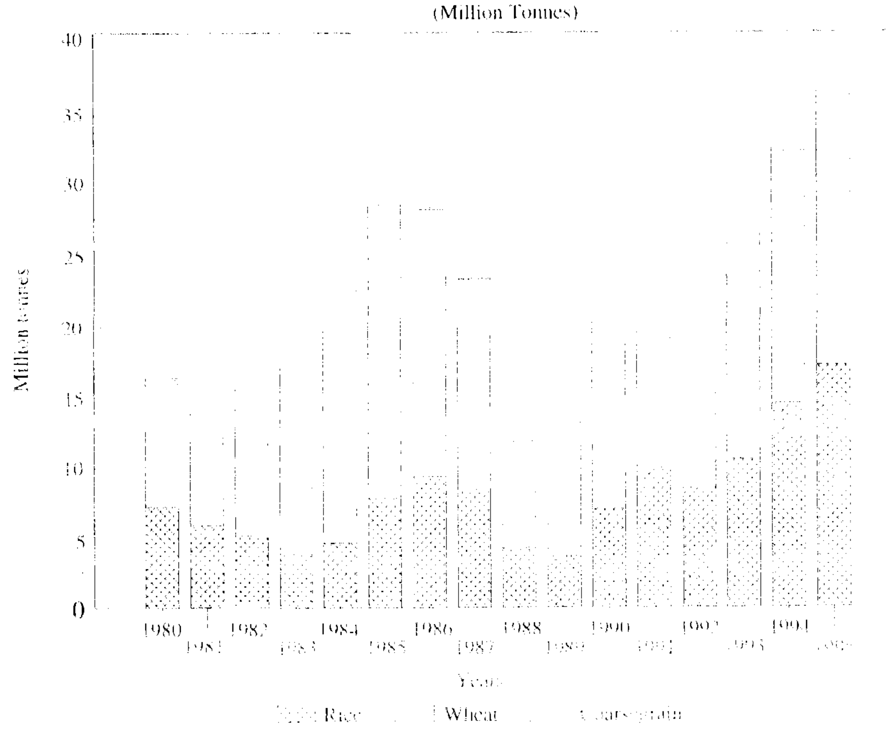
Rice

Production of rice during 1994-95 was estimated at 81.3 million tonnes, showing a rise of nearly 3.0 per cent over 1993-94, and surpassing the target of the year by 3.5 per cent. Production performance during both 1994 *kharif* and 1994-95 *rabi* seasons was better. During

Graph III-1

Stock of Foodgrains (End-June)

(Million Tonnes)



1994 *kharif* season, the output was placed at 71.4 million tonnes: an increase of 2.8 per cent, while in the 1994-95 *rabi* season, it was estimated at 9.9 million tonnes: higher by 3.5 per cent, entirely due to a sharp increase of 24.7 per cent in the yield per hectare (Table III-12). Integrated Programme of Rice Development is implemented in 1200 identified blocks in 16 States having low productivity of rice/cereals.

Wheat

The production of wheat during 1994-95 reached a new peak of 65.2 million tonnes, significantly surpassing the target of 58.5 million tonnes, and was higher by 10.3 per cent than the record output of 1993-94 (59.1 million tonnes). The spurt in the output during 1994-95 was brought about mainly by the increase (7.2 per cent) in the yield per hectare (Table III-13).

Coarse Cereals

Coarse cereals are influenced largely by rainfall behaviour and weather conditions as these are being grown largely in the rainfed and dryland tracts. Coarse cereals comprise jowar, bajra, maize, ragi, small millets, and barley. During the entire period of 1994-95, the weather conditions were, by and large, congenial for *kharif* coarse cereals at all stages of crop life. As a result of these factors, the production of cereals during 1994 *kharif* season aggregated 25.1 million tonnes which showed a growth of 2.4 per cent over 1993 (24.5 million tonnes). In contrast, the output during 1994-95 *rabi* season totalled 5.8 million tonnes which was lower by 8.6 per cent. The total output of coarse cereals during 1994-95 ,thus was estimated at 31.0 million tonnes which was close to 30.9 million tonnes of the previous year (Table III-14).

Pulses

Like coarse cereals, pulses production is contingent upon the monsoon behaviour and overall weather conditions. Besides, these crops are relatively more susceptible to a wide array of pests/insects. However, with the significant technological improvements in terms of season/area specific high yielding/short duration pest-resistant varieties of seeds, in recent years, the impact of adverse whether conditions and pests/insects on the production of pulses has been considerably reduced. Furthermore, the high prices of almost all varieties of pulses (except gram) have also acted as stimulus for higher production by the farmers. As a result, the production of pulses crops during 1994-95 rose to 14.5 million tonnes, exhibiting a commendable rise of 10.4 per cent, particularly by bringing more area under pulses cultivation. During 1994-95, the area under pulses cultivation increased by nearly 11.0 per cent (Table III-5).

With a view to enhancing production and minimising fluctuations in it, pulses were brought under the purview of the Technology Mission in 1990. Besides, the National Pulses Development Project (NPDP), which envisages large emphasis on expanding the area under pulses cultivation through multiple cropping and intercropping as also on improving the yield rate per hectare through application of modern methods of cultivation continued to be implemented during 1994-95.

Of various measures that have been taken for increasing the production of pulses, particular mention may be made of the liberalisation of credit facilities. Considering the importance attached by the Government of India for increasing the production of pulses, NABARD had agreed to sanction separate lines of credit to Central Co-operative Banks (CCBs) in identified pulses growing districts through State Co-operative Banks (SCBs). During the co-operative year 1993-94 (July 1993 to June 1994), 29 CCBs were sanctioned credit limits amounting to Rs.22.8 crore in six States but the maximum utilization was low at Rs.16.79 crore. The credit limit sanctioned for the year 1994-95 is placed at Rs. 33.1 crore. Upto December, 1994 the drawal was to the tune of Rs. 16.35 crore.

Non-foodgrains

Oilseeds

Production

In India, over four-fifths of the total oilseeds output is accounted for by three major oilseeds: groundnut (40 per cent), rapeseed/mustard (24 per cent) and soyabean (20 per cent). The other oilseeds are sunflower, sesame, castorseed, safflower, nigerseed, and linseed. Production of oilseeds in the year 1985-86 was merely 10.83 million tonnes. Over the years, the output has increased, to a high of 22.4 million tonnes during 1994-95, (21.5 million tonnes in 1993-94). The accretion in the production emanated from the growth in yield rates from 801 kgs. per hectare in 1993-94 to 851 kgs. per hectare in 1994-95, reflecting the salutary impact of oilseeds production programme in 331 districts in 22 States. Nearly 55 per cent of the total output is accounted for by *kharif* oilseeds.

Production of oilseeds during the 1994 *kharif* season at 12.3 million tonnes was higher than that in previous season by 1.1 per cent, while the production of 10.1 million tonnes during the 1994-95 *rabi* season was higher by 8.1 per cent. (Table III-15).

Among the major oilseeds, the groundnut production was substantially higher at 8.6 million tonnes during 1994-95 (10.3 per cent) as against 7.8 million tonnes in the previous year. The output of rapeseed/mustard also moved up to 6.3 million tonnes, higher by 16.7 per cent as compared to 5.4 million tonnes in the preceding year. However, the oilseed production could have been still higher but for the severe setback suffered by the soyabean crop, particularly in Madhya Pradesh which declined by 20.6 per cent to 3.7 million tonnes from 4.6 million tonnes in 1993-94. The output of safflower also substantially declined by 27.7 per cent to 0.4 million tonnes as compared to the previous year output (Table III-16).

Minimum Support Price (MSP)

The Government raised MSP for groundnut (in shell), sunflower seed, soyabean yellow, and soyabean black from Rs.860 per quintal, Rs.900 per quintal, Rs.650 per quintal, and Rs.570 per quintal, to Rs.900 per quintal, Rs.950 per quintal, Rs.680 per quintal, and Rs.600 per quintal, respectively (Table III-7). However, for the first time MSP has also been fixed for sesame at Rs.850 per quintal and for nigerseed Rs.700 per quintal.

NAFED Operations

The National Agricultural Co-operative Marketing Federation of India Ltd.(NAFED) the nodal marketing agency continued to implement price support scheme in oilseeds. During 1993-94, NAFED procured 30,425 tonnes of oilseeds under price support operations and an additional 49,403 tonnes under commercial operations. During 1994-95 (upto end-November 1994) NAFED has procured 62,892 tonnes of oilseeds under the price support operations and 62,620 tonnes under commercial operations.

The National Dairy Development Board (NDDB) which acts as the Market Intervention Agency for the procurement of oilseeds and oils for building up buffer stock, procured 62,588 tonnes of oilseeds during 1994-95 at prices much higher than the Minimum Support Price. Under its Market Intervention Operations (MIO), NDDB undertook retail marketing of Dhara Brand of edible oils, in small consumer packs, to moderate retail price of edible oils.

Foreign Trade in Edible Oils

In view of high production of edible oilseeds in recent years, the country's dependence on import of edible oils has come down drastically: imports of edible oils declined, accordingly, from 6.1 lakh tonnes in 1989-90 to 0.2 lakh tonnes in 1994-95. With a view to helping the Indian Industry to develop export market, the Government had allowed exports of vegetable oils other than groundnut oil in consumer packs upto five kgs.

Cotton

Production

According to the estimates of the Union Ministry of Agriculture and Co-operation, the production of cotton during 1994-95 reached an all-time high of 11.76 million bales, roughly 10 per cent higher than the previous season output of 10.71 million bales. It was, however lower than the target of 12.5 million bales fixed for the season following the damage caused by the floods in Gujarat, drought in Vidharba region and leaf curl disease in Punjab, Haryana and Rajasthan. The acreage under cotton cultivation during 1994-95 was estimated at 7.93 million hectares, higher by nearly 8.0 per cent, compared with 7.34 million hectares of the previous season. Despite a bumper harvest in 1994-95, the average productivity of the crop continues to be relatively low. As a consequence, the total output continues to fall short of the actual demand substantially(Table III-17).

The Cotton Advisory Board (CAB) estimated the cotton output for 1994-95 season to be at 13.00 million bales higher by nearly 7.0 per cent compared with 12.15 million bales for the 1993-94 season. In regard to the total availability the CAB estimates that the opening stocks for the 1994-95 season amounts to 2.38 million bales while the imported quantity was of the order of 0.45 million bales. Thus, the total availability of the commodity during the 1994-95 season aggregated 15.83 million bales, 2.3 per cent higher than 15.47 million bales in 1993-94. On the demand side, mill consumption during 1994-95 was of the order of 11.60 million bales, almost 2.0 per cent above the previous season's consumption of 11.40 million bales. The consumption by both non-mill and small spinners was placed higher at 0.95 million bales and 0.53 million bales, respectively. Exports of the commodity,though small in magnitude, declined significantly to 0.12 million bales in 1994-95 from 0.39 million bales in the previous year. Thus, the entire off-take during 1994-95 totalled 13.20 million bales showing a paltry rise of around 1.0 per cent over the year. The closing stocks at the end of 1994-95 season thus were marginally higher at 2.63 million bales compared with 2.38 million bales of last season (Table III-18).

The growing short-fall between the domestic demand for and output of the commodity in recent years has been exerting considerable pressure on the price front, thereby necessitating recourse to imports, and cutting down on exports.

Price Policy

The Government raised minimum support price for the two basic varieties of cotton viz., F-414/H-777/Agatti (short and medium staple group), and H-4 variety (long staple group) from Rs.900 per quintal, and Rs.1,050 per quintal of 1993-94 season to Rs. 1,000 per quintal and Rs. 1,200 per quintal, respectively (Table III-7).

Procurement operations

During 1994-95 season, the Cotton Corporation of India (CCI) made higher purchases: 0.84 million bales, compared with 0.78 million bales during 1993-94 and the entire quantity was purchased on commercial basis. The bulk of the purchases were made from Gujarat, Madhya Pradesh, Punjab, Rajasthan, Andhra Pradesh and Haryana in that order.

In Maharashtra, the state owned "Maharashtra State Co-operative Cotton Growers' Marketing Federation" (MSCCGMF) undertakes procurement operations under the Monopoly Procurement Scheme at the guaranteed prices fixed by the Maharashtra

Government, which are generally higher than the minimum support prices announced by the Central Government. The CCI does not make any purchases in Maharashtra. The Scheme which had expired on June 30, 1994 was extended by the Central Government for a period of one year upto June 30, 1995. Under the Scheme, the MSCCGMF procured 1.03 million bales of cotton as compared with 1.33 million bales during 1993-94 season.

Intensive Cotton Development Programme (ICDP)

During 1994-95 the programme, which aims at increasing production and productivity of cotton, continued to be implemented in 43 districts of 11 major cotton growing states. Total outlay under the scheme during 1994-95 amounted to Rs.12.29 crore, a little lower than Rs.12.85 crore, during the previous year.

Raw Jute and Mesta

According to the estimates of the Union Ministry of Agriculture and Co-operation, the production of raw jute and mesta during 1994-95 season (July-June) was 9.3 million bales which was 9.8 per cent higher than the previous season's output. The increase was contributed by expansion in the area under cultivation, and improvement in the yield rate (Table III-19).

According to the Office of the Jute Commissioner, Government of India, 10.7 million bales of jute and mesta (comprising an opening stock of 1.5 million bales, production of 8.9 million bales and imports of 0.4 million bales) were available for distribution during 1994-95 as against 10.9 million bales during 1993-94 season. The decline in the total availability was due to lower carry forward stock at the beginning of 1994-95 season. Off-take for domestic consumption during 1994-95 is estimated at 8.6 million bales. There were no exports during 1994-95. The closing stock at the end of June 1995 is placed at 2.1 million bales (Table III-20).

Price Policy

The Minimum Support Price (MSP) for the basic variety of raw jute, TD-5 grade in Assam was raised by 4.4 per cent from Rs.450 per quintal for the 1993-94 season to Rs.470 per quintal for the 1994-95 season, and further to Rs. 490 per quintal for the 1995-96 season. The corresponding MSPs of all other grades of jute/mesta in different jute/mesta growing states were notified by the Jute Commissioner(Table III-7).

JCI Operations

The Jute Corporation of India (JCI) stabilises raw jute prices by buying directly from the farmers and farmers' co-operatives. In 1994-95 season, following the short supply of the fibre and partly as a result of speculation activities of the traders, the prices ruled well above the minimum support levels. Because of the prevalence of higher prices in the market, JCI did not procure the commodity during 1994-95. Rather, it sold out its entire old stock of about 1.1 million bales of 1993-94.

Special Jute Development Programme (SJDP)

The programme, with its objectives of increasing the productivity, and improving the fibre quality continued to be implemented during 1994-95. During 1994-95, under the programme, 2,048.1 quintals of certified jute seeds and 538 quintals of quality mesta seeds were distributed; technology demonstrations were laid out on 13,491 hectares in programmed areas, and 2,09,850 fungal culture packets were distributed for qualitative improvement of barky jute.

Sugarcane

Production

Production of sugarcane, after having declined by nearly 9.0 per cent in 1992-93, further declined to 227.1 million tonnes in 1993-

94 season (October-September). In 1994-95, however, sugarcane output posted a spectacular growth to reach the record output of 259.9 million tonnes. The expansion in the output during 1994-95 was mainly due to over 12.4 per cent increase in the area under cultivation from 3.4 million hectares to 3.8 million hectares (Table III-21).

Statutory Minimum Price (SMP)

The Government raised the Statutory Minimum Price of sugarcane for the 1993-94 crop year to Rs.34.50 per quintal, 11.3 per cent higher than (Rs.31.00 per quintal) that for the preceding season. The SMP for the 1994-95 crop year was fixed at Rs.39.10 per quintal which marks a rise of 13.3 per cent over 1993-94. For the year 1995-96 it has been further raised to Rs. 42.50 per quintal. The rates are linked to a basic recovery rate of 8.5 per cent, subject to a premium of Rs.0.46 for every 0.1 percentage point increase in the recovery above that level upto 10 per cent, and Rs.0.60 for every 0.1 percentage point increase in the recovery above 10 per cent (Table III-7).

Tea

Production

Production of tea during the calender year 1994 estimated at 743.8 million kgs was lower by nearly 2.0 per cent than the previous year output of 758.1 million kgs. Notwithstanding the increase in the area under cultivation, the production in North India dropped by 14.8 million kgs (2.6 per cent) from 578.7 million kgs in 1993 to 563.9 million kgs in 1994. In contrast, the production in South India increased, marginally, from 179.3 million kgs in 1993 to 179.9 million kgs in 1994. Domestic consumption has been expanding over the years and it rose from 560.0 million kgs in 1993 to 580.0 million kgs in 1994 (Table III-22). The all-India output of tea suffered a set back between January and June 1995 when it was estimated at 245.0 million kgs, compared with 279.4 million kgs in the comparable period of the last year. During this period, the production of tea in North India declined to 155.2 million kgs. from 181.4 million kgs. in the same period of last year while that in South India declined to 89.8 million kgs. from 98.0 million kgs.

Replantation Subsidy Scheme

The principal objective underlying this scheme is to lend a helping hand to the tea industry in attaining an effective and rapid replantation of the old and uneconomic bushes with improved planting materials having both distinctive qualitative and quantitative improvements. Since the proposal of replantation of old and uneconomic tea areas did not evoke sufficient response from the industry on account of larger gestation periods with concomitant initial crop losses, the position was reviewed. On the recommendation of the Tea Board, the Government of India sanctioned a scheme for rejuvenation and consolidation of the existing tea areas with effect from October 1, 1975. The scheme provides for a subsidy of Rs.3,000 per hectare for rejuvenation and pruning in conjunction with infilling and Rs. 4,000 per hectare for rejuvenation coupled with interplanting of rows. Between July 1994 and June 1995, Rs.2.1 crore were disbursed under the scheme.

Coffee

Production

During the 1994-95 season (October-September), 1.8 lakh tonnes of coffee was produced which was 13.4 per cent lower than the output in the 1993-94 season. Variety-wise, the production of Arabica was placed at 0.8 lakh tonne and Robusta at 1.0 lakh tonne (Table III-23). The production during 1995-96 season is projected at a higher quantity of 2.2 lakh tonnes comprising 1.0 lakh tonne of Arabica and 1.2 lakh tonnes of Robusta. Karnataka continues to produce about 70 per cent of the total coffee output in the country. The coffee output in the country forms nearly 4 per cent of the World output, while the share in world coffee exports hovers around 3 per cent. To enhance productivity, consolidation of existing coffee growing area is sought to be achieved through replanting, developing water resources and provision of timely credit.

Coffee Board

The Coffee Board is the apex institution which coordinates various production and marketing programmes/activities relating to coffee. A major development, by way of liberalisation of internal marketing of coffee in 1992-93 for the first time in four decades has changed the nature of the work of the Board. The growers were initially permitted an Internal Sale Quota (ISQ) of 30 per cent which could be freely sold within the country, as a result of liberalisation of internal marketing. Consequently, the coffee growers got better and timely returns for their produce compared to the prices paid by the Coffee Board. What started as a 30 per cent Internal Sale Quota (ISQ) has been subsequently raised to 50 per cent Free Sale Quota (FSQ). The Union Commerce Ministry announced in April 1995 major policy changes in coffee sector including 100 per cent Free Sale Quota (FSQ) by small coffee growers with holdings of less than 10 hectares each. The small growers account for 35 per cent of total production. Larger growers who account for two per cent of all registered growers were required to pool 30 per cent of their produce with the Coffee Board. The Coffee Board has recognised additional auction centers, three in Karnataka and one in Andhra Pradesh for the purpose of such pooling.

Tobacco

Production

The latest data available on tobacco production relate to 1993-94. This showed a decline of 4.6 per cent from 596.5 million kgs. in 1992-93 to 568.8 million kgs. in 1993-94 essentially due to reduction of 7.6 per cent in the area under cultivation (Table III-24). The estimated production of Virginia Tobacco during 1993-94 placed at 123.6 million kgs. was much lower (25.5 per cent) than that in the previous year. The decrease in the area and production was recorded mainly in Andhra Pradesh, Bihar and Tamil Nadu. The area and production of tobacco during 1994-95 are provisionally estimated at 401.5 thousand hectares and 533.5 million kgs., respectively.

Prices

During 1994-95, the Minimum Support Price (MSP) for the two basic grades, *i.e.*, F2 and L2 of VFC tobacco were fixed at Rs.18.50 and Rs.21.00 per kg., which were higher by 2.8 per cent and 5.0 per cent, respectively, over the respective prices of the previous year. Based on these prices, MSPs for other grades of tobacco were fixed by the Tobacco Board.

According to the prevailing practice, before plantation, the growers are offered by the Tobacco Board the Minimum Guarantee Prices (MGP) at which the traders would be willing to buy tobacco during the ensuing season. MGPs are usually higher than MSPs. The MGPs are applicable for a normal crop without any statutory backup. The traders and manufacturers had agreed to pay MGPs amounting to Rs.21.50, Rs.24.00, and Rs. 27.00 per kg for black cotton soil, southern light soil and northern light soil tobacco, respectively, for 1994-95 season.

The Virginia tobacco is being sold through auctions at various centers. In Karnataka, during the 1994-95 season, 22.1 million kgs. of VFC tobacco were sold at an average price of Rs.25.30 per kg. In Andhra Pradesh, 74.2 million kgs. of VFC tobacco were sold at an average price of Rs.25.62 per kg. The measures initiated by the Government for the development of tobacco cultivation include mainly (i) provision of technical guidance to State

Governments and farmers, and (ii) adequate and timely supply of pure seeds and seedlings. In addition, the Tobacco Board has taken up special measures to increase tobacco production particularly in Andhra Pradesh and Karnataka. The Tobacco Board arranged financial assistance to farmers for raising VFC tobacco crop, purchasing fertiliser, coal and for repairing barns, etc., to the tune of Rs.69.41 crore during 1994-95.

Agricultural Exports

Agricultural exports have grown consistently during the last five years. The value of exports has increased from Rs.6,019 crore during the year 1990-91 to Rs.13,133 crore during the year 1994-95. After a significant jump in the last year's export performance (by 39.1 per cent), it has slowed down to 4.0 per cent, mainly due to decline in the export earnings of raw cotton, tobacco,oil meal,rice and tea.

In order to boost agricultural exports, the following liberalisation measures in agricultural exports policy have been announced during the year;

i) The export of rice is allowed freely.
ii) The export of *durum* wheat is allowed subject to a quantitative ceiling of 3 lakh MTs.
iii) The export of non-*durum* wheat is allowed subject to a quantitative ceiling of 5 lakh MTs.
iv) The export of hybrid jowar grown as a *kharif* crop is allowed freely.
v) The export of coarse grains (jowar, bajra, ragi, maize and barley) is allowed subject to a quantitative ceiling of 1.5 lakh MTs.
vi) The export of pulses is allowed subject to a quantitative ceiling of 10,000 MTs.
vii) The export of sunflower seeds is allowed subject to a quantitative ceiling of 50,000 MTs.
viii) The export of mustard and rapeseeds is allowed subject to a quantitative ceiling of 50,000 MTs each.
ix) The export of edible oils except groundnut oil is allowed in consumer packs of upto 5 kgs.
x) The exports of HPS groundnut (both in shells and kernels), sesame and safflower (Kardi) seeds are allowed freely subject to registration of contract with IOPEA.
xi) The export of niger seeds is canalised through the National Agricultural Co-operative Marketing Federation of India Ltd. (NAFED) and Tribal Co-operative Marketing Federation of India (TRIFED) and National Dairy Development Board (NDDB).

Measures to Promote Production

The Government have been formulating various policies and programmes and implementing them in order to augment production of agricultural commodities. Measures meant for specific crops were briefly explained earlier while discussing the production trends in respective commodities. Other measures supporting and enhancing the strength and capabilities of crop production system in the country are outlined in the following paragraphs.

High Yielding Varieties Programme (HYVP)

Consistent breakthroughs in seed technologies in recent years resulting in area specific seeds and high yielding/short duration varieties were growingly utilised by farmers, with the result there has been a substantial and sustained increase in the production of foodgrains. The anticipated achievement in HYVP during 1993-94 was higher in respect of paddy and maize and lower in respect of wheat and other coarse cereals. Thus, the area under HYV for paddy and maize was higher by 1.6 per cent and 3.5 per cent, respectively, while that for wheat, jowar and bajra was lower by 0.4 per cent, 28.7 per cent and 9.2 per cent, respectively. The targets set for 1994-95 for paddy, wheat, jowar, bajra, and maize were higher by 8.0 per cent, 4.3 per cent, 81.8 per cent, 34.8 per cent, and 32.6 per cent, respectively, over the anticipated achievement in respect of these crops during 1993-94 (Table III-25).

Fertilizers

With the increasing propagation of HYV seeds, rapid spread of irrigation net-work and growing use of fertiliser in low consumption rainfed areas, fertilizer consumption, in nutrient terms, which stagnated around 12.5 million tonnes during the four-year period (1991-1994) rose significantly to 14.1 million tonnes in 1994-95 (Table III-26).

All the low analysis nitrogenous fertilizers were decontrolled with effect from June, 1994, and only urea continues to be under statutory price control. The fertilizer consumption mix(ratio) of the three plant nutrients-Nitrogen (N), Phosphate (P) and Potash (K) however, continued to be a cause for concern, following the deviation from the ideal NPK ratio of 4:2:1, to 9.5:3.2:1.0 in 1992-93. However, this trend seems to have been reversed as the mix has marginally improved to 9.3:3.0:1.0 during 1993-94. The raising of urea price by 20 per cent in June 1995 was essentially to bring about a healthy balance in the ratio. The continued distortion in the mix witnessed during recent years appears to have stemmed essentially from the price differentials of the three components in the wake of decontrolling of fertilizers. The price increases in the phosphate and potassic (P&K) fertilizers affected adversely, to some extent, the NPK ideal ratio.

The scheme of the concessional sale of decontrolled phosphatic and potassic fertilizers including complexes, introduced in the *rabi* 1992-93 season has continued during 1994-95. The Government earmarked Rs.550 crore for 1994-95 for the above scheme.

With the objective of promoting a balanced use of NPK fertilizers in conjunction with organic manures, compost, green manure, and bio-fertilizers with added emphasis on the use of micro-nutrients in high fertilizer consuming intensely cultivated regions, the scheme of "Balanced and Integrated use of Fertilizers", launched during 1991-92 continued to be implemented during 1994-95. The National Project on Development and use of bio-fertilizers continued to be implemented in 1994-95. The bio-fertilizer units are expected to produce about 2000-2500 tonnes of bio-fertilizers. The Centrally Sponsored Scheme, titled the 'National Project on Development of Fertilizer Use in Low Consumption Rainfed Area' has commenced during 1994-95 with an initial allocation of Rs.1.46 crore. Assistance under the scheme is to be provided by the Central Government to State Governments for supply of small fertilizer bags to the farmers, and the seed producing agencies for production and sale of green manure seeds.

Seeds

Production of breeder seeds during 1994-95 was estimated at 44,500 quintals as against 36,821 quintals during the previous year, whereas the production of foundation seed went up to 4.7 lakh quintals during 1994-95 from 4.1 lakh quintals during 1993-94. The target for distribution of certified/quality seeds was fixed at 65.0 lakh quintals in 1994-95 as against 61.0 lakh quintals during 1993-94 (Table III-27).

Plant Protection and Pesticides

With the increasing use of inorganic fertilizers and the fast growing propagation and cultivation of high yielding, short duration varieties of seeds amidst the declining balance in the sphere of plant life, the incidence of pests and plant enemies has been posing acute danger to agricultural crops, necessitating the use of pesticides on a much larger scale. The demand for pesticides for 1994-95 was assessed at 8,00,684 tonnes and the overall availability position was satisfactory. During the year, pest surveillance for monitoring the incidence of pests and diseases of major *rabi* and *kharif* crops was maintained in order to forewarn the likelihood of pest incidence. A total sample area of 4.2 lakh hectares was scanned till December 1994 out of 5.0 lakh hectares earmarked for the year 1994-95. With biological control, the natural enemies of pest species were conserved and augmented in order to minimise the application of hazardous chemical pesticides and further to reduce environmental pollution. Accordingly, IPM centres had mass-reared, and released 1035 million parasites, predators and phytophagous insects in 2.6 lakh hectares of cropped area by the end of December 1994. It has been targeted to release 1300 million agents during 1994-95. Furthermore, in order to arrest and eliminate the intrusion of exotic pests and diseases through ever expanding international trade, plant quarantine regulations were implemented at 26 Plant Quarantine and Fumigation Stations in the country, located at major international airports, sea ports and land frontiers.

Irrigation Schemes

By 2010 A.D., the gross irrigation potential in the country is targeted to reach at 113.5 million hectares, divided almost equally between major and medium irrigation projects (58.5 million hectares) and minor irrigation works (55 million hectares). Towards achieving this objective, the Eighth Five Year Plan envisaged an outlay of Rs.22,415 crore for major and medium irrigation projects which are expected to create a potential of 5.09 million hectares of irrigated land. While the cumulative achievement upto the end of 1992-93, of major and medium irrigation, and minor irrigation stood at 31.1 million hectares, and 51.9 million hectares, respectively, the anticipated additional achievement during 1993-94 was 0.7 million hectare for major and medium irrigation and 1.4 million hectares for minor irrigation in surface and ground water. A target of additional irrigation potential at 2.8 million hectares was set for 1994-95, of which minor irrigation accounted for 74.0 per cent over 2.1 million hectares (Table III-28). This entailed an outlay of Rs.6,824.42 crore during 1994-95 (Table III-29).

Command Area Development Programme

The centrally sponsored Command Area Development (CAD) Programme was launched in 1974-75 with the objective of bridging the gap between the creation and utilisation of irrigation potential and to optimise productivity and production from irrigated lands. The activities under the programme include on-farm development works like the development of field channels and drains, land levelling, enforcement of proper system of *warabandi,* development and maintenance of drainage and modernisation, maintenance and efficient operation of irrigation systems. The cumulative achievement upto 1993-94 and the target set for 1994-95 are set out in Table III-30. From inception upto March 1994, an amount of Rs.1,302 crore has been released as Central Assistance under the CAD programme. The outlay for the programme under the Central Section for the Eighth Plan is Rs.830 crore. Against the outlay of Rs.125 crore for 1994-95, an amount of Rs.123.7 crore has been released to the States.

Realising the importance of Command Area Development Programme in consolidating the gains from huge investments already made in major and medium irrigation projects, a National Level Advisory Committee has been constituted under the Chairmanship of the Union Minister for Water Resources and Parliamentary Affairs to suggest steps for effective implementation of the programme. Its recommendations include the constitution of the Command Area Development Council at the State level and a Statutory Board at the Command Area Development Authority level. The emphasis henceforth would be on the creation of farmers' societies to take over the operation and maintenance of irrigation systems.

Area Development Measures

Development of Watershed Approach

During 1994-95, the decision to develop rural areas on a watershed basis continued to be the over-riding concept for the area development schemes. During the Eighth Five Year Plan period, a Centrally Sponsored Scheme, known as the "National, Watershed Development Project for Rainfed Areas" (NWDPRA) with the Eighth Plan provision of Rs.1,100 crore is in operation in 25 states and 3 Union Territories covering over 40 lakh hectares. The programme is spread over in nearly 2500 micro-watersheds. This is a 100 per cent Centrally Sponsored Scheme which intends to generate successful models of Watersheds Management by following the farming systems approach in all the development blocks of the country where less than 30 per cent of the arable area is under assured means of irrigation. This would ensure comprehensive development of rainfed areas. The execution of project work is done by development of Self-Help Groups and *Mitra Krishak Mandals*.

Drought Prone Areas Programme(DPAP) and Desert Development Programme (DDP)

Activities under DPAP have been taken up on a micro-watershed approach in each of the 627 blocks of 96 districts in 13 States covered under the programme.

Upto September 1994 during 1994-95, 44,300 hectares of land were treated for soil and moisture conservation, 12,700 hectares were covered under water resources development, and 46,800 hectares were covered under afforestation and pasture development.

During 1994-95, Rs. 169.73 crore was allocated for DPAP, of which Rs.70.82 crore (41.7 per cent) was spent upto November 1994.

Activities under DDP have been taken up in 131 blocks of 21 districts in 5 States. Upto September 1994, during 1994-95, 15,600 hectares of land were treated for soil and moisture conservation, 800 hectares were covered under water resource development and 19,800 hectares were covered under afforestation and pasture. Of Rs.84.00 crore allocated for DDP during 1994-95, Rs. 36.03 crore (42.9 per cent) was spent upto November 1994.

Table III-1 : Production of Major Agricultural Commodities

	Item	Unit	Average of 1980-81 to 1989-90	1990-91	1993-94	1994-95 P
	1	2	3	4	5	6
I	All Crops (1 + 2)	Index (Triennium ended 1981-82 = 100)	118.56	148.4	155.7	164.5 E
	1. Foodgrains	-do-	118.74	143.7	148.5	156.0 E
	2. Non-foodgrains	-do-	118.26	156.3	168.3	178.9 E
II	Foodgrains	Million tonnes	146.55	176.39	182.12	191.91
	Season wise					
	Kharif	-do-	83.73	99.44	99.41	101.49
	Rabi	-do-	62.82	76.95	82.71	90.42
	Commodity Groupwise					
	Cereals	-do-	134.39	162.13	169.02	177.45
	Rice	-do-	59.77	74.29	78.97	81.25
	Wheat	-do-	44.76	55.14	59.13	65.24
	Coarsegrains	-do-	29.86	32.70	30.92	30.96
	Pulses	-do-	12.16	14.26	13.10	14.46
III.	Non-foodgrains					
	Oilseeds	-do-	12.68	18.61	21.48	22.37
	Kharif	-do-	7.06	9.80	12.16	12.30
	Rabi	-do	5.62	8.81	9.32	10.07
	Sugarcane	-do-	185.66	241.05	227.06	259.95
	Cotton	Million Bales of 170 kgs.each	7.95	9.84	10.71	11.76
	Jute and Mesta	Million Bales of 180 kgs.each	8.34	9.23	8.48	9.31
	Tobacco	Million Kgs.	487.70	555.90	568.80	533.50
	Coffee	-do-	146.93	170.00	208.00	180.10
	Tea	-do-	634.20	720.34	758.06	743.78

P : Provisional.
E : Estimated
Sources : (i) Ministry of Agriculture
(ii) Coffee Board
(iii) Tea Board
(iv) Tobacco Board

Table III-2 : Foodgrains : Area, Production and Yield (Annual)

Year	Area under cultivation (million hectares)	Production (million tonnes)		Yield per hectare (kg)
		Target	Achievement	
1	2	3	4	5
Cereals				
Average 1980-81 to 1989-90	103.73		134.39	1296
1990-91	103.17	161.50	162.13	[illegible]
	(-0.18)	(0.78)	(2.80)	(2.68)
1993-94	100.01	172.50	169.02	[illegible]
	(-0.77)	(2.37)	(1.42)	[illegible]
1994-95 P	100.04	173.50	177.48	[illegible]
	(0.03)	(0.58)	(4.99)	[illegible]
Pulses				
Average 1980-81 to 1989-90	23.08	-	12.16	[illegible]
1990-91	24.66	15.00	14.26	578
	(5.29)	(1.69)	(10.89)	(5.28)
1993-94	22.43	15.50	13.10	584
	(0.31)	(6.90)	(2.18)	(1.87)
1994-95 P	24.89	15.50	14.46	581
	(10.97)	(0.00)	(10.38)	[illegible]
Total (Cereals + Pulses)				
Average 1980-81 to 1989-90	126.81	-	146.55	1156
1990-91	127.83	176.50	176.39	1380
	(0.84)	(0.86)	(3.13)	(2.30)
1993-94	122.44	188.00	182.12	1487
	(-0.58)	(2.73)	(1.47)	(2.06)
1994-95 P	124.93	189.00	191.94	1536
	(2.03)	(0.53)	(5.38)	[illegible]

P : Provisional

Note : Figures in brackets are percentage variations over the previous year.
Totals may not tally due to rounding off.

Source : Ministry of Agriculture

Table III-3 : Foodgrains : Area, Production and Yield (Season wise)

Year	Area under cultivation (million hectares)	Production (million tonnes) Target	Production (million tonnes) Achievement	Yield per hectare (Kg.)
1	2	3	4	5
Kharif				
Average 1980-81 to 1989-90	81.31	-	85.16	1047
1990-91	80.78	99.10	99.44	1231
	(-0.76)	(0.10)	(-1.53)	(-0.81)
1993-94	75.99	105.50	99.41	1308
	(-2.48)	(2.13)	(-2.03)	(0.46)
1994-95 P	75.60	106.33	101.49	1342
	(-0.51)	(0.79)	(2.09)	(2.62)
Rabi				
Average 1980-81 to 1989-90	45.50		62.82	1381
1990-91	47.05	77.40	76.95	1635
	(3.70)	(0.52)	(9.85)	(5.89)
1993-94	46.45	82.50	82.71	1781
	(2.70)	(3.51)	(6.02)	(3.24)
1994-95 P	49.34	82.67	90.42	1833
	(6.22)	(0.21)	(9.32)	(2.92)
Total (*Kharif + Rabi*)				
Average 1980-81 to 1989-90	126.81	-	146.55	1156
1990-91	127.83	176.50	176.39	1380
	(0.84)	(0.86)	(3.13)	(2.30)
1993-94	122.44	188.00	182.12	1487
	(-0.58)	(2.73)	(1.47)	(2.06)
1994-95 P	124.93	189.00	191.91	1536
	(2.03)	(0.53)	(5.38)	(3.28)

P : Provisional.

Note : Figures in brackets are percentage variations over the previous year. Totals may not tally due to rounding off.

Source : Ministry of Agriculture.

Table III-4 : Cereals : Area, Production and Yield (Season wise)

Year	Area under cultivation (million Hectares)	Production (million tonnes) Target	Achievement	Yield per hectare (Kg.)
1	2	3	4	5
Kharif				
Average 1980-81 to 1989-89	70.59		79.07	1120
1990-91	69.29	93.60	94.03	1357
	(-0.90)	(1.03)	(-1.52)	(-0.66)
1993-94	64.52	99.50	93.94	1456
	(-3.04)	(2.31)	(-1.98)	(1.09)
1994-95 P	64.75	100.33	96.48	1490
	(0.36)	(0.83)	(2.70)	(2.34)
Rabi				
Average 1980-81 to 1989-90	33.13	-	55.32	1670
1990-91	33.89	67.90	68.10	2009
	(1.35)	(0.44)	(8.61)	(7.20)
1993-94	35.49	73.00	75.08	2116
	(3.62)	(2.46)	(6.02)	(2.31)
1994-95 P	35.30	73.17	80.97	2294
	(-0.54)	(0.23)	(7.84)	(8.43)
Total				
(Kharif + Rabi) Average 1980-81 to 1989-90	103.73	-	134.39	1296
1990-91	103.17	161.50	162.13	1571
	(Neg.)	(0.94)	(2.50)	(2.68)
1993-94	100.01	172.50	169.02	1690
	(-0.77)	(2.37)	(1.42)	(2.21)
1994-95 P	100.04	173.50	177.45	1774
	(0.03)	(0.58)	(4.99)	(4.96)

P : Provisional.

Note : Figures in brackets are percentage variations over the previous year. Totals may not tally due to rounding off.

Source : Ministry of Agriculture.

Table III-5 : Pulses : Area, Production and Yield (Season wise)

Year	Area under cultivation (million hectares)	Production (million tonnes) Target	Achievement	Yield per hectare (Kg.)
1	2	3	4	5
Kharif				
Average 1980-81 to 1989-90	10.72	-	4.66	435
1990-91	11.49	5.50	5.41	471
	(0.09)	(3.77)	(-1.81)	(-1.88)
1993-94	11.47	6.00	5.47	477
	(0.79)	(0.00)	(-2.84)	(-3.60)
1994-95 P	10.85	6.00	5.01	462
	(-5.41)	(0.00)	(-8.41)	(-3.18)
Rabi				
Average 1980-81 to 1989-90	12.36	-	7.50	607
1990-91	13.17	9.50	8.85	672
	(10.39)	(0.53)	(20.41)	(9.09)
1993-94	10.96	9.50	7.63	696
	(-0.18)	(11.76)	(6.12)	(6.31)
1994-95 P	14.04	9.50	9.45	673
	(28.10)	(0.00)	(23.85)	(-3.32)
Total *(Kharif + Rabi)*				
Average 1980-81 to 1989-90	23.08	-	12.16	527
1990-91	24.66	15.00	14.26	578
	(5.29)	(1.69)	(11.41)	(5.28)
1993-94	22.43	15.50	13.10	584
	(0.31)	(6.90)	(2.18)	(1.87)
1994-95 P	24.89	15.50	14.46	581
	(10.97)	(0.00)	(10.38)	(-0.53)

P : Provisional.

Note : Figures in brackets are percentage variations over the previous year.
Totals may not tally due to rounding off.

Source : Ministry of Agriculture.

Table III-6 : Availability of Foodgrains

(Million tonnes)

Year (Jan. to Dec.)	Gross Output	Net Output	Net Imports	Change in Govt Stocks	Net Availability	Per Capita Net Availability Per Day (in gms)		
						Cereals	Pulses	All Foodgrains
1	2	3	4	5	6	7	8	9
1985	145.5	127.3	0.4	2.7	125.0	415.6	38.4	454.0
1990	171.0	149.6	1.3	6.2	144.7	435.3	41.1	476.4
1993	179.5	157.1	2.6	10.3	149.8	427.4	37.0	464.4
1994	182.1	159.3	0.5	3.9	155.9	436.4	37.8	474.2

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

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

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

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

5. Change in stocks : end-June 1994 over end-June 1993.

Source : Economic Survey, 1994-95 and Ministry of Food, Government of India.

Table III-7 : Procurement And Minimum Support Prices
(Marketing Year)

(Rs. per quintal)

Sr. No.	Commodity	Season	Type	Variety	1993-94	1994-95	1995-96
1	2	3	4	5	6	7	8
	Foodgrains						
1	Paddy	Oct.-Sept.	P	Common	310	340	360
2	Paddy	Oct.-Sept.	P	Fine	330	360	375
3	Paddy	Oct.-Sept.	P	Super Fine	350	380	395
4	Wheat	April-March	P	FAQ	330 $	350	360
5	Jowar	Oct.-Sept.	P	FAQ	260	280	300
6	Bajra	Oct.-Sept.	P	FAQ	260	280	300
7	Maize	Oct.-Sept.	P	FAQ	265	290	310
8	Ragi	Oct.-Sept.	P	FAQ	260	280	300
9	Barley	April-March	M	FAQ	260	275	285
10	Gram	April-March	M	FAQ	600	640	670
11	Moong	April-March	M	FAQ	700	760	800
12	Urad	April-March	M	FAQ	700	760	800
13	Tur	April-March	M	FAQ	700	760	800
	Non-foodgrains						
14	Groundnut (in shell)	Nov.-Oct.	M	FAQ	800	860	900
15	Soyabean	Nov.-Oct.	M	Black	525	570	600
16	Soyabean	Nov.-Oct.	M	Yellow	580	650	680
17	Sunflowerseed	Nov.-Oct.	M	FAQ	850	900	950
18	Rapeseed/Mustard	April-March	M	FAQ	760	810	830
19	Toria	April-March	M	FAQ	725	..	..
20	Safflowerseed	April-March	M	FAQ	720	760	760
21	Copra	Jan.-Dec.	M	FAQ	2150	2350	..
22	Cotton	Sept.-Aug.	M	F-414\H-777	900	1000	1150
23	Cotton	Sept.-Aug.	M	H-4	1050	1200	1350
24	Jute	July-June	S	TD-5	450	470	490
25	Sugarcane @	Oct-Sept.	S	FAQ	34.50	39.10	42.50 *
26	Tobacco	March-Feb.	M	VFC-F2	1800	1850	-
27	Tobacco	March-Feb.	M	L-2	2000	2100	-

M : Minimum Support Price P : Procurement Price
S : Statutory Minimum Price FAQ : Fair Average Quality
$: Including a Central bonus of Rs.25 per quintal.
@ : These prices are linked to a basic recovery of 8.5 per cent with a proportionate premium for every 0.1 per cent increase above that level.
* : The rates are linked to a basic recovery rate of 8.5 per cent, subject to a primium of Rs. 0.46 for every 0.1 percentage point increase in the recovery above that level up to 10 per cent, and Rs. 0.60 for every 0.1 percentage point increase in the recovery above 10 per cent.
Source : Ministry of Agriculture.

Table III-8 : Procurement of Foodgrains

(Million tonnes)

Year (April-March)	Procurement			Procurement as percentage of production	
	Rice	Wheat	Total	Rice	Wheat
1	2	3	4	5	
1991-92	10.46 (-18.60)	7.75 (-29.93)	18.21 (-24.13)	14.01	13.92
1993-94	14.35 (14.25)	12.84 (101.25)	27.19 (43.56)	18.17	21.71
1994-95 (P)	13.60 (-5.23)	11.87 (-7.55)	25.47 (-6.33)	16.74	18.19
April-June 1994	1.41	11.84	13.25		
April-June 1995	1.47 (4.26)	12.24 (3.38)	13.71 (3.47)	-	-

P : Provisional.

Note : Figures in brackets are percentage variations over the previous year/quarter. Totals may not tally due to rounding off.

Source : Ministry of Food.

Table III-9 : Central Issue Prices of Foodgrains

(Rs per quintal)

Effective Date	Rice			Wheat
	Common	Fine	Super Fine	
1	2	3	4	5
June 1,1990	289 (18.44)	349 (14.80)	370 (13.85)	234 * (14.71)
December 28,1991	377 (30.45)	437 (25.21)	458 (23.78)	280 (19.66)
January 11,1993	437 (15.92)	497 (13.73)	518 (13.10)	330 (17.86)
February 1,1994	537 (22.88)	617 (24.14)	648 (25.10)	402 (21.82)

* : Effective May 1,1990

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

Source : Ministry of Agriculture.

Table III-10 : Off-Take of Foodgrains

(Million tonnes)

Year (April-March)	Rice *	Wheat*@	Total
1	2	3	4
1991-92	10.07 (28.28)	9.07 (10.34)	19.14 (19.10)
1993-94	8.98 (-4.87)	8.91 (15.27)	17.89 (4.19)
1994-95	8.56 (-4.68)	10.09 (13.24)	18.65 (4.25)
1994 (April-June)	1.87	1.41	3.28
1995 (April-June)	2.70 (44.39)	1.69 (19.86)	4.38 (33.54)

* Including negligible quantity under Jawahar Rozgar Yojana, Employment Guarantee Scheme, etc.
@ Including open market sales.
Note : Totals may not tally due to rounding off.
Figures in brackets are percentage variations over the previous year/quarter.
Source : Ministry of Food.

Table III-11 : Stocks of Foodgrains

(Million tonnes)

As at End-March	Rice	Wheat	Total*	As percentage of norm		
				Rice	Wheat	Total
1	2	3	4	5	6	7
1992	9.77 (-13.08)	2.40 (-58.62)	12.17 (-29.53)	90.46	64.86	83.93
1993	11.04 (13.00)	2.98 (24.17)	14.69 (20.71)	102.22	80.54	101.31
1994	14.65 (32.70)	7.28 (144.30)	22.18 (50.99)	135.65	196.76	152.97
1995 P	18.89 (28.94)	8.83 (21.29)	27.73 (25.02)	174.91	238.65	191.24
June 1994	14.42	17.78	32.39	156.74	135.73	145.25
June 1995 P	17.11 (18.65)	19.33 (8.72)	36.44 (12.50)	185.98	147.56	163.41

Norms of Stocks

As on	Rice	Wheat	Total
1	2	3	4
April 1	10.80	3.70	14.50
July 1	9.20	13.10	22.30
October 1	6.00	10.60	16.60
January 1	7.70	7.70	15.40

P : Provisional
* : Including coarsegains.
Note : Figures in parenthesis are percentage variation over the previous year.
Source : Ministry of Food.

Table III-12 : Rice : Area, Production and Yield (Season wise)

Year	Area under cultivation (million hectares)	Production (million tonnes)		Yield per hectare (Kg.)
		Target	Achievement	
1	2	3	4	5
Kharif				
Average 1980-81 to 1989-90	38.36	-	54.26	1414
1990-91	39.70	65.70	66.32	1671
	(1.04)	(1.90)	(0.67)	(-0.36)
1993-94	38.64	69.50	69.41	1796
	(-0.67)	(1.09)	(6.39)	(7.11)
1994-95 P	38.74	70.00	71.36	1842
	(0.26)	(0.72)	(2.81)	(2.54)
Rabi				
Average 1980-81 to 1989-90	2.29	-	5.51	2406
1990-91	2.98	8.00	7.97	2674
	(4.18)	(-)	(3.64)	(-0.45)
1993-94	3.40	8.50	9.56	2812
	(18.47)	(-)	(25.46)	(5.90)
1994-95 P	2.82	8.50	9.89	3507
	(-17.06)	(-)	(3.45)	(24.73)
Total ***(Kharif + Rabi)***				
Average 1980-81 to 1989-90	40.65	-	59.77	1470
1990-91	42.69	73.70	74.29	1740
	(1.23)	(1.66)	(0.98)	(-)
1993-94	42.03	78.00	78.97	1879
	(0.60)	(0.97)	(8.39)	(7.74)
1994-95 P	41.56	78.50	81.25	1955
	(-1.12)	(0.64)	(2.89)	(4.05)

P : Provisional.
Note : Figures in brackets are percentage variations over the previous year.
Totals may not tally due to rounding off.
Source : Ministry of Agriculture.

Table III-13 : Wheat : Area, Production and Yield

Year	Area under cultivation (million hectares)	Production (million tonnes)		Yield per hectare (Kg.)
		Target	Achievement	
1	2	3	4	5
Average 1980-81 to 1989-90	23.30	-	44.76	1921
1990-91	24.17	54.50	55.14	2281
	(2.85)	(0.93)	(10.61)	(7.54)
1993-94	24.91	58.50	59.13	2374
	(1.30)	(2.63)	(3.36)	(2.03)
1994-95 P	25.64	58.50	65.24	2544
	(2.93)	(-)	(10.33)	(7.19)

P : Provisional.
Note : Figures in brackets are percentage variations over the previous year
Totals may not tally due to rounding off.
Source : Ministry of Agriculture.

Table III-14 : Coarse Cereals : Area, Production and Yield (Season wise)

Year	Area under cultivation (million hectares)	Production (million tonnes)		Yield per hectare (Kg.)
		Target	Achievement	
1	2	3	4	5
Kharif				
Average 1980-81 to 1989-90	32.23	-	24.81	770
1990-91	29.59	27.90	27.71	936
	(-3.36)	(-0.88)	(-6.39)	(-3.21)
1993-94	25.88	30.00	24.53	948
	(-6.37)	(5.26)	(-19.84)	(-14.38)
1994-95 P	26.01	30.33	25.12	966
	(0.50)	(1.10)	(2.41)	(1.89)
Rabi				
Average 1980-81 to 1989-90	7.54	-	5.04	668
1990-91	6.73	5.40	4.99	741
	(-4.81)	(-3.57)	(-3.29)	(1.51)
1993-94	7.18	6.00	6.39	890
	(5.90)	(4.35)	(6.68)	(0.73)
1994-95 P	6.83	6.17	5.84	855
	(-4.87)	(2.83)	(-8.61)	(-3.92)
Total ***(Kharif + Rabi)***				
Average 1980-81 to 1989-90	39.77	-	29.85	751
1990-91	36.32	33.30	32.70	900
	(-3.63)	(-1.33)	(-5.93)	(-2.39)
1993-94	33.06	36.00	30.92	935
	(-3.95)	(5.11)	(-15.50)	(-12.02)
1994-95 P	32.84	36.50	30.96	943
	(-0.67)	(1.39)	(0.13)	(0.80)

P : Provisional.

Note : Figures in brackets are percentage variations over the previous year. Totals may not tally due to rounding off.

Source : Ministry of Agriculture.

Table III-15 : Total Oilseeds:Area,Production and Yield (Season wise)

Year (November October)	Area under cultivation (lakh hectares)	Production Target (lakh tonnes)	Production (lakh tonnes)	Yield (kg./hect.)
1	2	3	4	5
Kharif				
Average 1980 81 to 1989 90*	115.14		70.59	613
1990 91	140.40	100.00	97.96	698
	(0.90)	(12.36)	(1.85)	(1.01)
1993-94	161.46	115.00	121.60	753
	(7.97)	(15.00)	(1.12)	(-6.34)
1994-95 P	153.51	125.00	122.99	801
	(-4.92)	(8.70)	(1.14)	(6.38)
Rabi				
1980-81 to 1989-90*	79.21		56.21	710
1990-91	101.08	80.00	88.13	872
	(13.75)	(5.26)	(20.62)	(6.08)
1993-94	106.57	95.00	93.20	875
	(3.65)	(5.56)	(15.33)	(11.27)
1994 95 P	109.40	95.00	100.70	920
	(2.66)	(0.00)	(8.05)	(5.25)
Total				
Kharif+Rabi 1980 81 to 1989-90*	194.35		126.80	652
1990-91	241.48	180.00	186.09	771
	(5.91)	(9.09)	(9.96)	(3.91)
1993-94	268.03	210.00	214.80	801
	(6.21)	(10.53)	(6.83)	(0.58)
1994-95 P	262.91	220.00	223.69	851
	(-1.91)	(4.76)	(4.14)	(6.17)

P : Provisional

* : Annual average from 1980 81 to 1989 90.

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

Source : Ministry of Agriculture.

Table III-16 : Nine Major Oilseeds : Area , Production and Yield

Oilseeds Year (Nov-Oct)	Area (lakh hectare)	Production target (lakh tonnes)	Production (lakh tonnes)	Yield (kg./hectare)
1	2	3	4	5
Groundnut (in shell)				
1980-81 to 1989-90*	74.34	..	65.66	883
1990-91	83.09	88.50	75.15	904
	(-4.60)	(-)	(-7.23)	(-2.80)
1993-94	83.79	82.00	77.60	926
	(2.61)	(2.50)	(-9.40)	(-11.70)
1994-95 P	80.70	83.00	85.61	1061
	(-3.69)	(1.22)	(10.32)	(14.53)
Rapeseed/ Mustard				
1980-81 to 1989-90*	42.32	--	29.82	705
1990-91	57.82	44.00	52.29	904
	(16.41)	(-)	(26.76)	(8.78)
1993-94	62.96	57.00	53.89	856
	(1.66)	(1.79)	(12.20)	(10.37)
1994-95 P	65.86	57.00	62.89	955
	(4.61)	(0.00)	(16.70)	(11.56)
Soyabean				
1980-81 to 1989-90*	13.98	-	9.03	646
1990-91	25.64	18.00	26.02	1015
	(13.80)	(-)	(44.10)	(26.72)
1993-94	42.48	31.00	46.26	1089
	(12.11)	(29.17)	(36.58)	(21.82)
1994-95 P	40.10	40.00	36.72	916
	(-5.60)	(29.03)	(-20.62)	(-15.91)
Sunflower seed				
1980-81 to 1989-90*	8.11	-	3.53	435
1990-91	16.33	6.30	8.73	535
	(37.00)	(-)	(38.35)	(1.13)
1993-94	26.77	14.00	13.96	521
	(28.39)	(75.00)	(18.10)	(-8.01)
1994-95 P	19.85	14.00	12.70	640
	(-25.85)	(0.00)	(-9.03)	(22.69)

Contd.

Table III-16 : Nine Major Oilseeds : Area , Production and Yield *(Concld.)*

Oilseeds Year (Nov-Oct)	Area (lakh hectare)	Production target (lakh tonnes)	Production (lakh tonnes)	Yield (kg/hectare)
1	2	3	4	5
Sesamum				
1980-81 to 1989-90*	22.97	[illegible]	5.62	[illegible]
1990-91	25.16	5.70	8.35	332
	(5.41)	(-)	(12.08)	(6.41)
1993-94	21.97	9.00	5.71	260
	(3.19)	(28.57)	(-24.67)	(-27.00)
1994-95 P	23.87	9.00	8.26	346
	(8.65)	(0.00)	(44.66)	(33.14)
Castorseed				
1980-81 to 1989-90*	5.96	-	3.40	570
1990-91	8.10	5.50	7.16	884
	(15.38)	(-)	(38.49)	(20.11)
1993-94	6.88	7.00	6.43	935
	(4.40)	(16.67)	(3.21)	(-1.14)
1994-95 P	7.88	7.00	8.54	1084
	(14.53)	(0.00)	(32.81)	(15.96)
Safflowerseed				
1980-81 to 1989-90*	8.51	-	4.27	502
1990-91	8.23	5.50	3.20	389
	(-2.26)	(-)	(-34.29)	(-32.70)
1993-94	7.97	4.00	5.85	734
	(8.58)	(0.00)	(68.10)	(54.82)
1994-95 p	7.73	4.00	4.23	547
	(-3.01)	(0.00)	(-27.69)	(-25.45)
Linseed				
1980-81 to 1989-90*	13.84	-	3.89	281
1990-91	10.99	4.50	3.32	302
	(-2.22)	(-)	(1.84)	(4.14)
1993-94	9.40	4.00	3.32	353
	(5.03)	(33.33)	(19.42)	(13.71)
1994-95 P	10.98	4.00	2.82	257
	(16.81)	(0.00)	(-15.06)	(-27.28)
Nigerseed				
1980-81 to 1989-90*	5.98	-	1.62	271
1990-91	6.11	2.00	1.86	304
	(-1.77)	(-)	(-0.54)	(1.67)
1993-94	5.82	2.00	1.77	304
	(-0.51)	(0.00)	(9.26)	(9.82)
1994-95 P	5.94	2.00	1.92	323
	(2.06)	(0.00)	(8.47)	(6.28)

P : Provisional

* : Annual averages from 1980-81 to 1989-90.

Figures in brackets are percentage variation .

Source : Ministry of Agriculture, Government of India.

Table III-17 : Cotton (Lint) : Area, Production and Yield

Year (September-August)	Area under Cultivation (million hect.)	Target (million bales of 170 kgs. each)	Production (million bales of 170 kgs. each)	Yield (kg/hectare)
1	2	3	4	5
1980-81 to 1989-90*	7.48	8.78	7.95	181
1990-91	7.44	11.50	9.84	225
	(-3.25)		(-13.84)	(-10.71)
1993-94	7.34	12.50	10.71	248
	(-2.65)		(-6.05)	(-3.50)
1994-95	7.93	12.50	11.76	252
	(+8.04)		(+9.80)	(+1.61)

* : Annual average from 1980-81 to 1989-90.
Note : Figures in brackets are percentage variation over the year.
Annual data are not strictly comparable due to changes in coverage and method of estimation.
Source : Ministry of Agriculture.

Table III-18 : Supply-Demand Position of Cotton (CAB's Estimates)

(Million bales of 170 kgs. each)

	(September-August)		
	1992-93	1993-94	1994-95
1	2	3	4
I. Supply (1+2+3)	**16.90**	**15.47**	**15.83**
	(16.87)	(-8.46)	(2.33)
1. Opening Stock	3.28	3.02	2.38
	(45.13)	(-7.93)	(-21.19)
2. Crop	13.50	12.15	13.00
	(13.45)	(-10.00)	(7.00)
3. Imports	0.12	0.30	0.45
	(-60.00)	(150.00)	(50.00)
II. Demand (7+8)	**13.88**	**13.09**	**13.20**
	(24.04)	(-5.69)	(0.84)
4. Mill Consumption	11.28	11.40	11.60
	(9.41)	(1.06)	(1.75)
5. Small Spinners' Consumption	0.42	0.50	0.53
	(-)	(19.05)	(6.00)
6. Ex-factory Consumption@	0.80	0.80	0.95
	(-)	(-)	(18.75)
7. Total Domestic Consumption (4+5+6)	12.50	12.70	13.08
	(12.51)	(1.60)	(2.99)
8. Exports	1.38	0.39	0.12
	(1625.00)	(-71.74)	(-69.23)
III. Closing Stock (I-II)	**3.02**	**2.38**	**2.63**
	(-7.93)	(-21.19)	(10.50)

Note : Figures in brackets are percentage variations.
@ : Including Ambar Charkha, Dressing Factories & Waste Spinning Units.
Source : Cotton Advisory Board

Table III- 19 : Raw Jute and Mesta : Area, Production and Yield

Year (July-June)	Area under Cultivation (million hect.)	Production Target (million bales of 180 kg.each)	Production (million bales of 180 kg.each)	Yield (kg./hectare)
1	2	3	4	5
1980-81 to 1989-90*	1.10		8.34	1365
1990-91	1.02	9.10	9.23	1629
	(12.09)		(11.34)	(-0.67)
1993-94	0.89	9.30	8.48	1715
	(-4.30)		(-1.28)	(3.16)
1994-95	0.94	9.30	9.31	1783
	(5.28)		(9.79)	(3.95)

* : Annual average from 1980-81 to 1989-90.
Note : Figures in brackets are percentage variations over the year.
Source : Ministry of Agriculture.

TABLE III-20 : Supply-Demand Position Of Raw Jute and Mesta

(Million bales of 180 kgs. each)

Items	1992-93	1993-94	1994-95
1	2	3	4
I. Supply (1+2+3)	**11.97**	**10.88**	**10.70**
	(-0.58)	(-9.11)	(-1.65)
1. Opening Stock*	2.83	2.20	1.45
	(66.47)	(-22.26)	(-34.09)
2. Crop	8.99	8.48	8.90
	(-12.63)	(-5.67)	(4.95)
3. Imports	0.15	0.20	0.35
	(200.00)	(33.33)	(75.00)
II. Demand (6+7)	**8.54**	**8.78**	**8.60**
	(7.29)	(2.81)	(-2.05)
4. Mill consumption	7.94	8.28	8.00
	(6.72)	(4.28)	(-3.38)
5. Other Domestic Consumption	0.50	0.50	0.60
	(0.00)	(0.00)	(20.00)
6. Total Domestic consumption (4+5)	8.44	8.78	8.60
	(6.30)	(4.03)	(-2.05)
7. Exports	0.10	Neg.	Neg.
	(400.00)	(-)	(-)
III. Closing Stock (I-II)	**3.43**	**2.10**	**2.10**
	(-15.93)	(-38.78)	(0.00)

E : Estimated
* : Opening stock figures for all the years are taken according to the latest balance sheet issued by the Office of the Jute Commissioner.
Note : Figures in brackets are percentage variations over the previous year.
Source : Jute Commissioner's Office.

Table III - 21 : Sugarcane - Area, Production and Yield

Year (October-September)	Area under Cultivation (million hect.)	Target (million tonnes)	Production (million tonnes)	Yield per hectare (000 Kgs.)
1	2	3	4	5
1980-81 to 1989-90*	3.13	-	185.66	59.32
1990-91	3.69	220.00	241.05	65.40
	(7.22)	(0.00)	(6.86)	(-0.32)
1993-94	3.39	250.00	227.06	66.98
	(-5.04)	(2.88)	(-0.43)	(4.86)
1994-95 P	3.81	250.00	259.95	68.21
	(12.42)	(0.00)	(14.48)	(1.83)

* : Annual average from 1980-81 to 1989-90.
P : Provisional
Note : Figures in brackets are percentage variations over the year.
Source : Ministry of Agriculture.

Table III-22: Tea - Area,Production and Yield

Year (January-December)	Area under Cultivation (lakh hect.)	Production Target (million kg)	Production (million kg)	Yield (kg./hectare)
1	2	3	4	5
1980 to 1989 *	4.01	--	634.20	1582
1990	4.17	720.00	720.34	1727
1993	4.22	750.00	758.06	1796
	(0.48)		(3.51)	(3.02)
1994	4.24	770.00	743.78	1754
	(0.47)		(-1.88)	(-2.35)

* : Annual average from 1980 to 1989.
Note : Figures in brackets are percentage variations over the year.
Source : Ministry of Agriculture.

Table III- 23: Coffee - Area, Production and Yield

Year (October-September)	Area under Cultivation (lakh hect.)	Target (million kgs.)	Production (million kgs.)	Yield (kg./hectare)@
1	2	3	4	5
1980-81 to 1989-90*	2.34	-	146.93	628
1990-91	2.71	173.00	170.00	627
1993-94	N.A.	212.00 (41.33)	208.00(E) (28.79)	
1994-95	N.A	190.00 (-10.38)	180.10(E) (-13.41)	-

E : Estimated.
* : Annual average from 1980-81 to 1989-90.
@ : Based on bearing areas only.
Note : Figures in brackets are percentage variations over the year. Annual rate are not strictly comparable due to changes in coverage and methods of estimation.
Source : Coffee Board

Table III- 24 : Tobacco - Area, Production & Yield

Year	Area (lakh hectares)	Production (million kgs.)	Yield (kg./hectare)
1	2	3	4
1980-81 to 1989-90*	4.17	487.70	1170
1992-93	4.13 (0.56)	[illegible] (0.78)	1453 (1.29)
1993-94	3.82 (-7.64)	568.80 (-4.64)	1470 (3.24)
1994-95(P)	4.02 (3.86)	533.50 (-6.21)	[illegible] [illegible]

P : Provisional
* : Annual average from 1980-81 to 1989-90
Note : Figures in brackets are percentage variations over the year
Source : Tobacco Board

Table III-25 : Area Under High Yielding Varieties (HYV)

(Million Hectare)

Crop	1991-92		1992-93		1993-94		1994-95 (Target)
	Area Under HYV	Area under HYV as percentage of total cropped area	Area Under HYV	Area under HYV as percentage of total cropped area	Area Under HYV	Area under HYV as percentage of total cropped area	
1	2	3	4	5	6	7	8
Paddy	27.20 (-1.27)	63.77	28.25 (3.86)	67.62	28.71 (1.63)	68.29	31.00
Wheat	21.41 (1.81)	92.05	22.15 (3.46)	90.08	22.06 (-0.41)	88.56	23.00
Jowar	7.67 (14.48)	62.06	6.94 (-9.52)	53.22	4.95 (-28.67)	38.43	9.00
Bajra	6.06 (17.90)	60.42	5.64 (-6.93)	53.11	5.12 (-9.22)	53.73	6.90
Maize	2.85 (10.47)	48.63	2.55 (-10.53)	42.79	2.64 (3.53)	44.07	3.50
Total	65.19 (3.48)	69.23	65.53 (0.52)	68.27	63.48 (-3.13)	66.58	73.40

Note : Figures in brackets are percentage variations over the previous year.
Source : Ministry of Agriculture.

Table III-26 : Fertiliser Consumption

(Million Tonnes)

Year (April- March)	Nitrogenous (N)	Phosphatic (P)	Potassic (K)	Total (N+P+K)
1.	2	3	4	5
1980-81 to 1989-90*	5.6	2.0	0.9	8.4
1991-92	8.0 (-)	3.3 (3.13)	1.4 (-)	12.7 (0.79)
1992-93	8.4 (5.00)	2.9 (-12.12)	0.9 (-35.71)	12.2 (-3.94)
1993-94	9.0 (7.14)	2.9 (0.00)	1.0 (11.11)	12.8 (4.92)
1994-95 P	9.9 (10.00)	3.1 (6.90)	1.1 (10.00)	14.1 (10.16)

P : Provisional
* : Annual Average from 1980-81 to 1989-90.
Note : Figures in brackets represents percentage variations over the previous year.
Source : Economic Survey, Government of India.

Table III-27: Trends in Consumption of Selected Agricultural Inputs

Items	Unit	1980-81	1990-91	1991-92	1992-93	1993-94	1994-95 Target
1	2	3	4	5	6	7	8
A. Production/distribution of seeds							
i) Production of breeder seeds	Thousand quintal	5.27	33.89	33.90	35.98	36.82	44.50
ii) Foundation seed production	Lakh quintal		3.38	3.74	3.93	4.06	4.75
iii) Production of certified seeds	Lakh quintal	21.86	–	–	–		
iv) Distribution of certified/ quality seeds	Lakh quintal	25.01	57.10	57.50	58.50	61.00	65.00
B. Consumption of Pesticides (Technical Grade Material)	Thousand Tonnes	45.00	82.00	72.10	75.00@		

A : Anticipated.
@ : Estimated.
– : Not available.
Source : Ministry of Agriculture, Directorate of Economics & Statistics, Government of India.

Table III-28: Development of Irrigation Potential

(Million hectares)

Item	Ultimate	Created upto VII Plan 1985-90	Additional Achievement during Annual Plan (1990-92)	Achievement during Annual Plan 1992-93	Cumulative Achievement upto end of 1992-93	Anticipated Additional Achievement during 1993-94	Targets Additional 1994-95
1	2	3	4	5	6	7	8
A. Major and medium irrigation	58.50	29.92	0.82	0.39	31.13	0.65	0.72
B. Minor irrigation	55.00	46.60	3.75	1.53	51.88	1.39	2.05
a) Surface water	15.00	10.90	0.48	0.16	11.54	0.18	0.21
b) Ground water	40.00	35.70	3.27	1.37	40.34	1.21	1.84
Total (A+B)	**113.50**	**76.52**	**4.57**	**1.92**	**83.01**	**2.04**	**2.77**

Source : Ministry of Water Resources, Government of India

Table III-29 : Financial Outlays on Major, Medium and Minor Irrigation

(Rs. Crore)

Item	VII Plan (1985-90)	1990-92	1992-93	1993-94 (Anticipated)	1994-95 (Outlay)
1	2	3	4	5	6
A. Major and Medium Irrigation	11107.29	5459.15	3047.32	3369.64	4285.25
B. Minor Irrigation	6179.35	3030.07	1806.59	1845.25	2539.17
i) Government Sector	3118.35	1680.48	994.59	969.25	1413.17
ii) Institutional Sector	3061.00	1349.59	812.00	876.00	1125.96
Total (A+B)	**17286.64**	**8489.22**	**4853.91**	**5214.89**	**6824.42**

* : This includes the State Sector expenditure incurred by the State of Punjab which is not sponsered Scheme of Command Area Development Programme.

Source : Ministry of Water Resources, Government of India.

Table III-30 : Achievements under Command Area Developement Programme

(Million Hectare)

Item	VII Plan (1985-86 - 1989-90)		Cumulative Achivement till 1993-94	1994-95	Target for VIII Five Year Plan
	Target	Achivement		(Target)	
1	2	3	4	5	6
1. Construction of Field Channels	4.99	3.17	12.90	0.57	1.53
2. Land Levelling	0.81	0.38	7.30	1.03	3.30
3. Warabandi	6.19	3.74	2.10	0.08	0.40
4. Field Drains	0.15	0.42	0.70	0.11	0.30

Source : Ministry of Water Resources, Government of India.

CHAPTER IV

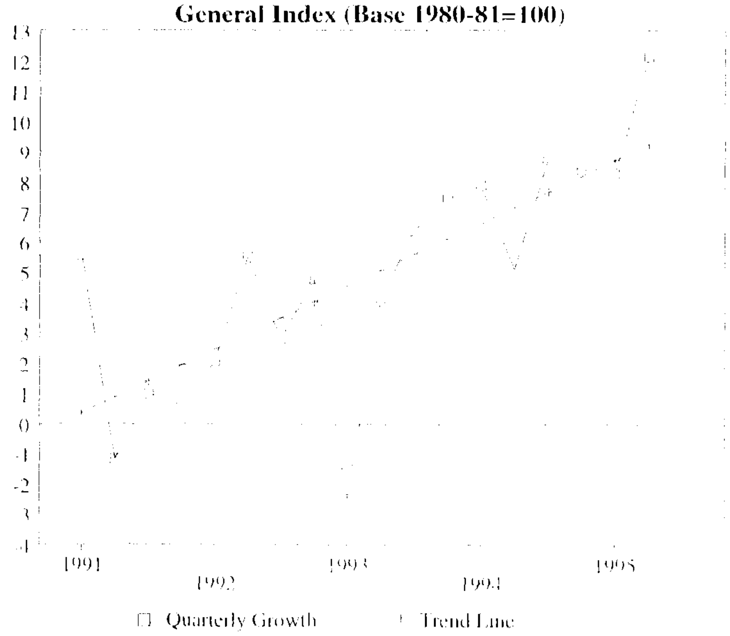
INDUSTRIAL PRODUCTION*

Industrial Performance During 1994-95

Strong signs of recovery in industrial production were seen beginning with the second quarter of 1993-94 for the first time since the reform measures were launched in mid-1991. This was followed by a sharp turnaround in industrial production in 1994-95, the increase being 8.6 per cent as against 6.0 per cent in 1993-94 (Table IV-1 and Graph). While all the three sectors, *viz.*, mining and quarrying, manufacturing and electricity recorded high growth rates , it is the manufacturing sector with a growth rate of 9.0 per cent (6.1 per cent in 1993-94) which contributed the most to strong industrial performance. This was rendered possible by a number of measures which included, *inter alia*, delicencing of most drugs and pharmaceutical products, extension of MODVAT to capital goods and petroleum products, overhaul of excise tax structure, further rationalisation and reduction of customs duties to impart cost advantages, deregulation of bank lending rates and opening up of basic infrastructure services to private participation including foreign investments.

The private corporate bodies in India have been restructuring their operations in order to face competition, and minimise costs so as to reap large profits in future. Besides, they have been adopting mergers/amalgamations, acqui-

Graph IV-1
Quarterly Growth based on Deseasonalised General Index (Base 1980-81=100)



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* This Chapter is based on information/data available upto November, 1995.

sitions, market segmentation and foreign tie-ups as the major planks of their strategy to improve their share in the market. In particular, mergers have become a critical route for private companies for instant consolidation of their position by achieving economies of scale, backward and forward linkages and for capturing marketing and distribution outlets in order to enhance not only their domestic market share but also exports. Many firms have undertaken massive expansion plans with mergers with other Indian firms and at times with foreign collaborations in order to brace up to competition from multinationals. During the year 1994-95, as many as 467 cases of proposed amalgamations were reported as against 137 in 1993-94.

Use-Based Classification

Both the Basic and Intermediate goods segments seem to have suffered, recording rates of growth of 3.8 per cent and 3.9 per cent, respectively in 1994-95 after achieving high rates of growth of 9.4 per cent and 11.7 per cent in 1993-94 (Table IV-1A). The relatively unimpressive performance of the Basic Industries group (consisting of a weight of 39.42 per cent) seemed to be mostly on account of a decline of basic metal segment (weight 9.8 per cent). The reduction of tariff on basic metals for the benefit of downstream industries (using these metals as their input), which meant cheaper imports, had hurt this industry segment.

On the other hand, the recovery of capital goods sector (weight 16.43 per cent) and consumer non-durables (weight 21.10 per cent) was impressive. The capital goods sector registered 25.0 per cent growth during the year as against a negative growth of 4.1 per cent. The consumer non-durables production increased by 8.2 per cent as compared to 1.4 per cent in the previous year. The reasonably good performance of consumer non-durables reflects robust demand arising from good output performance, especially in agriculture and services sector. Consumer durables segment, however, showed deceleration, at 9.8 per cent in 1994-95 from 16.1 per cent in 1993-94.

Manufacturing sector

Disaggregated analysis of manufacturing sector at two-digit level identifies the following groups of industries as main contributors to acceleration of growth in the manufacturing sector: electrical machinery (32.4 per cent), metal products (18.2 per cent), paper and paper products (14.5 per cent), food and food products (13.6 per cent), transport equipment (13.2 per cent), chemicals and chemical products (10.0 per cent), machinery and machine tools (9.7 per cent) (Table IV-1B). Industries like food and food products, textile products, non-metallic mineral products and chemicals and chemical products could perform better maintaining their competitiveness despite lower import tariffs and greater accessibility to imports through OGL mainly because of the competitive cost advantages. Some of the capital goods industries, such as, electrical machinery and transport equipment could register better performance on account of policy initiatives, such as, MODVAT extension and imposition of countervailing duties on par with domestic excise duties. The two groups with decelerated rates of growth are wood and wood products, leather and fur products at 1.8 per cent and 3.4 per cent, respectively, as against 4.6 per cent and 8.8 per cent in 1993-94. Among the groups that showed negative growth rates, basic metals and allied products and cotton textiles are of real concern as they account for 22.11 per cent of weight in IIP. Basic metals and allied products declined by 11.7 per cent as against the phenomenal increase of 33.1 per cent in 1993-94. Cotton textiles declined by 2.9 per cent as against an increase of 6.9 per cent in the previous year. Similarly, jute, hemp and mesta textiles declined by 10.5 per cent as against 18.7 per cent increase in the previous year. Beverages, tobacco and tobacco products which had performed better in the previous year by registering an increase of 21.3 per cent declined by 2.5 per cent during 1994-95.

Infrastructure Industries

The performance of infrastructure industries was quite encouraging during 1994-95 with their composite index (weight 28.77 per cent in IIP) showing higher growth of 8.1 per cent than 5.3 per cent achieved in 1993-94 (Table IV-1C). Almost all the segments other than coal had registered higher growth rates. Electricity sector has been performing consistently well for the last three years; in 1994-95 it grew by 8.5 per cent on top of 7.4 per cent increase in the preceding year. The output growth of coal at 3.2 per cent in 1994-95 was marginally lower than that of 3.3 per cent in 1993-94. Production of crude oil staged a strong recovery by registering a rise of 19.2 per cent in 1994-95 as against 0.3 per cent in the previous year. An output increase of 3.9 per cent (1.5 per cent in 1993-94) was recorded in the case of petroleum refinery products. The cement output went up by 7.6 per cent in 1994-95 as against 7.1 per cent in 1993-94.

Infrastructure Services

Realising the need for according special attention to improving India's infrastructure - power, roads, ports, airports and telecommunications- for achieving higher and sustained rates of growth of output, the Government has taken several policy initiatives, especially to encourage entry of private sector in the field of infrastructure and utilities (See also Box IV-1 on Infrastructure Financing).

Box IV-1

Infrastructure Financing

Traditionally, the supply of infrastructure has been the responsibility of governments. However, because of burgeoning fiscal deficits and other priority areas, many countries now have difficulties in allocating adequate resources for the development of infrastructure. Further, the performance of the public sector in implementing and operating infrastructure projects has not been fully satisfactory in many countries, particularly developing ones. Hence, the involvement of the private sector in providing infrastructure services has become imperative.

Innovative and diverse financing techniques are being employed to support an accelerating transition from public to private sector risk bearing in infrastructure provision. Mechanisms for financing specific stand-alone projects are contributing to the learning process as governments shift from being infrastructure providers to becoming facilitators, and as private entrepreneurs take a more direct role. Given the high risk profile and lumpiness of infrastructure projects, basically there are two approaches for financing infrastructure, viz., (i) Concession Approach, and (ii) Structured Financing Option.

(i) In the Concession Approach, the concessionaire builds the project and is granted a franchise period during which the costs alongwith returns can be recovered. This approach has, of late, developed into various modes, such as follows:

(a) Build, Operate and Transfer (BOT) - Under a BOT scheme, ownership of the physical assets vests with the Government while the franchisee pays for and maintains them and retains the right to have the operating revenues during the concession period. Projects suitable for using the BOT mode generally have regular and reliable cash flows and a long economic life. Projects in sectors like power, toll roads, ports, telecommunications, water supply, airport, etc. are suitable for BOT schemes. In India the BOT mode has been popularly used for construction, financing and maintenance of toll roads. Ram-Pithampur stretch in Madhya Pradesh was the first such road project under BOT, planned, designed and executed by the Infrastructure Leasing and Financial Services of India Ltd.(IL&FS).

Box IV-1 (Contd.)

(b) Build, Operate, Lease and Transfer (BOLT) - Under BOLT scheme the private sector invests in the infrastructure projects and leases them out to the government on fixed rental. Tax benefits and lucrative internal rate of return make these projects attractive to the private sector. In India Rs.5,000 crore worth of projects have been thrown open to the private sector under BOLT. "Own Your Wagon" scheme is a variant of BOLT currently in operation in the Indian Railways under which a set of wagons are purchased by the private parties and leased to the Railways on fixed rental of about 16 per cent. The scheme not only helps in increasing production of wagons but also improves freight tariffs for the railways.

(c) Build, Own, Operate and Transfer (BOOT) - Under BOOT which is a variant of BOT, the physical asset remains with the franchisee till the end of the franchise period.

(d) Build, Own, and Operate (BOO) - Under BOO, the franchise period is open-ended.

(e) Build, Own, Operate and Sell (BOOS) - Under BOOS, the infrastructure is bought by the government after the end of the franchise period.

(ii) Structured Financing Option is non-recourse project-specific financing. SFO involves securing a debt instrument by cash flows of the collateral value of the specified asset financed by the debt instrument. The financing by diverse sources ensures adequate finance at an optimal cost and also enjoys the stake of asset holders for smooth execution and operation of infrastructure facility. The claims of debt-holders would be limited to the underlying assets. SFO involves setting up special purpose vehicle (SPV) which integrates various involved parties, raises debt by issuing debt instruments and services the debt from project related cash flows only . Panvel By-Pass is the first example of SFO in India involving IL&FS, Hume Industries of Malaysia, Union Ministry of Surface Transport and Maharashtra Government.

Asset Backed Securitisation (ABS) is a variant of SFO which involves conversion of loans or receivables into negotiable instruments. In India ABS is mainly limited to auto-loan receivables and property receivables but is expected to become relevant to infrastructure sector in future.

Financial Guaranty (FG) or 'Bond Insurance' is an innovation in the financial structuring and credit enhancement. Under this, an FG company lends its high credit rating to a debt instrument used for financing infrastructure by guaranteeing principal and interest in return for a premium. This ensures multiple benefits to the SPV like lower interest cost, easier marketability due to high safety, etc. FG is not being used in India as yet but with further financial liberalisation, FG is expected to play a prominent role in enhancing credit for infrastructure financing.

With massive requirements of funds for the infrasrcture sectors like, power, transport and communications in the coming years, financing of infrastructure is going to be a crucial issue.

Sources : 1. World Development Report, 1994, World Bank, Oxford University Press.

2. Papers presented at the Seminar on Private Sector Investment in Infrastructure organised by SCICI Limited at Mumbai on August 19, 1994.

3. Papers presented at the Seminar on Infrastructure Financing organised by the Credit Rating Information Services of India Limited at New Delhi on September 22, 1995.

4. Papers presented at the Conference on Multimodal Transport for Economic Development, organised by SCICI Ltd. in Mumbai on March 24, 1995.

5. Gomez-Ibanez, J.A and J.R. Meyer (1993) : "Going Private - The International Experience with Transport Privatisation", The Brookings Institution, Washington, D.C.

Telecommunications

With a network capacity of 98 lakh lines by March 1995, the Indian telecommunication is poised for giant leaps to meet the challenges of the growing economy. During 1994-95, the new switching capacity of 8.5 lakh lines was added which was higher by 27 per cent than that recorded in the preceding year. Correspondingly, the new telephone connections recorded a sharp increase of 52.0 per cent, though this may entail a shortfall from the target by 3.8 per cent. Rural areas in particular were benefitted by this development.The target for new connections during 1995-96 has been fixed at 8.9 lakh lines. During April-August 1995-96, 1.8 lakh lines have been provided, representing a growth of 41 per cent over the corresponding period of the previous year.

In order to meet the target of 'telephone on demand' by the end of the Eighth Plan period, provision of phone connections to every village by 1997, installation of one public call office (PCO) per 500 persons, operationalisation of all international value-added services in India by 1997 and provision of exports of telephone equipments have been given emphasis. Accordingly, the government has initiated a number of policy reform measures with the announcement of National Telecom Policy in May 1994. A distinctive feature of this policy is the introduction of competition in basic telecom services for which the necessary guidelines have been issued. Companies are required to operate within the framework of agreed tariff and revenue sharing arrangements and to maintain a balance between urban and rural coverage of their services. In case of a joint venture company, foreign equity participation upto 49 per cent is permitted. The Government has also decided to set up an autonomous body, called the Telecom Regulator Authority of India, to oversee operational functions.

Roads

During the last four decades, road transport, as a basic infrastructure, has rapidly improved. The total road net-work in the country increased from 0.4 million Kms. in 1950-51 to 2.04 million Kms. at the end of 1991-92. The rate of increase in road network which was 5.8 per cent in the sixties came down to 2.9 per cent in the eighties and further to 1.2 per cent in 1991-92. Road traffic which accounts for 80 per cent of the passenger traffic and 60 per cent of goods traffic is estimated to account for 87 per cent and 65 per cent, respectively, by the year 2000 A.D.

Presently, the road system suffers from deficiencies, such as, inadequate capacity, poor riding quality, lack of way-side amenities and weak road safety measures, etc. Improvement and upgradation of road system will require a large amount of resources. In order to meet this problem, a number of innovative approaches are needed including private sector participation into the sector . The Government has, accordingly, taken a number of measures in this regard (Box IV-2).

Railways

The Indian Railways enjoy an extensive route kilometer of over 63,000 Kms. The present freight carrying capacity of the Railways is fully committed to carrying products of core sectors, such as, coal, foodgrains, POL, fertilizers, etc. However, during 1994-95, freight traffic fell short of the target by 3.8 per cent and recorded a low growth rate of 1.9 per cent compared with 2.5 per cent during 1993-94.

During 1994-95, Konkan railway was inaugurated for passenger traffic. Further, the full stretch of 16.45 Kms. Calcutta Metro was opened to traffic. The Ministry of Railways has

Box IV-2

Reforms in Roadways

National Highways Act, 1956 is being amended to enable levy of a fee/toll on national highways, bridges and tunnels. Road sector has been declared an industry to facilitate borrowing on easy terms and to permit floatation of bonds. MRTP provisions were relaxed to enable large firms to enter into highway sector. A five-year tax holiday any time during the first 12 years of the operation has been provided. Customs duties on construction equipments have been slashed from 65 per cent to 25 per cent. The cost of land acquisition, removal of utilities and preparation of feasibility reports are to be borne by the government. Financial institutions are allowed 40 per cent tax deduction on income derived from funding of such projects. Private operators have been allowed to develop related facilities like restaurants, hotels, fuel stations and shopping malls *en route*. Private operators are also allowed to direct traffic on such roads. Encroachments on such highways are made an offence and punishable under law.

identified export of rolling stock as one of the thrust areas and decided to enter the international market for export of both new and second hand rolling stock through more aggresive marketing. In addition, the Railways have in recent years devised new market strategies in order to attract freight traffic now going by road. The Railways are hoping to market their services through the Container Corporation of India (CONCOR), a public sector undertaking. CONCOR provides door-to-door services for domestic users, transportation in bulk for small customers and international transport in International Standard Organization (ISO) containers.

Ports

With 11 major ports and 139 minor ports along a coastline of 5560 Kms. Indian ports handled considerable amount of cargo. Cargo handling of 1972 lakh tonnes in 1994-95, was higher by 10 per cent than those in the previous year and exceeded the target of 1810 lakh tonnes. During 1995-96, the target is fixed at 2020 lakh tones of cargo handling at ports. It is estimated that the aggregate capacity of ports would go up to touch 2370 lakh tonnes in 1996-97. In order to increase the cargo handling capacity of ports and reclaim the defunct ones, the Government of India has been encouraging private participation in the areas of construction, operation and maintenance of container terminals, cargo handling terminals, dredging to maintain and improve drafts, creating warehousing and storage facilities and ship repairing and transportation within ports . Further, the relaxation of Cabotage law, enactment of the Multimodal Transportation of Goods Act, 1993, berth reservation facilities in ports, leasing of berths to private entrepreneurs, leasing of land and water front for setting up ship repair facilities, creation of storage facilities, privatisation of dry docks and liberalisation of licensing procedures to enable more entrepreneurs to participate in stevedoring activities in ports are some of the measures which have been introduced to encourage private sector participation in ports.

Civil Aviation

Domestic and passenger air traffic have made rapid strides over the year. The Indian Airlines and Air India carried almost 91.6 lakh passengers in 1994. The last two years witnessed certain important policy initiatives by the Government to accelerate the development of civil aviation in the country. An open sky policy has been introduced. The Air Corporation Act, 1953 was repealed on March 1, 1994 ending the monopoly of the Indian Airlines, Air India and Vayudoot over scheduled air transport services. Private operators have been permitted to cater to the traffic needs of the country. Emphasis has been placed on improving passenger facilities both on board and on ground, on time performance, flight safety measures and also on increased employee participation to provide better services. The Airport infrastructure, however, demands heavy investments, large expenditure on surfacing, replacements and renewals. Keeping in view the resource constraints, domestic and foreign investors including NRIs have been invited to participate in the development of new international airports and expansion of infrastructural support. At some airports, ground handling is being privatised in a bid to decongest airports and increase aircraft turnaround time.

Industrial Performance during 1995-96

The sustained performance of industrial sector is further confirmed by the robust growth of general index by 12.9 per cent in April-June 1995-96 as compared to a 8.4 per cent in the corresponding period of 1994-95 (Table IV-1). All the three sectors, viz., Mining, Manufacturing and Electricity recorded high output growth of 15.3 per cent, 12.6 per cent and 12.5 per cent respectively in the first quarter of 1995-96 as compared with 1.4 per cent, 9.8 per cent and 6.9 per cent in the corresponding period of 1994-95. The growth of manufacturing sector was mostly contributed by Food and food products, Electrical machinery, Metal Products, Chemicals and Chemical products, Paper and paper products and Transport equipment. According to the use-based classification, apart from the commendable performance of capital goods sector at 18.4 per cent, the consumer goods (both durable and non-durable) and basic goods industries had accelerated growth of 15.2 per cent and 12.5 per cent, respectively, in April-June 1995-96 (Table IV-1A).

The performance of infrastructure industries is equally encouraging with the composite index of infrastructure accelerating to 10.7 per cent in April-September 1995-96 as compared to 6.5 per cent growth rate during the comparable period of 1994-95 (Table IV-1C). All the six infrastructure industries posted accelerated rates of growth: Petroleum crude 16.2 per cent (16.0 per cent last year), Electricity at 10.9 per cent (7.0 per cent), Cement 11.0 per cent (5.0 per cent), Coal 8.9 per cent (0.7 per cent), Saleable Steel 10.2 per cent (7.8 per cent) and Petroleum refinery products 4.9 per cent (4.2 per cent).

Employment in Organised Sector

The Eighth Five Year Plan sought to adopt a decentralised and diversified strategy of faster growth of employment intensive sub-sectors and activities to achieve the desired expansion of growth of employment corresponding to the overall annual rate of growth of 5.6 per cent for the economy. However, employment growth during the first three years of the Plan at 2.0 per cent per annum fell short of the targeted growth of 2.7 per cent per annum during the Plan, primarily due to lower average GDP growth than targeted. Accordingly, the targeted growth rate of employment generation of 2.7 per cent was revised upward to 3.6 per cent for 1995-96 and 1996-97.

Table IV-2 reveals that employment in the organised sector recorded a marginal growth rate of 0.3 per cent during 1993-94 over that of 0.1 per cent during 1992-93, but considerably lower than that of 1.5 per cent during 1991-92. Employment growth in the private corporate sector which was above 2 per cent in the early '90s dipped to record an abysmally low growth rate of 0.2 per cent in 1993-94.

As per the latest data available with regard to the employment in the public sector, Quasi Government and State Government bodies registered a growth rate of 1.5 per cent and 1.4 per cent respectively, during 1992-93 (Table IV-3). However, growth of employment in Local Bodies continued to be negative 1.7 per cent ([illegible] per cent in 1991-92). There was also decline in employment in Central Government ([illegible] per cent) in 1992-93 as compared to the marginal rise (0.8 per cent) [illegible] previous year.

Small-Scale Sector

The Small-Scale Sector now accounts for 40 per cent of total industrial output of the economy and its exports form about 35 per cent of India's exports. During 1994-95, there were 25.71 lakh SSI units (23.84 lakh units in 1993-94) employing 146.56 lakh persons (139.38 lakh persons in 1993-94) and producing a variety of about 7500 products (including 836 reserved items). In 1994-95, SSI output (at Rs.1,99,029 crore) grew by 9.9 per cent at 1990-91 prices (21.3 per cent at current prices) as against 7.1 per cent in the previous year (Table IV-4). Within the Small-Scale Sector, the output of Village and Small Industries grew by 7.5 per cent which is driven largely by a sharp rise in export demand for them.

The small-scale sector received special attention in the Budget 1995-96 in that the policy stance showed a shift from protection and concessions to greater self-support, built up by liberal institutional assistance, especially for modernisation and technological upgradation. The Budget also enhanced the eligibility limit for availing of concessional rates of excise duty under the General Small Scale Industry Exemption Scheme from a turnover of Rs.2 crore to Rs.3 crore to prevent fragmentation of production capacity in small-scale sector. New and innovative projects set up by small-scale enterprises would also benefit from tax exemption granted to venture capital funds/ companies. Initiatives have also been taken to enable the sector to become more cost and quality conscious, competitive and self-propelling to align itself to the process of globalisation. For improving the flow of credit to SSI sector, a seven-point credit plan has been prepared and all banks have been instructed by the RBI to take appropriate action for its effective implementation. It is proposed to set up a Technology Development and Modernisation Fund with an initial corpus of Rs.200 crore. SIDBI would provide direct assistance from this fund to export-oriented small-scale industries to modernise their production facilities and adopt improved and updated technology so as to strengthen their export capabilities. The scope of the National Equity Fund (NEF) Scheme operated by SIDBI has also been enlarged so as to extend the benefits to larger sections of small-scale and tiny industries. The assistance could henceforth be available to cover expansion, modernisation, technology upgradation and diversification to any new project in tiny and small-scale sectors irrespective of their location.

Industrial Sickness

Industrial sickness continued to be a matter of concern during the year under review. According to the latest data on industrial sickness available up to end-March 1994, the outstanding bank credit against sick/weak industrial units increased from Rs.13,134.44 crore as at end-March 1993 to Rs.13,695.74 crore as at end-March 1994, constituting 17.0 per cent of the total outstanding bank credit to 'Industry' at end-March 1994 (16.7 per cent in March 1993). Of the total bank credit outstanding against sick/weak units in the country as at end - March 1994, 2,56,452 small-scale sick units accounted for 26.9 per cent and 2,500 non-SSI sick/weak units (1 per cent of the total sick units) accounted for the remaining 73.1 per cent.

Among the causes of industrial sickness in non-SSI sick/weak units, internal factors, such as, shortcomings in project appraisal and deficiencies in project management, were reported in 55 per cent of the cases and external factors like non-availability of raw materials, power shortage, transport bottlenecks, marketing, fall in demand, etc., which are beyond the control of the promoters/managers, were identified in respect of the remaining 45 per cent of such units.

Non-SSI sick units

The number of non-SSI sick units, according to the revised definition under the Sick Industrial Companies (Special Provisions) Act, 1985, increased from 1867 as at end-March 1993 to 1909 as at end - March 1994. The outstanding bank credit to these units rose from Rs.7,901.35 crore in 1992-93 to Rs.8,151.52 crore in 1993-94 (Statement 25, Vol. II).

Region-wise, the Western Region had the largest number of non-SSI sick units at 632, which accounted for 33.1 per cent of the non-SSI sick units and 33.3 per cent of the total outstanding bank credit as at end-March 1994. As regards State-wise position, the largest number continues to be in Maharashtra followed by West Bengal, Andhra Pradesh, Gujarat, Uttar Pradesh and Tamil Nadu. These six States together accounted for 67.5 per cent of the total number of non-SSI sick units and 71.8 per cent of the total bank credit outstanding against them as at end-March 1994.

Industry-wise, the maximum outstanding bank credit was accounted for by textiles (Rs.1,817.35 crore or 22.3 per cent of the total outstanding credit), followed by engineering (Rs.1,159.52 crore or 14.2 per cent), chemicals (Rs.669.30 crore or 8.2 per cent), electricals (Rs.590.20 crore or 7.2 per cent), iron & steel (Rs.569.50 crore or 7.0 per cent) and vehicles (Rs.428.52 crore or 5.3 per cent). The bulk of the increase in outstanding bank credit this year was accounted for by electricals (Rs.248.55 crore), iron and steel (Rs.134.72 crore) and textiles (Rs.66.30 crore) industries. The decrease in the outstanding amount was mainly accounted for by engineering (Rs.116.36 crore), sugar (Rs.87.11 crore), vehicles (Rs.58.72 crore) and chemicals (Rs.46.95 crore).

Non-SSI weak units

Although the number of non-SSI weak units decreased from 657 as at end-March 1993 to 591 at end-March 1994, the outstanding bank credit to these units increased from Rs.1,790.[illegible] crore to Rs.1,863.85 crore. State-wise, the number of non-SSI weak units was maximum in Maharashtra, followed by West Bengal, Andhra Pradesh, Karnataka, Uttar Pradesh and Kerala. Industry-wise, non-SSI weak units were predominant in textiles, chemicals, iron & steel, electrical, engineering and metal units (Statement 26, Vol. II).

Sick SSI units

The number of sick SSI units increased from 2,38,176 as at end-March 1993 to 2,56,452 units as at end-March 1994. The outstanding bank credit locked up in these units also increased from Rs.3,442.97 crore to Rs.3,680.37 crore over the same period. Region-wise, the majority of sick SSI units (42.7 per cent) were located in the Eastern region followed by Northern region (23.1 per cent), Southern region (19.0 per cent) and Western region (15.5 per cent). However, in terms of outstanding bank credit, Western region ranked first (31.8 per cent), followed by Southern region (29.2 per cent), Northern region (22.6 per cent) and Eastern region (16.4 per cent) (Table IV-5).

The commercial banks have conducted viability studies in respect of 2,56,452 units as at the end of March 1994 and have identified only 16,580 of these units as viable. Of the viable units, 11,376 units were put under nursing programme by the banks.

National Renewal Fund

As a part of the New Industrial Policy, 1991, the Government of India set up the National Renewal Fund (NRF) to protect the interests of the workers likely to be affected by technological upgradation and modernisation in Indian industry. The main objectives of the NRF are to provide assistance for i) retraining and redeployment of workers, ii) employment generation schemes, and iii) payment of compensation to workers on closure of units either under BIFR's orders or otherwise or for payment of dues under Voluntary Retirement Schemes (VRS).

Funds were made available to central public sector units to implement the Voluntary Retirement Schemes as a mechanism for reducing their surplus labour force. As on October 31, 1994, a total of 73,267 workers in the public sector had availed of the VRS according to the Annual Report of the Ministry of Industry 1994-95. In the year 1993-94, an amount of Rs.476.06 crore was spent for the purpose; for the year 1994-95, a budgetary allocation of Rs.500 crore had been made.

To undertake programmes for workers retraining and redeployment, Employee Assistance Centers (EACs) have been envisaged. These would undertake retraining schemes so as to equip rationalised workers to re-enter the job market or to take-up self-employment ventures. Five such centres have been in operation at Ahmedabad, Calcutta, Kanpur, Indore and Mumbai. It is proposed to set up EACs at all locations where substantial worker outflows have taken place.

Selected Industries

(a) Coal

Coal output (excluding lignite) at 251.0 million tonnes expanded by only 0.9 per cent during 1994-95 compared with 4.3 per cent in 1993-94 and 4.0 per cent in 1992-93 (Table IV-6) . Coal India Ltd., (CIL), which accounts for nearly 88 per cent of coal production in the country, however, fully achieved the target (223 million tonnes) fixed for the year.

The aggregate despatches during 1994-95 at 246.8 million tonnes were marginally higher than 245.1 million tonnes in the preceding year. Sector-wise (including imports and excluding lignite despatches), the thermal sector continued to be the major coal consumer with consumption in 1994-95 at 159.8 million tonnes followed by steel plants and washeries and cement plants. Inspite of lower receipt of coal at thermal and steel plants, the pit-head stock of coal stood at 47.5 million tonnes at the end of 1994-95, though it had declined by 6.5 per cent over 1993-94. The daily average coal loading by CIL and SCCL had suffered due to the shortage of railway wagons. The inability of the coal industry to provide adequate quality (in terms of ash content) and quantity of coking coal had forced the downstream industries (especially steel) to import on a larger scale this year. In order to compensate for the decline in the production of coking coal by 4.7 per cent in 1994-95 on top of a decline of 1.1 per cent in 1993-94, the import of coking coal had to be increased by 16.9 per cent in 1994-95 as against 9.2 per cent in 1993-94.

In addition to a lower despatch of coal, the production of coal in 1994-95 had failed to pick up to meet the growing demand. The poor financial position of the State Electricity Boards and reduced budgetary support from the State Governments had a negative effect on the finances of coal industry which were already strained by rising wages and salary bill accounting for over 38 per cent of the total cost in 1993-94. Moreover, there has been a regular pilfering of coal stocks. In order to improve the financial position of the industry, coal prices had been repeatedly revised upwards in recent years, notwithstanding the adverse impact that price revisions would have on costs of industries that use coal.

(b) Iron Ore

Iron ore output during 1994-95 at 60.7 million tonnes was 4.1 per cent higher than that of 58.3 million tonnes in the previous year (Table IV-7). Of the total iron ore produced in the country, the public sector mines contributed 36.7 million tonnes or 60 per cent. Madhya Pradesh contributed the largest quantity of iron ore accounting for 26 per cent of the total iron ore production, followed by Goa at 22 per cent, Karnataka and Bihar with 20 per cent each and Orissa with 12 per cent.

The steady increase in internal despatches over the years indicates a perceptible uptrend in domestic demand for iron ore due to the increase in saleable steel production in particular and overall industrial development in general. The internal despatches during 1994-95 at 32.2 million tonnes were 13.4 per cent higher than the level of 28.4 million tonnes in the previous year.

(c) Cement

Despite improvement in despatches and growth in installed capacity, cement production by major plants recorded a lower growth of 7.6 per cent in 1994-95 compared with 7.8 per cent a year ago. This was mainly the result of poor performance of public sector with a negative growth of 18.2 per cent, notwithstanding a high growth of 10.7 per cent by the private sector. (Tables IV-8 and 9). Mini and white cement plants, however, grew by 2.6 per cent in 1994-95, but this was on top of a very high rate of growth of 30 per cent in 1993-94. It may be recalled that after the price and distribution controls were dismantled in 1989 and the industry delicensed in 1991, the supply position has improved significantly along with large additions to installed capacity by the private sector. The industry has also consistently improved its export performance since 1992-93.

The major problems faced by the industry during 1994-95 were the poor availability of wagons, both for inward movement of coal and outward movement of cement, the poor quality of coal supplied by some of the collieries, the shortage of power and frequent power cuts in major cement producing States like Andhra Pradesh, Madhya Pradesh, Karnataka, Rajasthan and Orissa. The Government is encouraging the setting up of coal washeries and captive power plants for tackling the problem of poor quality of coal and power shortage.

A number of modern large plants of one million tonne and above capacities are being set up based on energy efficient dry process. A capacity of 7.9 million tonnes is expected to be added during the year 1995-96. The two lines of IBRD credit of US $500 million extended to the cement industry have acted as a catalyst for this progress.

A production target of 68 million tonnes has been fixed for the year 1995-96, with 63 million tonnes emerging from large plants and 5 million tonnes from mini cement plants.

d) Iron and Steel

Total saleable steel production during 1994-95 at 16.0 million tonnes expanded by 9.2 per cent, mainly on account of Durgapur and Rourkela steel plants improving capacity utilisation (Table IV-10). Production of pig iron has also shown an increase due to the good performance of secondary producers. The competitive environment that has evolved following measures such as delicensing, abolition of levies like steel development fund and steady reduction of import tariff, has encouraged the integrated steel plants to be cost-conscious, energy efficient, technologically upgraded and to use their natural advantage in terms of improving the scale of operations and reducing labour cost in relation to the overall cost.

Domestic steel consumption , after a decline in 1992-93, has shown an impressive growth during the last two years. The high consumption growth of 13.5 per cent in 1994-95 reflected the revival of user industries, e.g., automobiles, consumer durables etc. Partly as a result, exports which registered very impressive growth rates of 140 per cent and 74 per cent, respectively, in 1992-93 and 1993-94 declined by 20.5 per cent in 1994-95.

(e) Electricity

The generation of electricity during 1994-95 at 351.0 billion kwh almost met the target of 352.0 billion kwh set for the year and showed a growth of 8.5 per cent as against 7.5 per cent achieved in the previous year. The growth has come in the wake of an overall capacity addition of 4,446 MW and improved capacity utilisation in the hydro power segment (Table IV-11 and IV-12).

Among the sources, the thermal sector suffered a deceleration (6.1 per cent in 1994-95 as against 10.4 per cent in 1993-94) due to shortage of coal. The generation of Central power units (that generate almost 38.4 per cent of total thermal generation) decelerated from 15.5 per cent in 1993-94 to 4.1 per cent in 1994-95, that of the State units (that generate almost 56 per cent of total thermal generation) from 8.1 per cent to 6.3 per cent while the output of private power units accelerated to 6.7 per cent in 1994-95 from a negative growth rate of 1.9 per cent in 1993-94.

During 1993-94, the Plant Load Factor was 61 per cent which was the highest achieved in recent years (Table below). It declined marginally to 60 per cent in 1994-95 on account of inadequate coal receipts by thermal power stations. The Central power units were mostly hurt by the shortage.

Plant Load Factor of Various Sectors

(Percent)

	1994-95	1993-94	1992-93	1991-92
Central	69.2	69.8	62.7	64.5
State	55.0	56.6	54.1	50.6
Private	65.4	57.1	58.8	56.7
Total	**60.0**	**61.0**	**57.1**	**55.3**

As regards the supply-demand gap, the actual power availability during 1994-95 at 327.2 billion kwh fell short of the estimated requirement of 352.2 billion kwh and showed a deficit of 7.1 per cent (Table 12-A). The highest deficit was in the Eastern Region (12.9 per cent), followed by the North Eastern Region (12.8 per cent). While the overall shortage is an important indicator of the problem, it is the peak power shortage that causes major disruption in the industrial production. Related to the peak power demand is the issue of transmission and distribution losses that account for a high of 20-22 per cent of the total electricity generation. It is against this backdrop that the proposals for delinking electricity generation from that of distribution and for inviting private sector involvement in distribution network were mooted.

The policy to encourage greater private sector participation in electricity generation, supply and distribution was introduced in 1991 with amendments to the Electricity Act, 1910 and Electricity Supply Act, 1948. The response to the policy initiatives in this regard has been encouraging in that so far 137 offers have been received for setting up power plants for a total capacity of 59,866 MW involving an investment of approximately Rs.2,20,312 crore. Forty one of these offers are from foreign private firms including NRIs and joint venture proposals, out of which 13 proposals have been approved by the Government.

(f) Crude Oil and Petroleum Refinery Products

The crude oil production which slumped from 1990-91 onwards turned buoyant in 1994-95, posting a level of 32.23 million tonnes, thus registering a growth of 19.3 per cent over the previous year. (Table IV-13). The improvement is due mostly to off-shore production which grew at 31.5 per cent in 1994-95, particularly by the ONGC units at Mumbai High (31.4 per cent) and Tamil Nadu (22.9 per cent). As such, despite a steady rise in consumption (4.0 per cent in 1994-95 and 1.5 per cent in 1993-94), the import of crude oil declined by 11.3 per cent, reducing its share in total consumption from 56.8 per cent in 1993-94 to 48.4 per cent in 1994-95.

Production of petroleum refinery products increased by 3.4 per cent in 1994-95 as against 1.4 per cent in 1993-94. Within the POL products, output of naphtha and high speed diesel oil rose by 19.4 per cent and 4.2 per cent, while the production of kerosene declined by 0.1 per cent. Improvement in capacity utilisation by IOC Gujarat, IOC Haldia, BPCL Mumbai, HPCL Vizag, CRL Cochin and MRL Mandi had helped in increasing the refinery output. Unlike the case of crude oil, gross imports of POL products increased by 15.5 per cent (especially the high speed diesel oil) to meet increased consumption in 1994-95 mainly arising from rapid growth of road transport, including passenger cars.

(g) Engineering Industries

The output of engineering industry (comprising electrical machinery, basic metal, metal products, transport equipment and machinery, machine tools and parts that account for 30.5 per cent weight in IIP), recorded a decelerated growth of 8.1 per cent in 1994-95 as against 10.5 per cent in 1993-94, largely due to the set-back suffered by the basic metal segment. Barring the basic metal segment,the rest of the engineering goods industry (comprising 20.7 per cent weight in IIP), grew impressively at 17.4 per cent in 1994-95 as compared with 1.3 per cent in 1993-94.

The overall exports of engineering industry (including prime steel but excluding electronics and software) decelerated to 12.0 per cent in 1994-95 from 21.0 per cent in 1993-94, in dollar terms, mainly because of primary iron, steel and items thereof. Exports of capital goods, on the other hand, increased by 27.8 per cent in 1994-95 from 19.4 per cent in 1993-94.

Heavy Mechanical Engineering Industries

The automobile industry was at the vanguard of industrial recovery. The production of the commercial vehicles segment accelerated at 34.2 per cent in 1994-95, compared with 9.1 per cent in the previous year (Table IV-14). The two wheeler segment also grew strongly by 24.7 per cent in 1994-95 as against 16.4 per cent in 1993-94. The better performance of the industry could be generally attributed to growth in demand and easy availability of credit from finance companies. The output of diesel engines, however, declined due to the imposition of excise duty, notwithstanding a rising demand for it from captive power generation plants, automobile and agricultural sectors. The decline in the production of railway wagons, on the other hand, was attributable to the lower demand from railways due to reduced budgetary support. While the output of structurals and lifts declined, the production of steel castings and tractors improved due to boom in the automobile industry and agriculture respectively .

Light Mechanical Engineering Industry

Among the selected light mechanical engineering industries, the production of typewriters and bicycles accelerated while that of sewing machines, razor blades and wrist watches registered decline in growth (Table IV-15).

Electrical Engineering Industries

The Electrical engineering industries showed impressive performance. Among the major light engineering industries, electrical lamps of incandescent and fluorescent varieties, fans and radio receivers had accelerated by 13.9 per cent, 20.6 per cent, 62.3 per cent and 38.1 per cent respectively, while storage batteries, dry cells and domestic refrigerators had decelerated (Table IV-16).

Among the selected heavy electrical engineering products, power transformers and power driven pumps showed improved output performance while electric motor showed deceleration.

(h) Metallurgical Industries (Other than Iron & Steel)

Aluminium

The aluminium industry experienced a sharp recovery in 1994-95 with production at 4.83 lakh tonnes surpassing the target of 4.74 lakh tonnes (Table IV-17). The reduction of import duty on unwrought aluminium, its waste and scrap from 25 per cent to 20 per cent, the cut in excise duty from 25 per cent to 20 per cent *ad valorem* alongwith MODVAT relief on raw materials and above all, the rising trend in aluminium prices in international markets contributed towards improvement in the aluminium industry. With the steady increase in domestic and export demand along with the availability of enough bauxite reserves in India, spurt in capacity is expected in the coming years.

Copper

The production of refined copper by Hindustan Copper Ltd. (HCL), was lower at 46,100 tonnes in 1994-95, as against that of 52,000 tonnes in 1993-94. The Union Government has shifted copper to the sensitive list following reports of large scale misuse of duty- free import facility through the value-based advance license (VBAL) route.

Zinc and Lead

During 1994-95, the production of zinc was estimated at 149.1 thousand tonnes, showing an increase of 5.3 per cent over the previous year. Production of lead at 44 thousand tonnes recorded an increase of 56.7 per cent as against the decline of 29.9 per cent (at 28 thousand tonnes) in 1993-94.

In order to boost the mineral sector, the latest important changes made in the Mines and Minerals (Regulation and Development) Amendment Act, 1994 are .

1) Deletion of 15 minerals from the first schedule of the Act, which implies more autonomy to the State Government in terms of renewing and granting any prospecting licence on a mining lease without prior approval of the Central Government; and

2) Removal of restrictions on equity holding by foreign nationals in a mining company. As of now, any company registered in India, can apply for a prospective licence on a mining lease to the concerned State Government.

(i) Jute Textiles

The total production and consumption of jute textiles declined, respectively, by 5.1 per cent and 5.4 per cent in 1994-95 as compared with 10.5 per cent and 12.9 per cent in 1993-94 (Table IV-18). A hike in raw jute prices due to delayed market arrivals adversely affected the production of yarn. Moreover, closure of 6 mills of National Jute Mills Corporation (NJMC) which accounts for 10 per cent of total production capacity also affected the overall production of jute products, especially of hessian and sacking. Production of carpet backing, on the other hand, had gone up by 38.9 per cent, accompanied by rise in its consumption by 29.4 per cent in 1994-95. There had been a remarkable improvement in the export of jute goods from 3.7 lakh tonnes to 4.26 lakh tonnes in 1994-95.

(j) Rubber and Rubber Manufactures

The total production of rubber (natural, synthetic and reclaimed) at 596 thousand tonnes during 1994-95 was higher by 8.8 per cent over that of 6.8 per cent in the previous year. The production of natural rubber (accounting for 79 per cent of total rubber production) increased by 8.3 per cent to 471 thousand tonnes in 1994-95 as against the higher growth of 10.7 per cent in 1993-94. Synthetic rubber output increased sharply by 22 per cent as against a steep decline of 13.8 per cent in the previous year (Table

IV-19). The consumption of rubber increased by 8.2 per cent during 1994-95 (6.7 per cent last year). The share of imports in total rubber consumption has declined from 13.5 per cent in 1993-94 to 10.8 per cent in 1994-95. The year-end stocks, however, declined by 3.2 per cent in 1994-95 as compared with a growth of 8.1 per cent in 1993-94 on account of a significant decline in the imports of natural rubber.

The demand for rubber was mostly derived from automobile tyre segment which recorded a growth of 12.6 per cent in 1994-95 on top of a 14.3 per cent rise in 1993-94 (Table IV-20). The production of automobile tubes, on the other hand, remained stagnant, while that of rubber footwear and cycle tyres declined. The market price of natural rubber remained well above the fair price of Rs.2,490/- per quintal revised in February 1994. The simple average price of RSS-IV grade rubber was Rs. 3,638/- in 1994-95 as against Rs.2,569/- in the previous year.

(k) Chemicals and Chemical Products

Fertilizers

During the year 1994-95, the production of nitrogenous and phosphatic fertilizer nutrients is estimated, respectively, at 79.51 lakh tonnes and 24.59 lakh tonnes, registering substantial rise of 7.7 per cent and 33.1 per cent over the year (Table IV-21). The impact of withdrawal of subsidy on phosphatic and potassic fertilisers and the resultant shift in the consumption pattern thereof coupled with the dumping of the DAP that affected the industry adversely in 1992-93 and 1993-94 seem to have been absent in 1994-95.

The total installed capacity as at end-March 1995 was 92.00 lakh tonnes of nitrogenous and 29.00 lakh tonnes of phosphatic fertilizers. Currently, five major fertilizer projects are under implementation at Shahjahanpur and Aonla (Uttar Pradesh), Vijaipur (Madhya Pradesh), Manali (Near Madras) and Cochin (Kerala) at a total cost of about Rs.4,378 crore. These projects together will produce, *inter alia*, 23.7 lakh tonnes of additional urea per annum. The main reasons for the anticipated shortfall in nitrogenous production in 1994-95 are the reduced availability of gas to the Thal unit of Rashtriya Chemicals and Fertilizers Ltd. (RCF), Hazira unit of Krishak Bharati Co-operative Ltd. (KRIBHCO) and other fertilizer plants on HBJ pipeline, the equipment problems in RCF, National Fertilizers Ltd. (NFL), Madras Fertilizer Ltd.(MFL) and in the Jagdishpur plant of Indo-Gulf, besides the fall in production in the units of two sick public sector undertakings namely, the Hindustan Fertilizer Corporation Ltd. (HFC) and the Fertilizer Corporation of India Ltd. (FCI).

The fertilizer industry has been availing of subsidies such as Retention Price subsidy and Equated Freight subsidy. Besides, a special concession of Rs.1,000/- per tonne on indigenous DAP and imported potash is also being provided to the farmers, along with proportionate concession on indigenous complex fertilizers and SSP. The total amount of subsidies paid on indigenously produced and imported fertilizers during the year 1994-95 is estimated at Rs.5,166 crore. Of the three main nutrients required for various crops - nitrogen, phosphate and potash - indigenous raw materials are available for nitrogen that meets approximately 80 per cent of the country's requirement. However, the entire domestic requirement of potassic fertilizers and of phosphatic fertilizers to a large extent is met through imports. The total imports of all the three nutrients during 1994-95 were placed at 24.29 lakh tonnes (upto December 1994).

Inorganic Chemicals

Among the major inorganic chemicals, the production of caustic soda at 1112.3 thousand tonnes during 1994-95, recorded a marginal rise. Production of soda ash, however, had declined by 6.1 per cent from 1544.9 thousand tonnes in

1993-94 to 1450.1 thousand tonnes in 1994-95, along with a commensurate reduction in capacity utilisation from 95.2 per cent in 1993-94 to 89.3 per cent in 1994-95. Being an intermediate product group, the inorganic chemical segment suffered mainly on account of the recessionary conditions prevailing in the user industries, e.g., paper and paper boards, soaps and detergents, man-made fibres and cotton textiles.

Pharmaceuticals

Despite the price control, patent policy uncertainty and technological obsolescence, the bulk drugs and formulations recorded increase in output of 9.8 per cent and 5.8 per cent, respectively, in 1994-95, on top of sharp growth of 26.3 per cent and 25.0 per cent in the previous year . As the growth of pharmaceutical industry depends on the rate of growth of population and changes in the age-structure, the country is in immediate need of two life line drugs - Penicillin and Refamacin - half the demand of which is met by indigenous products with the rest being imported.

India has gradually emerged as a net exporter of pharmaceutical products, from Rs.46 crore worth of exports in 1980-81, to around Rs.1,800 crore during 1994-95 mainly because the returns in the export markets are much more than in the domestic arena.

The pharmaceutical industry is one of the highly Research & Development (R & D) intensive industries and is therefore affected by the existing system of patent regime. This would mean a quantum jump in investment in R & D expenditure in future years from the existing level of about 1.5 per cent of sales.

In order to minimise the harmful effects of exclusive marketing rights on the price of the drug, the Union Government notified the Drug (Price Control) Order (DPCO), 1995 in January, 1995 outlining the criteria for identifying the drugs to be kept under price control. With the price control on 76 drugs mentioned in DPCO, almost 50 per cent of the retail pharmaceutical market would be under price control .

Petrochemicals

Petrochemicals have registered commendable growth in 1994-95. Synthetic materials like LDPE, DMT/PTA recorded excellent growth, based mainly on a large consumption base.

About 90 per cent of the variable cost in petrochemical manufacturing is primarily determined by feedstock cost (50 per cent) and energy cost (40 per cent). The price of feedstock such as naphtha supplied by the refining sector is administered in India and is substantially higher than the FOB prices at which it is available to the international competitors. In order to impart a level playing field, the Rakesh Mohan Committee suggested several reform measures like a mildly increasing import duty along the value chain with the highest duty on finished products, a switch over to VAT and various anti- dumping measures with the imposition of countervailing duty.

To meet the growing demand of petrochemicals in the country, the Government have sanctioned several mega petrochemical complexes, both gas-based and naphtha-based involving a total investment of Rs.33,000 crore. Customs duties were reduced in the union budget 1994-95 to encourage new projects in this activity.

(l) Sugar Production

Owing to the lower output of sugarcane and the diversion of cane for gur and khandsari, production of sugar during 1993-94 sugar season (October - September) dropped to 9.83 million tonnes (Table IV-22). With a lower opening stock of 3.23 million tonnes and imports of 2.0 million tonnes, the total availability of sugar during the season also declined to 15.06 million tonnes. The total off-take of sugar in 1993-94 season was 11.97 million tonnes (internal consumption 11.96 million tonnes and exports 0.01 million tonne). Thus, the closing stock for the season was 3.09 million tonnes. The sugar industry is poised for a record sugar output during 1994-95. Sugar production during the season upto June 1995 reached a record level of 14.19 million tonnes which is 48.2 per cent higher than that during the corresponding period of the previous year (9.57 million tonnes). The spurt in sugar production could be attributed to larger availability of sugarcane due to better weather conditions and lesser diversion of it for gur and khandsari. After taking into account a carryover stock of 3.09 million tonnes of sugar from the previous season, the total availability of sugar during 1994-95 (upto end-June 1995) aggregated 17.28 million tonnes which was higher by 4.48 million tonnes or 35.0 per cent when compared with the corresponding period of the previous season (12.80 million tonnes). The total off-take during the sugar season 1994-95 up till June 1995 was 7.91 million tonnes which was lower by 0.66 million tonnes or by 7.8 per cent than that during the corresponding period of the previous season (8.57 million tonnes). The end-June 1995 stocks, placed at 9.37 million tonnes, were more than double the stock level of end-June 1994 (4.23 million tonnes). The total release of sugar during 1994-95 (October - September) has been higher at 11.98 million tonnes (comprising of 4.18 million tonnes of levy sugar and 7.80 million tonnes of free sale sugar) as compared with 11.32 million tonnes (comprisig of 4.20 million tonnes of levy sugar and 7.12 mllion tonnes of free sale sugar) during the 1993-94 season (Table IV-23).

Policy Measures

During the year 1994-95, the Government implemented steps to provide incentives for improvement in sugarcane and sugar production. There was upward revision of Statutory Minimum Price (SMP) for sugarcane in consultation with the Commission for Agricultural Costs and Prices (CACP). The SMP has been raised from Rs. 34.50 per quintal in 1993-94 to Rs.39.10 per quintal linked to a basic recovery of 8.5 per cent for 1994-95 season. An advance announcement of SMP at Rs.42.50 per quintal has also been made for 1995-96 season. However, State Governments announce the State Advised Prices (SAP) which are substantially higher than the SMP and are paid by sugar factories to the cane growers for increasing production and improving productivity and quality of cane. With a view to increasing the production of sugar, various incentive schemes have been formulated from time to time for establishment of new units and expansion of existing projects. The "Sugar Incentive Scheme of 1993" was formulated by the Government to provide incentives for project licensed/to be licensed and to repayment of term loans advanced by the Central Financial Institutions and Sugar Development Fund.

Sugar Development Fund (SDF)

Since 1982, the year in which the SDF was created, uptill October 1994, a cess amount of Rs.1,528.77 crores has been collected and during the same period an amount of Rs.1,471.00 crores has been transferred to SDF, out of which Rs. 438.60 crore for sugarcane development and Rs.469.73 crores for modernisation/rehabilitation of sugar factories have been sanctioned upto December 1994 (for details regarding objectives of SDF, see Report on Currency & Finance, 1993-94).

Levy Sugar Price Equlization Fund

The Levy Sugar Price Equilization Fund Act 1976 has been in force since April 1976. During the year 1994-95, a sum of Rs.0.30 crore has been recovered from the sugar mills and credited to the fund bringing the total credit since the commencement of the Act to Rs.20.42 crores. In addition, the Food Corporation of India under the order of court of law had so far collected a sum of Rs. 23.11 crore by way of such recovery from sugar mills.

(m) Textiles - Cotton and Synthetics

The total production of yarn during 1994-95 at 2,090 Million Kilograms declined due to the falling output of cotton yarn (that consists of 76 per cent of the total yarn production) by 2.2 per cent, while all other categories of yarn, e.g., blended/mixed, man-made spun yarn showed reasonably good performance (Table IV-24). Inspite of rising exports of cotton yarn by 27.9 per cent in 1994-95, production suffered on account of rising price of raw cotton which resulted in a decline in domestic consumption mostly from the mill sector. The overall capacity utilisation of yarn declined again to 81 per cent this year after improving to 84 per cent in 1993-94 from 78 per cent in 1992-93.

Total production and consumption of fabric rose marginally by 1.4 per cent and 0.9 per cent in 1994-95 as compared with the growth of 9.5 per cent and 12.5 per cent, respectively, in 1993-94 (Table IV-25). While the overall production of the mill sector declined by 10.5 per cent, the production in the decentralised sector improved marginally by 2.3 per cent due to the improved performance of blended/mixed fabric and man-made fibre fabric . Since the decentralised powerloom sector enjoyed cost advantages in weaving operations with a reasonably advanced technology and low labour and maintenance costs, the organised mill sector is now shedding off its weaving operations on a large scale.

The industry was able to fully utilise the quota stipulated under the multi-fibre agreement consistently. The overall exports of cotton fabric grew by 22.5 per cent in 1994-95 on top of a growth of 29.4 per cent in 1993-94, despite an upward movement of cotton prices.

The man-made fibre segment grew substantially after the establishment of large petrochemical plants in the seventies. In response to the high growth in the blended yarn segment in 1994-95, the Government had to put its basic input polyester staple fibre on the Open General License . In the synthetic segment, nylon filament yarn suffered mostly on account of a shortage of caprolactum . In order to remove shortage of such inputs, customs duties were reduced drastically on almost all textile fibres, yarns, fibre intermediaries, raw materials and basic building blocks. Imports of fabrics and garments will also be brought under the open general licence over the next three or four years.

(n) Paper and Paper Boards and Newsprint

The production of paper and paper boards accelerated for the second year in succession despite a steep rise in the price of pulp in the international markets. (Table IV-26). With escalation in the international price of paper, there was a spurt in the export of paper and paper products in 1994-95. Domestic demand is also rising from the industrial segment to meet the demand for packaging and related activities.

Newsprint

Production of newsprint recorded growth of 11.1 per cent in 1994-95. Nonetheless, almost 40 per cent of the newsprint requirement in India is met through import. In view of the frequent increases in the prices of newsprint, the Government had placed newsprint under the OGL, with a provision for a periodic review of tariff protection. Major consumers like newspapers are obliged under the existing policy to lift two tonnes of Indian newsprint for every one tonne of imported material.

With the steady increase in demand, capacity utilisation has gone up from 66.6 per cent in 1993-94 to 71.4 per cent in 1994-95. Various policy measures have been initiated to improve production and financial viability of newsprint mills. They include delicensing of newsprint using at least 75 per cent pulp derived from bagasse, agro-residues and other non-conventional raw materials, duty free import of wood pulp for manufacture of newsprint and excise exemption on newsprint .

Table IV-1 : Trends in Index of Industrial Production (Base : 1980-81 = 100)

Sector	*Weight*	April-June		April-March					
		1995-96(P)	1994-95(P)	1994-95(P)		1993-94		1992-93	
		Index	Index	Index	Contribution to growth **	Index	Contribution to growth **	Index	Contribution to growth **
1	2	3	4	5	6	7	8	9	10
Mining and Quarrying	*11.46*	242.1 (15.3)	210.0 (1.4)	245.8 (6.2)	8.24	231.5 (3.5)	6.82	223.7 (0.6)	7.99
Manufacturing	*77.11*	246.7 (12.6)	219.1 (9.8)	243.6 (9.0)	77.88	223.5 (6.1)	75.34	210.7 (2.2)	75.65
Electricity	*11.43*	337.0 (12.5)	299.5 (6.9)	314.6 (8.5)	14.13	290.0 (7.5)	17.54	269.9 (5.0)	16.12
General Index (Crude)	*100.00*	256.5 (12.9)	227.2 (8.4)	251.9 (8.6)	100.00	232.0 (6.0)	100.00	218.9 (2.3)	100.00

P : Provisional.

** : Relative contribution to growth of a sector, say S during a given time frame, is measured by the ratio of incremental change in the index of S to incremental change in the overall index, adjusted for that sector's weight in the overall index.

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

Table IV-1A : Use-based Classification of Industrial Production

(1980-81 = 100)

Industry Groups	*Weight*	Growth rate (per cent)			
		April-June		April-March	
		1995-96(P)	1994-95(P)	1994-95(P)	1993-94
1	2	3	4	5	6
1. Basic Industries	*39.42*	12.5	6.9	3.8	9.4
2. Capital Goods Industries	*16.43*	18.4	18.3	25.0	4.1
3. Intermediate Goods Industries	*20.51*	5.5	5.5	3.9	11.7
4. Consumer Goods Industries	*23.65*	15.2	6.1	8.5	4.0
(a) Consumer Durables	*2.55*	22.6	15.0	9.8	16.1
(b) Consumer Non-Durables	*21.10*	13.2	4.0	8.2	1.4
Average		12.9	8.4	8.6	6.0

P : Provisional

Source : Central Statistical Organisation, GOI.

Table IV-1B : Growth in Index of Seventeen Major Groups of Manufacturing Sector
(Base : 1980-81=100)

Industry Group	*Weight*	Index (End June)		Relative Contribution (in Per cent)		Index (End March)		Relative Contribution (in Per cent)	
		1995-96(P)	1994-95(P)	1995-96(P)	1994-95(P)	1994-95(P)	1993-94	1994-95(P)	1993-94(P)
1	2	3	4	5	6	7	8	9	10
I. Acceleration (During 1994-95)									
1 Electrical machinery	*5.78*	582.1 (23.3)	471.9 (23.7)	29.9	34.8	609.2 (32.4)	460.1 (-4.9)	55.6	-13.7
2 Metal products	*2.29*	163.6 (18.3)	138.4 (14.8)	2.7	2.7	149.5 (18.2)	126.5 (1.5)	3.4	0.4
3 Paper and paper products	*3.23*	278.6 (14.8)	242.6 (13.1)	5.5	6.1	257.5 (14.5)	224.8 (6.6)	6.8	4.5
4 Food and food products	*5.33*	182.7 (46.2)	124.9 (-3.6)	14.5	-1.7	181.7 (13.6)	160.0 (-8.7)	7.5	8.2
5 Transport equipment	*6.39*	247.5 (16.5)	212.4 (20.1)	10.5	15.1	239.1 (13.2)	211.2 (5.3)	11.5	6.8
6 Chemicals and chemical products	*12.51*	331.3 (7.1)	309.2 (11.3)	13.0	26.1	327.7 (10.0)	297.9 (7.6)	24.1	26.5
7 Machinery, machine tools and parts	*6.24*	195.6 (8.1)	180.9 (7.5)	4.3	5.2	207.6 (9.7)	189.2 (4.4)	7.4	5.1
8 Textile products (including wearing apparel)	*0.82*	81.7 (5.8)	77.2 (25.6)	0.2	0.9	78.4 (6.9)	73.4 (-3.2)	0.3	-0.2
9 Non-metallic mineral products	*3.00*	257.2 (10.8)	232.1 (6.5)	3.5	2.8	233.7 (6.9)	218.5 (4.6)	2.9	2.9
10 Rubber, plastic and petroleum products	*4.00*	189.9 (8.8)	174.5 (-0.6)	2.9	-0.3	181.9 (3.1)	176.4 (1.0)	1.4	0.7
11 Other manufacturing industries	*0.90*	264.5 (9.0)	242.7 (-8.6)	0.9	-1.4	267.8 (0.3)	267.0 (-5.1)	0.0	-1.3
II. Deceleration (During 1994-95)									
12 Leather and fur products	*0.49*	220.9 (-2.6)	226.7 (7.4)	-0.1	0.5	211.3 (3.4)	204.3 (8.8)	0.2	0.8
13 Wood and wood products	*0.45*	215.4 (5.7)	203.8 (5.4)	0.2	0.3	203.0 (1.8)	199.3 (4.6)	0.1	0.4
III. Negative (During 1994-95)									
14 Basic metal and allied products	*9.80*	208.5 (11.0)	187.9 (10.6)	9.5	11.8	197.9 (-11.7)	224.2 (33.1)	-16.6	55.2
15 Jute, hemp and mesta textiles	*2.00*	85.8 (8.3)	79.2 (-20.7)	0.6	-2.7	92.4 (-10.5)	103.2 (18.7)	-1.4	3.3
16 Beverages, tobacco and tobacco products	*1.57*	161.2 (-0.9)	162.6 (15.0)	-0.1	2.2	134.4 (-2.5)	137.8 (21.3)	-0.3	3.8
17 Cotton textiles	*12.31*	158.4 (2.1)	155.1 (-1.9)	1.9	-2.4	155.8 (-2.9)	160.5 (6.9)	-3.7	12.9
Manufacturing	*77.11*	246.7 (12.6)	219.1 (9.8)	100.0	100.0	243.6 (9.0)	223.5 (6.1)	100.0	100.0

P : Provisional.

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

Source : Central Statistical Organisation.

Table IV-1C : Trends in Production of Infrastructure Industries

Industry	*Weight*	Unit	April-September 1995-96(P)	April-September 1994-95(P)	April-March 1994-95(P)	April-March 1993-94
1	2	3	4	5	6	7
Electricity	*11.43*	Billion Units	186.0 (+10.9)	167.7 (+7.0)	351.0 (+8.5)	323.5 (+7.4)
Coal	*6.61*	Million Tonnes	112.0 (+8.9)	102.8 (−0.7)	253.8 (+3.2)	246.0 (+3.3)
Saleable Steel *	*5.21*	"	6.6 (+10.2)	6.0 (+7.8)	12.8 (+8.3)	11.9 (+4.6)
Cement	*1.6*	"	33.1 (+11.0)	29.8 (+5.0)	62.4 (+7.6)	58.0 (+7.4)
Petroleum Crude	*2.41*	"	17.7 (+16.2)	15.2 (+16.0)	32.2 (+19.2)	27.0 (+0.3)
Petroleum Refinery Products @	*1.32*	"	27.2 (+4.9)	26.0 (+4.2)	52.5 (+3.9)	50.5 (+1.5)
Composite Index of Infrastructure Industries #	*28.77*		276.8 (+10.7)	250.0 (+6.5)	269.9 (+8.1)	249.8 (+5.3)

* : Data on Production of Secondary producers not included.
@ : Represents 93 per cent of the refinery throughput.
\# : (Base : 1980-81=100)
Note : Figures in brackets are percentage variations over the previous year.
Source : Ministry of Planning and Programme Implementation, Government of India.

Table No.IV-2 : Employment in Organised Sector

At the end of	Employment (in lakh)			Percentage change over the previous year		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
1	2	3	4	5	6	7
March 1992	193.06	78.46	271.46	1.3	2.2	1.5
March 1993(P)	193.26	78.50	271.77	0.1	2.3	0.1
March 1994(P)	193.85	78.66	272.51	0.3	0.2	0.3

P : Provisional.
Source : Directorate General of Employment and Training, Ministry of Labour, Government of India.

Table No.IV -3 : Employment in Public Sector

Public Sector	Estimated at End-March		
	1992	1993	1994
1	2	3	4
Central Government	34.28 (+0.8)	33.83 (-1.3)	N.A.
State Government	71.90 (+1.1)	72.93 (+1.4)	N.A.
Quasi Government	63.93 (+2.7)	64.90 (+1.5)	N.A.
Local Bodies	21.98 (-5.0)	21.60 (-1.7)	N.A.
Total	**193.00** **(+1.3)**	**193.26** **(+0.1)**	**193.85** **(+0.3)**

Source : Directorate General of Employment & Training, Ministry of Labour, Government of India.
N.A. : Not Available.

Table IV - 4 : Small-Scale Sector

Item	April-March		
	1992-93	1993-94	1994-95(P)
1	2	3	4
1. Number of units (Lakh Nos)	22.46 (+7.9)	23.84 (+6.1)	25.71 (+7.8)
2. Production (Rupees crore at 1990-91 prices)			
Target	1,68,000	1,79,760	1,96,118
Achievement	1,69,125 (+5.6)	1,81,133 (+7.1)	1,99,029 (+9.9)
3. Production (Rupees crore at current prices)	2,09,300 (+17.1)	2,41,648 (+15.4)	2,93,031 (+21.3)
4. Employment (Lakh persons)	134.06 (+3.3)	139.38 (+4.0)	146.56 (+5.1)
5. Exports (Rupees crore)	17,784.82 (+28.1)	25,307.10 (+42.3)	30,053.00 (+18.7)

P : Provisional.
Notes : 1) Figures in brackets indicate percentage change over the preceding year.
2) Data pertain to modern SSI sector (exclusive of powerlooms and traditional industries).
Source : (1) Office of the Development Commissioner , Small Scale Industries, Ministry of industry.
(2) Small Industrial Development Bank of India (SIDBI).

Table IV-5 : State-wise classification of Sick Small-Scale industrial units and outstanding bank credit as at the end of March 1994

(Amount in Rs.crore)

States/Union Territories	Total Sick Units	
	No.of Units	Amount Outstanding
1	2	3
Eastern Region		
Assam	14,210	40.52
Meghalaya	317	2.11
Mizoram	119	0.66
Bihar	17,063	113.92
Arunachal Pradesh	123	0.67
West Bengal	56,083	359.49
Nagaland	1,063	4.96
Manipur	2,350	2.37
Orissa	17,235	74.50
Sikkim	77	0.44
Tripura	764	2.56
A & N Islands	25	0.35
Total	**1,09,429**	**602.55**
	(42.67)	**(16.37)**
Northern Region		
Uttar Pradesh	33,915	335.43
Delhi	5,516	242.99
Punjab	2,434	64.59
Haryana	1,669	79.53
Chandigarh	179	10.24
J & K	162	5.14
Himachal Pradesh	614	17.46
Rajasthan	14,665	74.72
Total	**59,154**	**830.10**
	(23.07)	**(22.55)**
Western Region		
Gujarat	7,812	235.47
Maharashtra	21,350	768.44
Daman & diu	6	0.79
Goa	710	21.07
D & N Haveli	10	1.74
Madhya Pradesh	9,795	143.97
Total	**39,683**	**1,171.48**
	(15.47)	**(31.83)**
Southern Region		
Andhra Pradesh	13,842	262.79
Karnataka	15,145	204.35
Lakshadweep	-	
Tamil Nadu	8,125	428.27
Kerala	10,792	169.38
Pondicherry	282	11.45
Total	**48,186**	**1,076.24**
	(19.00)	**(29.24)**
TOTAL (All India)	**2,56,452**	**3,680.37**

Notes : A small-scale industrial unit is considerd as sick when : 1) any of its borrowal accounts has become a 'doubtful' advance i.e. principal or interest in respect of any of its borrowal accounts has remained overdue for a period exceeding 2 1/2 years, and 2) there is erosion in the net worth due to accumulated cash losses to the extent of 50 per cent or more of its peak net worth during the preceding two accounting years.

ii) Figures in brackets indicate percentage share to the all India total.

Source : Industrial Export & Credit Department, Reserve Bank of India.

Table IV-6 : Performance of Coal Industry

(Million Tonnes)

Item	April-March		
	1992-93	1993-94	1994-95(P)
1	2	3	4
1. Production			
(a) Coal (i+ii)	**238.5 (+4.0)**	**248.7 (+4.3)**	**251.0 (+0.9)**
(i) Coking Coal	45.2 (-1.5)	44.7 (-1.1)	42.6 (-4.7)
(ii) Non-coking Coal	193.3 (+5.3)	204.0 (+5.5)	208.4 (+2.2)
(b) Lignite	16.6 (+3.8)	18.1 (+9.0)	19.3 (+6.6)
2. Imports (Coking Coal)	**6.5 (+10.2)**	**7.1 (+9.2)**	**8.3 (+16.9)**
3. Despatches (i+ii)	**232.8 (+6.3)**	**245.1 (+5.3)**	**246.8 (+0.7)**
(i) Coking Coal	44.2 (+3.5)	44.6 (+0.9)	43.2 (+3.1)
(ii) Non-coking Coal	188.6 (+7.0)	200.5 (+6.3)	203.6 (+1.5)
4. Exports	**0.1**	**0.1**	**0.1**
5. Year-end Pit-head Stocks (i+ii)	**51.4 (+6.0)**	**50.8 (-1.2)**	**47.5 (-6.5)**
(i) Coking Coal	15.8 (-5.4)	14.8 (-6.3)	10.4 (-29.7)
(ii) Non-coking Coal	35.6 (+11.9)	36.0 (+1.1)	37.1 (+3.1)

P : Provisional.
Note : Figures in brackets represent percentage variations over the previous year.

Source : Ministry of Coal, Government of India.

Table IV-7 : Performance of Iron Ore Industry

(Million Tonnes)

Item	April-March		
	1992-93	1993-94	1994-95(P)
1	2	3	4
1. Production	57.1 (-2.4)	58.3 (+2.1)	60.7 (+4.1)
2. Despatches for internal consumption	28.2 (+8.9)	28.4 (+0.7)	32.2 (+13.4)
3. Despatches for export	22.2 (-24.7)	26.9 (+21.2)	NA
4. Year-end stocks	4.7 (-2.1)	4.7 (-)	4.8 (+2.1)

P : Provisional.
Note : Figures in brackets represent percentage variations over the previous year.

Source : Indian Bureau of Mines, Government of India.

Table IV - 8 : Performance of Cement Industry

(Million tonnes)

Item	April - March		
	1992-93	1993-94	1994-95 (P)
1	2	3	4
1. Installed Capacity	69.8 (+5.4)	76.9 (+10.2)	82.7 (+7.5)
2. Production	53.8 (+0.4)	58.0 (+7.8)	62.4 (+7.6)
3. Despatches	50.7 (+0.4)	54.2 (+6.9)	58.3 (+7.6)
4. Average Capacity Utilisation (per cent)	77.1	75.4	75.4
5. Imports	NIL	NIL	NIL
6. Exports	0.8	1.3	1.6
7. Year-end stocks	0.8	0.7	0.8

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

Source : Cement Manufacturers' Association.

Table IV - 9 : Output of Cement Industry

(Million tonnes)

Item	April -March		
	1992-93	1993-94	1994-95 (P)
1	2	3	4
1. Public Sector	**5.3** (**+1.9**)	**5.5** (**+3.8**)	**4.5** (**-18.2**)
(a) Cement Corporation of India	3.0 (-6.2)	2.8 (-6.7)	2.2 (-11.4)
(b) Others	2.3 (+15.0)	2.7 (+17.4)	2.3 (-14.8)
2. Private Sector	**45.5** (**+0.2**)	**48.6** (**+6.8**)	**53.8** (**+10.7**)
3. Mini and White Cement Plants	**3.0** (**-**)	**3.9** (**+30.0**)	**4.0** (**+2.6**)
Total (1 to 3)	**53.8** (**+0.4**)	**58.0** (**+7.8**)	**62.4** (**+7.6**)

P : Provisional.
Note : Figures in brackets represent percentage variations over the previous year.

Source : Cement Manufacturers' Association, New Delhi.

Table IV - 10 : Production of Iron and Steel

('000 tonnes)

	Pig Iron				Saleable Steel			
	1991-92	1992-93	1993-94	1994-95(P)	1991-92	1992-93	1993-94	1994-95(P)
A. Production								
1. Rourkela	41.0	30.0	48.0	38.0	1,125.0	1,179.0	1,130.0	1,196.0
	(-18.0)	(-26.8)	(+60.0)	(-20.8)	(+3.5)	(+4.8)	(-4.2)	(+5.8)
2. Bhilai	175.0	135.0	300.0	279.0	3,104.0	3,118.0	3,335.0	3,407.0
	(+83.1)	(-22.9)	(+122.2)	(-7.0)	(+11.1)	(+0.5)	(+7.0)	(+2.2)
3. Durgapur	70.0	17.0	35.0	181.0	682.0	641.0	642.0	827.0
	(-20.0)	(-75.7)	(+105.9)	(+417.1)	(-6.2)	(-6.0)	(+0.2)	(+28.8)
4. Bokaro	171.0	154.0	203.0	257.0	2,730.0	2,999.0	3,205.0	3,169.0
	(-48.5)	(-9.9)	(+31.8)	(+26.6)	(+12.5)	(+9.9)	(+6.9)	(-1.1)
Total (SAIL)	**457.0**	**336.0**	**586.0**	**755.0**	**7,641.0**	**7,937.0**	**8,312.0**	**8,599.0**
	(-19.1)	**(-26.5)**	**(+74.4)**	**(+28.8)**	**(+8.6)**	**(+3.9)**	**(+4.7)**	**(+3.5)**
5. IISCO	389.0	430.0	406.0	403.0	387.0	398.0	333.0	332.0
	(+26.4)	(+10.5)	(-5.6)	(-0.7)	(+17.6)	(+2.8)	(-16.3)	(-0.3)
6. TISCO	-	-	-	-	2,038.0	2,124.0	2,154.0	2,446.0
					(+4.8)	(+4.2)	(+1.4)	(+13.6)
7. VSP	642.0	914.0	985.0	848.0	504.0	879.0	1,184.0	1,555.0
	(+23.4)	(+42.4)	(+7.8)	(-13.9)	(@)	(+74.4)	(+34.7)	(+31.3)
Total (1 to 7)	**1,488.0**	**1,680.0**	**1,977.0**	**2,006.0**	**10,570.0**	**11,338.0**	**11,983.0**	**12,932.0**
	(+6.8)	**(+12.9)**	**(+17.7)**	**(+1.5)**	**(+13.3)**	**(+7.3)**	**(+5.7)**	**(+7.9)**
8. Secondary Producers	102.0	165.0	273.0	765.0	3,400.0	3,377.0	2,700.0	3,100.0
	(+0.0)	(+61.8)	(+65.5)	(+180.2)	(-11.9)	(-0.7)	(-20.0)	(+14.8)
Total (A)	**1,590.0**	**1,845.0**	**2,250.0**	**2,771.0**	**13,970.0**	**14,715.0**	**14,683.0**	**16,032.0**
	(+6.3)	**(+16.0)**	**(+22.0)**	**(+23.2)**	**(+5.9)**	**(+5.3)**	**(-0.2)**	**(+9.2)**
B. Sales								
1. Sales (Domestic)	1,247.0	1,423.0	1,248.0	1,203.0	8,490.0	8,369.0	9,190.0	10,428.0
	(+2.7)	(+14.1)	(-12.3)	(-3.6)	(+9.7)	(-1.4)	(+9.8)	(+13.5)
2. Imports	152.0	73.0	21.0	1.0	997.0	1,085.0	1,155.0*	1,735.0
	(-19.5)	(-52.0)	(-71.2)	(-95.2)	(-21.1)	(+8.8)	(+6.5)	(+50.2)
Total (B)	**1,399.0**	**1,496.0**	**1,269.0**	**1,204.0**	**9,487.0**	**9,454.0**	**10,345.0**	**12,163.0**
	(-0.3)	**(+6.9)**	**(-15.2)**	**(-5.1)**	**(+5.4)**	**(-0.3)**	**(+9.4)**	**(+17.6)**
C. Exports	**-**	**16.0**	**620.0**	**466.0**	**373.0**	**895.0**	**1,559.0**	**1,240.0**
			(-)	**(-24.8)**	**(-)**	**(+139.9)**	**(+74.2)**	**(-20.5)**
D. Year-end stocks	**124.0**	**295.0**	**202.0**	**154.0**	**535.0**	**1,022.0**	**812.0**	**689.0**
	(+53.5)	**(+137.9)**	**(-31.5)**	**(-23.8)**	**(+19.9)**	**(+91.0)**	**(-20.5)**	**(-15.1)**

P : Provisional. @ : Shows a very large percentage variation.

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

Source : Joint Plant Committee and Steel Authority of India Ltd.

Table IV - 11 : Power-Installed Plant Capacity

(Mega Watt)

April-March	Thermal	Hydel	Nuclear	Non-conventional	Total
1	2	3	4	5	6
1992-93	50,713	19,569	2,005	32	72,319
	(+5.5)	(+2.0)	(+12.3)	(-)	(+4.7)
1993-94	54,315	20,366	2,005	32	76,718
	(+7.1)	(+4.1)	(-)	(-)	(+6.1)
1994-95 (P)	58,073	20,829	2,225	37	81,164
	(+6.9)	(+2.3)	(+11.0)	(+15.6)	(+5.8)

P : Provisional.

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

Source : Central Electricity Authority.

Table IV - 12 : Source wise Targets, Generation and Achievement of Electric Power

(Billion KWH)

Source	April-March								
	1992-93			1993-94			1994-95 (P)		
	Target	Generation	Percentage Achievement	Target	Generation	Percentage Achievement	Target	Generation	Percentage Achievement
1	2	3	4	5	6	7	8	9	10
1. Thermal	229.0	224.4	98.0	243.2	247.8	101.9	274.7	262.9	95.7
	(+8.2)	(+7.7)		(+6.2)	(+10.4)		(+13.0)	(+6.1)	
2. Hydel	66.3	69.8	105.3	67.5	70.3	104.1	69.0	82.5	119.6
	(+2.2)	(-3.9)		(+1.8)	(+0.7)		(+2.2)	(+17.4)	
3. Nuclear	7.4	6.7	90.5	6.0	5.4	90.0	8.3	5.6	67.4
	(+7.2)	(+19.6)		(-18.9)	(-19.4)		(+38.3)	(+3.7)	
4. Total	**302.7**	**301.0**	**99.4**	**316.7**	**323.5**	**102.1**	**352.0**	**351.0**	**99.7**
	(+6.8)	**(+5.0)**		**(+4.6)**	**(+7.5)**		**(+11.1)**	**(+8.5)**	

P : Provisional.

Note : Figures in brackets represent variations over the previous year.

Source : Central Electricity Authority.

Table IV - 12A : All India/Region-Wise Demand and Supply of Electricity and Deficit

(Billion KWH)

Region	1992-93			1993-94			1994-95 (P)		
	Requirement	Availability	Deficit (Percentage)	Requirement	Availability	Deficit (Percentage)	Requirement	Availability	Deficit (Percentage)
1	2	3	4	5	6	7	8	9	10
Northern Region	92.2	87.0	5.6	97.3	90.5	7.0	104.7	97.1	7.3
Western Region	93.7	88.5	5.6	99.6	95.7	3.9	110.3	106.0	3.9
Southern Region	79.9	71.8	10.1	84.7	77.4	8.6	93.0	85.6	8.0
Eastern Region	35.8	29.4	17.9	37.9	32.5	14.2	40.3	35.1	12.9
North-Eastern Region	3.7	3.1	16.2	3.7	3.3	10.8	3.9	3.4	12.8
All India	**305.3**	**279.8**	**8.4**	**323.2**	**299.4**	**7.4**	**352.2**	**327.2**	**7.1**

P : Provisional.
Source : Central Electricity Authority.

Table IV-13 : Crude Oil and Petroleum Refinery Products

(Thousand Tonnes)

Item	April-March		
	1992-93	1993-94	1994-95(P)
1	2	3	4
A) Crude Oil			
a) **Production (i+ii)**	**26,950**	**27,026**	**32,230**
	(-11.2)	**(+0.3)**	**(+19.3)**
(i) On-shore	11,204	11,651	12,017
	(-1.6)	(+4.0)	(+3.1)
(ii) Off-shore	15,746	15,375	20,213
	(-17.0)	(-2.4)	(+31.5)
b) **Imports (Gross)**	**29,247**	**30,822**	**27,349**
	(+21.9)	**(+5.4)**	**(-11.3)**
B) Petroleum Refinery Products			
a) **Production**	**50,359**	**51,084**	**52,835**
	(+4.2)	**(+1.4)**	**(+3.4)**
of which :			
(i) Naphtha	4,586	4,666	5,573
	(+0.9)	(+1.7)	(+19.4)
(ii) Kerosene	5,199	5,266	5,261
	(-2.6)	(+1.3)	(-0.1)
(iii) High Speed Diesel Oil	18,289	18,809	19,593
	(+5.1)	(+2.8)	(+4.2)
b) **Imports (Gross)**	**11,283**	**12,076**	**13,951**
	(+19.5)	**(+7.0)**	**(+15.5)**
of which :			
(i) Naphtha	-	-	-
(ii) Kerosene	3,463	3,946	4,240
	(+2.9)	(+13.9)	(+7.5)
(iii) High Speed Diesel Oil	7,159	7,555	8,637
	(+34.3)	(+5.5)	(+14.3)

P : Provisional.
Note : Figures in brackets represent percentage variations over the previous year.
Source : Ministry of Petroleum and Natural Gas.

Table IV - 14 : Output of Selected Heavy Mechanical Industries

Item	Unit	April - March		
		1992-93	1993-94	1994-95(P)
1	2	3	4	5
1. Automobiles				
i) Passenger cars	'000 Nos.	162.6 (-1.2)	209.8 (+29.0)	244.6 (+16.6)
ii) Commercial vehicles	"	133.2 (-11.1)	145.3 (+9.1)	195.0 (+34.2)
iii) Jeeps	"	39.3 (+42.9)	48.0 (+22.1)	48.7 (+1.5)
2. Scooters, motor cycles & mopeds	"	1,509.8 (-5.9)	1,756.7 (+16.4)	2,192.0 (+24.7)
3. Structurals	'000 Tonnes	158.5 (+5.2)	150.9 (-4.8)	148.6 (-1.5)
4. Steel castings**	"	359.4 (-8.6)	360.9 (+0.4)	383.2 (+6.2)
5. Diesel engines**	"	1,681.9 (+0.4)	1,673.4 (-0.5)	1,619.8 (-3.2)
6. Railway wagons (in terms of four wheelers)	"	25.0 (-0.8)	19.3 (-22.8)	14.7 (-23.8)
7. Road rollers	Nos.	35.0 (-81.9)	53.0 (+51.4)	200.0 (+277.4)
8. Lifts	"	3,283.0 (+13.8)	3,696.0 (+12.6)	3,390.0 (-8.3)
9. Tractors	'000 Nos.	146.4 (-12.0)	138.7 (-5.3)	157.8 (+13.8)

P : Provisional.
** : Includes production from small-scale sector.
Note : Figures in brackets indicate percentage variations over the corresponding period of the previous year.

Source : Ministry of Industry, Government of India.

Table IV-15 : Output of Selected Light Mechanical Engineering Industries

Item	Unit	April - March		
		1992-93	1993-94	1994-95(P)
1	2	3	4	5
Typewriters	000 Nos.	108.9 (-6.0)	78.9 (-27.5)	85.0 (+7.7)
Bicycles	"	6,964.4 (-2.6)	7,775.2 (+11.6)	8,901.9 (+14.5)
Sewing Machines	"	127.0 (-16.0)	111.8 (-12.0)	99.3 (-11.2)
Razor Blades	Mill. Nos.	3,099.3 (-10.6)	3,445.0 (+11.2)	3,251.8 (-5.6)
Wrist Watches	"	9.7 (+2.1)	8.4 (-13.4)	7.1 (-15.5)

P : Provisional.
Note : Figures in brackets indicate percentage variations over the previous year.
Source : C.S.O. and Ministry of Industry, Government of India.

Table IV - 16 : Output of Selected Electrical Engineering Industries

Item	Unit	April - March		
		1992-93	1993-94	1994-95(P)
1	2	3	4	5
A. Light Electrical Engineering				
1. Electrical Lamps				
i) Incandescent	Mill.Nos.	303.1	325.6	371.0
		(+5.0)	(+7.4)	(+13.9)
ii) Fluorescent	"	69.4	76.3	92.0
		(-4.0)	(+9.9)	(+20.6)
2. Electrical Fans**		5.1	6.1	9.9
		(-3.8)	(+19.6)	(+62.3)
3. Radio Receivers	'000 Nos.	245.1	151.9	209.8
		(-13.0)	(-38.0)	(+38.1)
4. Storage Batteries	"	2,653.9	2,869.1	3,082.3
		(-30.5)	(+8.1)	(+7.4)
5. Dry Cells	Mill. Nos.	1,192.5	1,285.2	1,288.9
		(-8.5)	(+7.8)	(+0.3)
6. Domestic Refrigerators	'000 Nos.	997.1	1,289.2	1,641.3
		(-12.0)	(+29.3)	(+27.3)
B. Heavy Electrical Engineering				
1. Power Transformers	Mill.KVA.	34.8	33.4	40.6
		(+1.2)	(-4.0)	(+21.6)
2. Electric Motors	Mill.H.P.	5.3	6.1	6.7
		(-13.0)	(+15.1)	(+9.8)
3. Power Driven Pumps	'000 Nos.	523.5	470.9	513.0
		(-1.5)	(-10.0)	(+8.9)

P : Provisional.
** : Includes production from the small-scale sector.
Note : Figures in brackets represent percentage variations over the previous year.

Source : Ministry of Industry, Government of India.

Table IV-17 : Production of Non-ferrous Metals

(Thousand Tonnes)

Item	1992-93	1993-94	1994-95 (p)
1	2	3	4
Virgin Metals			
1. Aluminium	487	460.7	482.6
	(-4.8)	(-5.4)	(+4.8)
2. Copper	47.0	52.0	46.1
	(+4.2)	(+10.6)	(-11.5)
3. Zinc	126.5	141.5	149.1
	(+34.9)	(+11.9)	(+5.3)
4. Lead	40	28	43.8
	(+26.2)	(-29.9)	(+56.7)
Semi-Manufactures			
1. Aluminium			
a) Sheets and circles rolled products	84.9	100.9	114.5
	(+1.2)	(+18.8)	(+13.4)
b) Wire rods for aluminium conductors steel reinforced (ACSR/AAC)	25.6	27.2	27.6
	(-55.0)	(+6.1)	(+1.4)
2. Copper/Brass sheets and circles rolled products	22.9	36.5	40.9
	(-17.3)	(+59.1)	(+12.1)

P : Provisional.
Note : Figures in brackets represent percentage variations over the corresponding period of the previous year.
Source : Office of the Economic Adviser, Ministry of Industry, Government of India.

Table IV - 18 : Jute Textiles

(Thousand tonnes)

Item	Year (April-March)	Hessian	Sacking	Carpet backing	Others	Total
1	2	3	4	5	6	7
Production	1992-93	317.9	659.3	31.3	301.9	1,310.4
		(-6.1)	(+1.4)	(+25.2)	(+14.1)	(+2.5)
	1993-94	341.8	784.3	23.4	298.6	1,448.1
		(+7.5)	(-19.0)	(-25.2)	(-1.1)	(+10.5)
	1994-95(P)	333.5	689.6	32.5	318.6	1,374.2
		(-2.4)	(-12.1)	(+38.9)	(+6.7)	(-5.1)
Consumption	1992-93	217.8	626.2	1.6	252.7	1,098.3
		(+18.4)	(-3.5)	(-57.9)	(+3.6)	(+1.7)
	1993-94	242.3	752.5	1.7	243.0	1,239.5
		(+11.2)	(+20.2)	(+6.3)	(-3.8)	(+12.9)
	1994-95(P)	245.7	679.9	2.2	244.2	1,172.0
		(+1.4)	(-9.6)	(+29.4)	(+0.5)	(-5.4)
Year-end Stocks	1992-93	22.8	19.8	7.0	15.4	65.0
		(+12.3)	(+8.8)	(+233.3)	(+55.6)	(+28.7)
	1993-94	26.1	23.1	3.3	16.6	69.1
		(+14.5)	(+16.7)	(-52.9)	(+7.8)	(+6.3)
	1994-95(P)	27.8	19.1	1.2	15.2	63.3
		(+6.5)	(-17.3)	(-63.6)	(-8.4)	(-8.4)

P : Provisional.
Note : Figures in brackets represent percentage variations over the preceding year.
Source : Ministry of Textiles, Office of the Jute Commissioner, Government of India.

Table IV - 19 : Rubber

(Thousand Tonnes)

Item	April - March		
	1992-93	1993-94	1994-95(P)
1	2	3	4
Production	**513**	**548**	**596**
	(+7.1)	**(+6.8)**	**(+8.8)**
Natural	393	435	471
	(+7.1)	(+10.7)	(+8.3)
Synthetic	58	50	61
	-	(-13.8)	(+22.0)
Reclaimed	62	63	64
	(+14.8)	(+1.6)	(+1.6)
Imports	**67**	**84**	**73**
	(+24.1)	**(+25.4)**	**(-13.1)**
Natural	16	21	9
	(+14.3)	(+31.3)	(-57.1)
Synthetic	50	63	64
	(+25.0)	(+26.0)	(+1.6)
Total Availability	**580**	**632**	**669**
	(+8.8)	**(+9.0)**	**(+5.9)**
Natural	409	456	480
	(+7.3)	(+11.5)	(+5.3)
Synthetic	108	113	125
	(+10.2)	(+4.6)	(+10.6)
Reclaimed	62	63	64
	(+14.8)	(+1.6)	(+1.6)
Consumption	**584**	**623**	**674**
	(+8.1)	**(+6.7)**	**(+8.2)**
Natural	414	450	486
	(+8.9)	(+8.7)	(+8.0)
Synthetic	107	110	123
	(+0.9)	(+2.8)	11.8
Reclaimed	62	63	65
	(+14.8)	(+1.6)	(+3.2)
Consumption Met Through			
Imports (%)	**11.5**	**13.5**	**10.8**
Natural	**3.9**	**4.7**	**1.9**
Synthetic	**46.7**	**57.3**	**52.0**
Year-End Stocks	**86**	**93**	**90**
	(-10.4)	**(+8.1)**	**(-3.2)**
Natural	71	77	70
	(-12.3)	(+8.5)	(-9.1)
Synthetic	12	14	17
	(+9.1)	(+16.7)	(+21.4)
Reclaimed	3	2	3
	(+25.0)	(-33.3)	(+50.0)

P : Provisional.
Note : Figures in brackets represent percentage variation s over the preceding year.
Source : Rubber Board, Government of India.

Table IV-20 : Production of Tyres, Tubes and Footwear

(Mill. numbers)

Year (April-March)	Automobile Tyres		Automobile Tubes	Bicycle Tyres	Rubber Footwear
	Total	of which Giant Tyres			
1	2	3	4	5	6
1991-92	16.4	6.1	12.9	22.5	24.7
	(-4.8)	(-0.5)	(+0.2)	(-9.3)	(-18.9)
1992-93	16.5	6.6	13.3	19.3	28.4
	(+0.6)	(+8.4)	(+3.3)	(-14.0)	(+15.1)
1993-94(P)	1.9	7.1	17.0	12.3	35.5
	(+14.3)	(+6.9)	(+28.2)	(-36.2)	(+24.8)
1994-95(P)	21.2	7.8	17.0	9.9	33.3
	(+12.6)	(+11.8)	(-)	(-19.6)	(-6.0)

P : Provisional.

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

Source : Central Statistical Organisation.

Table No.IV-21 : Production of Major Chemicals and Chemical Products

(Thousand Tonnes)

Item	April-March		
	1992-93	1993-94	1994-95(P)
1	2	3	4
1. Fertilizers			
a. Nitrogenous Fertilisers	7,497.6	7,383.6	7,951.4
(N content)	(+3.6)	(-1.5)	(+7.7)
b. Phosphatic Fertilisers	2,375.9	1,847.1	2,459.1
($P_2 O_5$)	(-6.3)	(-22.3)	(+33.1)
2. Inorganic Chemicals			
a. Caustic Soda	1,072.8	1,109.7	1,112.3
	(+3.5)	(+3.4)	(+0.2)
b. Soda Ash	1,391.5	1,544.9	1,450.1
	(-1.2)	(+11.0)	(-6.1)
3. Paints and Varnishes*	299.3	308.4	397.0
	(-0.9)	(+3.0)	(+28.7)
4. Soaps*	1,457.2	1,460.9	1,465.2
	(-5.8)	(+0.2)	(+0.3)
5. Synthetic Detergents	279.5	307.7	335.9
	(+16.5)	(+10.1)	(+9.2)
6. Drugs & Pharmaceuticals (Rs. Crore)			
i) Bulk Drugs	1,045.0	1,320.0	1,450.0
	(+16.1)	(+26.3)	(+9.8)
ii) Formulations	5,520.0	6,900.0	7,300.0
	(+15.0)	(+25.0)	(+5.8)
7. Petrochemicals			
i) Low Density Polyethylen	151.8	168.7	256.1
(LDPE)	(+73.3)	(+11.1)	(+51.8)
ii) PVC Resins	250.0	315.6	324.1
	(+61.1)	(+26.2)	(+2.7)
iii) DMT/PTA	124.2	113.2	138.6
	(-3.4)	(-8.9)	(+22.4)
iv) Caprolactum	42.6	73.3	75.5
	(+18.7)	(+72.1)	(+3.0)

P : Provisional.

* : Includes production in Small-scale Sector.

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

Source : i) Ministry of Industry, Government of India
ii) Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilisers, Government of India.

Table IV-22 : Balance Sheet of Sugar
(October-September)

(Lakh tonnes)

Item	1992-93	1993-94	1993-94 (Oct- June)	1994-95 (Oct- June)
1	2	3	4	5
1. Opening Stock	49.02 (47.21)	32.25 (-34.21)	32.25	30.88 @ (-4.25)
2. Production	106.09 (-20.88)	98.33 (-7.31)	95.71	141.88 (48.24)
3. Import	-	20.00 +	N.A.	-
4. Total Supply (1+2+3)	155.11 (-7.34)	150.58 (-2.92)	127.96	172.76 (35.01)
5. Internal Consumption	118.75 (5.32)	119.60 (0.72)	85.68	79.11 * (-7.67)
6. Exports	4.11 (-26.87)	0.10 (-97.57)	-	-
7. Total off-take (5+6)	122.86 (3.79)	119.70 (-2.57)	85.68	79.11 * (-7.67)
8. Closing Stock (4-7)	32.25 (-34.21)	30.88 (-4.25)	42.28	93.65 (121.50)

\+ : This is the total imports of which some quantities arrived in the next season 1994-95.
@ : Including stocks of imported sugar.
* : Including off-take of imported sugar.
N.A. : Not Available.
Note : Figures in brackets are percentage variation over the previous year/period.

Source : Indian Sugar Mills Association.

Table IV-23 : Sugar Releases During 1992-93, 1993-94 and 1994-95 Seasons.

(Lakh tonnes)

Month	1992-93			1993-94			1994-95		
	Levy	Free-sale	Total	Levy	Free-sale	Total	Levy	Free-sale	Total
1	2	3	4	5	6	7	8	9	10
October	4.11	7.35	11.46	3.92	7.00	10.92	3.80	7.00	10.80
November	3.50	6.50	10.00	3.66	7.20	10.86	3.48	7.00	10.48
December	3.50	6.20	9.70	3.52	6.10	9.62	3.36	6.10	9.46
January	3.50	5.35	8.85	3.51	5.75	9.26	3.35	5.75	9.10
February	3.50	5.50	9.00	3.52	5.65	9.17	3.88	5.75	9.63
March	3.50	6.50	10.00	3.50	6.00	9.50	3.35	6.15	9.50
April	3.50	6.50	10.00	3.31	5.45	8.76	3.35	6.30	9.65
May	3.50	6.50	10.00	3.34	4.90	8.24	3.35	6.70	10.05
June	3.50	6.25	9.75	3.36	5.60	8.96	3.35	7.00	10.35
July	3.50	6.30	9.80	3.36	6.00	9.36	3.50	6.90	10.40
August	3.50	6.20	9.70	3.40	5.75	9.15	3.50	6.70	10.20
September	3.50	6.20	9.70	3.65	5.75	9.40	3.51	6.70	10.21
Total	**42.61**	**75.35**	**117.96**	**42.05**	**71.15**	**113.20**	**41.78**	**78.05**	**119.83**
Monthly Avg.	**3.55**	**6.28**	**9.83**	**3.50**	**5.93**	**9.43**	**3.48**	**6.50**	**9.99**

Source : Indian Sugar Mills Association.

Table IV - 24 : Production, Consumption and Stock Position of Yarn

(Million Kgs.)

Item	April - March		
	1992-93	1993-94	1994-95(P)
1	2	3	4
Installed Capacity (In Millions) (Spindles)	28.1	28.6	30.4
Capacity Utilisation (%) (Spindles)	78	84	81
A. Production (i+ii+iii+iv)	**1,941**	**2,142**	**2,090**
	(+7.5)	**(+10.4)**	**(-2.4)**
i) Cotton Yarn	1,523	1,622	1,586
	(+5.0)	(+6.5)	(-2.2)
ii) Blended/Mixed Yarn	247	305	346
	(+5.6)	(+23.5)	(+13.4)
iii) 100 per cent Man-made Fibre Spun Yarn	125	140	158
	(+2.5)	(+12.0)	(+12.9)
iv) Cotton Yarn by SS Spg. Units	46	75	110
	(-)	(+63.0)	(+46.7)
B. Domestic Consumption (all yarn)(i+ii)	**1,430**	**1,483**	**1,473**
	(+7.8)	**(+3.7)**	**(-0.7)**
i) Mill Sector ++	190	158	109
	(-16.7)	(-16.8)	(-31.0)
ii) Decentralised Sector +	1,240	1,381	1,364
	(+12.9)	(+11.4)	(-1.2)
C. Exports (Cotton Yarn)			
i) Quantity	129	179	229
	(+2.4)	(+38.8)	(+27.9)
ii) Value (Rs. crore)	1,167	1,609	2,613
	(+18.0)	(+37.9)	(+62.4)
D. Year-end Stocks (Unsold) (Cotton yarn)	**59**	**39**	**73**
	(+5.4)	**(-33.9)**	**(+87.2)**

P : Provisional.

++ : Relates to consumption for weaving cloth only.

\+ : Including deliveries of cotton yarn to hosiery and other purposes.

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

Source : Office of the Textile Commissioner, Ministry of Textiles, Government of India.

Table IV - 25 : Production, Consumption and Stock Position of Cotton and Man-made Textiles

(Million square metres)

Item	April-March		
	1992-93	1993-94	1994-95(P)
1	2	3	4
Installed Capacity ('000s) (Looms)	158 (-6.5)	150 (-5.1)	150 (-)
Capacity Utilisation (%) (Looms)	51 (-8.9)	54 (+5.9)	50 (-7.4)
A. Production (i+ii)	**25,475 (+10.4)**	**27,898 (+9.5)**	**28,296 (+1.4)**
i) Mill Sector (a+b+c)	2,000 (-15.8)	1,990 (-0.5)	1,782 (-10.5)
a) Cotton Fabrics	1,407 (-14.8)	1,356 (-3.6)	1,159 (-14.5)
b) Blended/Mixed Fabrics	532 (-20.1)	575 (+8.1)	569 (-11.0)
c) 100 per cent Man-made Fibre Fabrics	61 (+3.4)	59 (-3.3)	54 (-8.5)
ii) Decentralised Sector (a+b+c+d)	23,475 (+13.5)	25,908 (+10.4)	26,514 (+2.3)
a) Cotton Fabrics	14,936 (+14.9)	16,434 (+10.0)	16,319 (-0.7)
b) Blended/Mixed Fabrics	2,152 (+5.2)	2,580 (+19.9)	3,022 (+17.1)
c) 100 per cent Man made Fibre Fabrics	5,957 (+15.2)	6,468 (+8.6)	6,747 (+4.3)
d) Khadi Wool Silk	430 (+10.3)	426 (-0.9)	426 (-)
B. Domestic Consumption (all cloth)+	**20,411 (+4.5)**	**22,971 (+12.5)**	**23,182 (+0.9)**
C. Year-end Stocks (unsold) ++ (all cloth)	**98 (-15.5)**	**85 (-13.3)**	**80 (-5.9)**
D. Exports Cotton Fabrics (mills/ powerlooms, made up, handloom) (Rs. crore)	**15,129 (+35.7)**	**19,581 (+29.4)**	**23,985 (+22.5)**

P : Provisional.
\+ : Relates to total availability.
\++ : Relates to mill sector only.
Source : Office of the Textile Commissioner, Ministry of Textiles, Government of India

Table IV - 26 : Paper, Paper Boards and Newsprint

(Production and capacity in lakh tonnes)

Year (As at the end of December)	Installed Capacity	Production	Capacity Utilisation Ratio (per cent)
1	2	3	4
A) Paper and Paper Boards			
1991-92	33.6	21.1 (+2.4)	62.6
1992-93	34.5	21.3 (+0.9)	61.4
1993-94	37.9	22.7 (+6.6)	59.9
1994-95 (P)	38.4	25.1 (+10.6)	65.4
B) Newsprint			
1991-92	3.1	2.9 (+7.4)	93.5
1992-93	3.7	3.4 (+17.4)	91.9
1993-94	5.4	3.6 (+5.9)	66.6
1994-95 (P)	5.6	4.0 (+11.1)	71.4

P : Provisional.

Note : Figures in brackets indicate percentage variation over the corresponding period of the previous year.

Source : Indian paper mills association and Central Statistical Organisation.

CHAPTER V

MONETARY AND BANKING DEVELOPMENTS*

Monetary Developments

Highlights

A major feature of the monetary developments in 1994-95 was the marked growth in broad money (M_3), on account of both domestic and external sources. Net foreign exchange assets of the banking sector increased sharply, especially during the first half of 1994-95, while the expansion in bank credit to commercial sector turned out to be significantly large in the latter half of the year. For the first time in almost two decades, monetised deficit had very little influence on monetary expansion. Growth in narrow money (M_1) at 27.0 per cent was the highest since 1971-72.

Overall Trends in Money Supply

Broad money recorded a high growth of 22.2 per cent in 1994-95 against 18.4 per cent last year (Table V-1). This was the third time since 1971-72 when the rate of money supply growth exceeded twenty per cent, the other two occasions being 1976-77 and 1978-79. Two factors, *viz.*, the phenomenal expansion in other banks' credit to the commercial sector and the large capital inflows, primarily contributed to this order of expansion, which was way ahead of the projected growth of 14-15 per cent for the year.

Narrow money (M_1) registered the highest growth rate on the top of a sharp increase of 21.5 per cent in the previous year. Currency with the public too expanded by 22.5 per cent (20.5 per cent last year), which was the peak rate recorded in the past two and a half decades. The increase in aggregate deposits was Rs.77,052 crore (22.0) per [illegible] with that of Rs.52,342 crore (17.6 per cent) during 1993-94. The increase in demand deposits was particularly sharp. Time deposits registered a somewhat higher growth of 19.6 per cent (Rs.55,701 crore), which exceeded the average growth rate of 18.2 per cent between 1980-81 and 1993-94. The expansion in 'other' deposits with RBI at Rs.855 crore was subdued compared with the increase of Rs.1,212 crore during 1993-94 (Statements 33 and 34 of Vol.II

Analysis of monetary and banking data for 1994-95 should be done with caution, since they include data for 27 14-day reporting periods (referred to here as fortnightly) for commercial banks as against 26 such periods in the previous year. Besides, the last reporting Friday of the year coincided with March 31, the closing day of banks' accounts leading to the generally observed phenomenon of year-end bulge in both deposits and credit.

The year was characterised by a shift in the relative strength of the factors that contribute to broad money growth. Net RBI credit to the Centre increased by a relatively limited amount of Rs.2,130 crore (2.2 per cent) as compared with that of Rs.260 crore (0.3 per cent) during 1993-94. More importantly, throughout the fiscal 1994-95, net RBI credit to the Centre was substantially lower than that of 1993-94. Other banks' credit to the Government which had increased sharply by Rs.26,829 crore or 34.5 per cent in 1993-94, rose at a relatively slower pace of Rs.16,320 crore or 15.6 per cent.

With the moderation in capital inflows during the year under review, net foreign

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* This Chapter is based on information/data available up to end-September, 1995.

exchange assets of the banking sector (NFA) increased by Rs.23,298 crore or 44.3 per cent, much lower than the rise of Rs.28,183 crore or 115.3 per cent recorded in 1993-94. This, however, did not alter the fact that net foreign exchange assets have acquired growing importance in monetary expansion in recent years. Graph V-1 depicts the annual growth rates of M_3, net domestic assets and NFA during the last 15 years. Evidently, the rate of growth in NFA has been much higher than the growth rate in net domestic assets since 1990-91.

In 1994-95, net non-monetary liabilities of the banking sector contracted by 3.8 per cent as against an increase of 10.9 per cent last year. The Reserve Bank's net non-monetary liabilities, however, rose by Rs.3,324 crore in 1994-95 in contrast to the decline of Rs.2,209 crore in 1993-94 (Statements 35, 36, 38 and 39 of Vol. II).

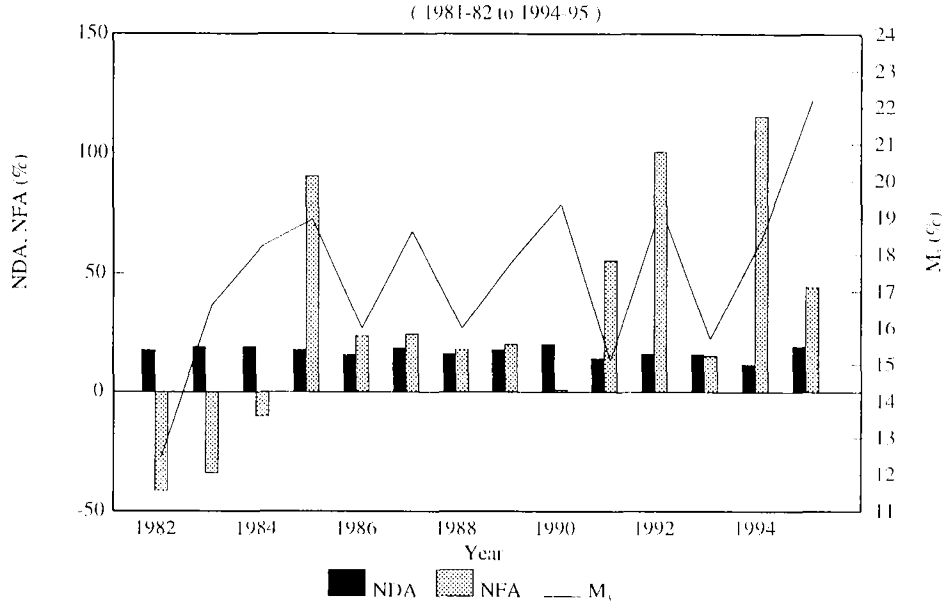
Seasonal Trends

During the slack season of 1994 (end-April to end-October), M_1 and all its components

Graph V-1

Annual Growth Rates of Monetary Aggregates

(1981-82 to 1994-95)



showed sharper increases than in the preceding slack season. Demand deposits with the banks and 'other' deposits with RBI in particular registered substantial growth in contrast to absolute decline in the previous season. Time deposits expanded by Rs.26,232 crore or 9.0 per cent during the 1994 slack season as compared with that of Rs.19,996 crore or 8.0 per cent in the previous slack season. M_3 growth was mainly contributed by the upsurge in net foreign exchange assets of the banking sector as well as in bank credit to the commercial sector. Net bank credit to Government, however, decelerated mainly on account of a slower pace of expansion in other banks' credit to the Government.

During the busy season of 1994-95 (end-October to end-April), both M_1 and M_3 registered subdued expansion compared to the position obtained in the previous busy season. Broad money growth decelerated from 12.5 per cent in 1993-94 to 8.5 per cent in 1994-95. Currency with the public, however, expanded at a much faster pace of 19.0 per cent (16.9 per cent in last busy season). Both demand deposits and time deposits recorded decelerated growth. Source-wise, net bank credit to Government increased primarily due to large expansion in net RBI credit to the Centre as other banks' credit to Government remained modest. While bank credit to commercial sector exhibited a marked growth, net foreign exchange assets of the banking sector decelerated (Statement 40 of Vol. II).

Reserve Money and Net Domestic Assets of the Reserve Bank

Unlike in 1993-94, when the rate of expansion in reserve money exceeded that of M_3, reserve money expansion, in 1994-95 of 22.1 per cent was almost equal to the rate of growth of broad money (22.2 per cent). Growth in reserve money had two features: it was driven by large capital inflows in the first half of the year, and by Reserve Bank's support to banks and financial institutions in the second half with the Reserve Bank injecting substantial amounts to moderate the rates in the inter-bank call money market. Component-wise, currency with the public rose by Rs.18,488 crore or 22.5 per cent, while bankers' deposits with Reserve Bank increased by Rs.10,467 crore or 20.6 per cent.(Table V-2 and Statements 37,38 and 39 of Vol. II).

Net Reserve Bank credit to the Central Government increased modestly by Rs.2,130 crore or 2.2 per cent. The average fortnightly net credit to the Centre by the Reserve Bank, however, declined by Rs.550 crore as against a large increase of Rs.10,302 crore in 1993-94. The Reserve Bank's claims on commercial and co-operative banks increased sharply by Rs.7,918 crore (142.6 per cent) as against a decline of Rs.4,333 crore (43.8 per cent) in the preceding year, reflecting *inter alia*, the general pick-up in the overall credit to the commercial sector in response to recovery in industrial activity. Consequently, the net domestic assets of the Reserve Bank recorded an increase of Rs.7,309 crore or 8.4 per cent as against a decrease of Rs.882 crore or 1.0 per cent. The net foreign exchange assets of the Reserve Bank rose by Rs.23,298 crore or 45.3 per cent as compared with a phenomenal increase of Rs. 28,775 crore or 127.1 per cent in 1993-94.

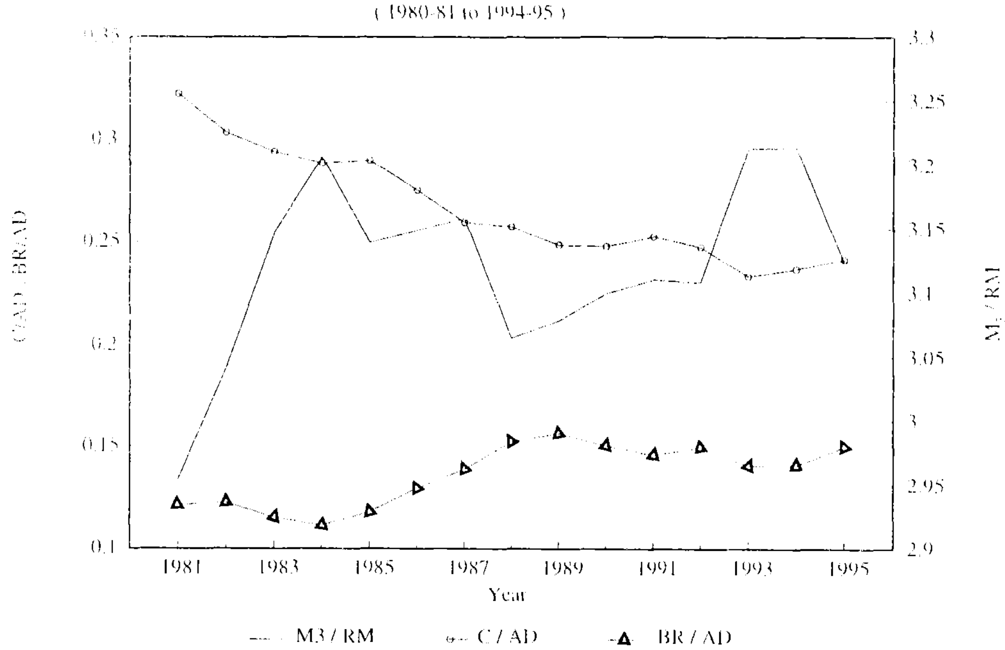
Some Monetary Relationships

As the growth rate of M_3 was higher, *albeit* marginally, than that of reserve money, the incremental money multiplier edged up in 1994-95 to 3.15 from 2.42 in 1993-94. The average broad money multiplier on the other hand, dropped: it was 3.124 in 1994-95 as against 3.214 last year as both currency to deposit (C/AD) and bank reserves to deposit (BR/AD) ratios have continued to move up (Graph V-2), partly due to capital inflows, and the rise in bank reserves reflecting the monetary policy initiatives.

Graph V-2

Average Monetary Ratios

(1980-81 to 1994-95)



As the monetary growth has been high because of large accretion of net foreign exchange assets, monetary management remained tight. These assets of the Reserve Bank as a ratio to currency in circulation(NFA/C) has gone up sharply in 1993-94 and 1994-95 and reached a peak of 75.5 per cent in September 1994. It needs to be recognised that a higher NFA/C ratio at a time of rapid capital inflows ensures that the central bank has the wherewithal to meet the capital outflow. It would, therefore, be a prudent policy to increase currency by less than the increase in net foreign exchange assets (Statement 41 of Vol.II).

Monetary Equilibrium

Although the supply of money (M_3) has increased rapidly in the last two years, it has borne a relation with the demand for money. In equilibrium, both the supply of money and demand for money should equal. In the short run, however, this may not be achieved due to operation of lags. In general, the demand for money would go up when money incomes go up and go down when short-term interest rates move up. In India, this proposition has been found to be generally valid, and the demand for money in India according to most empirical investigations, has been stable over time (Box V-1).

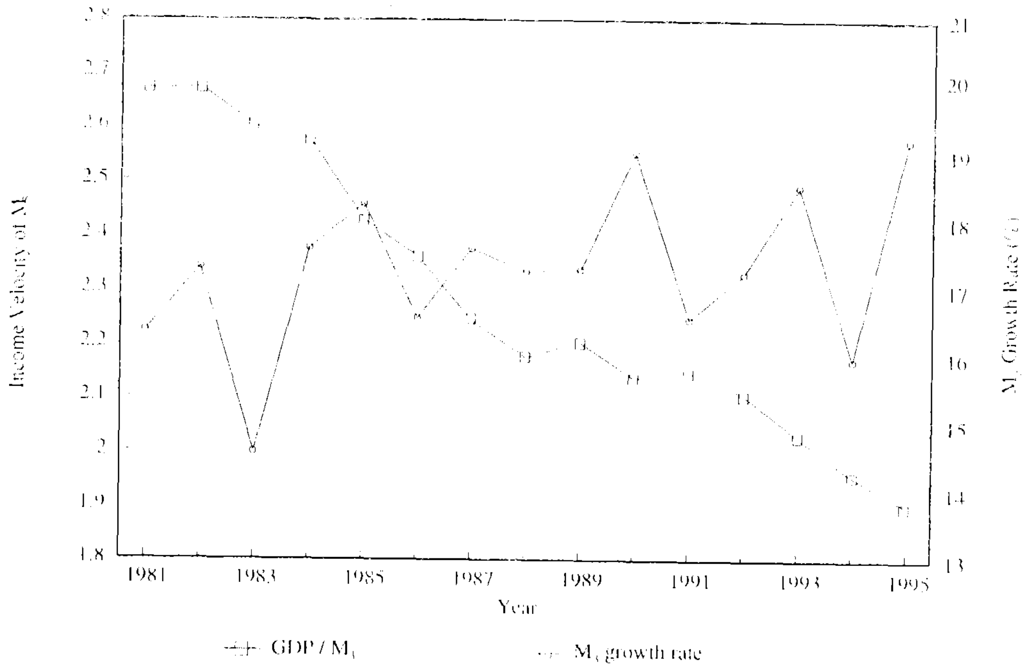
Income Velocity of Money

One of the indicators of the state of the demand for money is given by the movements in the income velocity of money. The income velocity of broad money which was at about 2.2 in 1981 has shown an downward drift, notwithstanding the yearly oscillations in it. Graph V-3 gives the yearly movements as well as the time trend in the income velocity of broad money. The trend suggests that money demand has been on the rise, mainly in response to the increase in income (Statement 42 of Vol.II).

Graph V-3

Income Velocity of Broad Money & M_3 Growth Rate

(1980-81 to 1994-95)



Monetary Trends During April-September 1995

During the period April-September 1995, both M_1 and M_3 grew at the lower rates of 0.6 per cent and 3.6 per cent, respectively, as compared with those of 8.1 per cent and 10.2 per cent recorded in the corresponding period last year (Statements 34 and 36 of Vol.II). The substantially lower expansion in monetary aggregates is partly attributable to the unprecedented increase in the scheduled commercial banks' aggregate deposits by Rs.20,161 crore during the last fortnight of March 1995. This has resulted in considerable misreading of the underlying trends in the monetary aggregates during the current year. On shifting the base to the preceding reporting Friday i.e., March 17, 1995, M_3 growth at 7.4 per cent, although comparable, is still lower than the rate of 10.1 per cent recorded in the corresponding period a year ago. An important feature of monetary developments during 1995-96 was that unlike the preceding year, monetary expansion during 1995-96 was contributed by a large monetised deficit. Currency with the public grew at a faster pace while demand deposits decelerated sharply. Time deposits recorded a lower increase in both absolute as well as percentage terms than in the previous year. Net bank credit to the Government recorded a large increase of Rs.13,507 crore (6.1 per cent) as compared with Rs.4,687 crore (2.3 per cent) last year. Other banks' credit was smaller at Rs.6,789 crore *vis-a-vis* Rs.15,258 crore in 1994-95. The expansion in broad money was, however, moderated by the decline in net foreign exchange assets of the banking sector by Rs.2,857 crore as compared with the increase of Rs.15,596 crore in the comparable period of 1993-94.

Box V-1

Demand for Money

Money demand is not a statistical datum : it is essentially a behavioural concept which is best understood when it is expressed in a functional form. The main determinants of a money demand function are: a scale variable (usually real GDP or Wealth), and one or two opportunity cost variables (short-term interest rate or inflation rate or exchange rate). The demand for money is expressed in *real* terms. Lags are sometimes introduced in the money demand functions to distinguish the short-run behaviour from the long-run one. More recently, financial innovations have been regarded as wielding important influence on the demand for money, and are therefore, introduced as an independent variable in the money demand function.

The empirical investigations on the money demand in India have been several and date back to the 'fifties. Almost all studies show the influence of real income on the demand for real money to be predominant. They also indicate money demand to be stable, notwithstanding the suggestion, though not conclusive, of some recent studies about the presence of structural break/instability. Sophisticated error correction models seem to suggest the continued maintenance of reasonable stability in India's money demand function.

Monetary authorities are interested in the stability of money demand, since it facilitates the very formulation of monetary policy itself. In India, the historical data on both interest rates and prices do not capture the market forces; as a result, their elasticities are to be interpreted with caution.

However, the income elasticity of the demand for money in India unlike in developed countries, has remained well above unity, with a downward drift in its value over time with inclusion of data relating to recent years.

Reserve money grew at a subdued pace of 3.2 per cent in 1995-96 (April-September) as compared with the rate of 5.6 per cent recorded last year (Statement 39 of Vol.II). Unlike last year when much of the reserve money growth emanated from large scale capital inflows, the increase in reserve money this year was engendered by the sharp increase of Rs.6,718 crore in net RBI credit to the Government in contrast to the decline of Rs.10,571 crore last year. As the RBI's net foreign exchange assets declined by Rs.2,857 crore as against the considerable accretion of Rs.15,596 crore last year, net domestic assets rose by Rs.8,194 crore which was over one and a half times the expansion in reserve money.

Currency and Coinage

During 1994-95, the composition of currency in circulation remained mostly unchanged compared with that of the previous year. The share of notes in circulation to currency in circulation which has been rising in the 'nineties remained at the previous year's proportion of 97.7 per cent. The share of rupee coins increased marginally while that of small coins recorded a small decline. During the first half of 1995-96, currency expansion at Rs.6,192 crore or 5.9 per cent was higher than that of Rs.3,482 crore or 4.1 per cent recorded during the comparable period last year.

Denomination-wise the share of notes of Rs.50 and higher denominations has risen in line with long-term trends. The share of notes denominated as Rs.500 has increased sharply from 7.1 per cent in 1992-93 to 13.5 per cent in 1993-94. The share of all other denominations declined except that of Rs.10 which rose marginally.

Issue of Coins and Notes

The following commemorative coins were issued for general circulation during 1994-95:

(a) Rupee one coin (Stainless Steel) with the themes of the "International Year of the Family" on the occasion of the International Year of the Family-1994.

(b) Rupees two coin with eleven sides and with the themes (i) "Water for the Life" on the occasion of World Food Day, (ii) "Agri EXPO-1995" on the occasion of International Agriculture Fair.

(c) Rupees five coin with the themes (i) "World of Work" on the occasion of the 75th Anniversary of International Labour Organisation, (ii) "50th Anniversary of United Nations" on the occasion of the 50th Anniversary of United Nations-1995.

The following new series of notes were issued by the Reserve Bank in the denomination of Rs.10/- and Rs.20/- bearing the signature of the Governor, Dr. C. Rangarajan.

(a) Rs.10/- (Shalimar Garden Design) notes with capital letter "C" inset in the numbering panel.

(b) Rs.10/- (Shalimar Garden Design) notes with capital letter "D" inset in the numbering panel.

(c) Rs.20/- denomination notes with capital letter "B" inset in the numbering panel, incorporating Satyamev Jayate below the Ashoka Pillar emblem.

Lost, Destroyed and Mutilated Notes

During the year 1994-95, claims numbering 2.05 lakh (2.02 lakh claims last year) were received from various offices of the Reserve Bank with respect to mutilated notes involving 371.8 lakh pieces (292.82 lakh pieces last year) valued at Rs. 34.85 crore (Rs. 27.01 crore last year). Out of these, 1.62 lakh claims in respect of 366.6 lakh pieces amounting to Rs. 34.92 crore were approved for payment during the year which was higher than the approved claims of Rs. 30.99 crore in 1993-94.

The aggregate value of claims at all banks comprising the Reserve Bank, State Bank of India and its Associates and other public sector banks amounted to Rs. 109.8 crore (Rs. 121.09 crore last year). Despite the delegation of full powers to the SBI group and other public sector banks for acceptance and payment with respect to mutilated notes under the RBI Note Refund Rules the number of claims received by the Reserve Bank continued to be higher; its share rose sharply from 22.3 per cent (Rs. 27.01 crore) in 1993-94 to 31.74 per cent (Rs. 34.85 crore) in 1994-95. The share of claims received by the State Bank of India registered a modest increase from 27.8 per cent (Rs. 33.68 crore) in 1993-94 to 28.3 per cent (Rs. 31.08 crore) in 1994-95 while that of other public sector banks declined from 50 per cent (Rs. 60.40 crore) to 40 per cent (Rs. 43.9 crore) over the same period. The State Bank of India and other public sector banks together accounted for more than two thirds of total claims received and 64.5 per cent of the amount approved for payment.

Note Forgeries

According to information received from National Crime Records Bureau, New Delhi, the volume of forged/counterfeit notes in circulation has declined further in 1994-95. The total number of forged/counterfeit notes in circulation declined sharply from 9,826 pieces in 1993-94 to 6,997 pieces in 1994-95. The value of forged notes detected, however, rose marginally from Rs. 3.91 lakh in 1993-94 to Rs. 3.96 lakh in 1994-95.

Currency Mangement

The supply of fresh notes continues to be inadequate with respect to demand requiring salvaging of reissuable notes to the extent possible to bridge the gap. Apart from modernisation and additional capacity creation at the existing presses, two new note presses at Mysore and Salboni are being commissioned under the aegis of the newly incorporated Bharatiya Reserve Bank Note Mudran Private Limited, to augment production of fresh notes by 80 per cent of the present capacity by the year 2000. In line with the ongoing coinisation programme, the Reserve Bank has continued to change the product mix of printing and coinisation by gradually phasing out the printing of Rs. 1/-, Rs. 2/- and Rs. 5/- notes.

Banking Developments
All Scheduled Commercial Banks

Highlights

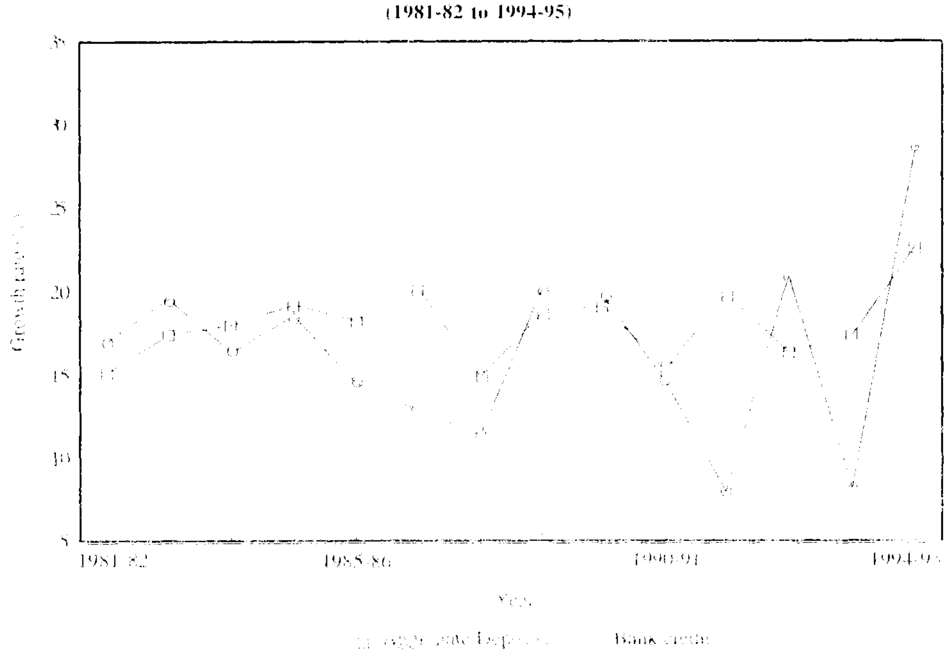
The scheduled commercial banks witnessed major changes in their operations during the fiscal year 1994-95. There was a large accrual of aggregate deposits, particularly in the last fortnight ended March 31, 1995 along with an unprecedented rise in bank credit especially non-food credit. There was evidence of banks' moving in favour of building up their loan portfolios strongly in response to the recovery in industrial activity.

Trends on a Point-to-Point Basis

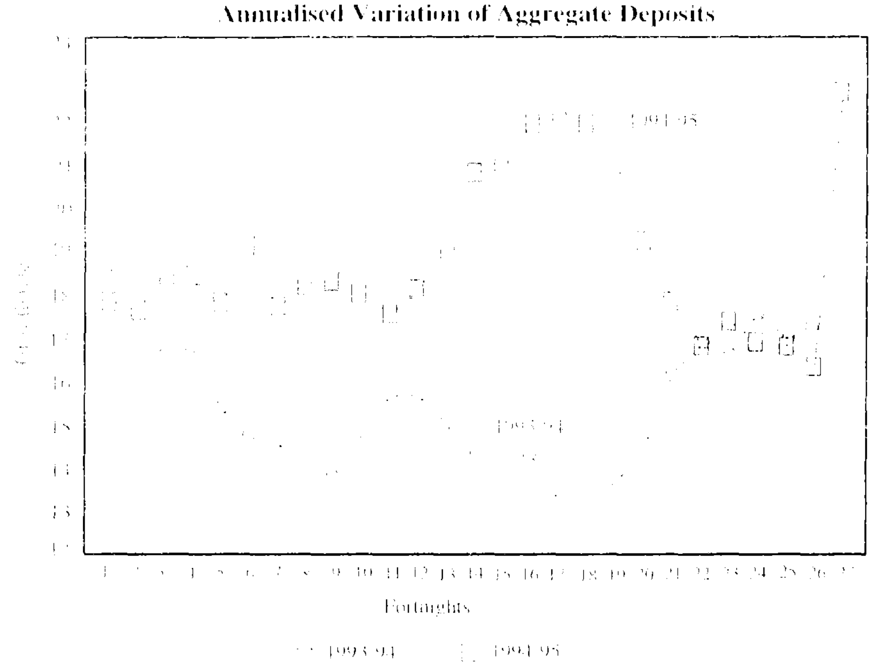
Aggregate Deposits

Aggregate deposits of scheduled commercial banks expanded by 22.8 per cent (Rs.71,726 crore) during 1994-95 as compared with 17.3 per cent (Rs.46,560 crore) in 1993-94 (Table V-3) and more than 28 per cent of this growth occurred during the last reporting fortnight of the year which coincided with March 31, 1995, the closing day for banks' annual accounts (Graphs V-5 and V-6). Inclusive of March 31, 1995 data, there were 27 reporting fortnights during the financial year 1994-95, as compared with 26 such fortnights in the previous year. As a result, banking data for the two fiscal years

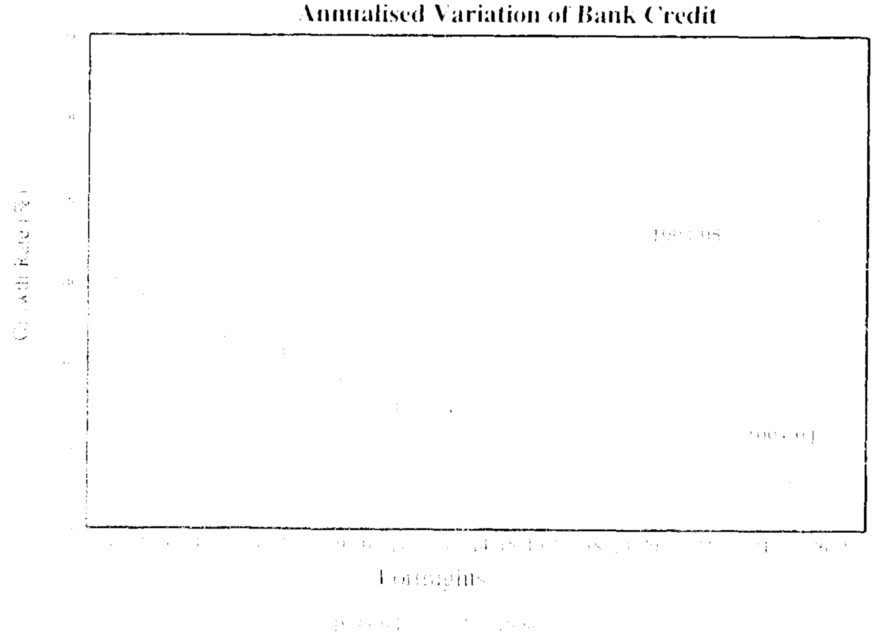
Graph V-4
Trend in Aggregate Deposits and Bank Credit
(1981-82 to 1994-95)



Graph V-5
Annualised Variation of Aggregate Deposits



Graph V-6
Annualised Variation of Bank Credit

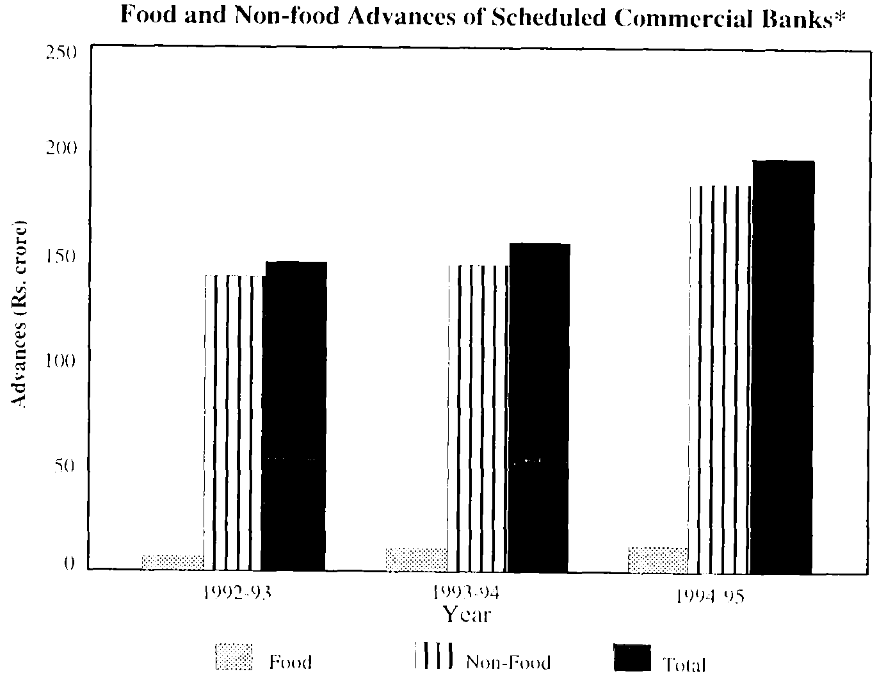


would not, strictly speaking, be comparable. However, adjusting for 26 fortnights, the growth of aggregate deposits during 1994-95 of Rs.51,566 crore (16.4 per cent) was comparable with Rs.46,560 crore (17.3 per cent) recorded in the financial year 1993-94. The strong growth in aggregate deposits witnessed during 1993-94 was sustained during the first half of 1994-95 with aggregate deposits rising sharply by Rs.37,521 crore or 11.9 per cent, reflecting a sharp rise in foreign capital inflows. During the latter half of 1994-95 excluding the last reporting fortnight of the year, the expansion in aggregate deposits decelerated somewhat.

Bank Credit

Bank credit showed a marked turnaround, expanding by Rs.47,143 crore or 28.7 per cent as compared with Rs.12,436 crore or 8.2 per cent in the previous year. Growth in food credit at Rs.1,367 crore or 12.5 per cent was lower than Rs.4,164 crore or 61.8 per cent registered in the previous year (Graph V-7). The expansion in non-food credit was phenomenal: it was Rs.45,776 crore or 29.8 per cent, more than five and half times the increase of Rs.8,272 crore or 5.7 per cent recorded in the previous year. In fact, this order of expansion in non-food credit was not witnessed in the past 25 years. While factors such as the better performance of real sector (industrial sector in particular) and the rise in imports account largely for the rise, the expansion rate is excessive relative to the growth of the real sector as may be seen from Table V-4. The large expansion of bank credit created an asset-liability mismatch which was partly financed by the rise in non-deposit resources. Both the credit-deposit ratio and the non-food credit-deposit ratios registered increases. The credit-deposit ratio moved up to 54.7 per cent from 52.2 per cent while non-food credit-deposit ratio also increased from 48.7 per cent to 51.5 per cent. Furthermore, banks have made available funds to the commercial sector through investment in public sector bonds and corporate

Graph V-7
Food and Non-food Advances of Scheduled Commercial Banks*



* Outstanding as on last reporting Fridays of the respective years

sector bonds and shares. Taking into account such flows as well, the financial support to the commercial sector has increased by Rs.51,800 crore during 1994-95 as compared with Rs.15,400 crore in 1993-94.

Investments

The commercial banks' investment in Government and other approved securities in 1994-95 recorded a lower increase of Rs.16,731 crore or 12.6 per cent than that of Rs.26,866 crore or 25.4 per cent in the previous year. Their investments in Government securities increased by Rs.16,484 crore (16.3 per cent) as compared with Rs.25,256 crore (33.3 per cent) in 1993-94. It may be recalled that in order to improve the quality of their assets, the scheduled commercial banks had invested massively in Government securities during 1993-94. The banks restructured their assets in 1994-95, slowing down their investments. Their holdings of securities in excess of SLR requirements at the end of March 1995, however, were estimated at about Rs.25,000 crore.

Trends during the First Half of the fiscal year 1995-96

During the first half of 1995-96, (from March 31, 1995 to September 29, 1995), aggregate deposits increased by 3.0 per cent (Rs.11,740 crore) while bank credit increased by 4.8 per cent (Rs. 10,229 crore). Non-food credit during the same period increased by 5.0 per cent (Rs.9,898 crore). Given the fact that the base date for comparisons with the past year's information differs, it would be useful to see whether with March 17 base data, one could get a better comparable picture of the trends in deposits and credit (Table V-5). Aggregate deposits between March 17, 1995 and September 29, 1995 recorded an increase of Rs.31,901 crore whereas the increase in the corresponding period of 1994-95 was somewhat higher. On the other hand the rise in bank credit of the order of Rs.19,095 crore between March 17, 1995 and September 29, 1995 was much higher than Rs.13,391 crore recorded in the comparable period of 1994-95. The increase in non-food credit at Rs.19,643 crore was also much higher than what was recorded (Rs.13,304 crore) in the corresponding period of the previous year.

Trends on Average Basis

On an average basis, the movements of major banking variables for 1994-95 showed an altogether different pattern from that obtained on point-to-point basis. Growth in aggregate deposits (both demand and time deposits) and bank credit were lower at 19.4 per cent (Rs.56,697 crore) and 14.9 per cent (Rs.23,380 crore) respectively, as against 22.8 per cent (Rs.71,726 crore) for aggregate deposits and 28.7 per cent (Rs.47,143 crore) for bank credit on a point-to-point basis. Banks' investment in Government securities on an average basis, on the other hand, registered a higher growth of 33.2 per cent (Rs.28,928 crore) as compared with 16.3 per cent (Rs.16,484 crore) on a point-to-point basis (Statement 49 of Volume II).

Sectoral and Industry-wise Deployment of Credit

Data on sectoral deployment of credit for 1994-95 (Statement 73 of Volume II) indicate that out of a large increase of Rs.39,378 crore deployed by 47 scheduled commercial banks accounting for about 86 per cent of non-food credit in 1994-95, priority sector advances increased by Rs.10,261 crore, which was more than double the expansion of Rs.4,048 crore in the previous year. All the sub-sectors such as agriculture and small scale industries have received larger amount of credit. However, advances to priority sector, as proportion of net bank credit, decreased from 35.3 per cent as on March 18, 1994 to 33.2 per cent as on March 31, 1995.

The industry-wise deployment of gross bank credit suggest that major industries like iron and steel, chemical dyes etc., which recorded large declines in 1993-94 have registered large increases during 1994-95. There has been a significant expansion in most of the other industry groups as well (Statement 74 of Vol.II).

Advances to Priority Sector

Public Sector Banks

There has been some improvement in credit extended to by public sector banks to the priority sector. As per the latest data available upto December 1994, such advances by the public sector banks increased by Rs.7,528 crore to Rs.57,349 crore from Rs.49,821 crore as on the last Friday of December 1993. As ratio to net bank credit, it formed 37.4 per cent which was higher than 36.4 per cent recorded in December 1993 but was 2.6 percentage points below the stipulated level of 40 per cent (Statement 75 of Volume II). Though direct agricultural advances rose by Rs.1,159 crore in absolute terms, they, in relation to net bank credit, declined from 13.8 per cent to 13.0 per cent. Public sector banks' advances to the weaker sections as a share of net bank credit also declined from 9.0 per cent to 8.7 per cent as against the stipulated target of 10 per cent. Advances to the two sub-targets, *i.e.*, advances for agriculture and weaker sections have remained far below the stipulated targets of 18 per cent and 10 per cent respectively.

Private Sector Banks

As per the latest data available, private sector banks' priority sector advances rose in absolute terms from Rs.2,357 crore in March 1993 to Rs.2,886 crore in March 1994. As a percentage to net bank credit, it declined from 33.2 percent to 30.2 percent.

Composition of Priority Sector Advances

The composition of priority sector advances by public and private sector banks has changed somewhat recently (Table V-6) in that the share of agriculture has declined in respect of both public and private sector banks, whereas the shares of small scale industries and others have gone up in respect of both categories of banks. Within agriculture, a shift from direct to indirect agricultural advances was in evidence.

Export Credit

The export credit refinance limits of all scheduled commercial banks increased by Rs.682 crore (7.8 per cent) from Rs.8,713 crore as on March 18, 1994 to Rs.9,395 crore as on March 31, 1995. While export credit (Rupee) refinance limits increased marginally by Rs.51 crore (1.9 per cent) from Rs.2,675 crore as on March 18, 1994 to Rs.2,726 crore as on March 31, 1995, export credit refinance limits against post shipment export credit denominated in US Dollars (PSCFC) increased by Rs.633 crore (10.5 per cent) from Rs.6,037 crore to Rs.6,670 crore during the period under review. Table V-7 indicates that export credit refinance limits showed a continuous fall during the period, March-September 1994. In the following period, however, there was a rise reflecting the tight money conditions in the money market.

The proportion of the outstanding export credit to net bank credit declined from 10.4 per cent as on March 18, 1994 to 9.3 per cent as on March 31, 1995, while the proportion of export credit refinance limits of bank to their outstanding export credit eligible for such refinance declined from 51.3 per cent to 48.0 per cent.

Details of monetary and credit policy measures formulated during 1994-95 and 1995-96 (up to end-September) are set out in *Annexure I*.

Special Programmes

Special programmes in the social sector for employment generation and poverty eradication have continued to remain essential features of the country's development strategy. The Prime Minister's Rojgar Yojana (PMRY) which was launched on October 2, 1993 in urban areas has been extended to the entire country from April 1, 1994 with the objective of providing sustained employment to about 10 lakh educated unemployed youth in micro-enterprises. Under the scheme, as against a target of 42,040 persons for the year 1993-94, the banks sanctioned Rs.177.85 crore in respect of 27,850 cases. The banks, however, disbursed only Rs.17.50 crore in 3,626 accounts up to March 1994. For the year 1994-95, a target of 2,39,215 persons has been fixed. As against this, the banks sanctioned in respect of 1,28,426 cases an amount of Rs.757.67 crore, while the disbursement under the scheme during the year amounted to Rs.282.16 crore in 49,505 accounts. The progress achieved under various social sector schemes during the years 1993-94 and 1994-95 is presented in *Annexure II*.

Branch Expansion/Branch Licensing Policy

The branch licensing policy continued to be liberal, with no major changes during the year under review. Under the performance obligation and commitments under recapitalisation, nationalised banks which have recorded losses in 1992-93 have committed themselves that they would not open new branches. Installation of Automated Teller Machines. (ATMs) and extension counters have been permitted to banks which hold appropriate licences after making a reference to the Reserve Bank. For opening ATMs at other places identified by banks, they require licence from the Reserve Bank on a *post facto* basis.

The issue of relocation of loss-making branches by Regional Rural Banks (RRBs) has been reviewed in the light of the recommendations of the Committee on Restructuring of RRBs. The new guidelines would cover the following: (a) relocation of loss-making branches by RRBs which have been freed from Service Area Approach (SAA) obligation, (b) opening of new branches by RRBs which continue to have SAA obligations, and (c) conversion of loss-making branches into satellite/mobile offices and merger of offices by both categories of banks referred to at (a) and (b) above. All proposals relating to (a), (b) and (c) above should be cleared by a sub-group of the District Consultative Committee.

Details of branch expansion in the States are set out in Statement 77 of Volume II. Bank group-wise/population/group-wise distribution of banks are given in Statement 78 of Volume II.

Indian Banks abroad

During the year, no new branches were opened abroad by Indian banks. The total number of foreign branches of Indian banks (8 public sector and 1 private sector) came down from 103 to 101 and that of representative offices stood at 13 respectively. The number of wholly-owned subsidiaries (inclusive of three deposit-taking companies) has remained at 11. The number of joint venture banks/affiliates stood at 7.

Foreign Banks in India

During the year under review, the number of foreign banks operating in India increased from 23 to 27 and that of branches from 141 to 153. The number of representative offices of foreign banks in India stands reduced from 24 to 23.

Regional Rural Banks (RRBs)

The number of RRBs remained unchanged at 196. During 1994-95 aggregate deposits of RRBs rose by Rs.2,803 crore or 34.8 per cent. Aggregate advances increased by Rs.1,177 crore or 23.4 per cent. All the major banking indicators of RRBs have registered higher growth rates as compared with those in the previous year (Statement 76 of Vol.II).

Primary (Urban) Co-operative Banks

Progress

The number of Primary (Urban) Co-operative Banks (PCBs) at the end of March 1995 stood at 1,431 as against 1,400 a year ago. The number of licensed PCBs rose to 1,107 from 1,045 during this period. The number of offices of PCBs moved up to 4,224 from 3,853 at end of March 1994. Deposits of PCBs aggregated Rs.19,789 crore at the end of March 1995, rising by 18.0 per cent over the year, whereas their outstanding advances were of the order of Rs.14,575 crore, recording an increase of 19.7 per cent over the year (Table V-8).

Refinance Facilities

The Reserve Bank of India (RBI) continued to extend refinance facilities at the Bank Rate to the eligible PCBs against their advances to tiny industrial units. During 1994-95, short-term credit limits aggregating Rs.5.6 crore were sanctioned to State Co-operative Banks on behalf of 8 PCBs. As on March 31, 1995, the amount outstanding against the limits sanctioned stood at Rs.4.0 crore as against Rs.3.9 crore a year ago.

Priority Sector Lending

The PCBs are required to lend 60 per cent of their total advances to priority sector activities and of these, at least 25 per cent is to be allocated to weaker sections. At the end of March 1994, of the 737 reporting PCBs, 559 had achieved the target.

Weak and Non-viable Banks

The number of weak and non-viable PCBs rose further to 233 at the end of March 1994, from 224 in 1993 and 221 in 1992. The Reserve Bank issued fresh directions to 1 PCB during the year, placing restrictions on making payment to depositors, sanctioning fresh advances and incurring expenditures beyond specified amounts. There were 14 PCBs under such directions at the end of March 1995. As a consequence of precarious financial position, 2 PCBs were amalgamated with strong banks, and 6 PCBs were placed under liquidation.

Assessment of Working Capital Requirements

In line with the instructions issued to the commercial banks, the guidelines for assessment of working capital requirements were suitably revised, bestowing greater degree of flexibility to PCBs in their day-to-day operations, without diluting the prudential norms for lending, as prescribed by the RBI. These include freedom to decide levels of holding of individual items of inventory and receivables, which need to be supported by bank finance, assessment of fund-based working capital requirements of all borrowers with working capital limits upto Rs.1 crore on the basis of 20 per cent of their sales turnover, raising the floor level to Rs.1 crore for subjecting the borrowers to second method of lending and application of quarterly information system, etc.

Based on the recommendations of the In-House Group regarding levy of a minimum commitment charge of 1.0 per cent per annum on the unavailed portion of credit limits, as made applicable to commercial banks, the PCBs have been advised that in the case of borrowers enjoying working capital limits above Rs.1 crore, they should levy a minimum commitment charge of 1.0 per cent per annum on unutilised portion of credit limit sanctioned.

Lending to Non-Banking Financial Companies

PCBs have been advised that they should not admit investment/finance companies or chit fund companies as members, and obtain prior approval of the Registrar of Co-operative Societies concerned before admitting leasing/hire purchase companies which are not engaged exclusively in leasing/hire purchase business as it is contrary to the State Co-operative Societies Acts/Model by-laws provisions. Subject to these stipulations, the overall limits of borrowings by equipment leasing/hire purchase companies from PCBs were revised during the year on the lines of the credit policy measures directed towards commercial banks.

Interest Rate Revision

Lending Rates

With effect from June 21, 1995, PCBs have been given freedom to determine their lending rates, subject to the prescription of a minimum lending rate of 13.0 per cent per annum.

Deposit Rates

In alignment with rates of interest on deposits of commercial banks, the rate of interest on term deposit was raised from 'not exceeding 11.0 per cent' to 'not exceeding 12.0 per cent' per annum w.e.f. April 18, 1995. Earlier, with effect from October 18, 1994, saving deposits rate was reduced from 5.0 per cent per annum to 4.5 per cent per annum.

The PCBs are allowed to offer at their discretion additional rate of interest not exceeding one-half of one percentage point per annum on term deposits of 46 days and above, and one percentage point per annum on saving deposits over and above the rates prescribed for scheduled commercial banks.

Maximum limits on Advances

With effect from May 1, 1995, the maximum limit on advances to a single party or connected group has been raised from Rs.75 lakh to Rs.100 lakh for all non-scheduled PCB whose demand & time liabilities (DTL) are Rs.50 crore and above, and for scheduled PCB, from Rs.150 lakh to Rs. 250 lakh.

Selective Credit Controls

During the year under review, the advances against paddy/rice were exempt from selective credit controls in the context of comfortable supply situation of this commodity. Thus, advances against paddy/rice and wheat, the major foodgrains, are presently outside the selective credit control stipulations. However, the controls on advances against pulses, oilseeds/ vegetable oils and cotton and kapas to "others" (viz., other than cotton mills including spinning mills) were tightened during the year in view of the unfavourable supply-price situation of these commodities. With the deregulation of the interest rates effected from October 18, 1994, the interest rates on advances against the commodities which are covered under Selective Credit Controls were also freed. The changes effected in the control stipulations during the second half of the year have been detailed below in chronological order*.

October 1994

Exemption for Advances against Paddy/Rice

Effective October 18, 1994, bank advances against paddy/rice to all borrowers were exempted from all the provisions of selective credit control.

Minimum Margins on Advances against Cotton and Kapas

The minimum margins on bank advances against cotton and kapas were reduced across-the-board by 15 percentage points, effective October 18, 1994, setting them at 45 per cent for "others" (viz., other than cotton mills including spinning mills) and 30 per cent against

* The details of changes effected in the first half of the year were already covered in the last year's Report.

warehouse receipts. Cotton mills including spinning mills continued to be exempt from the control stipulations.

Level of Credit Ceiling on Advances against Cotton and Kapas

Effective October 18, 1994, the level of credit ceiling on bank advances against cotton and kapas was raised by 15 percentage points fixing the ceiling at 100 per cent of the peak level of credit maintained by the party in any of the three years ended 1992-93(November-October).

December 1994

Minimum Margins on Bank Advances against Cotton and Kapas

Effective December 27, 1994, the minimum margins on bank advances against stocks of cotton and kapas to "others" (viz., other than cotton mills including spinning mills) and against warehouse receipts covering stocks of cotton were raised across-the-board by 15 percentage points, setting them at 60 per cent for "others" and 45 per cent against warehouse receipts. Cotton mills including spinning mills continued to be exempt from the control measures.

April 1995

Level of Credit Ceiling

For commodities where there is a stipulation on the level of credit ceiling, the reference period was brought forward by one year, to the three years ended 1993-94(November-October), effective April 18, 1995 .

The revised structure of minimum margins and level of credit ceiling stipulations applicable on the advances against the commodities covered under selective credit control as on April 18, 1994 is presented in Table V-9. Scheduled commercial banks' outstanding advances against selected commodities are set out in Table V-10. Security-wise advances to mills/factories and industrial users as a percentage of total credit against sensitive commodities are indicated in Table V-11.

The provisions of the directives on selective credit control as applicable as on April 18, 1995 are furnished in Annexure - III.

Rural Credit

Institutional finance for the rural sector consists essentially of loans extended by Scheduled Commercial Banks (SCBs), Regional Rural Banks (RRBs) and Co-operatives comprising Primary Agricultural Credit Societies (PACS), Large-Sized Adivasi Multi-purpose Societies (LAMPS), Farmers' Service Societies (FSS) and Central Land Development Banks (CLDBs).

Institutional Finance for Agriculture and Allied Activities

a) Direct Finance

The direct institutional loans for agriculture and allied activities, issued together by the Co-operatives, State Governments, Scheduled Commercial Banks and RRBs, during the year 1993-94 (April-March) amounted to Rs.15,115 crore (i.e., up by 7.9 per cent) as against that of Rs.14,002 crore (i.e., up by 21.3 per cent) recorded during the previous year. The outstanding loans of these institutions amounted to Rs.35,448.7 crore as at end of March 1994 as against Rs.33,151.9 crore as at end of March 1993, recording a rise of 6.9 per cent over the year as compared to 6.5 per cent increase recorded a year ago (Table V-12).

The co-operatives comprising PACS, LAMPS, FSS and CLDBs, accounted for a preponderant 56.9 per cent of the total institutional credit disbursed for agriculture and allied activities during 1993-94 (April-March).

These advances grew by 8.0 per cent from Rs.7,956.3 crore in 1992-93 to Rs.8,593.3 crore in 1993-94. During the same period, while the short-term loans disbursed by the PACS, including LAMPS and FSS, which account for nearly 70.0 per cent of the total advances rose by a relatively small amount of Rs.122.9 crore (2.0 per cent) to Rs. 6,030.0 crore, the medium-term and long-term loans issued by PACS and the CLDBs recorded a sharp rise of Rs.514.1 crore (25.1 per cent) from Rs.2,049.2 crore to Rs.2,563.3 crore. The outstanding advances of the Co-operatives aggregated Rs.14,353.6 crore at the end of March 1994 as compared to Rs.12,658.1 crore a year ago, thus recording a rise of 13.4 per cent over the year.

Loans issued by the Scheduled Commercial Banks during 1993-94 (July-June) aggregated Rs.5,399.9 crore, showing a spurt of Rs.440.0 crore or nearly 9.0 per cent over the previous year. Short-terms loans, accounting for nearly 53.0 per cent of total advances, swelled to nearly Rs.2,860.0 crore over the year. The outstanding advances of the Scheduled Commercial Banks as on June 30, 1994 amounted to Rs.19,112.9 crore, recording an accretion of Rs.825.1 crore or 4.5 per cent over Rs.18,287.8 crore a year ago (Table V-12). A comparative analysis of the movements in the advances extended by the co-operatives and the Scheduled Commercial Banks in the recent years suggests that the former registered a significant progress in their disbursements, both for the short and long term purposes. In the case of Scheduled Commercial Banks, the growth of disbursements was modest at an annual rate of 5.0 per cent. The short-term advances of Scheduled Commercial Banks have risen, whereas the disbursements for long term investment have shown contraction.

The share of RRBs in the loans issued by all institutions was about 5.0 per cent. The loans issued by RRBs increased during 1993-94 by 6.8 per cent from Rs.697.7 crore to Rs.745.0 crore. Outstanding loans of RRBs aggregated at Rs.1,982.2 crore as at the end of March 1994 as compared to Rs.2,206.0 crore as at the end of March 1993 showing a decline of 10.1 per cent (Table V-12).

The disbursement of loans by the State Governments, whose share remains very nominal in total disbursements, dropped by Rs.11.5 crore (2.9 per cent) from Rs.388.5 crore in 1992-93 to Rs.377.0 crore in 1993-94 (April-March) (Table V-12).

b) Indirect Finance

The amount of outstanding indirect institutional loans for agriculture and allied activities by the Scheduled Commercial Banks (excluding the RRBs), at the end of June 1994 amounted to Rs.2,099.2 crore, which recorded a rise of 35.3 per cent over the year, compared with an increase of 8.3 per cent recorded in the previous year. Indirect loans issued by the RRBs have been declining over the years. The amount of loans issued by these institutions was a paltry Rs.0.4 crore during 1993-94 (April - March), compared with Rs.4.5 crore during 1992-93. Correspondingly, their outstanding loans also have declined to Rs.33.4 crore as at end-March 1994 from Rs.39.8 crore as at end-March 1993, a drop of 16.0 per cent. The outstanding amount against loans provided by the Rural Electrification Corporation of India stood at Rs.5,654.6 crore at the end of March 1994 as against Rs.5,174.9 crore at the end of March 1993, thereby recording a rise of 9.3 per cent, over the year, which was higher than the 6.2 per cent increase achieved during the previous year (Table V-13).

Scheduled Commercial Banks

During 1993-94 (July-June), direct credit disbursed for agriculture and allied activities by all the Scheduled Commercial Banks (excluding RRBs) went up to Rs.5,400 crore, registering an increase of 8.9 per cent over the previous year as compared to the rise of 3.2 per cent during 1992-93 (Table V-14).

Bank Group-wise Disbursements

The disbursement of credit by State Bank of India and its associates declined by 1.7 per cent to Rs. 1,612 crore in 1993-94. Consequently, their share dropped to 29.9 per cent from 33.1 per cent during the previous year. The disbursement of credit by the Nationalised Banks as a group rose to Rs.3,519 crore during 1993-94 from Rs.3,110 crore during the preceding year, i.e., a rise of 13.2 per cent compared with 2.8 per cent of the preceding year. Consequently, the relative share of Nationalised Banks in total credit disbursed by all the Scheduled Commercial Banks improved to 65.2 per cent in 1993-94 from 62.7 per cent in 1992-93. Credit disbursed by foreign and other Scheduled Commercial Banks taken together spurted by Rs.60 crore or 28.7 per cent during 1993-94, and their share in total credit moved up to 5.0 per cent from 4.2 per cent during the preceding year (Table V-14).

Purpose-wise Disbursement

The details of purpose-wise disbursements of loans extended by Scheduled Commercial Banks are given in Table V-15. During 1993-94 (July-June), these banks issued short-term loans aggregating Rs.2,860.2 crore which constituted 53.0 per cent of the total loans disbursed. It shows an impressive rise of Rs.428.4 crore or 17.6 per cent over the previous year's disbursement of Rs.2,431.8 crore. The medium term and long term loans which essentially are for carrying out capital formation activities on the farm have not grown satisfactorily. During 1993-94, the term-loans amounting to Rs.2,539.7 crore rose by only 0.5 per cent. Further, of the total term loans, Rs.1,697.5 crore, constituting over two-thirds were provided for agricultural activities alone while the remainder one third went for allied activities such as dairying, poultry, fishery, etc. Loans for tractors, agricultural implements, and machinery which accounted for the bulk (36.4 per cent) of total term loans declined by 4.2 per cent. The loans for various activities related to reclamation of land declined by 20.6 per cent. The loans for minor irrigation schemes and plantations recorded increases. The loans disbursed for non-farm activities such as dairying, poultry, fishery etc. recorded a significant rise of 11.7 per cent during the year. Dairying among allied activities assumed the leading role in the availment of credit facilities.

Region-wise Disbursement

The analysis of region-wise break-up of the data relating to the disbursement of loans during recent years tends to reveal that Southern Region, continued to account for the major chunk of the credit disbursed. During 1993-94, it accounted for more than one half (55.1 per cent) of the total loans of nearly Rs.5400 crore. Its share in the short term advances of all the regions was overwhelmingly high at 73.4 per cent. The Central, Western and Northern Regions accounted for 14.1 per cent, 13.1 per cent, and 11.0 per cent of total credit, respectively. The Eastern and North-Eastern Regions together accounted for only 6.6 per cent of the total credit. Disbursement of credit rose sharply in the case of Southern Region: Rs.516.9 crore or 21.0 per cent over nearly Rs.2459 crore of 1992-93. The same had declined considerably in the case of Northern Region (112.6 crore or 16.0 per cent) and the Eastern Region (25.6 crore or 7.3 per cent). The North-Eastern Region has availed consistently less than one per cent of the total all-India credit over the recent years. During the 90s, the Eastern Region has experienced a consistent decline in the disbursement of credit by the Scheduled Commercial Banks from Rs.415 crore in 1990-91 to nearly Rs.327 crore in 1993-94; more significantly, the contraction occurred in the case of the term-loan (Table V-16).

Priority Sector Advances

Ever since the nationalisation of major commercial banks, the credit made available by banks for the promotion and development of rural sector activities has grown phenomenally, particularly for priority sector activities. However, of late, the Scheduled Commercial Banks have not been able to meet the stipulated target of 40 per cent of total bank credit to priority sector segment. The outstanding advances of Public Sector Banks for the priority sector activities at Rs.61,794 crore marked a significant 16.7 per cent rise over Rs.52,945 crore a year ago. However, the relative share of priority sector advances in the total outstanding advances of the public sector banks dropped from 38.2 per cent at end-March 1994 to 36.6 per cent at end-March 1995. The amount of outstanding total (direct and indirect) advances of public sector banks to agriculture recorded a growth of 12.3 per cent from Rs.20,930 crore at the end of March 1994 to Rs.23,513 crore at the end of March 1995. The relative share of agriculture in total bank credit, however, dropped from 15.0 per cent to 13.9 per cent (Table V-17).

NABARD and Rural Credit

Assistance for Agriculture and Allied Activities

NABARD continued to extend its refinance support to a broad spectrum of production activities in the rural sector. The details of financial assistance provided by NABARD to the State Co-operative Banks, Regional Rural Banks and State Governments for financing various production activities other than those covered under its schematic lending are set out in Table V-18. A brief analysis of NABARD's refinance operations is attempted in the following paragraphs.

Short-term Credit

The major chunk of NABARD's short-term credit support goes for financing Seasonal Agricultural Operations (SAO). The credit limits sanctioned by NABARD to the State Co-operative Banks for financing SAO aggregated Rs.4,101 crore during 1994-95 (July-June) which was Rs.592 crore (16.9 per cent) more than Rs.3,509 crore during 1993-94. The amount outstanding under this head stood at Rs.2,411 crore at the end of June 1995 as against Rs.2,220 crore a year ago. Similarly, the short-term credit for SAO limits sanctioned to the RRBs during 1994-95 (July-June) were appreciably higher at Rs.728 crore as against Rs.588 crore during 1993-94 and Rs.502 crore during 1992-93. At Rs.666.0 crore, the outstanding short-term credit of RRBs stood higher than the level of Rs.547.0 crore at end June 1993 (Table V-18).

Medium-term Credit

The medium-term credit limits for approved agricultural purposes sanctioned by NABARD to State Co-operative Banks during the Calendar year 1994 amounted to Rs.9.0 crore and the outstanding stood at Rs.32.0 crore. Credit for converting the short-term agricultural loans into medium-term loans increased enormously to Rs.347.0 crore from Rs.47 crore during 1993-94. The credit limits sanctioned to the RRBs for non-schematic purpose during 1994-95 (July-June) were to the tune of Rs.83 crore which was higher by Rs.22 crore or 36.0 per cent than the limits sanctioned during 1993-94 (Table V-18).

Long-term Credit to State Governments

During the financial year 1994-95, NABARD sanctioned long-term credit limits amounting to Rs.73.0 crore to the State Governments for enabling them to contribute to the share capital of co-operative credit institutions as against Rs.40 crore sanctioned during the previous year (Table V-18).

Investment Credit

During 1994-95 (April-March), total amount of refinance disbursements by the NABARD under its various schematic lending operations stood at Rs.3,011 crore, recording a rise of roughly 10 per cent over Rs.2,745 crore disbursed during 1993-94. Purpose-wise, agency-wise, and region-wise data on refinance assistance provided by NABARD as set out in Tables V-19, V-20 and V-21, respectively show the following results.

The purpose-wise analysis of the data on disbursements reveals that farm mechanisation operations accounted for the largest share of nearly 23 per cent in the refinance disbursements during 1994-95: the amount moved up from Rs.631.0 crore in 1993-94 to Rs.685.2 crore in 1994-95, recording a rise of 8.6 per cent. Refinance for minor irrigation projects increased by about 2.0 per cent to Rs.597.7 crore in 1994-95 which formed around 20 per cent of the total refinance under schematic lending. In sharp contrast, refinance for IRDP schemes, which accounted for 20.6 per cent of total refinance under schematic lending declined by 6.3 per cent to Rs.620.4 crore in 1994-95. However, disbursements of refinance for non-farm activities such as fisheries, poultry and dairy development, etc., increased considerably during the year. The disbursements as percentage share of commitments declined to 80 per cent in 1994-95 from 85 per cent in 1993-94 (Table V-19).

NABARD offers its refinance support to mainly 4 agencies namely, State Land Development Banks (SLDBs), Scheduled Commercial Banks, RRBs and State Co-operative Banks for various schematic lending programmes. The agency-wise break up of the data on disbursement of refinance during 1994-95 shows that the SLDBs accounted for the largest share at 40 per cent of Rs.3011 crore closely followed by Scheduled Commercial Banks at 36 per cent. Disbursement of refinance to all these institutions recorded increases during the year: the growth was noticeably sharp (23.3 per cent) in the case of RRBs (Table V-20).

A close look at the regional distribution of refinance by NABARD suggests that Southern Region accounted for the highest share in total refinance commitment (28.5 per cent) in 1994-95, followed by Central Region (28.4 per cent), Western Region (18.6 per cent) and Northern Region (15.2 per cent). (Table V-21).

Refinance under IRDP

NABARD's refinance assistance during 1994-95 under IRDP amounted to Rs.620 crore, which was 6.3 per cent lower than Rs.662 crore during the previous year. Details of purpose-wise refinance assistance provided by the NABARD under IRDP show that the disbursements for Industry, Service and Business accounted for as high as 42 per cent at Rs.263 crore. Dairy development activities claimed 23 per cent of the total, followed by minor irrigation (Table V-22).

Interest Rates

NABARD carried out substantial revisions in the structure of rates of interest charged by it on its refinance facilities, and the interest rates chargeable by the banks from the ultimate borrowers, effective October 18, 1994. The revised rates of interest on refinance to RRBs and Scheduled Commercial Banks and rates of interest to ultimate beneficiaries in respect of term loans (3 years and above) are as under:

(Per cent per annum)

Size Limit	Rate of Interest to ultimate beneficiaries	Rate of interest on refinance	
		RRBs	Comm. Banks
1	2	3	4
1. Upto and inclusive of Rs.25,000	12.0	6.5	7.5
2. Over Rs.25,000 and upto Rs.2 lakhs	13.5	9.5	10.0
3. Over Rs.2 lakhs	Banks are free to determine the interest rates	11.0	4 per cent below the rate chared to the ultimate beneficiaries

The State Co-operative Banks have been given freedom to fix their lending rates to the ultimate borrowers subject to a minimum lending rate of 12 per cent per annum. The rates of interest on refinance charged by NABARD to State Co-operative Banks with effect from October 18, 1994 are given below:

Size Limit	Rate of interest on refinance (Per cent per annum)
1	2
1. Upto and inclusive of Rs.25,000	6.5
2. Over Rs.25,000 and upto Rs.2 lakhs	9.5
3. Over Rs.2 lakh	4.5% below the rate charged/ fixed by concerned SCB to ultimate borrowers

ARDR Scheme, 1990

Details of claims lodged/debt relief provided by the co-operative banks (State Co-operative Banks/SLDBs) and RRBs under Agricultural and Rural Debt Relief (ARDR) Scheme, 1990 and reimbursement made by NABARD as at end March 1995 are as follows:

(Rs.crore)

Particulars	Agency			Total
	State Co-operative Bank	SLDBs	RRBs	
1	2	3	4	5
I. Claims lodged	3343.4	826.1	798.9	4968.4
II. Claims considered for reimbursement	3281.8	787.4	719.0	4788.2
III. Amounts sanctioned by NABARD/Amounts drawn by banks				
a. Grant sanctioned	1592.4	399.9	718.7	2711.0
b. Grant drawn by banks	1592.3	397.1	718.6	2708.0
c. Loan sanctioned	1567.3	399.8	-	1967.1
d. Loan drawn by banks	1564.6	397.0	-	1961.6

Source : NABARD

NABARD sanctioned Rs.2,711.0 crore by way of 'Grant' to State Co-operative Banks, SLDBs and RRBs and Rs.1,967.11 crore as loan to State Co-operative Banks and SLDBs as on March 31, 1995.

National Co-operative Development Corporation (NCDC)

NCDC was set up as a promotional and developmental organisation for the Co-operative Sector in the country. Its prime objective lies in promoting, strengthening and developing the institution of farmers' co-operatives. The focus of the Corporation is on programmes for agricultural inputs, processing, storage and marketing of agricultural produce and supply of consumer goods in the rural areas.

The cumulative assistance disbursed by NCDC from 1962-63 to 1994-95 amounted to Rs.3,311 crore. The financial assistance provided by the Corporation for Central Schemes and Corporation sponsored schemes during 1994-95 (April-March) increased to Rs.386.3 crore from Rs.286.7 crore in the previous year. (Table V-24). Among the States, Maharashtra (37.8 per cent), Kerala (9.9 per cent) and Tamil Nadu (8.1 per cent) accounted for the bulk of the total financial assistance (Table V-23).

Promotion and financing of the programmes in cooperatively under-developed States of the entire Eastern and North-Eastern region, Rajasthan, Himachal Pradesh, Jammu and Kashmir, Union Territories of Lakshadweep, Andaman and Nicobar Islands, is a major thrust area of the NCDC. By the end of 1994-95, NCDC had disbursed assistance of Rs.715.9 crore to the co-operatively under-developed and least developed states.

During the Eighth Plan, the Corporation's focus will be on the promotion and development of Weaker Sections' Cooperatives, Poultry, Dairy, Handloom, Coir, Sericulture etc. An outlay of Rs.1,941.7 crore has been envisaged for implementing the projects during the Eighth Five Year Plan.

Comprehensive Crop Insurance Scheme

Details of the progress made under the Comprehensive Crop Insurance Scheme (CCIS) introduced during Kharif 1985 and implemented by the General Insurance Corporation of India (GIC) are presented in Table V-24. During Kharif 1994, 17 States implemented the Scheme, covering an area of 69.6 lakh hectares. The sum insured aggregated Rs.1,446.5 crore and total insurance charges amounted to Rs.21.9 crore. As for Rabi 1994-95, 16 States implemented the Scheme covering an area of 10.7 lakh hectares involving an insured sum of Rs.215.5 crore. The total insurance charges amounted to Rs.3.6 crore.

Annexure-I

Monetary and Credit Policy Measures

A. Lending Rates	Effective Date

i) **Deregulation of Lending Rates** — October 18, 1994

Lending rates of scheduled commercial banks were freed for credit limits of over Rs.2 lakh. For the credit limits of over Rs.2 lakh, the prescription of a minimum lending rate was abolished and banks were advised to obtain the approval of their respective Boards for the prime lending rate (PLR) which would be the minimum rate charged by the banks for credit limits of over Rs.2 lakh. Banks are required to declare their PLR and to apply it uniformity in all their branches. For credit limits of over Rs 25,000 and upto Rs.2 lakh for all advances including term loans a uniform lending rate was prescribed at 13.5 per cent per annum.

Scheduled Commercial Banks' Lending Rates

(Per cent per annum)

Size of Credit Limit	Rates prior to October 18, 1994		Rates effective October 18, 1994
	Term loans	All other advances	All advances (including term loans)
Upto and inclusive of Rs.25,000/	12.0	12.0	12.0
Over Rs 25,000/- and upto Rs.2 lakh	14.0	15.0	13.5
Over Rs.2 lakh	14.0 (Minimum)	15.0 (Minimum)	Free

ii) Margin on Advances against Deposits — October 18, 1994

According to stipulations, banks were required to maintain a margin of not less than 25 per cent for advances against deposits. With a view to giving banks greater flexibility, the margin would no longer be prescribed by the Reserve Bank and banks were given the freedom to determine the margin on a case by case basis.

iii) Deregulation of Deposit and Lending Rates of Co operative Banks — October 18, 1994

Given the nature of activity of the co-operative banks, it was decided that the lending and deposit rates of all co operative banks would be totally deregulated and these co operative banks would be given freedom to determine their deposit and lending rates subject to the prescription of a minimum lending rate of 12.0 per cent per annum. The interest rate structure of urban co operative banks continued to be prescribed.

Annexure - I *(Contd.)*

iv) Deregulation of Lending Rates of Primary Co-operative Banks

Primary co-operative banks were given the freedom to determine their lending rates subject to the prescription of a minimum lending rate of 13.0 per cent per annum. Accordingly, the interest rates on advances given by primary co-operative banks was as follows : — June 21, 1995

Size of Limit	Rates prior to June 21, 1995	Rates effective June 21, 1995
a) Upto Rs.25,000	13.0	Free, subject to a minimum lending rate of 13 per cent per annum.
b) Over Rs.25,000 and upto Rs.2 lakh	13.5	
c) Over Rs.2 lakh	Free	

v) Rate of Interest on Advances Against Term Deposits

Hitherto, when a loan/advance was granted against a term deposit to a person in whose name the deposit stands (singly/jointly or as a guardian), the interest chargeable on such loan or advance was 2 percentage points above the rate payable on the deposit. In the context of the flexible lending rates, it was decided that while the foregoing interest rate stipulation on such loans/advances against term deposits, would continue for advances upto Rs.2 lakh, banks would have the freedom to determine the interest rate chargeable on such loans/advances of over Rs.2 lakh. The new stipulation would be applicable in respect of domestic and Non- Resident (External) Rupee deposits. The extant instructions on advances against deposits under Foreign Currency Non-Resident Accounts Scheme (FCNRA) Scheme, Foreign Currency Non-Resident Accounts (Banks) Scheme [FCNR(B)] and Non-Resident Non-Repatriable Rupee Deposit Scheme (NRNR) remained unchanged. — October 1, 1995

B. Deposit Rates

1) Savings Deposit Rate (Domestic)

Savings deposit rate was reduced by 0.5 per cent per annum from 5.0 per cent per annum to 4.5 per cent per annum. — November 1, 1994

2) Term Deposit Rates (Domestic)

i) Term deposit rates of scheduled commercial banks for maturity of 46 days to 3 years and above were increased by one percentage point to 'not exceeding 11.0 per cent per annum'. — February 10, 1995

ii) Term deposit rates of scheduled commercial banks for maturity of 46 days to 3 years and above were further increased by one percentage point to 'not exceeding 12.0 per cent per annum'. — April 18, 1995

iii) Keeping in view the need to increase the resources of banks to enable them to meet their lending and investment commitments, it was decided to make the present structure of interest rates on deposits more flexible. Accordingly, scheduled commercial banks were given the freedom to fix their own interest rates on domestic term deposits with a maturity of over 2 years and on — October 1, 1995

Annexure - I (*Contd.*)

domestic term deposits of 46 days and upto 2 years, the interest rate is prescribed at the existing rate of 'not exceeding 12.0 per cent per annum'. Banks are to obtain the approval of their respective Boards for the deposit rates they will be offering on deposits of maturity of over 2 years. They were advised to use utmost caution in offering interest rates on various maturities of term deposits and to ensure that they do not get locked into excessively long deposit maturities. In this connection, they were also advised to undertake a careful review to ensure against overall asset-liability maturity mismatches. At any point of time, individual banks are to adopt uniform rates at all their branches and for all customers. The earlier and the revised term deposit rates (excluding non-resident deposits) are set out below :

Scheduled Commercial Banks' Interest Rates on Term Deposits (Excluding Non-Resident Deposits)

(per cent per annum)

Duration	Rates prior to October 1, 1995	Duration	Rates effective October 1, 1995
46 days to 3 years and over	'Not exceeding 12.0'	46 days and upto 2 years	'Not exceeding 12.0'
		Over 2 years	Free

In April 1992, it had been stipulated that within the prescribed ceiling rate on deposits, there must be at least three maturity prescriptions with a minimum differential of 0.25 percentage points. This stipulation was withdrawn.

3) Interest Rates on deposits under Non-Resident (External) Rupee Accounts (NRE Accounts)

i) In the context of a stable dollar rupee rate, the deposit rates on NRE accounts were reviewed and the NRE savings deposit rate was reduced from 5.0 per cent per annum to 4.5 per cent per annum. — November 1, 1994

ii) The term deposit rates for NRE accounts for maturity of 6 months to 3 years and above were also reduced by two percentage points from 'not exceeding 10.0 per cent per annum' to 'not exceeding 8.0 per cent per annum'. — October 18, 1994

iii) With a view to maintaining the differential between the interest rates on domestic term deposits and Non-Resident (External) Rupee (NRE) term deposits, it was decided to raise the interest rate on NRE term deposits for maturity of 6 months to 3 years and over from 'not exceeding 8.0 per cent per annum' to 'not exceeding 10.0 per cent per annum'. The earlier and the revised term deposit rates are set out below : — October 1, 1995

Scheduled Commercial Banks' Interest Rates on Deposits under Non-Resident (External) Rupee Accounts (NRE Accounts)

(per cent per annum)

Duration	Rates prior to October 1, 1995	Rates effective October 1, 1995
6 months to 3 years and over	'Not exceeding 8.0'	'Not exceeding 10.0'

Annexure - I *(Contd.)*

C. Reserve Ratios	
(1) Cash Reserve Ratio (CRR)	
i) Prescription of Cash Reserve Ratio (CRR) on Foreign Currency (Non-Resident) Accounts (Banks) Scheme	
Since the spreads under the above scheme were extremely high and the forward cover charges were moderate under a stable dollar-rupee rate, the scheduled commercial banks were required to maintain a cash reserve ratio (CRR) of 7.5 per cent on liabilities under the FCNR(B) scheme.	Fortnight beginning from October 29,1994
The CRR on liabilities under the FCNR(B) scheme was raised further to 15.0 per cent.	Fortnight beginning January 21,1995
ii) Prescriptions of Cash Reserve Ratio (CRR) on Non Resident (Non-Repatriable) Rupee (NRNR) Deposit Scheme	
Scheduled commercial banks were required to maintain a cash reserve ratio (CRR) of 7.5 per cent on liabilities under NRNR scheme.	Fortnight beginning January 21,1995
iii) Cash Balances required to be maintained by scheduled commercial banks	
In October 1994, scheduled commercial banks were advised to maintain a minimum level of 85 per cent of the CRR balances required to be maintained by banks on each of the first 13 days of the reporting fortnight. On the 14th day of the reporting fortnight, banks were allowed to maintain less than 85 per cent of the required cash balances to adjust the average of daily balances to the required level. In case a bank maintained CRR at less than the minimum level of 85 percent of the amount of CRR to be maintained on any of the first 13 days of the reporting fortnight, the Bank was not paid interest for that day, i.e., the banks lost one percentage of the eligible interest, even if there was no shortfall in the CRR on average basis for the fortnight.	Fortnight beginning January 7,1995
iv) Cash Reserve Ratio (CRR) - Maintenance of Minimum Level of 85 per cent on a Daily Basis	
With a view to avoiding hardships to banks, because of intervening holidays, in the maintenance of the minimum level of 85 per cent stipulation on CRR balances, on a daily basis, it was decided that with effect from the fortnight beginning September 30, 1955, scheduled commercial banks need to maintain a minimum level of 85 per cent of the CRR requirement only from the first working day of the reporting fortnight and to enable banks to adjust their cash balances, the 85 per cent stipulation would not be required to be maintained n the last working day of the reporting fortnight. For this purpose, banks should reckon the holidays with reference to the centre where they have their principal account for maintenance of CRR.	Fortnight beginning September 30, 1995.
Considering the number of holidays in the reporting fortnight covering the period April 1 to April 14, 1995, the minimum level of 85 per cent of the of the CRR balances required to be maintained by scheduled commercial banks on each of the first 13 days of the reporting fortnight ended April 14, 1995 was reduced to 50 per cent.	For the fortnight April 1, 1995 to April 14, 1995

Annexure - I *(Contd.)*

(2) Statutory Liquidity Ratio (SLR)

i) With a view to moving towards the objective of bringing down the Statutory Liquidity Ratio (SLR) to 25 per cent by March 1996, a further reduction in SLR was undertaken; with effect from the fortnight beginning October 29, 1994, upto the level of outstanding domestic net demand and time liabilities as on September 30, 1994, the SLR was prescribed at 31.50 per cent and on increase in liabilities over September 30, 1994 level, the SLR was prescribed at 25 per cent. — Fortnight beginning October 29, 1994.

The earlier and revised prescriptions of SLR are set out below:

Statutory Liquidity Ratio on Domestic Net Demand and Time Liabilities

Earlier Prescription	SLR (Per cent)	Revised Prescription (Effective October 29, 1994)	SLR (Per cent)
1. SLR on Domestic Net Demand and Time Liabilities as on September 17, 1993	33.75	SLR on Domestic Net Demand and Time Liabilities as on September 30, 1994	31.50
2. SLR on Increase in Domestic Net Demand and Time Liabilities over the level as on September 17, 1993	25.00	SLR on Increase in Domestic Net Demand and Time Liabilities over the level as on September 30, 1994	25.00

Note : In view of the lower SLR stipulation on incremental domestic Net Demand and Time Liabilities and zero SLR on specific external liabilities, the overall effective SLR which was estimated at 29.0 per cent in September 1995 would continue to decline on the basis of the existing stipulations.

ii) Valuation of Securities for Maintenance of Statutory Liquidity Ratio (SLR)

The method of valuation of securities for maintenance of Statutory Liquidity Ratio (SLR) by banks was different from the procedure adopted for the balance sheet. To ensure a uniform system of valuation of securities for both SLR and balance sheet purposes, all scheduled commercial banks (excluding regional rural banks) are required to adopt for purposes of SLR, the same system of valuation of securities as for the balance sheet. — Fortnight beginning October 14, 1995.

D. Measures Relating to Non-Resident Deposit Scheme

1. Foreign Currency (Non-Resident) Accounts (FCNRA) Scheme

The maturity period of 'three years only' was withdrawn under the FCNRA Scheme and as such no fresh deposits were allowed to be accepted under this maturity. The existing FCNRA deposits were, however, allowed to continue till maturity but thereafter no renewals were permitted. — August 15, 1994

2. Non-Resident (Non-Repatriable) Rupee Deposit Scheme (NRNR)

Under the Non-Resident (Non Repatriable) Rupee Deposit Scheme (NRNR), both the principal and the interest were not repatriable. It was decided that interest accruing on NRNR deposits from the quarter beginning October 1, 1994 would be eligible for repatriation. The principal amount under the scheme continued to be non repatriable. — August 19, 1994 (Announcement date)

Annexure - I *(Contd.)*

3. Foreign Currency (Ordinary) Non-Repatriable Deposit Scheme (FC(O)NR)

Under the Foreign Currency (Ordinary) Non-Repatriable Deposit Scheme (FC(O)NR), the principal as well as the interest earned were not repatriable. With effect from August 20, 1994, no fresh deposits were allowed to be accepted by banks under this scheme. It was also decided that interest accruing on existing FC(O)NR deposits from the quarter beginning October 1, 1994 would be eligible for repatriation upto the maturity date of the existing deposits.	- do -

E. Measures Relating to Export Credit

1. Export Credit Facilities for Sub-Suppliers

In order to provide purposeful support to the export effort, in cases where letters of credit were opened by the export order holder, sub-suppliers of export orders were provided credit within the overall permissible pre-shipment export credit.	November 10, 1994

2. Export Credit (Rupee) Refinance

In view of export growth being satisfactory and overall export credit facilities enlarged significantly with the introduction of the scheme of post-shipment export credit denominated in US dollars, the scheme of Pre-shipment Export Credit in Foreign Currency and the scheme of Rediscounting of Export Bills Abroad, it was decided to revert to the normal single tier refinance formulas and to bring forward the base by one year. Accordingly, banks were provided export credit (rupee) refinance to the extent of 100 per cent of the increase in export credit over the monthly average level of 1992-93.	Fortnight beginning April 29, 1995

3. Post-shipment Export Credit Denominated in US Dollars (PSCFC)

i) The interest rate of PSCFC was increased by one percentage point from 6.5 per cent per annum to 7.5 per cent per annum; simultaneously the interest rate on refinance under the PSCFC scheme was also increased by one percentage point from 5.5 per cent per annum to 6.5 per cent per annum.	April 18, 1995
ii) Banks were eligible for export credit refinance limits equivalent to 70 per cent of outstanding export credit provided by banks under under the PSCFC scheme as against 80 per cent earlier.	Fortnight beginning April 29, 1995

F. Measures Relating to Rural Credit

1. Introduction of Cash Credit System for Agricultural advances

A few banks were providing cash credit facilities to a limited number of farmers subject to certain conditions. With a view to ensuring adequate and timely flow of rural credit as also to meet the composite needs of farmers, banks were advised to extend cash credit facilities to farmers with irrigation facilities and also to other farmers undertaking off farm/allied activities. It was emphasised that the farmers getting this facility should have a good track record.	October 26, 1994

Annexure - I *(Contd.)*

2. Establishment of Rural Infrastructural Development Fund (RIDF) by NABARD

Consequent upon the announcement of the Finance Minister in his budget speech on March 15, 1995, a Rural Infrastructural Development Fund (RIDF) of Rs.2,000 crore was established in the National Bank for Agriculture and Rural Development (NABARD) for giving loans to State Governments and State owned Corporations for quick completion of on-going projects relating to medium and minor irrigation, soil conservation, watershed management and other forms of rural infrastructure. All scheduled commercial banks (other than foreign banks operating in India) which had not reached the agricultural lending sub-target of 18 per cent of net bank credit under the priority sector guidelines were required to make contributions to the fund set up in NABARD equivalent to the shortfall in achieving the aforesaid sub-target, subject to a maximum of 1.5 per cent of net bank credit. The share of each bank in the Fund was to be worked out on the basis of the shortfall as on the last Friday of December 1994 in the case of public sector banks and March 1994 in the case of private sector banks. NABARD would place demands on the banks from time to time in proportion to each bank's share in the Fund, depending on the anticipated disbursements for financing the approved projects. Maturity period of the deposits would be upto 5 years from the date of each deposit. April 21, 1995

The rate of interest to be paid by NABARD on the outstanding deposits placed by banks would be a floating rate equivalent to one-half of one percentage point above the maximum permissible rate on term deposits. Interest would be calculated and paid to banks at quarterly rests based on the weighted average maximum deposit rate during the quarter. In the absence of a prescribed maximum deposit rate, simple average of the maximum deposit rates of the five major banks in the consortium would be the reference rate under this scheme. The contributions to the Fund made by the banks would be reckoned as their indirect agricultural lending under the priority sector.

The loans to be given by NABARD to the State governments/bodies from the Fund would be for a period upto 5 years and project specific. The project to be financed woul be cleared by a Committee consisting of Chairman, NABARD and the representatives of the Government, Reserve Bank of India and State Bank of India on the NABARD Board. On the outstanding borrowings from the Fund under the above arrangement, State Governments/bodies would pay a floating rate of interest at a rate equivalent to 0.5 percentage point above the rate paid by NABARD on deposits placed by banks in the Fund and interest would be payable at quarterly rests.

The State governments concerned would be required to provide a Government guarantee in respect of repayment of principal and payment of interest thereon. Furthermore, State Governments would be required to execute an irrevocable letter of authority in favour of Reserve Bank authorising it to debit the State Governments' account with it in case NABARD reports that any payment due under the scheme has not been made on the due date.

3. Scheme for Provision of Credit to Khadi and Village Industries Commission (KVIC) by a Consortium of Banks

In his budget speech on March 15, 1995 the Finance Minister announced a scheme under which the banking system would provide Rs.1,000 crore on a consortium basis to Khadi and Village Industries Commission (KVIC) which would lend to v able Khadi and Village Industrial Units either directly or through State level Khadi and Village Industries Board (KVIBs). Accordingly, a consoritum of select public sector banks was formed with the State Bank of India as the leader of the consortium to provide credit to KVIC. Those banks which had not achieved the April 17, 1995 (Announcement date)

Annexure - I (*Contd.*)

priority sector lending target of 40 per cent even after allocation of their contribution to the Rural Infrastructural Development Fund (RIDF) would be included in the consortium and would be allotted shares in the consortium on a pro rata basis depending on each bank's priority sector shortfall. The credit provided by banks to KVIC under this scheme would be reckoned as their indirect lending to small-scale industries under the priority sector. These loans would have to be provided at 1.5 per cent below the average prime lending rate of five major banks in the consortium.
These loans would carry Government Guarantee.

4. Scheme for Financing Primary Weavers' Co-operative Societies by Commercial Banks

In his budget speech on March 15, 1995, the Finance Minister had announced that in order to increase the flow of credit to the large number of weavers employed in the handloom sector, NABARD refinance to Primary Weavers Co-operative Societies (PWCS) would be extended to commercial banks in addition to being routed through the co-operative sector. It would be ensured that the societies to be financed by commercial banks had a satisfactory working record and were not indebted to the district central co-operative banks. NABARD would make available a line of credit to commercial banks at 9.5 per cent per annum. The credit would be made available to the handloom co-operative at the same rate provided a subsidy of 2.5 per cent was received from the State government. In addition, production credit to the Handloom Development Centres set up under the Government of India scheme would also be provided by commercial banks as in the case of co-operative banks. Refinance would be rawn by commercial banks from NABARD through their designated branches on quarterly basis and the commercial banks would have to maintain non-overdue cover as in the case of co-operative banks. Each drawal would be for a period of 12 months. The advances made by commercial banks to handloom co operatives would be reckoned as indirect finance to the small scale industries (SSI) sector and form part of their priority sector lendings.

June 6, 1995

5. General Line of Credit Under Section 17(4E) of the Reserve Bank of India Act, 1934 to NABARD - compliance with Prescribed Recovery Norms

Under the National Bank for Agriculture and Rural Development (NABARD) refinance scheme, State Co-operative Banks and Regional Rural Banks (RRBs) were required to recover at least 40 per cent of the demand for the previous year to be eligible for refinance from NABARD. In order not to deny credit to new and non-defaulting members of co-operatives and RRBs and maintain credit flow, this stipulation was relaxed in December 1993 so as to enable these institutions to obtain refinance to the extent of recovery. This relaxation was further extended in May 1994 upto June 30, 1995. With a view to ensuring minimum level of production credit to areas of retarded credit flow, it was decided to continue the relaxation for a further period of one year, i.e., upto June 30, 1996.

April 17, 1995 (Announcement date)

G. Measures Relating to Industrial Finance

1. Ceiling on Term Loans

For term loans for any project, ceilings of Rs.50 crore for individual banks and Rs.200 crore for a group of banks were prescribed. Considering the importance of infrastructure development and the need for the banks to anticipate in the financing of such projects, which involve substantial capital expenditure, the ceiling of Rs.50 crore for each bank was abolished and the limit of Rs.200 crore for banking system as a whole was raised to Rs.500 crore for any project. Sanction of such term loans continued to be subject to compliance with the prudential exposure norms.

October 18, 1994

Annexure - I *(Contd.)*

2. Loans to State Industrial Development/Financial Corporations	
Banks were allowed to provide lines of credit/term loans to State Industrial Development/Financial Corporations for extending loans to small scale industrial units with such loans being treated as part of priority sector lending.	November 9, 1994
3. Housing Loans	
In view of the importance of housing and the gap between the demand and supply of housing stock and housing finance, the following changes were made :	November 7, 1994
i) The ceiling on direct individual housing loans in cities was raised from Rs.3 lakh to Rs.10 lakh.	
ii) The proportion of investment by way of purchase of bonds of recognised housing finance institutions was raised from 40 per cent to 50 per cent. Direct individual lending should, however, not be less than 20 per cent.	
iii) Housing loans upto Rs.2 lakh only continued to be reckoned as priority sector lending.	
4. Introduction of a Loan System for Delivery of Bank Credit	
The need to introduce an element of credit discipline for large borrowers was stressed by a number of expert Committees/Working Groups and in this connection, the need for introducing a loan system was recognised. Under the cash credit system, the onus of cash management was borne entirely by the bank and there was an attenuation of credit discipline, as large borrowers could undertake very large variations in their outstanding credit from the banking system. With a view to bringing about discipline in the utilisation of bank credit and gain better control over credit flow, it was proposed to introduce a "Loan System", for delivery of bank credit. The salient features of the "Loan System" are set out below:	April 21,1995
i) For borrowers with assessed Maximum Permissible Bank Finance (MPBF) of Rs.20 crore or above, it would henceforth be mandatory for banks/consortia/syndicates to restrict the cash credit component to 75 per cent of the MPBF. Illustratively, a borrower with a MPBF of Rs.20 crore, would be entitled to a cash credit limit of Rs.15 crore. Commercial Paper and the sub-limit for bills would be carved out of the "cash credit component" of the MPBF.	
ii) The balance of 25 per cent of the MPBF, or any part thereof, might be sanctioned by way of a short-term loan for working capital purposes by the banks/consortia/syndicates, in conformity with the existing lending discipline/guidelines for appraisal and monitoring, availability of security/drawing power, etc.	
iii) Such short-term loans for working capital purposes must be sanctioned as demand loans for a minimum period of one year, though in case of seasonal industries, the minimum period could be six months. Banks/ consortia/syndicates would have the right to recall such short-term loans for working capital purposes,if the performance of the borrowing unit was not satisfactory, or where the borrowing unit was found to	

Annexure - I *(Contd.)*

have used the amount for purposes other than for which the short-term loan was sanctioned. Banks/consortia/syndicates would review the loan account and renew the same in time so as to ensure smooth availability of working capital funds to borrowing units, whose performance was satisfactory and where diversion and/or misuse of funds by borrower had not taken place.

iv) Banks would have the freedom to charge interest rates on the "cash credit component" (cash credit limits) and the "loan component" (short-term loan for working capital purposes) subject to the observance of the prime lending rate fixed by banks.

v) In cases of lending under consortium arrangement, member-banks must share the "cash credit component" and the "loan component" on a pro rata basis. In cases of lending by way of syndication and/or under multiple banking arrangement, each member-bank or each individual bank must restrict sanction of "cash credit component" to 75 per cent of its share of the MPBF.

Banks/consortia/syndicates would have to complete the bifurcation of the existing cash credit limits into a "cash credit component" and a "loan component" in all cases, where the MPBF was Rs.20 crore or above, within a period of three months or the next quarterly review of the borrowal account, whichever was earlier. As regards the food credit consortium, separate arrangements were made.

Loan system for Delivery of Bank Credit - Revision

With a view to strengthening the discipline in the utilisation of bank credit, the "cash credit component" was reduced from 75 per cent to 60 per cent and the "loan component" increased from 25 per cent to 40 per cent; all other terms and conditions advised by the Reserve Bank of India earlier remain unchanged. The process of bifurcation in terms of the revised guidelines was to be completed on or before December 31, 1995, or the next quarterly review of the borrowal account, whichever was earlier. — October 9, 1995

5. Banks/Financial Institutions Lending to Non-Banking Financial Companies (NBFCs)

There had been an unduly large increase in credit from banks to NBFCs and as banks/financial institutions were active in the area of equipment leasing/hire purchase, a need was felt to moderate the overall limits of orrowings by NBFCs from banks/nancial institutions. The earlier overall limits and new overall limits of borrowings by different categories of NBFCs from banks are set out in the following page : — April 21,1995

Annexure - I (*Contd.*)

	Category of NBFC	Earlier Overall Limit	New Overall Limit
i)	Equipment leasing/hire purchase companies having not less than 75 per cent of their assets in equipment leasing and hire purchase and 75 per cent of their gross income from these two types of activities as per the last audited balance sheet of the companies.	Four times the net owned funds(NOF) of the Company	Three times the NOF of the Company
ii)	Other equipment leasing/hire purchase companies	Three times the NOF of the company	Two times the NOF of the company
iii)	Loan and investment companies and residuary non-banking companies	Two times the NOF of the company	Equal to NOF of the company

The All India term lending institutions and the investment institutions were separately advised to moderate their lending toNBFCs.

6. Bridge Loans/Interim Finance

In terms of the then existing guidelines, banks and financial institutions would together extend bridge loans/interim finance against public issues and/or borrowings from the market to a maximum extent of 75 per cent of the amount actually called up on each occasion subject to certain conditions; bridge loans to finance companies were however, banned. In view of the possible misuse as well as risk attached to this facility, it was decided that, with immediate effect, the bridge loans by banks/financial institutions to **all** companies (including finance companies) would be banned. April 20, 1995

H. Measures related to the Money Markets

1. Commercial Paper

According to extant stipulations, issuance of commercial paper (CP) was carved out of the cash credit limits and, in effect, the repayment of CP was assured as the issuer could automatically draw on the credit limits, in case there was no roll over. CP was essentially an unsecured paper and as such it was considered apposite to delink the repayment of CP out of the cash credit limits. Hence, the facility of the stand by arrangement was abolished. Thus, when a CP is now issued, the bank would effect a **pro tanto** reduction in the cash credit limit and if at a later date, i.e., after issuance of CP, the issuer wished to have a higher cash credit limit, it would have to approach the bank for enhancement of the credit limit. It would then be up to the bank and/or the consortium to consider sanction of a higher limit and it would no longer be necessary for the bank to automatically restore the cash credit limit. This step imparts a measure of independence to CP as a money market instrument, rating of which would reflect the intrinsic strength of the issuer company. October 29,1994

Annexure - I *(Contd.)*

2. Rediscounting of Commercial Bills by Banks	
It was observed that some banks were using the facility of rediscounting of commercial bills and derivative usance promissory notes for as short a period as one day merely as a change in nomenclature from call money. With a view to ensuring that banks resort to rediscounting of commercial bills in accord with the spirit of this facility, rediscounting of commercial bills and derivative usance promissory notes were required to be made for a minimum period of 15 days.	April 29, 1995
3. Widening Access to Call/ Notice Money Market	
With a view to facilitating a level playing field, it was decided to provide access to mutual funds set up in the private sector which are approved by the Securities and Exchange Board of India (SEBI) only as lenders in the call/notice money market and bills rediscounting scheme. Accordingly, eleven mutual funds set up in the private sector and approved by the SEBI were permitted to participate only as lenders in the call/notice money market and bills rediscounting scheme.	June 27, 1995
I. Selective Credit Controls	
1. Exemption for Advances for Paddy/Rice	
Bank advance against paddy/rice to all borrowers were exempted from all the provisions of selective credit controls.	October 18, 1994
2. Minimum Margins on Advances Against Cotton/Kapas	
The minimum margins on bank advances against Cotton/Kapas were lowered across-the-board by 15 percentage points.	- do -
3. Level of Credit Ceiling on Advances Against Cotton/Kapas	
The level of credit ceiling was raised by 15 percentage points from 85 per cent to 100 per cent of the level of credit in the base period, i.e., the 3 years ending 1992-93 (November - October).	- do -
4. Increase in Minimum Margins on Advances against Cotton/Kapas	
The minimum margins on bank advances against stocks of cotton and kapas to 'others' (i.e., other than cotton mills including spinning mills) and against warehouse receipts covering stocks of cotton were raised across-the-board by 15 percentage points.	December 27,1994
5. Bringing Forward the Reference Period	
In line with the usual practice of bringing forward every year the reference period where there was a stipulation relating to the level of credit ceiling, for such commodities the reference period was brought forward by one year to the three years ended 1993-94 (November-October).	April 18, 1995
J. Measures relating to Foreign Exchange	
1 Foreign Exchange Open Position Limit for Banks	
Earlier, the overnight open position limit was a uniform amount of Rs.15 crore for each bank, irrespective of the volume and nature of business and the structure	January 1, 1995

Annexure - I *(Contd.)*

of the bank's owned funds. Furthermore, the earlier stipulation did not capture cross currency exposures. In accordance with the recommendations made by the Expert Group on Foreign Exchange Markets in India under the Chairmanship of Executive Director, Shri O.P. Sodhani, the present uniform limit of Rs.15 crore for each bank on its open exchange position was altered to allow each bank to fix its own overnight open option limit; such limit would specifically need to be approved by the RBI. From the prudential angle, banks would have to maintain Tier-1 capital funds to the extent of 5 per cent of the open position limit in addition to the existing capital adequacy requirements already specified by RBI. In the case of Indian banks, the open exposure limit would also include the limits allowed to their overseas branches.

2 **Working Group on NRI Investments**

The recommendations of the Working Group on NRI Investments (Chairman Shri O.P. Sodhani) are under examination. Initially, the following recommendations were to be implemented :

September 29, 1995.

(i) Grant of general permission for sale of shares acquired under the Portfolio Investment Scheme was extended to Overseas Corporate Bodies.
(ii) General permission was granted for sale of shares by NRIs/OCBs acquired on repatriation basis under the Direct Investment Schemes.
(iii) The procedure for giving final permission for issue/export of shares to NRIs by Indian companies was simplified.
(iv) The general permission to NRIs for subscribing to the Memorandum and Articles of Association of Indian companies, which at present covers only companies engaged in industrial activities, was extended to cover other permissible activities.

K. Other Measures

1. Provisioning for Bank Advances less than Rs.25,000/-

According to stipulations, banks were required to make provisioning to the extent of 5 per cent of the aggregate amount outstanding as on March 31, 1994 in respect of advance with balances of less than Rs.25,000/-. Considering the proportion of Non-Performing Assets (NPA) in this category, the provisioning was considered to be inadequate. It was decided to increae the provisioning requirement for NPA from the existing 5 per cent to 7.5 per cent of the aggregate amount outstanding in respect of advances with balances less than Rs.25,000/- for the year ending March 31, 1995 and further to 10.0 per cent for the year ending March 31, 1996.

October 17,1994 (Announcement date)

2. **Measures Relating to Regional Rural Banks**

With a view to strengthening the working of Regional Rural Banks (RRBs) and also to provide greater flexibility to banks in their agricultural lending operations, the following measures were undertaken:

Effective Date September 29,1995 (Announcement date)

(i) Application of Prudential Norms to RRBs

With a view to providing durability to the restructuring process of the RRBs, prudential norms were introduced for RRBs in a phased manner. In the first phase, in the current year, RRBs would be required to adopt new income recognition norms and exposure limits for borrowers as applicable to commercial banks. From 1996-97 onwards, provisioning norms would be introduced for RRBs.

Annexure - I *(Concld.)*

(ii) Provision of Housing Finance by RRBs

To provide an impetus to rural housing, RRBs would be allowed to povide housing loans, subject to a maximum ceiling of Rs.1 lakh per borrower (to individuals in the lower/middle income group). Such loans are not to exceed 5 per cent of the RRBs' incremental deposits during the year.

(iii) Produce Marketing Loans

Earlier, produce marketing loans provided by commercial banks to farmers upto Rs.25,000 for a period not exceeding six months, were reckoned as direct agricultural advances and such credit forms part of priority sector advances. It was decided to enhance this limit from Rs.25,000 to Rs.1 lakh, provided borrrowers draw credit from one bank.

Reserve Bank Refinance Facility Against Government and Other Approved Securities

All scheduled commercial banks (excluding RRBs) were earlier provided refinance against Government and other approved securities upto 0.5 percentage point of the fortnightly average outstanding aggregate deposits in 1991-92. With a view to providing larger liquidity to scheduled commercial banks for their excess holdings of Government and other approved securities, it was decided to bring forward the base year for determining the refinance limits under this facility from 1991-92 (April-March) to 1994-95 (April-March), effective from the fortnight commencing from September 30, 1995. It was also decided to raise the proportion of refinance from 0.5 percentage point to 1.0 percentage point. In this connection, the refinance would be provided under two separate limits each equivalent to 0.5 percentage point of the fortnightly average outstanding aggregate deposits in 1994-95 (April-March). The first refinance limit would be provided against the collateral of Treasury Bills at an interest rate of 12.5 per cent per annum, while the second refinance limit would be provided against dated Government and other approved securities at an interest rate of 14.0 per cent per annum. As a result of the above changes, the limits under this refinance facility would increase from Rs.1,025 core to Rs.3,385 crore. Other terms and conditions in respect of this refinance facility remained unchanged.

Fortnight beginning September 30, 1995.

L Ready-Forward Transactions (Repos) in Government and Other approved Securities

With a view to providing liquidity to banks holding government securities, the ready-forward ransactions (Repos) had been permitted in Treasury Bills of all maturities and certain government dated securities. It had been observed that banks are using Repos facilities for as short a period as one day merely as a change in nomenclature from call money. With a view to ensuring that banks resort to Repos in accord with the spirit of this facility, the minimum period for Repos would be 3 days.

September 30, 1995.

Annexure -II

Performance of Special Employment and Anti-Poverty Programmes

(Rs. crore)

	1993-94		1994-95	
	Target	Achievement	Target	Achievement
1	2	3	4	5
1. Annual Credit Plan				
i) Agriculture & allied activities	13,983.6	14,120.1	16,468.5	16,884.7
ii) SSI	3,567.7	3,843.4	4,914.1	5,605.0
iii) Services	2,919.5	2,677.7	3,672.5	4,080.9
Total	20,470.8	20,641.2	25,055.1	26,570.7
2. Integrated Rural Development Programme (IRDP)				
No. of beneficiaries (lakh No.) of which	25.70	25.38	21.15	21.82
(i) No. of SC/ST (do)	N.A.	13.46	N.A.	10.80
(ii) No. of Women beneficiaries (do)	N.A.	8.54	N.A.	7.34
Amount of subsidy	N.A.	956.7	N.A.	629.3
Amount of loan	N.A.	1,408.4	N.A.	920.9
3. Scheme of Urban Micro Enterprises (SUME)				
No.of beneficiaries (No.)	1,23,000	-	1,20,070	-
No.of applications sanctioned (No.)	N.A.	1,76,076	N.A.	1,43,619
Amount of loan sanctioned	N.A.	126.7	N.A.	110.1
Amount of loan disbursed	N.A.	70.5	N.A.	85.0
4. Prime Minister's Rozgar Yojana (PMRY)				
No. of Beneficiaries (No.)	42,040	30,000	2,39,215	1,80,000
Sanctioned amount by banks	N.A.	177.9	N.A.	757.7
No.of cases sanctioned	N.A.	27,850	N.A.	1,28,426
Disbursed amount by banks	N.A.	17.50	N.A.	282.2
No. of accounts of disbursal	N.A.	3,626	N.A.	49,505

1	2	3	4	5
5. Self Employment for Educated Unemployed Youth (SEEUY)*				
No.of beneficiaries (No.)	1,26,300	62,962	@	@
Loans sanctioned	N.A.	142.1	@	@
6. Differential Rate of Interest (D.R.I.) Scheme[1]				
No.of borrowal accounts (in lakhs)	N.A.	26.1	N.A.	23.0
Amount	#.	694.0	#	701.8
No.of borrowal accounts of SC/ST (in lakhs)	N.A.	–	N.A.	11.61
Amount	£	–	£	420.8
7. Twenty Point Programme-1986[1]				
No.of borrowal accounts (in lakhs)	N.A.	274.38	N.A.	276.47
Amount	N.A.	15,448.2	N.A.	15,560.3
8. Credit to Minority Communities[2]				
No.of borrowal accounts (in lakhs)	N.A.	12.8	N.A.	12.61
Amount	N.A.	1,070	N.A.	1,130
9. Credit to SC/ST[1]				
No.of borrowal accounts (in lakhs)	N.A.	97.5	N.A.	99.1
Amount	N.A.	4,737	N.A.	5,428

* - Data are provisional.
N.A. - Not Applicable.
@ - Not Applicable as SEEUY was merged with PMRY with effect from April 1, 1994.
# - Annual target has been fixed at 1 per cent of total advances outstanding at the end of the previous year.
£ - Annual target has been fixed at 40 per cent of total DRI advances.
1. Actual figures as on end-December 1993 and 1994.
2. Actual figures as on end-June 1993 and 1994.
– Not available.

Annexure-III
Selective Credit Controls
Provisions of the Directives Applicable to Scheduled Commercial Banks on Advances Against Selected Commodities
(Position as on April 18,1995)

A. Pulses and "Other Foodgrains" (viz., Jowar, Bajra, Maize, Barley, Ragi and all other foodgrains including coarsegrains)

Minimum Margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
(1)	(2)	(3)
I. Pulses i) 60% on advances against stocks of pulses to processing units/mills. ii) 75% on advances against stocks of pulses to parties other than processing units/mills. iii) 60% on advances against warehouse receipts covering stocks of pulses.	For each party, 100% separately in respect of "other foodgrains" and 85% in respect of pulses of the peak level of credit maintained by the party in any of the 3 years (November-October) 1991-92, 1992-93 and 1993-94. **Exemption** Advances against "other food grains" to foodgrains processing units.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim. **B. Public Procurement, Storage and Distribution Agencies** i) Advances to the Food Corporation of India and State Governments. ii) 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 stocks held by them as such agents. iii) 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.

(1)	(2)	(3)
II. "Other Foodgrains" (viz.,jowar, bajra, maize, barley, ragi and all other foodgrains including coarse-grains) i) 45% on advances against stocks of "other foodgrains" to processing units/mills. ii) 60% on advances to parties other than processing units/mills. iii) 45% on advances against warehouse receipts covering stocks of "other foodgrains".		iv) Advances to Central and State Governments/Agencies entrusted with the procurement of pulses at support prices fixed by the Government of India. **C. Others** i) Advances against the security of maize and barley to manufacturing units (i.e., industrial users). ii) Advances against the security of, or by way of purchase of, demand documentary bills drawn in connection with the movement of food grains. iii) 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 Sec.5 of the said Act. iv) Advances to Khadi and Village Industries Commission and its associate institutions.

(1)	(2)	(3)
		v) Advances to Wholesale Consumers' Co-operative Stores and State/National Federations of Consumers' Co-operatives.
		vi) Advances upto an aggregate limit of Rs.1 lakh per borrower are exempt from all the provisions of the Selective Credit Control subject to the condition that the borrower deals with one bank only.
		D. Exports
		Pre-shipment credit granted to exporters against the security of 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 foodgrains.

Notes :

i) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which enables other banks to discount usance bills under the L/Cs.

ii) 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.

iii) Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns, set up under a Government Scheme and godowns set up by Regulated Market Yards.

iv) States and categories of advances indicated in column 3 above, though exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities, etc. In the case of advances mentioned at item C(vi)in column 3 above, these instructions will not be applicable.

v) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (i.e., composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

B. Indigenous Oilseeds (viz., Groundnut, Rapeseed/Mustardseed, Cottonseed, Castorseed and Linseed) and All Imported Oilseeds

Minimum Margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
(1)	(2)	(3)
Indigenous oilseeds (viz., groundnut, rapeseed/mustardseed, cottonseed, castorseed and linseed) and all imported oilseeds. i) 60% on advances to processing units/mills. ii) 75% on advances to parties other than processing units/mills. iii) 60% on advances against warehouse receipts representing stocks of oilseeds.	In respect of each party, separate ceiling for each of (i) groundnut, (ii)cottonseed, (iii) linseed and castorseed together : 85% of the peak level of credit maintained by the party in any of the 3 years (November-October),viz., 1991-92, 1992-93 and 1993-94.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim. **B. Public Procurement, Storage and Distribution Agencies** i) Advances to the Food Corporation of India and the State Trading Corporation against stocks of oilseeds.
Exemption 1) Advances against all imported oilseeds for a period not exceeding 8 weeks after arrival of goods in India.	**Exemption** 1) Advances against imported oilseeds.	ii) 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.
2) Advances to State level oilseeds growers' co-operative federations under the National Dairy Development Board's Oilseeds Project, against stocks of oilseeds purchased from grower members.	2) Advances to State level oilseeds growers' co-operative federations under the National Dairy Development Board's Oilseeds Project, against stocks of oilseeds purchased from grower members.	iii) Advances to Central and State Governments/Agencies entrusted with procurement of oilseeds at support prices fixed by the Government of India.
3) Advances against stocks of oilseeds procured from grower members and of oils thereof to oilseeds processing units of State Co-operative Marketing Federations in	3) Advances against stocks of oilseeds procured from grower members and of oils thereof to oilseeds processing units of State Co-operative Marketing Federations in	**C. Export** i) Credit limits in favour of exporters, against oilseeds, all varieties of oil cakes meant for exports and extractions of oilseeds in respect of specific firm export contracts and/or against export bills.

(1)	(2)	(3)
Madhya Pradesh, Uttar Pradesh and Rajasthan set up under the aegis of National Co-operative Development Corporation (NCDC) under the European Economic Community Assisted Project. Banks have been advised to charge a concessional margin of 25% if a State Government guarantee is available (effective May 16, 1994) to certain State level co-operative institutions which are exempt from the minimum margin and level of credit ceiling stipulations.	Madhya Pradesh, Uttar Pradesh and Rajasthan set up under the aegis of National Co-operative Development Corporation (NCDC) under the European Economic Community Assisted Project.	ii) Packing credit advances to 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 raw materials exceed 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.
		D. Others
		i) Advances to Khadi and Village Industries Commission and its associate institutions.
		ii) Advances upto an aggregate limit of Rs.1 lakh per borrower are exempt from all the provisions of the Selective Credit Control subject to the condition that the borrower deals with one bank only.
		iii) Advances granted by way of purchase of demand documentary bills drawn in connection with movements of commodities covered by the directive.
		iv) Advances to Wholesale Consumers' Co-operative Stores and State/National Federations of Consumers' Co-operatives.
		v) Advances against high-yielding and hybrid seeds used for growing oilseeds under contract with 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.

Notes

i) 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.

ii) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which would enable other banks to discount usance bills under the L/Cs.

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 importer 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. The term "essential commodities" shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

iv) Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns, set up under a Government Scheme and godowns set up by Regulated Market Yards.

v) States and categories of advances indicated in column 3 above, though exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities, etc. In the case of advances mentioned at item D(ii)in column 3 above,however, these instructions will not be applicable.

vi) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (i.e., composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

vii) Oilcakes of the oilseeds specified in the Annexure including deoiled cakes not meant for exports are also subject to the Selective Credit Control provisions.

C. Vegetable Oils (Indigenous Oils, viz., Groundnut Oil, Rapeseed Oil/Mustard Oil Cottonseed Oil, Castor Oil, Linseed Oil and Vanaspati and All Imported Oils)

Minimum Margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
(1)	(2)	(3)
Indigenous and imported oils i) 60% to registered oil mills and vanaspati manufacturers ii) 75% other than (i) above iii) 60% against warehouse receipts representing stocks of oils. **Exemption** i) Advances to consumers' co-operatives in respect of stocks held under the Centrally Sponsored Scheme for the distribution of essential consumer articles. ii) Advances against all imported vegetable oils for a period not exceeding 4 weeks after arrival of the goods in India. iii) Advances granted to vanaspati manufacturers against the security of imported oils used as raw materials by them in the manufacture of vanaspati. iv) Advances to State level oilseeds growers'co-operative federations under the National Dairy Development Board's Oilseeds Project, against stocks of oils extracted from oilseeds purchased from grower members.	In respect of each party, 85% of peak level of credit maintained by the party in any of the three years (November-October) viz., 1991-92, 1992-93 and 1993-94. **Exemption** i) Advances to consumers' co-operatives in respect of stocks held under the Centrally Sponsored Scheme for the distribution of essential consumer articles. ii) Advances against all imported vegetable oils. iii) Advances to State level oilseeds growers'co-operative federations under the National Dairy Development Board's Oilseeds Project, against stocks of oils extracted from oilseeds purchased from grower members.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim. **B. Public Procurement, Storage and Distribution Agencies** i) Advances to the Food Corporation of India and the State Trading Corporation against stocks of vegetable oils and vanaspati. ii) 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. **C. Exports** Packing credit advances to the exporters of deoiled and/or defatted 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.

(1)	(2)	(3)
v) Advances to vanaspati manufacturers against cottonseed oil. Banks should not establish letters of credit on more than 45 days' D/A basis for import of edible oils, as far as possible. In case banks establish letters of credit on more than 45 days'D/A basis, they should stipulate that, after 30 days from the date of arrival of the goods in the port, the importer will deposit with them an amount equivalent to the margin amount which he would have provided under the directives had he availed himself of advances against the commodity. 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. Banks have been advised to charge a concessional margin of 25% if a State Government guarantee is available (effective May 16, 1994) to certain State level co-operative institutions which are exempt from the minimum margin and level of credit ceiling stipulations.		Provided i) Such advances to the extent of the value of by-product oil shall be adjusted by the sale proceeds of the by-product oil or in cash as soon as the oil is extracted but within a period not exceeding 30 days from the date of advance and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bills and advances, if any, against the by-product oil granted in a separate account are exempted for a period of 30 days from the date of such advance. ii) Pre-shipment credit granted to exporters against the security of vegetable oils 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 vegetable oils. **D. Others** i) Advances by way of purchase of demand documentary bills drawn in connection with the movement of vegetable oils and vanaspati. ii) Advances to Khadi and Village Industries Commission and its associate institutions. iii) Advances up to an aggregate limit of Rs.1 lakh per borrower are exempt from all provisions of Selective Credit Control subject to the condition that the borrower deals with one bank only. iv) Advances against stocks of oil processed from linseed oil and castor oil for use as industrial raw material by factories. v) Advances against receivables arising out of sale of vegetable oils(including vanaspati)delivered to Army Purchase Organisation and against stocks of vanaspati held by vanaspati manufacturers for being delivered to the Army Purchase Organisation in the Ministry of Food and Agriculture, Government of India, New Delhi and with the prior approval of the Reserve Bank

(1)	(2)	(3)
		of India, 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.
		vii) Advances to Wholesale Consumers' Co-operative Stores and State and National Federations of Consumers' Co-operatives.

Notes

i) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which would enable other banks to discount usance bills under the L/Cs.

ii) 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 importer 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. The term "essential commodities" shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

iii) Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns, set up under a Government Scheme and godowns set up by Regulated Market Yards.

iv) States and categories of advances indicated in column 3 above, though exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities, etc. In the case of advances mentioned at item D(iii)in column 3 above, however, these instructions will not be applicable.

v) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (i.e., composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

vi) Advances against groundnut oil, rapeseed/mustard oil, cotonseed oil, linseed oil and castor oil cover their solvent extracted oils also.

D. Sugar, Gur and Khandsari

Minimum Margin (1)	Exemption from Minimum Margin and Rate of Interest
1	2

Minimum Margin (1)

1) Advances against sugar

(a) To sugar factories

i) Nil against Buffer stock stipulated by the Government.

ii) 75% on advances to parties manufacturing sugar in respect of such stocks 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.

iii) 20% on advances to parties manufacturing sugar other than those referred to in 1(a)(i) and (ii) above.

(b) 75% to parties other than sugar factories.

(c) 60% on advances against warehouse receipts covering stocks of sugar.

2) Advances against Gur and Khandsari

i) 45% on advances to manufacturing units.

ii) 75% on advances to others.

iii) 60% on advances against warehouse receipts covering stocks of gur and khandsari.

Exemption

Advances to Consumers' Co-operatives in respect of stocks held under schemes of public distribution organised by Government.

Exemption from Minimum Margin and Rate of Interest (2)

A. Public Procurement, Storage and Distribution Agencies

i) Advances to Food Corporation of India.

ii) 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.

B. Exports

Advances granted in respect of stocks of sugar pledged/hypothecated with banks which are intended for export out of India.

C. Others

i) Advances granted by way of purchase of demand documentary bills drawn in connection with movement of commodities.

ii) Advances granted to industrial users such as confectioneries, bakeries, biscuit manufacturers, etc., against stocks of sugar, gur and khandsari pledged/hypothecated with banks.

iii) Advances to Khadi and Village Industries Commission and its associate institutions.

iv) Advances upto an aggregate limit of Rs.1 lakh per borrower are exempt from all provisions of Selective Credit Controls subject to the condition that the borrower deals with one bank only.

v) Advances to Wholesale Consumers' Co-operative Stores or State and National Federations of Consumers' Co-operatives.

1	2
Banks should not, as far as possible, establish L/Cs for more than 30 days on D/A basis for import of sugar. In case, banks establish L/Cs for more than 30 days on D/A basis, after 30 days from the date of arrival of the commodity in the port, till date of retirement of the import bills,the importer is required to deposit with banks an amount equivalent to the margin amount as applicable to the bank advances against sugar produced in the country.	

Notes

i) Stocks of levy sugar shall be valued at the levy price fixed by Government and free sale sugar (including buffer stocks) at the average of the price realised in the preceding three months (moving average), or the current market price, whichever is lower. The prices for this purpose shall be exclusive of excise duty.

ii) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which would enable other banks to discount usance bills under the L/Cs.

iii) No bank shall issue, either to a Court or to Government, or any other persons, a guarantee on behalf of, or on account of, any importer 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. The term "essential commodities" shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

iv) States and categories of advances indicated in column 2 above, though exempted from minimum margin and rate of interest prescribed, will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities, etc. In the case of advances mentioned at item C(iv)in column 2 above, however, these instructions will not be applicable.

v) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (i.e. composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

E. Cotton and Kapas

Minimum Margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
(1)	(2)	(3)
i) 60% for parties other than cotton mills including spinning mills. ii) 45% for advances against warehouse receipts.	In respect of each party other than cotton mills including spinning mills: 100% of the peak level of credit maintained by the party with the bank in any of the 3 years (November-October) viz.,1991-92, 1992-93 and 1993-94.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim.
Exemptions	**Exemptions**	**B. Exports**
(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 resale.	(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 resale.	i) 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.
(ii) Advances against stocks of cotton and kapas to Cotton Corporation of India for procurement of cotton under commercial operations.	(ii) Advances against stocks of cotton and kapas to Cotton Corporation of India for procurement of cotton under commercial operations.	ii) Advances against the security of, or by way of purchase or discount of export bills relating to export of cotton from India.
		C. Others i) Advances granted by way of purchase of demand documentary bills drawn in connection with the movement of cotton and kapas. ii) Advances to Khadi and Village Industries Commission and its associate institutions.

(1)	(2)	(3)
		iii) Advances upto an aggregate limit of Rs.1 lakh per borrower are exempt from all provisions of the Selective Credit Controls subject to the condition that the borrower deals with one bank only.
		iv) Advances against stocks of cotton and kapas to National Textile Corporation (NTC) including its subsidiaries.
		v) Advances against stocks of cotton and kapas to Cotton Corporation of India for procurement of cotton at support prices fixed by the Government of India.

Notes

i) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which would enable other banks to discount usance bills under the L/Cs.

ii) Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns, set up under a Government Scheme and godowns of Regulated Market Yards.

iii) States and categories of advances indicated in column 3 above, though exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued, prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities, etc. In the case of advances mentioned at item C(iii) in column 3 above, however, these instructions will not be applicable.

iv) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (i.e. composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

v) Advances granted to cotton textile mills (including spinning mills) shall continue to be exempt from Selective Credit Control measures.

Table V-1 : Variation in Broad Money (M_3)

(Rs. crore)

Item	During the Financial Year 1994-95 * Absolute	Per cent	1993-94 Absolute	Per cent
1	2	3	4	5
I. Narrow Money (M_1)	40,694	27.0	26,712	21.5
II. Broad Money (M_3)	96,395	22.2	67,582	18.4
III. Major Components				
a. Currency with the Public	18,488	22.5	14,028	20.5
b. Aggregate Deposits with banks	77,052	22.0	52,342	17.6
Demand Deposits	21,351	32.4	11,472	21.1
Time Deposits	55,701	19.6	40,870	16.8
IV. Major Sources				
a. Net Bank credit to Government	18,498	9.1	27,680	15.7
of which :				
RBI's net credit to Government	2,178	2.2	851	0.9
b. Bank Credit to Commercial Sector	51,881	21.8	17,639	8.0
c. Net Foreign Exchange Assets	23,298	44.3	28,775	127.1
d. Net Non-monetary Liabilities	-2,329	-3.8	6,086	10.9
of which:				
Reserve Bank	3,324	12.8	-2,209	-7.8

* Provisional.

Table V-2 : Variation in Reserve Money : Components and Sources

(Rs. crore)

Item	During the Financial Year 1994-95 * Absolute	Per cent	1993-94 Absolute	Per cent
1	2	3	4	5
Reserve Money	30,607	22.1	27,893	25.2
Currency with the public	18,488	22.5	14,028	20.5
Cash with banks	797	25.8	42	1.4
Bankers' deposits with RBI	10,467	20.6	12,611	33.1
Net RBI credit to Central Government	2,130	2.2	260	0.3
Net foreign exchange assets of RBI	23,298	45.3	28,775	127.1
Net Domestic Assets of the RBI	7,309	8.4	-882	-1.0

* Provisional.

Table V-3: Important Banking Variables

(Rs. crore)

Items	Fiscal Year Variations 1994-95 March 31, 1995 over March 18, 1994	Fiscal Year Variations 1993-94 March 18, 1994 over March 19, 1993
1	2	3
Aggregate deposits	71,726 (22.8)	46,560 (17.3)
Demand deposits	20,330 (35.9)	10,111 (21.8)
Time deposits	51,396 (19.9)	36,449 (16.4)
Bank credit	47,143 (28.7)	12,436 (8.2)
Food credit	1,367 (12.5)	4,164 (61.8)
Non-food credit	45,776 (29.8)	8,272 (5.7)
Investments	16,731 (12.6)	26,866 (25.4)
Of which Govt. securities	16,484 (16.3)	25,256 (33.3)

Figures in brackets represent percentages.

Table V-4 : Growth in Non-food credit, IIP and WPI

Year	Non-food Credit Fiscal year variation Absolute (Rs.crore)	Per cent	Wholesale Price Index (WPI) (Base: 1981-82 = 100	Growth Rate	Index of Industrial Production (IIP)	Growth Rate	(3-7)	(8-5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1980-81	4175	21.48			100.0			
1981-82	3943	16.70	100.0	-	109.3	9.30	7.40	-
1982-83	4973	18.05	107.2	7.20	112.8	3.20	14.85	7.65
1983-84	4744	14.58	114.9	7.18	120.4	6.74	7.85	0.66
1984-85	6016	16.14	121.8	6.01	130.7	8.55	7.59	1.58
1985-86	7244	16.73	127.7	4.84	142.1	8.72	8.01	3.17
1986-87	7672	15.18	134.2	5.09	155.1	9.15	6.03	0.94
1987-88	10142	17.42	148.8	10.88	166.4	7.29	10.14	-0.74
1988-89	15604	22.83	156.9	5.44	180.9	8.71	14.12	8.67
1989-90	15497	18.46	171.1	9.05	196.4	8.57	9.89	0.84
1990-91	12348	12.42	191.8	12.10	212.6	8.25	4.17	-7.93
1991-92	9127	8.16	217.8	13.56	213.9	0.61	7.55	-6.00
1992-93	24317	20.11	233.1	7.02	218.9	2.34	17.77	10.75
1993-94	8271	5.69	258.3	10.81	232.0	5.98	-0.29	-11.10
1994-95	45776	29.82	285.2	10.41	251.0	8.19	21.63	11.22

Table V-5 : Major Banking Variables During The First Half of 1995-96

(Rs.crore)

	Financial Year Variations		
	Sept.30,1994 over March 18,1994	Sept.29,1995 over March 31,1995	Sept.29,1995 over March 17,1995
1	2	3	4
Aggregate deposits	37,521	11,740	31,901
	(11.9)	(3.0)	(8.7)
Demand deposits	8,034	-5,046	5,979
	(14.2)	(-6.6)	(9.1)
Time deposits	29,487	16,786	25,922
	(11.4)	(5.4)	(8.6)
Bank credit	13,391	10,229	19,095
	(8.1)	(4.8)	(9.4)
Food credit	87	332	-548
	(0.8)	(2.7)	(-4.2)
Non-food credit	13,304	9,898	19,643
	(8.7)	(5.0)	(10.4)
Investment in Govt. securities	14,669	6,178	7,402
	(14.5)	(5.3)	(6.4)

Note : Figures in brackets represent percentages.

Table V-6: Composition of Priority Sector Advances$: Public and Private Sector Banks

(Per cent)

	1993*		1994*	
Sector	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks
1	2	3	4	5
Agriculture:				
Direct	37.8	19.8	34.8	17.9
Indirect	3.4	1.9	3.9	2.6
Total	41.2	21.7	38.7	20.5
Small Scale Industries	40.0	53.1	40.7	54.2
Others	18.8	25.2	20.6	25.3
Total	100.0	100.0	100.0	100.0

* : Data for public sector and private sector banks refer to December and March of the selected years respectively.

$: Data are provisional.

Table V-7: Export Credit Refinance

(Rs. crore)

As on last reporting Friday of	Outstanding Export Credit @	Export Credit Refinance Limits	Percentage of Col.3 to Col.2
1	2	3	4
March 1994	16,986	8,713	51.3
June 1994	16,960	7,430	43.8
Sept. 1994	15,858	6,817	43.0
Dec. 1994	16,521	7,098	43.0
March 1995	19,592	9,395	48.0
June 1995	22,235	9,349	42.1
Sept. 1995	22,609	9,658	42.7

@ Eligible for refinance.

Table V-8 : Progress of Primary Co-operative Banks

	End March		
	1993	1994	1995
1	2	3	4
No. of PCBs	1,399	1,400	1,431
No. of Licensed PCBs	1,039	1,045	1,107
No. of offices of PCBs	3,691	3,853	4,224
Deposits (Rs. crore)	13,531	16,769	19,789
Loans Out standing (Rs.crore)	10,132	12,172	14,575
Owned Funds (Rs.crore)	2,224	2,723	3,254

Table V-9 : Minimum Margins and Level of Credit Ceilings on Bank Advances against Commodities subject to Selective Credit Controls (effective April 18, 1995)

Commodities	Minimum Margins			Level of credit ceiling (Base Year : Three Years ended 1993-94 November-October)
	Mills/ processing units	Others	Warehouse receipts	
1	2	3	4	5
1. Pulses	60	75	60	85
2. Other foodgrains (other than paddy/rice, wheat & pulses)	45	60	45	100
3. Oilseeds (viz., Groundnut, Rapeseed/ Mustard, Cottonseed, Linseed, Castorseed and all imported oilseeds)	60	75	60	85
4. Vegetable oils (viz., Groundnut oil, Rapeseed/ Mustard oil, Cottonseed oil, Linseed oil, Castor oil, Vanaspati and all imported vegetable oils)	60 @	75	60	85
5. Sugar				
a) Buffer	0	-	-	-
b) Unreleased stocks	20	-	-	-
c) Released	75	75	60	-
6. Gur and Khandsari	45	75	60	-
7. Cotton and Kapas	X	60	45	100 +

@ Applicable to registered oil mills and vanaspati manufacturers

– Not applicable

x Exempted from the stipulations

+ Applicable to other than cotton mills including spinning mills

Table V-10 : Scheduled Commercial Banks'Outstanding Advances against Selected Commodities

(Rs. crore)

Commodities	As on the last Friday of					
	March 1993		March 1994		March 1995*	
	Amount	Percentage to total	Amount	Percentage to total	Amount	Percentage to total
1	2	3	4	5	6	7
1. Foodgrains(excluding food procurement advances)	**864.3**	**24.9**	**912.6**	**27.8**	**1021.5**	**23.6**
(a) Paddy/rice	618.9	17.8	606.4	18.5	643.0	14.9
(b) Wheat	89.5	2.6	96.6	2.9	105.6	2.4
(c) Pulses	47.3	1.4	47.7	1.5	57.3	1.3
(d) Other foodgrains	108.6	3.1	161.9	4.9	215.6	5.0
2. Sugar (including khandsari and gur)	**1214.3**	**34.9**	**1036.1**	**31.5**	**1490.5**	**34.5**
(a) Sugar	1178.8	33.9	991.0	30.2	1413.5	32.7
(b) Khandsari	32.4	0.9	41.3	1.3	73.2	1.7
(c) Gur	3.0	0.1	3.9	0.1	3.7	0.1
3. Major Oilseeds	**158.7**	**4.6**	**208.5**	**6.3**	**266.3**	**6.2**
(a) Groundnut	24.4	0.7	30.6	0.9	64.2	1.5
(b) Rapeseed/Mustard	23.3	0.7	28.7	0.9	39.2	0.9
(c) Linseed	0.6	0.0	0.5	0.0	0.5	0.0
(d) Castorseed	3.1	0.1	3.8	0.1	9.0	0.2
(e) Cottonseed	11.0	0.3	12.0	0.4	19.1	0.4
(f) Soyabean	78.7	2.3	112.7	3.4	112.4	2.6
(g) Other Oilseeds	17.5	0.5	20.3	0.6	22.0	0.5
4. Major Vegetable oils and Vanaspati	**314.8**	**9.1**	**298.4**	**9.1**	**385.6**	**8.9**
(a) Groundnut Oil	47.7	1.4	21.0	0.6	25.1	0.6
(b) Rapeseed/Mustard Oil	57.4	1.7	58.6	1.8	62.3	1.4
(c) Castor Oil	11.9	0.3	20.8	0.6	79.2	1.8
(d) Linseed Oil	2.0	0.1	2.3	0.1	1.4	0.0
(e) Cottonseed Oil	21.5	0.6	25.3	0.8	30.1	0.7
(f) Soyabean Oil	44.2	1.3	28.9	0.9	65.4	1.5
(g) Other Veg. Oil	43.8	1.3	43.8	1.3	40.3	0.9
(h) Vanaspati	86.3	2.5	97.6	3.0	81.7	1.9
5. Cotton and Kapas	**769.2**	**22.1**	**686.2**	**20.9**	**1031.0**	**23.9**
6. Raw Jute	**154.2**	**4.4**	**143.2**	**4.4**	**127.7**	**3.0**
Total	**3475.6**	**100.0**	**3285.1**	**100.0**	**4322.5**	**100.0**

* Data are provisional

Note : Data on advances against cotton and kapas, raw jute, oilseeds and oils are exclusive of advances to Cotton Corporation of India, Jute Corporation of India and National Dairy Development Board, respectively.

Source : Estimates are based on Basic Statistical Return-3 received from head offices of banks.

Table V-11 : Security-wise Advances to Mills/Factories and Industrial Users
(As Percentage To Total Credit Against Sensitive Commodities)

Sr. No.	Commodities	Last Friday of		
		March 1995	March 1994	March 1993
1	2	3	4	5
1	Sugar	98.9	97.3	97.9
2	Soyabean Oil	98.8	95.5	69.5
3	Khandsari	96.4	94.4	90.4
4	Vanaspati	96.2	98.2	98.7
5	Castor Oil	96.1	78.8	98.3
6	Linseed Oil	92.9	100.0	95.0
7	Other Veg.Oils	92.8	84.2	87.0
8	Cottonseed Oil	92.7	98.0	94.0
9	Rapeseed/Mustard	90.1	71.8	80.3
10	Raw Jute	88.6	90.4	91.4
11	Groundnut	88.6	38.2	40.2
12	Wheat	87.8	88.8	88.3
13	Rapeseed/Mustard Oil	87.0	88.4	91.3
14	Soyabean	86.8	93.3	83.9
15	Groundnut Oil	85.3	77.1	93.3
16	Pulses	84.1	80.1	64.3
17	Paddy and Rice	77.4	76.7	82.4
18	Cotton and kapas	76.5	77.2	69.5
19	Cottonseed	67.0	45.0	97.3
20	Other Oilseeds	51.8	70.9	58.9
21	Linseed	40.0	80.0	100.0
22	Gur	32.4	41.0	33.3
23	Castorseed	26.7	68.4	61.3
24	Other Foodgrains	21.6	20.0	28.8
	All Selected Commodities	**83.8**	**82.7**	**83.8**

Source :Basic Statistical Return-3.

Table V-12 : Direct Institutional Finance for Agriculture and Allied Activities

(Rs. Crore)

Source of Finance	Loans issued during the year (April-March)				Loans Outstanding as on March 31			
	1990-91	1991-92	1992-93	1993-94	1991	1992	1993	1994
1	2	3	4	5	6	7	8	9
I. Co-operatives of which:	**4,819.1*** **(47.3)**	**5,799.8*** **(50.3)**	**7,956.3P** **(56.8)**	**8,593.3P** **(56.1)**	**10,531.0#** **(35.9)**	**12,176.3#** **(39.1)**	**12,658.1P** **(38.2)**	**14,353.6P** **(40.5)**
(a) Short-term loans by PACS (including LAMPS and FSS)	3,447.6*	3,936.6*	5,907.1P	6,030.0P	5,178.0#	5,109.9#	6,108.1P	8,104.5P
(b) Medium and Long-term loans by PACS and CLDBs	1,371.5*	1,863.2*	2,049.2P	2,563.3P	5,353.0#	7,066.4#	6,550.0P	6,249.1P
II. Scheduled Commercial Banks * (excluding RRBs) *of which:*	**4,675.5** **(45.9)**	**4,805.9** **(41.6)**	**4959.9** **(35.4)**	**5399.9** **(35.7)**	**17,031.6** **(58.1)**	**16,981.0** **(54.5)**	**18,287.8** **(55.2)**	**19,112.9** **(53.9)**
(a) Short-term loans	2,047.6	2341.2	2431.8	2860.2	4,234.7	4,630.6	4,988.2	5,425.4
(b) Term Loans	2,627.9	2464.7	2528.1	2539.7	12,796.9	1,2350.5	13,299.6	13,687.5
III. Regional Rural Banks *of which:*	**334.5** **(3.3)**	**596.3** **(5.2)**	**697.7** **(5.0)**	**745.0** **(4.9)**	**1,752.9** **(6.0)**	**1,984.3** **(6.4)**	**2,206.0** **(6.7)**	**1,982.2** **(5.6)**
(a) Short-term loans	124.9	336.5	450.8	474.3	589.7	678.8	799.0	828.2
(b) Term loans	209.6	259.8	246.9	270.7	1,163.2	1,305.5	1,407.0	1,154.0
IV. State Governments**	**358.6** **(3.5)**	**338.5** **(2.9)**	**388.5** **(2.8)**	**377.0P** **(2.5)**	..	..	..	..
V. Total Direct Finance (I to IV)@ *of which:*	**10,187.7**	**11,540.5**	**14,002.4**	**15,115.2**	**29,315.5**	**31,141.7**	**33,151.9**	**35,448.7**
(a) Short-term loans	5,978.7	6,952.8	9,178.2	9,741.5	10,002.4	10,419.3	11,895.3	14,358.1
(b) Medium and Long-term loans	4,209.0	4,587.7	4,824.2	5,373.7	19,313.1	20,722.4	21,256.6	21,090.6

Note : Figures in brackets are percentage share of the respective institution in total direct finance

P : Provisional.

.. : Not available.

: Outstanding as on June 30

* : Figures relate to July-June

** : Taken as short-term loans

@ : The time periods are different for the institutions.

Source : i) National Bank for Agriculture and Rural Development.
ii) Reserve Bank of India.
iii) Budget Documents of the State Governments.

Table V- 13 : Indirect Institutional Finance For Agriculture and Allied Activities

(Rs. Crore)

Source of Finance	Loans issued during the year (April-March)				Loans Outstanding as on March 31			
	1990-91	1991-92	1992-93	1993-94	1991	1992	1993	1994
1	2	3	4	5	6	7	8	9
I. Co-operatives @ *of which:*	**1,727.3E†**	**2,002.3E†**	**2,072.7E**	..	**2,355.1E‡**	**2,487.2E‡**	**2,590.5E**	..
(a) State Co-opertive Banks @@	327.5E†	360.4E†	393.0E	..	892.8E‡	951.6E‡	982.0E	..
(b) Central Co-operative Banks @@	1,399.8E†	1,642.2E†	1,679.7E	..	1,462.3E‡	1,535.6E‡	1,608.5E	..
II. Scheduled Commercial Banks (excluding RRBs)	**199.9***	**197.6***	**157.9***	..	**1,189.4#**	**1,433.2#**	**1,551.7#**	**2,099.2 #**
III. Regional Rural Banks	**8.8**	**6.9**	**4.5**	**0.4**	**23.7**	**38.7**	**39.8**	**33.3**
IV. Rural Electrification Corporation ##	**709.1**	**587.8**	**474.3**	**6,92.0**	**4,524.0**	**4,874.9**	**5,174.9**	**5,654.6**
V. Total Indirect Finance	**2,645.1**	**2,794.6**	**2,708.7**	..	**8092.2**	**8,834.0**	**9,391.1**	..

.. : Not available.
E : Estimates.
@ : Taken as short-term loans.
@@ : Loans issued include food procurement finance.
† : Relate to July-June.
‡ : Outstanding as on June 30.
# : Priority Sector advances.
: Taken as long-term loans.
* : Disbusrement to Priority sectors as at the end of June.
Source : i) National Bank For Agriculture and Rural Development.
ii) Reserve Bank of India.
iii) Rural Electrification Corporation Ltd.

Table V-14 : Disbursements of Credit for Agriculture and Allied Activities (Direct) by Scheduled Commercial Banks during 1990-91 to 1993-94 (July-June)

(Rs. Crore)

Category of Banks	1990-91	1991-92	1992-93	1993-94
1	2	3	4	5
State Bank of India Group	1,494 (32.0)	1,582 (32.9)	1,640 (33.1)	1,612 (29.9)
Nationalised Banks	3,001 (64.2)	3,026 (63.0)	3,110 (62.7)	3,519 (65.2)
Foreign and Other Scheduled Commercial Banks	180 (3.8)	198 (4.1)	209 (4.2)	269 (5.0)
Total	**4,675** **(100.0)**	**4,806** **(100.0)**	**4,959** **(100.0)**	**5,400** **(100.0)**

Note : Figures in brackets are the percentage share of each category of banks in the total loans disbursed.

Table V-15 : Purpose-wise Disbursement of Direct Credit by Scheduled Commercial Banks During 1990-91 to 1993-94 (July-June)

(Rs. Crore)

Purpose	1990-91	1991-92	Annual % Variation	1992-93	Annual % Variation	1993-94	Annual % Variation
1	2	3	4	5	6	7	8
I. Short-term Loans (Including crop loans)	**2,047.0 (43.8)**	**2,341.2 (48.7)**	**14.4**	**2,431.8 (49.0)**	**3.9**	**2,860.2 (53.0)**	**17.6**
II. Term Loans (A+B)	**2,628.0 (56.2)**	**2,464.5 (51.3)**	**-6.2**	**2,528.1 (51.0)**	**2.6**	**2,539.7 (47.0)**	**0.5**
A. Loans for Agriculture	1,867.0 (39.9)	1,730.4 (36.0)	-7.3	1,773.8 (35.8)	2.5	1,697.5 (31.4)	-4.3
i) Minor Irrgiation Schemes	347.0 (6.4)	260.5 (4.8)	-24.9	286.4 (5.3)	9.9	292.3 (5.4)	2.1
ii) Reclamation and Land Development Schemes	55.0 (1.0)	55.5 (1.0)	0.9	51.9 (1.0)	-6.5	41.2 (0.8)	-20.6
iii) Tractors and Agricultural Implements and Machinery	847.0 (15.7)	846.4 (15.7)	-0.1	965.7 (17.9)	14.1	925.3 (17.1)	-4.2
iv) Plantations	107.0 (2.0)	90.3 (1.7)	-15.6	94.1 (1.7)	4.2	100.6 (1.9)	6.9
v) Other Term Loans	511.0 (9.5)	477.7 (8.8)	-6.5	375.7 (7.0)	-21.4	338.1 (6.3)	-10.0
B. Loans for Allied Activities	761.0 (16.3)	734.1 (15.3)	-3.5	754.3 (15.2)	2.8	842.2 (15.6)	11.7
i) Dairying	314.0 (6.7)	304.6 (6.3)	-3.0	299.5 (6.0)	-1.7	338.1 (6.3)	12.9
ii) Poultry Farming Piggery and Bee-keeping	110.0 (2.4)	114.1 (2.4)	3.7	80.6 (1.6)	-29.4	125.1 (2.3)	55.2
iii) Fisheries	51.0 (1.1)	66.5 (1.4)	30.4	71.6 (1.4)	7.7	141.9 (2.6)	98.2
iv) Others	286.0 (6.1)	248.9 (5.2)	-13.0	302.6 (6.1)	21.6	237.1 (4.4)	-21.6
Grand Total (I+II)	**4,675.0 (100.0)**	**4,805.7 (100.0)**	**2.8**	**4,959.9 (100.0)**	**3.2**	**5,399.9 (100.0)**	**8.9**

Figures in brackets are percentage share of the repective items in grand total

Table V-16 : Region-wise and Term-wise Disbursement of Credit by Scheduled Commercial Banks During 1990-91 to 1993-94 (July-June)

(Rs. Crore)

Region	1990-91			1991-92			1992-93			1993-94		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
Northern Region	106.0	504.0	610.0	106.9	530.6	637.5	118.9	585.9	704.8	122.4	469.8	592.2
	(5.2)	(19.2)	(13.0)	(4.6)	(21.5)	(13.3)	(4.9)	(23.2)	(14.2)	(4.3)	(18.5)	(11.0)
North-Eastern Region	4.0	21.0	25.0	6.4	19.6	26.0	6.5	19.2	25.7	7.6	25.3	32.9
	(0.2)	(0.8)	(0.5)	(0.3)	(0.8)	(0.5)	(0.3)	(0.8)	(0.5)	(0.3)	(1.0)	(0.6)
Eastern Region	105.0	310.0	415.0	121.6	255.4	377.0	131.1	221.1	352.2	121.0	205.6	326.6
	(5.1)	(11.8)	(8.9)	(5.2)	(10.4)	(7.8)	(5.4)	(8.7)	(7.1)	(4.2)	(8.1)	(6.0)
Central Region	160.0	632.0	792.0	170.2	559.8	730.0	179.6	546.5	726.1	182.5	580.9	763.4
	(7.8)	(24.0)	(16.9)	(7.3)	(22.7)	(15.2)	(7.4)	(21.6)	(14.6)	(6.4)	(22.9)	(14.1)
Western Region	228.0	419.0	647.0	239.6	382.7	622.3	283.1	408.9	692.0	326.6	382.2	708.8
	(11.1)	(15.9)	(13.8)	(10.2)	(15.5)	(12.9)	(11.6)	(16.2)	(14.0)	(11.4)	(15.0)	(13.1)
Southern Region	1444.0	742.0	2186.0	1696.5	716.6	2413.1	1712.7	746.4	2459.1	2100.1	875.9	2976.0
	(70.5)	(28.2)	(46.8)	(72.5)	(29.1)	(50.2)	(70.4)	(29.5)	(49.6)	(73.4)	(34.5)	(55.1)
All India	**2047.0**	**2628.0**	**4675.0**	**2341.2**	**2464.5**	**4805.7**	**2431.8**	**2528.1**	**4959.9**	**2860.2**	**2539.7**	**5399.9**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

Note : Figures in brackets indicate the percentage share of the region in all India

Northern Region : Chandigarh. Delhi. Haryana. Himachal Pradesh. Jammu & Kashmir. Punjab and Rajasthan.
North-Eastern Region : Assam. Manipur. Meghalya. Mizoram. Nagaland. Tripura and Arunachal Pradesh.
Eastern Region : Sikkim, Bihar, Orissa. West Bengal and Andaman & Nicobar Islands.
Central Region : Madhya Pradesh and Uttar Pradesh.
Western Region : Goa, Daman & Diu. Dadra & Nagar Haveli. Gujarat and Maharashtra.
Southern Region : Andhra Pradesh. Karnataka, Kerala, Pondicherry and Tamil Nadu.

Table V-17 : Outstanding Advances of Public Sector Banks to Priority Sector
End-March

(Rs. Crore)

Item	1993	1994	Annual % Variation	1995P	Annual % Variation
1	2	3	4	5	6
I) Outstanding advances to priority sectors	48,384	52,945	9.4	61,794	16.7
Percentage to total credit	36.5	38.2		36.6	
II) Outstanding total advances to agriculture	19,934	20,930	5.0	23,513	12.3
a) Direct	18,450	18,921	2.6	20,813	10.0
b) Indirect	1,484	2,009	35.4	2,700	34.4
Percentage of II to total credit	14.7	15.0		13.9	
III) Outstanding advances to weaker sections	11,860	12,986	9.5	13,918	7.2
Percentage to priority sector advances	24.5	24.5		22.5	
Percentage to total credit	8.9	9.4		8.2	

Note : With effect from October 21, 1993, direct and indirect advances for agriculture have been clubbed within the target of 18 per cent for agricultural lending as a whole with a proviso that indirect lending should not exceed one-fourth of total agricultural lending tartget of 18 per cent of Net Bank Credit.

p : Provisonal

Table V-18 : NABARD's Credit to Co-operatives, Regional Rural Banks and State Governments During 1992-93 to 1994-95

(Rs. crore)

Agency/Purpose	Period	1992-93 Limits sanctioned	1992-93 Outstandings	1993-94 Limits sanctioned	1993-94 Outstandings	1994-95 Limits sanctioned	1994-95 Outstandings
1	2	3	4	5	6	7	8
I. State Co-operative Banks							
A. Short-term							
(i) (a) Seasonal Agricultural Operations	July June	3,316	2,068	3,509	2,220	4,101	2,411
(b) Out of (a) : for Oilseeds Production Programme	July June	415	192	417	248	499	251
(c) Out of (a) : for National Pulses Development Programme	July June	24	5	23	5	33	6
(ii) Produce (Marketing) Loan Scheme	July June	3	1	5	1	14	2
(iii) Marketing of crops including cotton and kapas	July-June	9	1	4	--	4	
(iv) Purchase and Distribution of Fertilizers	January-December	85	41	69	-	53	1
(v) Production and Marketing Activities of Co-operative weavers Society	April-March	492	382	530	278	610	494
(vi) Financing of Production & Marketing activities of Industrial Co-operatives.	April-March	14	12	16	13	16	12
(vii) Financing of co-operative Sugar Factories	July June	-	-	-	-	200	175
(viii) Purchase and sale of Yarn	July June	21	11	21	6	13	2
(ix) Financing of Individual Rural Artisans through PACS	April-March	6	5	7	6	7	6
B. Medium-term							
(i) Approved Agricultural purposes	January-December	120	77	8	53	9	32
(ii) Purchase of shares in co-operative sugar factories/processing societies	January-December	-	2	-	1	2	1
(iii) Conversion of Short-term loans into Medium-term loans	July-June	244	157	47	100	347	84
II. Regional Rural Banks							
A. Short-Term - Seasonal Agricultural Operations	July-June	502	498	588	547	728	666
B. Medium-Term							
i) Non Schematic	July-June	58	224	61	188	83	180
ii) Conversion of ST loans into MT loans	July June	3	2	6	3	4	2
III. State Governments							
Long-term loans to State Governments for contribution to share capital of co-operative credit Institutions	April March	24	235	40	237	73	282

- : Nil or Negligible

Source : NABARD.

Table V-19 : Purpose-wise Sanctions and Disbursements of Refinance by NABARD during 1993-94 and 1994-95 (April-March)

(Rs. Crore)

Purpose	No.of Schemes Sanctioned *			Commitments			Disbursement		
	1993-94	1994-95	Annual % Variation	1993-94	1994-95	Annual % Variation	1993-94	1994-95	Annual % Variation
1	2	3	4	5	6	7	8	9	10
Minor Irrigation	2926.0 (42.9)	2863.0 (38.9)	-2.2	706.0 (21.8)	1096.4 (29.0)	55.3	589.0 (21.5)	597.7 (19.9)	1.5
Land Development/ CAD	147.0 (2.2)	168.0 (2.3)	14.3	32.0 (1.0)	31.3 (0.8)	-2.3	18.0 (0.7)	17.0 (0.6)	-5.6
Farm Mechanisation	-	-		631.0 (19.5)	684.8 (18.1)	8.5	631.0 (23.0)	685.2 (22.8)	8.6
Plantation/Hort-iculture	995.0 (14.6)	1088.0 (14.8)	9.3	265.0 (8.2)	207.3 (5.5)	-21.8	122.0 (4.4)	129.2 (4.3)	5.9
Poultry/Sheep Breeding/Piggery	805.0 (11.8)	1366.0 (18.6)	69.7	121.0 (3.7)	187.7 (5.0)	55.1	96.0 (3.5)	139.7 (4.6)	45.5
Fisheries	563.0 (8.3)	546.0 (7.4)	-3.0	114.0 (3.5)	157.8 (4.2)	38.4	55.0 (2.0)	100.7 (3.3)	83.1
Dairy Development	918.0 (13.5)	988.0 (13.4)	7.6	157.0 (4.9)	222.3 (5.9)	41.6	148.0 (5.4)	170.8 (5.7)	15.4
Storage/Market Yards	67.0 (1.0)	53.0 (0.7)	-20.9	38.0 (1.2)	15.3 (0.4)	-59.8	16.0 (0.6)	18.0 (0.6)	12.7
IRDP	-	-		662.0 (20.5)	606.3 (16.0)	-8.4	662.0 (24.1)	620.4 (20.6)	-6.3
Others #	393.0 (5.8)	282.0 (3.8)	-18.2	506.0 (15.7)	568.6 (15.1)	12.4	408.0 (14.8)	532.1 (17.7)	30.4
Total	**6814.0 (100.0)**	**7354.0 (100.0)**	**7.9**	**3232.0 (100.0)**	**3777.8 (100.0)**	**16.9**	**2745.0 (100.0)**	**3010.8 (100.0)**	**9.7**

Note : Figures in brackets are percentage share of the respective items in total

\# : Includes Bio-gas, Forestry, Non-Farm Sector, etc.

* : Excludes schemes sanctioned under Automatic Refinance Facility.

Table V-20: Agency-wise Sanctions and Disbursements of Refinance by NABARD during 1993-94 and 1994-95 (April-March)

(Rs.Crore)

Agency	Number of schemes*			NABARD'S Commitments			Disbursements by NABARD		
	1993-94	1994-95	Annual % Variation	1993-94	1994-95	Annual % Variation	1993-94	1994-95	Annual % Variation
1	2	3	4	5	6	7	8	9	10
1. State Land Development	2,231.0 (32.7)	2,657.0 (36.1)	19.1	1,164.0 (36.0)	1,541.8 (40.8)	32.5	1,113.0 (40.5)	1,206.7 (40.1)	8.4
2. Scheduled Commercial Banks	3,687.0 (54.1)	3,671.0 (49.9)	-0.4	1,375.0 (42.5)	1,386.9 (36.7)	0.9	1,029.0 (37.5)	1,092.9 (36.3)	6.2
3. Regional Rural Banks	401.0 (5.9)	602.0 (8.2)	50.1	386.0 (11.9)	506.4 (13.4)	31.2	358.0 (13.0)	441.5 (14.7)	23.3
4. State Co-operative Banks	495.0 (7.3)	424.0 (5.8)	-14.3	307.0 (9.5)	342.7 (9.1)	11.6	245.0 (8.9)	269.6 (9.0)	10.0
Total	**6,814.0 (100.0)**	**7,354.0 (100.0)**	**7.9**	**3,232.0 (100.0)**	**3,777.8 (100.0)**	**16.9**	**2,745.0 (100.0)**	**3,010.8 (100.0)**	**9.7**

* : Excludes schemes sanctioned under Automatic Refinance Facility.
Figures in brackets are the percentage share of the respective institution in total

Source : NABARD

Table V-21 : Region-wise Sanctions and Disbursements of Refinance by NABARD during 1993-94 and 1994-95 (April-March)

(Rs. crore)

Region	No.of Schemes Sanctioned		Annual % Variation	NABARD'S Commitments		Annual % Variation	Disbursements		Annual % Variation
	1993-94	1994-95		1993-94	1994-95		1993-94	1994-95	
1	2	3	4	5	6	7	8	9	10
Northern	528.0 (7.7)	577.0 (7.8)	9.3	479.0 (14.8)	573.4 (15.2)	19.7	453.0 (16.5)	519.9 (17.3)	14.8
North-Eastern	103.0 (1.5)	99.0 (1.3)	-3.9	55.0 (1.7)	47.1 (1.2)	-14.4	40.0 (1.5)	50.6 (1.7)	26.5
Eastern	291.0 (4.3)	387.0 (5.3)	33.0	274.0 (8.5)	306.9 (8.1)	12.0	256.0 (9:3)	273.6 (9.1)	6.9
Central	569.0 (8.4)	1,487.0 (20.2)	161.3	554.0 (17.1)	1,071.5 (28.4)	93.4	585.0 (21.3)	628.0 (20.9)	7.4
Western	1,764.0 (25.9)	1,156.0 (15.7)	-34.5	665.0 (20.6)	702. (18.6)	5.6	499.0 (18.2)	554.3 (18.4)	11.1
Southern	3,559.0 (52.2)	3,645.0 (49.6)	2.4	1,205.0 (37.3)	1,076.9 (28.5)	-10.6	912.0 (33.2)	984.3 (32.7)	7.9
All India	**6,814.0 (100.0)**	**7,354.0 (100.0)**	**7.9**	**3,232.0 (100.0)**	**3,777.8 (100.0)**	**16.9**	**2,745.0 (100.0)**	**3,010.8 (100.0)**	**9.7**

Note : * : Excludes Schemes sanctioned under automatic refinance facility.
Figures in brackets represent the percentages to all-India.
Source : NABARD

Table V-22 : Purpose-wise NABARD's Refinance Assistance under IRDP during 1993-94 and 1994-95 (April-March)

(Rs.Crore)

Purpose	Disbursements	
	1993-94	1994-95
1	2	3
Minor Irrigation	83 (13)	67 (11)
Dairy Development	160 (24)	142 (23)
Sheep/Goat/Piggery	56 (8)	55 (9)
Livestock*	58 (9)	38 (6)
ISB	253 (38)	263 (42)
Others+	52 (8)	55 (9)
Total	**662 (100.0)**	**620 (100.0)**

Notes : Figures in brackets indicated percentage to total
* : Includes bullocks, bullock-carts, camel, etc.
+ : Includes other classified items
ISB- Industry Service and Business
Source : NABARD.

Table V-23 : NCDC's Financial Assistance (Disbursements) from 1992-93 to 1994-95 (April-March)

(Rs. crore)

Schemes / Purposes	1992-93	1993-94	1994-95
1	2	3	4
I. Central Schemes	**217.0**	**197.0**	**250.6**
a) Co-operative Storage Porgrammes with International aid	33.0	7.0	12.1
b) Co-operative Marketing, Processing and Storage programmes in under-developed states/Union Territories	11.0	24.0	31.9
c) Finance for Co-operatives Sugar Factories, Co-operatives Spinning Mills, NAFED, etc.	128.0	129.0	190.6
d) Miscellaneous	45.0	37.0	16.0
II. Corporation Sponsored Schemes	**123.0**	**90.0**	**135.7**
a) Storage	7.0	4.0	5.7
b) Agro-processing	73.0	26.0	61.2
c) Weaker Sections	22.0	42.0	42.9
d) Agricultural Marketing	17.0	16.0	18.5
e) Rural Consumer Activity	2.0	-	1.4
f) Agro-Services and Promotional and Developmental Programmes, etc.	2.0	2.0	6.0
III. Total (I + II)	**340.0**	**287.0**	**386.3**

Source : National Co-operative Development Corporation.

Table V-24: Progress of Crop Insurance Scheme

Season	No. of States & UTs Implementing	No. of Farmers Covered (lakh)	Area Covered (lakh hectares)	Sum insured (Rs. crore)	Total insurance Charges (Rs. crore)	Claims paid (Rs. crore)
1	2	3	4	5	6	7
Kharif 1986	18	39.56	77.40	856.20	14.99	169.37
Rabi 1986-87	17	11.28	21.00	242.37	4.52	4.59
Kharif 1987	21	46.32	84.11	1140.68	19.10	277.40
Rabi 1987-88	19	21.28	32.36	475.44	8.85	12.08
Kharif 1988	13	29.64	52.35	547.89	8.82	29.19
Rabi 1988-89	9	8.73	10.13	164.10	3.12	3.87
Kharif 1989	17	42.27	66.46	873.89	14.48	34.41
Rabi 1989-90	17	6.60	9.59	151.56	2.77	2.88
Kharif 1990	17	19.43	34.09	515.15	7.66	81.56
Rabi 1990-91	16	7.94	10.70	196.28	3.50	4.04
Kharif 1991	17	37.61	68.61	931.41	14.43	195.27
Rabi 1991-92	15	7.76	10.95	199.94	3.55	6.03
Kharif 1992	17	41.16	72.27	1,154.66	18.12	41.30
Rabi 1992-93	16	7.41	10.16	228.35	4.10	4.77
Kharif 1993	17	42.30	72.08	1,309.38	20.65	28.94
Rabi 1993-94	16	8.18	11.24	277.84	4.89	11.11
Kharif 1994	17	40.71	69.60	1,446.51	21.90	11.44
Rabi 1994-95 p	16	57.53	10.72	215.48	3.66	..

Note : p : Provisional.
Source : General Insurance Corporation of India.

CHAPTER VI

FINANCIAL MARKETS*

Overview

One of the major favourable outcomes of financial sector reforms would be the integration of different segments of the financial market. Apart from the organised credit market dominated by the commercial banks (discussed already in the section on 'Banking Developments' in Chapter V of this Report), there are the money market with the major segment being the call/notice money market, the capital market consisting of primary and secondary segments and term capital market, debt market comprising PSU bonds and corporate debentures, gilt-edged market for Government securities, housing finance market, hire purchase and leasing finance market, insurance market and foreign exchange market. The informal credit market would have a little role to play once financial markets develop in terms of both depth and coverage. The rates of return on various financial assets in the financial market would increasingly show a greater degree of alignment, as there occurs furtherance of institutional developments, facilitating integration among the various segments of the market.

The easy liquidity conditions in the money market during the first half of 1994-95 gave way to a tight liquidity situation by September 1994. The secondary market, after remaining buoyant in the first half of 1994-95, witnessed subdued conditions thereafter due to lack of support from investors and financial institutions. The Reserve Bank of India (Weekly) Index Numbers of Ordinary Share Prices (Base: 1980-81 = 100) recorded a marginal rise of 4.0 per cent on a point-to-point basis during 1994-95 as compared with a substantial gain of 49.3 per cent realised in 1993-94.

New capital issues by the non-government public limited companies, government companies, banks and financial institutions during 1994-95 aggregated Rs.31,001.5 crore registering an increase of 5.1 per cent over the preceding year. During 1994-95, the aggregate assistance sanctioned by All Financial Institutions (AFIs) (net of inter-institutional flows) at Rs.61,554.8 crore registered significant increase of 49.0 per cent over the previous year. Disbursements by the AFIs during the year at Rs.33,560.3 crore posted an increase of 26.2 per cent over the previous year.

Over the last few years the Indian Capital Market has been witnessing radical transformation with a number of steps being taken by the Government, the Reserve Bank and the Securities and Exchange Board of India (SEBI). Introduction of on-line screen-based trading system in stock exchanges - i.e., National Stock Exchange and Bombay Stock Exchange - has improved the trading system thereby ensuring higher level of transparency. The acceptance of most of the recommendations of Malegam Committee on disclosure is expected to raise the level of dissemination of information to public. Introduction of a new carry forward system based on recommendations of the Patel Committee would help in improving liquidity. Setting up of depositories for which an Ordinance has been promulgated would facilitate scripless trading in India.

As an integral part of the financial sector reforms, a number of policy measures have been undertaken in recent years by the Central Government to activate and widen the

* This Chapter is based on data/information available upto end-September, 1995.

Government securities market. These include : a move towards market related rates of interest, a phased reduction in Statutory Liquidity Ratio (SLR), the setting up of Securities Trading Corporation of India Ltd. (STCI), the introduction of Delivery Versus Payment (DVP) System for transactions in Government securities, infusion of greater transparency in secondary market transactions and the introduction of a system of Primary Dealers in Government securities and Treasury bills. The most fundamental reform in this direction however, was the decision of the Government of India to delink budget deficit from automatic monetisation.

The major developments in the various segments of the financial market are set out below. The progress of financial sector reforms during 1994-95 and 1995-96 is captured in the Annexure.

Money Market

The money market provides an avenue for equilibrating the mismatch between demand for and supply of funds at the short-end of the market. The available instruments are money at call (overnight) and short notice (up to fourteen days), Certificates of Deposit (CDs), Commercial Papers (CPs), term money borrowings and commercial bills rediscounting.

a) Call/Notice Money Market

The call/notice money market was characterised by easy liquidity conditions in the greater part of the first half of 1994-95. The fortnightly weighted average lending rate of Discount and Finance House of India (DFHI) ranged between 3.6 per cent and 9.0 per cent up to end-August 1994. The market witnessed spells of tight liquidity in September 1994 owing to advance tax payments and a marked expansion in non-food credit and the rate peaked to 53.0 per cent on September 30, 1994. With a view to bringing about more orderly condition in the call money market, the Reserve Bank advised banks to minimise day-to-day swings in their CRR balances with the RBI. Subsequently, during the quarter ended December 1994, the call lending rates of DFHI ruled easy ranging between 5.7 per cent and 10.4 per cent (Statement 120 of Vol.II). Banks experienced liquidity problems once again since January 1995 due to moderation in capital inflows, sustained increase in non-food credit, and temporary factors such as advance tax payments and PSU equity sales. As a result, the call money market turned tight and the DFHI's lending rates ranged between 11.6 per cent and 16.1 per cent in the last quarter of 1994-95. To ease the situation, the Reserve Bank injected liquidity into the system by way of support to the DFHI and the STCI as well as through some limited open market purchases of dated Government Securities. Reserve Bank's support to DFHI and STCI touched a peak of Rs.4,873 crore on February 15, 1995. Reflecting the varying liquidity conditions, the fortnightly daily average borrowings of 31 major scheduled commercial banks in the call/notice money market declined from Rs.6,330 crore in the fortnight ended March 18, 1994 to Rs. 4,616 crore during the fortnight ended March 17, 1995. The fortnightly average lendings of these banks declined from Rs.3,682 crore in the fortnight ended March 18, 1994 to Rs.2,403 crore during the fortnight ended March 31, 1995.

The call money market continued to experience liquidity problems in subsequent months. During the first half of 1995-96, the DFHI lending rate as a consequence, moved in the range of 9.2 per cent and 15.0 per cent.

Discount and Finance House Of India Ltd. (DFHI)

DFHI accounted for about 15 per cent of total turnover in the call/notice money market in 1994-95. The cumulative turnover in 1994-95 in the call and notice money market at Rs. 5,29,183 crore however, was slightly below the level of Rs. 5,89,434 crore in 1993-94. The daily average lending also registered a decline from Rs. 1,600 crore in 1993-94 to Rs. 1,431 crore in 1994-95. However, its turnover in Treasury Bills recorded an increase from Rs. 19,971 crore in 1993-94 to Rs. 30,921 crore in 1994-95. The turnover in Government dated securities showed a decline from Rs. 14,388 crore in 1993-94 to Rs. 12,488 crore in 1994-95 mainly due to the progressive elongation of the period of reverse repos from 1-2 days to 14 days (Table VI-1).

(b) Certificates of Deposit (CDs)

The stringent conditions in the money market reinforced the banks' interest in CDs. The outstanding amount of CDs issued by scheduled commercial banks which had shown a declining trend in the early part of 1994-95 from Rs.6,041 crore in the fortnight ended April 1, 1994 to Rs.5,218 crore in the fortnight ended July 8, 1994, rose steadily to Rs.8,017 crore in the fortnight ended March 31, 1995 (Statement 79 of Vol.II). The typical interest rates on CDs with a one year maturity also increased from the range of 7.00 - 12.00 per cent during March 1994 to the range of 9.00-15.00 per cent during March 1995 and that of maturity of 3 months increased from the range of 8.50-9.50 per cent to 12.00-13.50 per cent during the period. During the first half of 1995-96, the total of outstanding CDs amounted to a high of Rs.13,873 crore in the fortnight ended September 29, 1995, reflecting continuing tight liquidity conditions. The CD rates also remained high in the range of 9.00-15.50 per cent during this period.

c) Commercial Papers (CPs)

During 1994-95, there were moderate transactions in CPs partly reflecting the impact of the withdrawal of stand-by arrangement facility to banks in October 1994 and also stringent money market conditions. Only the highly rated companies could float CPs, that too at a higher rate. Accordingly, the outstanding amount of CPs showed a sharp decline by Rs. 2,661 crore during 1994-95 and stood at Rs.604 crore as on March 31, 1995. The typical interest rates offered on CPs were higher in the range of 14.00-15.50 per cent per annum in March 1995 compared with 10.00-11.00 per cent in September 1994 (Statement 80 of Vol.II). During the first half of 1995-96 there was a further reduction in the volume of CPs outstanding following the introduction of a loan system of credit delivery. In October 1995, the cash credit portion was further reduced to 60 per cent of the MPBF which in turn would reduce recourse to CP financing by the corporate sector. As per the extant guidelines, a company can issue commercial paper to a maximum of 75 per cent of cash credit. In October 1995 the CP rate further rose sharply to 16.00-19.00 per cent and the amount outstanding was of the order of Rs. 842 crore.

(d) Bills Rediscounting

The outstanding amount of commercial bills rediscounted by scheduled commercial banks with various financial institutions at end-March 1995 was higher at Rs.1,048 crore compared with Rs.617 crore in end-March 1994 which fell to Rs. 996 crore by end-September 1995.

Capital Market

Policy Initiatives and Developments

During 1994-95 and the period covering upto September 1995, a number of measures were announced by the Securities and Exchange Board of India, Government of India and the Reserve Bank of India, with a view to streamlining the functioning of the capital market.

The following guidelines were notified by the SEBI during the review period.

In October 1994, the SEBI announced through a notification that issuers of capital issues can have the option to decide whether the issue has to be underwritten or not, followed by a notification in November 1994 containing regulations on "substantial acquisition of shares and take-overs".

According to SEBI's notification issued in May 1995, right-issues would be vetted by lead managers and not by SEBI. Besides,the revised guidelines of SEBI issued in May 1995 indicated, among other things, a minimum 50 per cent of the net-offer out of the public issue would be allocated to the individual investors applying for securities including shares not exceeding 1000 in each case. The capital adequacy norms for merchant bankers were tightened by SEBI during the same month.

In July 1995, the Committee set up by SEBI under the Chairmanship of Shri Y.H. Malegam to look into the disclosure norms for public issues has recommended stricter regulations to curb irregularities affecting the primary market. SEBI's implementation of various recommendations of the Committee are putforth in Box VI-1.

BOX VI-1

Disclosure and Investor Protection - SEBI Guidelines

After examination of the Malegam Committee's recommendations, SEBI issued the following guidelines in September and October, 1995 in the form of clarifications on disclosure norms in offer documents for protecting the interest of the investors.

1. An unlisted company with a commercial operation of less than two years, going public to raise its paid-up capital between Rs.3 crore and Rs.5 crore shall be eligible for listing only on stock exchanges with screen- based trading facility. If the paid-up capital of the company even after the public issue is less than Rs.3 crore, it shall continue to be eligible to be listed on the OTCEI only.

2. The companies referred to above will appoint market makers to provide liquidity to stocks who have to observe certain stipulations regarding inventories and period of market making.

3. Only those Finance Companies shall be eligible to make an issue of securities to the public, who have a minimum track record of two years of operations or are registered as non-banking finance companies with RBI or intermediaries with the SEBI.

4. Individual ceilings in respect of allotment of securities on a firm reservation/ preferential basis need not be observed within certain categories of persons, etc. However, the ceiling of 10 per cent will still be applicable for employees as well as share holders. Besides, lead managers can be considered for firm allotments upto 5 per cent ceiling of the proposed issue.

5. Lead merchant bankers shall make copies of draft prospectus filed with the SEBI available to the public at a cost.

6. The prospectus submitted to the SEBI for vetting shall contain/specify, in addition to the requirements of Schedule II of the Companies Act, the details of actual expenditure incurred as per SEBI's criteria, information on bridge loans or other financial arrangements, etc.

7. A company can disclose profit projections only if (a) it is a new company and or (b) in case of an existing company if it is undertaking a new project or increasing the capacity of existing activities beyond 100 per cent subject to the fulfillment of certain stipulations of SEBI.

8. Details relating to share transactions of promoters group and of the directors of the promoter need to be disclosed and made transparent.

BOX VI-1 (Concld.)

9. Details pertaining to shareholding of the company by the promoter group and the directors of the companies to be disclosed in the prospectus.

10. In addition, SEBI issued guidelines relating to book-building for issues exceeding Rs.100 crore. Book-building will be treated as an alternative method of pricing that portion of the issue which is reserved for institutional and corporate investors. Issuers will thus have the option of either reserving securities for firm allotment or issuing them on the basis of book-building.
While deciding the price, it will be ensured that the replacement price and the offer to the public should be alike. Underwriting to the extent of net offer to public (minimum 25 per cent of the total issued amount) has been made mandatory for issuers following book-building method.

11. Lead managers shall certify that all the amendments suggested/observations made by SEBI have been given effect to in the prospectus in addition to the due diligence certificate to be furnished alongwith the draft prospectus.

Based on the Patel Committee on 'Review of Carry-Forward System in Stock Exchanges', the SEBI announced guidelines for the introduction of 'carry-forward' trading in a revised form in October 1995.

In order to facilitate enforcement of continuing disclosure and investor protection norms and also to allow trading of new instruments in the secondary markets, changes have been made in January 1995 in the Securities Contract (Regulation) Act, 1956 by amending it to allow the issuance and trading of options in securities and to establish additional trading floors.

The Government of India amended the SEBI Act, 1992 in March 1995 to give more powers to SEBI covering regulatory powers over issuance of capital, transfer of securities and other related matters. In September 1995, the Depositories Ordinance was promulgated which empowers SEBI to make Regulations for the purpose of giving effect to the provisions of the Ordinance.

The Reserve Bank introduced a few changes in respect of policies for capital market development. In September 1994, it restricted the use of 'stock invest' only to mutual funds and individual investors and thereby preventing use of this instrument by brokers, corporate bodies, banks and financial institutions. Besides, in the same month, it has removed one year lock-in period on investments made by NRIs and OCBs under the Portfolio Investment Scheme for repatriating the sale proceeds and transfer of shares and convertible debentures.

A number of relaxations have been effected in the stipulations governing banks' investments in and underwriting of shares and debentures of corporate bodies in August and October, 1994. With effect from July 17, 1995, the Reserve Bank relaxed guidelines to banks regarding the overdraft facilities to share and stock brokers against their stocks.

Disinvestment by Public Sector Enterprises

The Government of India divested shares of Public Sector Enterprises in two phases aggregating Rs. 2,618 crore in 1994-95. While Rs.2,230 crore was raised in the first round of disinvestment in October 1994, Rs.388 crore was mobilised during the second round in January 1995. The details of amount mobilised over the years are as indicated in Table A :

Table A : Disinvestment by Public Sector Enterprises

(Rs. crore)

Year	Amount mobilised
1	2
1991-92	3,038
1992-93	1,866
1993-94	2,292
1994-95	2,618

According to the budget for 1995-96, the government proposed to raise Rs.7,000 crore through disinvestment during 1995-96.

Euro-issues through Foreign Currency Convertible Bonds (FCCBs)and Global Depository Receipts (GDRs)

The resource mobilisation by the Indian corporate sector through FCCBs and GDRs slowed down during 1994-95. The proceeds from Euro-issues aggregated Rs. 6,743.0 crore in 1994-95 which was 14.6 per cent lower than the amount of Rs.7,898.0 crore in the preceding year. With the subdued trend in the secondary market in the latter half of 1994-95 and the quoting of GDRs at a discount abroad, led to corporates allowing the licenses to lapse or defer their floating of GDRs. According to available data, only one Euro-issue was floated during April-September,1995, amounting to Rs. 281.6 crore as against Rs. 3,177.1 crore in April-September, 1994.

Foreign Institutional Investors (FIIs)

The number of FIIs approved by the Reserve Bank till end-March, 1995 stood at 308. Their net investments (purchases minus sales) aggregated to Rs.4,720 crore during 1994-95 which showed a decline of 13.4 per cent over the previous year (Rs.5,448 crore in 1993-94). FIIs were very active in the market during the first four months of 1994-95, but from July 1994 onwards their purchases showed substantial decline and sales went up, particularly since November, 1994. At end-September, 1995 the number of approved FIIs stood at 323. During 1995-96 (April-September), FIIs net investments amounted to Rs. 2,348.0 crore, as compared with Rs.3,435.0 crore in the corresponding preceding year.

Primary Market

Clearance of offer documents by the SEBI

i) Clearance to non-Government Companies

As regulatory authority, the SEBI has been vetting prospectuses of the issues that are offered to public. During 1994-95, clearance given to non-Government companies for raising capital by way of shares (both equity and preference) and debentures/bonds at Rs.31,786.0 crore registered a phenomenal increase of 85.7 per cent over the previous year (Statement No. 130 of Volume II). In respect of equity shares, clearance (including premium issues but excluding bonus issues) amounted to Rs. 21,560.0 crore, registering a rise of 129.8 per cent over that of the preceding year.Clearance for debentures/bonds by SEBI at Rs.10,226.0 crore, showed a rise of 32.1 per cent over the previous year.

ii) Clearance to Government Companies

The clearance by the SEBI to Government companies for issuing capital by way of shares and debentures/bonds amounted to Rs.3,512.0 crore during 1994-95 indicating a decline of 20.6 per cent over the year.

New Issues Market

New capital issues by non-Government companies (private sector), Government companies, banks and financial institutions continued to be buoyant during 1994-95 both in terms of number of issues and volume. The market witnessed floating of 1,704 new issues during the review period for raising Rs.31,001.5 crore as compared with 1,156 issues for Rs.29,502.8 crore in 1993-94. (Graph VI-1 and Table B on next page). Sector-wise, mobilisation

Graph VI-1
New Capital Issues

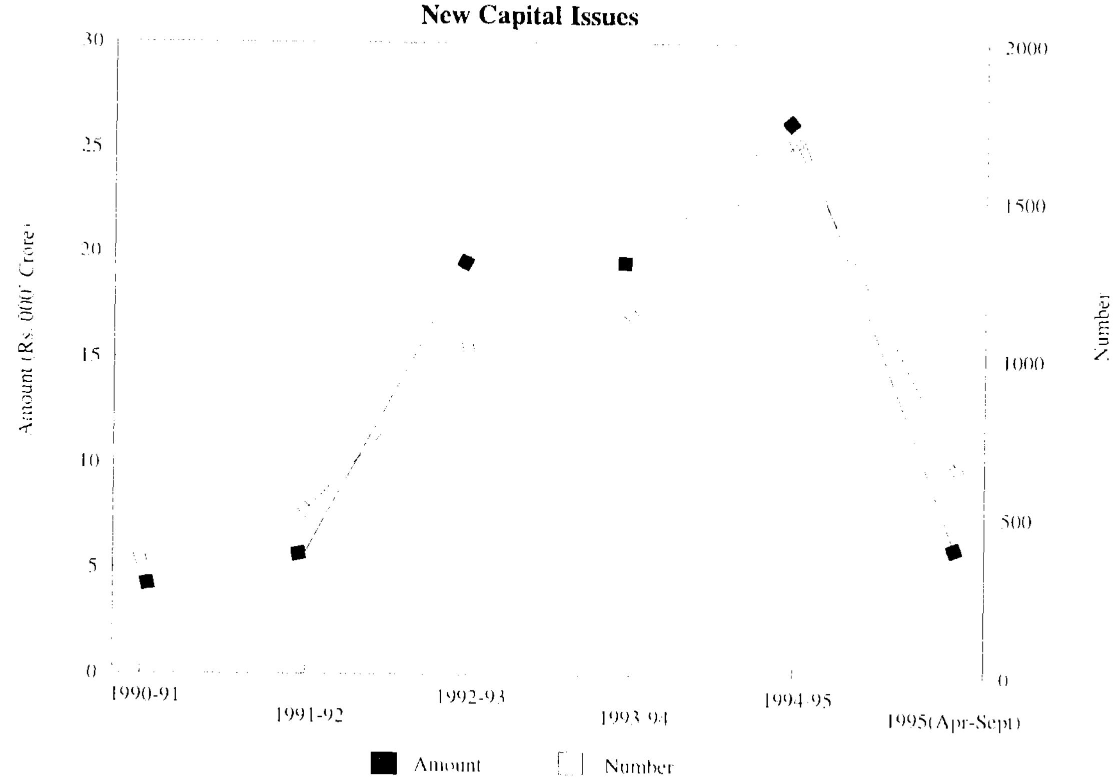


Table B : Mobilisation of Resources from the Primary Market

(Rs. crore)

Institution	1994-95 (April-September)	1995-96 (April-September)	1994-95*	1993-94*	1992-93*
1	2	3	4	5	6
1. Private Sector Companies	8,345.9	5,742.8	26,443.7	19,355.4	19,825.6
2. Government Sector Companies (including PSU Bonds)	897.8	-	4,132.5	6,404.4	1,492.0
3. Banks and financial institutions	51.0	2,184.0	425.3	3,743.0	356.0
Total	**9,294.7**	**7,926.8**	**31,001.5**	**29,502.8**	**21,673.6**

Figures are provisional

* Period : April-March

by private sector during the year 1994-95 accounted for 85.3 per cent of total issued amount (65.6 per cent in 1993-94). The trend in floating of new issues by non-Government public limited companies indicates that rights issues which dominated the primary market with an average of 65.0 per cent of total amount of issues in 1991-92 and 1992-93, have come down steeply in the subsequent two years, and prospectus issues have become more popular with the companies for resource mobilisation. Consequently, the share of rights issue declined to 40.1 per cent in 1993-94 and further to 25.5 per cent in 1994-95 (Statements 131 and 132 of Vol.II).

Mega issues (each Rs. 100 crore and above) floated by private sector during 1994-95 were higher at Rs.10,304.5 crore (39 issues) as compared with Rs.7,387.0 crore (through 29 issues) in the previous year. Besides existing hybrid instruments like cumulative convertible preference shares, zero interest fully convertible debentures, non-convertible debentures with detachable tradeable warrants, two more new instruments, namely, zero interest secured redeemable multi-option convertible debentures and partly convertible cumulative preference shares were introduced during the year under review. New issues floated through the various innovative instruments during 1994-95 aggregated Rs.3,147.8 crore as against Rs.5,460.0 crore in 1993-94.

The bearish trend in the secondary market during the latter half of 1994-95 affected floatation of issues by banks and financial institutions. During 1994-95, only Rs.425.3 crore could be raised as against Rs.3,743.0 crore in 1993-94 and Rs.356.0 crore in 1992-93.

In the first half of the current financial year, i.e. April-September, 1995, the domestic primary market was subdued and witnessed floatation of 659 new issues of private sector and government companies amounting to Rs. 7,926.8 crore which was 14.7 per cent lower than those in the corresponding period of the previous year.

Public Sector Bonds

During 1994-95 (April-March), ten Public Sector Undertakings floated PSU bonds for amount aggregating Rs.3,070.1 crore (Statement 133 of Vol.II). Of these, tax-free bonds offering 10.5 per cent interest per annum accounted for Rs.1,198.3 crore while taxable bonds carrying interest rates in the band of 14 to 18 per cent amounted to Rs.1,871.8 crore.

Mutual Funds

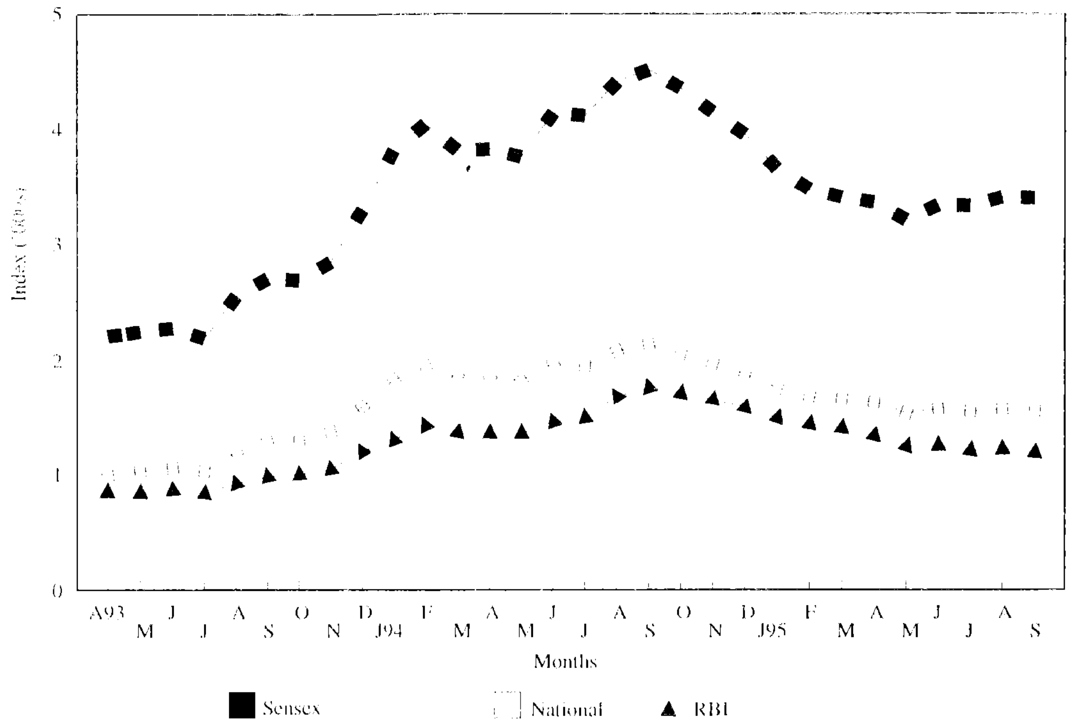
During the year, 8 mutual funds (MFs) have been set up including a subsidiary each of public sector bank (Bank of Baroda) and development financial institution (IDBI). With this, as at end-June 1995, there were 21 mutual funds operating in India including eleven private sector MFs. During 1994-95 (April-March), resources mobilised by the MFs (including UTI) through various schemes amounted to Rs.11,343.9 crore as compared to Rs.11,243.3 crore in 1993-94 (Statement 100 of Vol.II). The sluggishness in the capital market discouraged floatation of new schemes by mutual funds. At end-September, 1995, 23 MFs (including UTI) were operating in the country. During April-September 1995, 6 new schemes were floated by mutual funds (other than UTI). In case of UTI, the net sales showed a negative figure of Rs. 2,439.0 crore during the same period indicating more of repurchases as against Rs. 6,961.0 crore in April-September, 1994.

Secondary Market

Industrial Security Market

During 1994-95, the stock market witnessed a mixed trend - a rising equity index during April to mid-September, 1994 and declining prices subsequently. The markets opened on a firm note in April 1994 and the bullish movements were more pronounced from August 1994 mainly due to sustained buying support from the foreign institutional investors, mutual funds and the domestic financial institutions, and also the onset of a normal monsoon. Since the middle of September 1994, however, equity prices drifted downward due to technical reaction and profit taking by domestic institutions and other operators. Slowdown in fresh investments by FIIs also had a dampening effect on equity prices. Mirroring this trend, the RBI All-India (Weekly) Index Number of Ordinary Share Prices (Base : 1980-81 = 100) moved up from 1331.7 in the week ended March 26, 1994 to a peak of 1817.8 during the week ended September 17, 1994 before declining to 1384.5 in the week ended March 25, 1995 (Statement 136 of Vol.II). On a point-to-point basis, the index recorded a marginal rise of 4.0 per cent during 1994-95 as

Graph VI-2
Monthly Averages of BSE Sensex, BSE National, RBI Indices
(April 93 to September 95)



against a substantial rise of 49.3 per cent in 1993-94. The average gross yield of the scrips included in the RBI index declined to 1.79 for the year 1994-95 from 2.19 in 1993-94 (Table VI-2), (Graph VI-2).

During the first half of the financial year 1995-96 (April-September), the bearish trend witnessed in the latter half of 1994-95 continued. RBI index further declined to 1211.2 for the week ended September 30, 1995, indicating a fall of 12.5 per cent over the end-March 1995. As compared to the index of 1743.2 a year ago the decline was of 30.5 per cent.

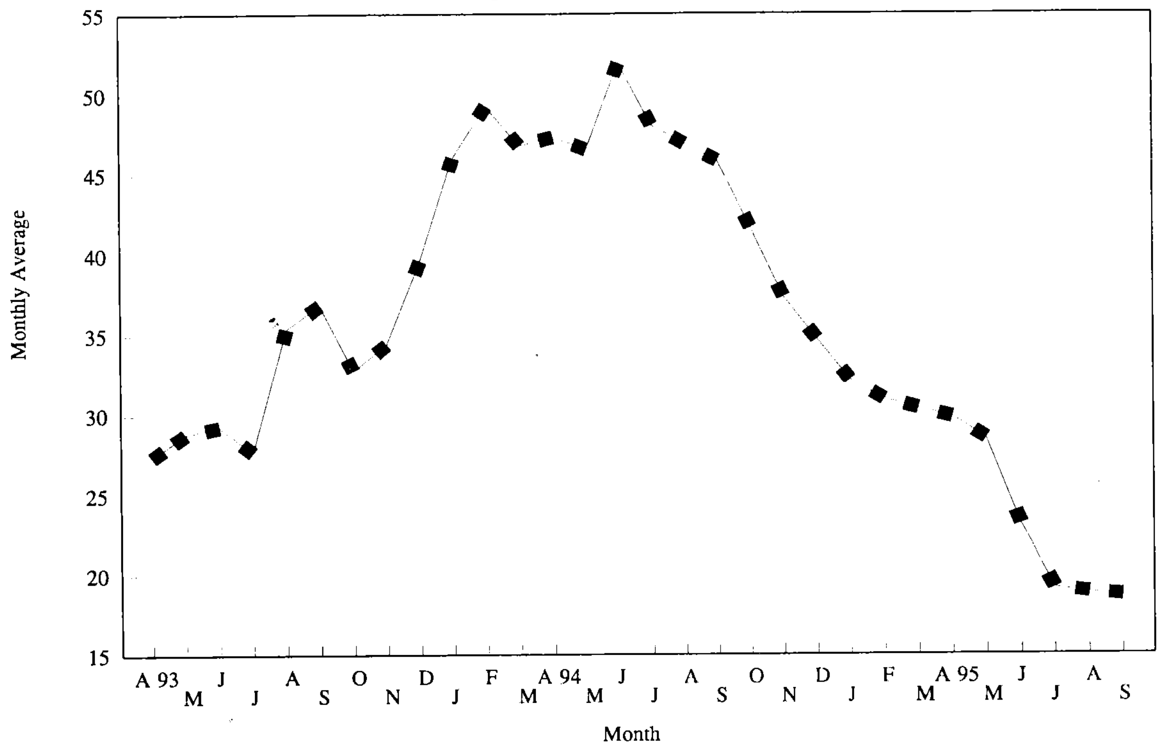
Industry-wise Trends

The industry-wise analysis as reflected by the RBI Index Numbers of Ordinary Share Prices showed that a number of major industry groups registered substantial gains during the year under review. The cement group recorded maximum gain of 37.5 per cent followed by paper and paper products (34.6 per cent), shipping (26.2 per cent), aluminium (24.0 per cent) and automobiles and auto-ancillaries (23.7 per cent). On the other hand, electricity generation and supply (-39.3 per cent) and tea plantations (-17.4 per cent) were the major losers (Statement 137 of Vol.II).

Operations on Bombay Stock Exchange

The scrip movements on the Bombay Stock Exchange (BSE Sensitive Index [Base : 1978 - 79 = 100]) more or less reflected the trend revealed in the RBI index. The P/E ratio moved in tune with the trend in the equity price index. The average price-earning ratio for the month of March 1995 at 30.37 based on 30 scrips covered in the BSE sensex showed a significant decline of 35.1 per cent compared with the corresponding period in 1993-94 (Graph VI-3). The combined monthly turn-over of BSE A and B groups was Rs.3,503.0 crore in April 1994 which moved up to Rs.8,831.0 crore in October 1994 but declined to Rs.3,563.9 crore in March 1995. The market capitalisation of Bombay Stock Exchange (BSE) at the end of March 1995, however, stood at Rs.4,68,837 crore - higher by 17.7 per cent as compared with the level a year ago (Rs.3,98,432 crore at end-March 1994) (Statement 142 of Vol.II).

Graph VI-3
P/E Ratio-BSE Sensitive Index
(April 1993 to September 1995)



National Stock Exchange (NSE)

The National Stock Exchange, through its two distinctive segments representing wholesale debt market (WDM) and capital market (CM), provides secondary market trading facilities.

In the WDM segment of the exchange more than nine categories of instruments are allowed for trading. Initially, the trading operations in this segment started with 224 debt securities which increased to 425 securities in June 1995. As at the end of June 1995, traded volume has crossed Rs.10,500 crore mark. For generating liquidity in the debt market, RBI allowed repo transactions effective June 24, 1995 in all Treasury bills and five dated securities (12 per cent CG 1995, 12.75 per cent CG 1996, 12 per cent CG 1999, 12.5 per cent CG 2004, zero coupon bond 2000). Trading in Treasury bills on the exchange indicates a distinct preference in favour of the 364 day Treasury bills. The yield on 364 day Treasury bills which was a little below 10.00 per cent in July 1994 moved up to 12.87 per cent in December 1994 and further to 13.41 per cent in June 1995.

The maturity pattern of securities traded in the NSE reveals that the market preference was for shorter maturity (upto 3 years). More than 64 per cent of the trades in dated Government securities were concentrated in securities having maturities of less than a year and 26 per cent in securities having maturities of less than 3 years.

The capital market segment of NSE commenced its operations on November 3, 1994 to provide trading facilities in equities for institutions and retail investors. The exchange has allowed trading on securities of medium and large companies with nation-wide investor base. Initially, the trading started with 200 securities and by end-September 1995, more than 1,300 securities have been allowed for trading. The net traded value of Capital Market Securities, cumulatively amounted to Rs. 1,805.0 crore during November 1994 to March 1995. However, during April-September 1995, the net traded value was Rs. 10,234.0 crore indicating substantial increase in turnover over the period.

Over the Counter Exchange of India

The Over the Counter Exchange of India (OTCEI) expanded its activities further during 1994-95. The number of scrips listed rose to 49 at the end of March 1995 from 22, a year ago. Besides, 40 companies were admitted for trading under the "permitted securities" category and 17 in the "permitted debentures" category. OTCEI also got eight initiated debentures being traded on the exchange. The volume of turnover of OTCEI aggregated Rs.365.0 crore during 1994-95 through 2,27,322 deals as compared with only Rs.39.0 crore through 25,145 deals during 1993-94. A major part of the turnover was accounted for by listed equities followed by permitted equities. As at end-September 1995, the listed equity went up to 65 and the securities available for trading to 182 (including permitted equity and debentures). During April-September 1995, the total turnover aggregated Rs. 140.8 crore through 71,407 deals. After getting SEBI's approval for listing of companies engaged in the activities of finance, investment leasing and hire purchase, OTCEI issued guidelines for listing of such companies on April 7, 1995. As a part of its expansion programme, OTCEI invited applications in January 1995 for dealership in 54 cities in 19 States across the country so as to achieve nationwide coverage. Once this expansion is completed, OTCEI will be the first stock exchange in the country to provide such a wider reach to the investors.

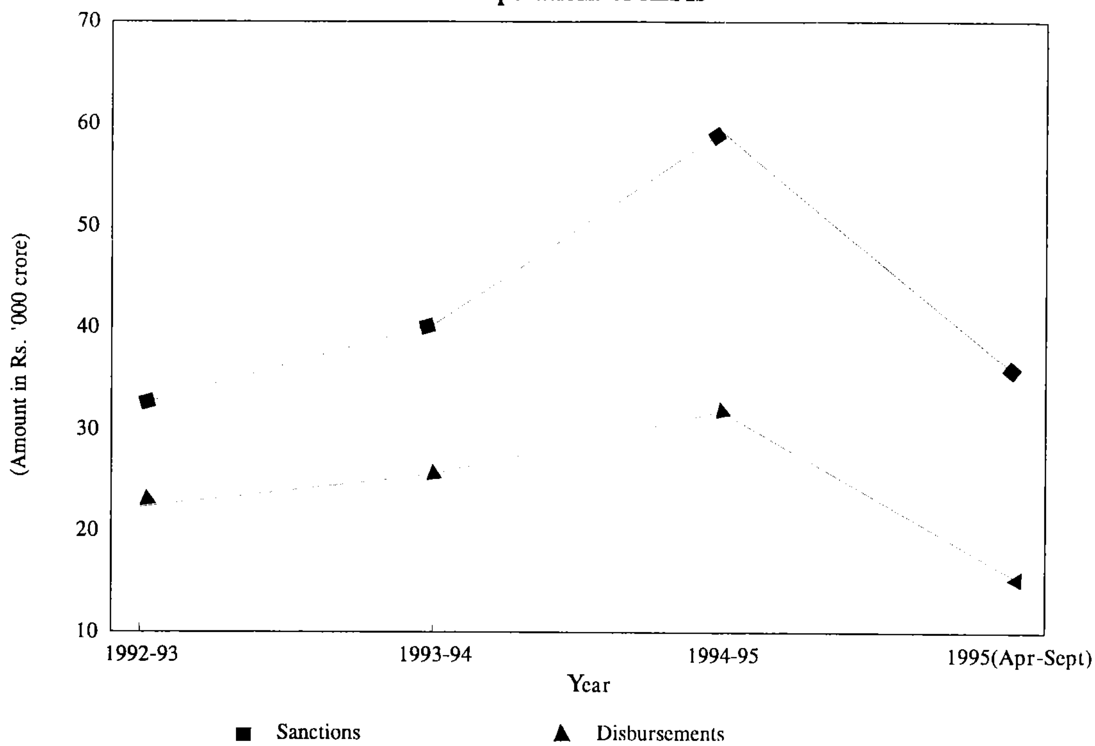
Operations of All Financial Institutions[1]

During 1994-95, the aggregate assistance sanctioned by All Financial Institutions (AFIs) (net of inter-institutional flows) amounted to Rs.61,554.8 crore, which is higher by 49.0 per cent over the previous year (Rs.41,323.6 crore) (Table VI-3). Disbursements by AFIs during the year aggregated Rs. 33,560.3 crore which is 26.2 per cent higher than Rs.26,559.3 crore in the previous year. The sanctions and disbursements by All-India Financial Institutions amounted to Rs.59,183.9 crore and Rs.31,849.7 crore, respectively, during the year, recording a substantial rise of 46.8 per cent in sanctions and 24.3 per cent in disbursements over those in 1993-94. During April-September 1995, the sanctions and disbursements by AIFIs (net of inter-institutional flows) amounted to Rs. 35,438.9 crore and Rs. 15,346.7 crore, respectively, registering an increase of 34.4 per cent in sanctions and 27.9 per cent in disbursements over the same period last year (Graph VI-4).

Sanctions and disbursements by All-India Development Banks (AIDBs) were significantly higher at Rs.49,814.9 crore and Rs.25,562.9 crore, respectively, during 1994-95 registering a growth of 64.9 per cent and 38.1 per cent in sanctions and disbursements, respectively. The three specialised financial institutions comprising RCTC, TDICI and TFCI showed a phenomenal increase of 84.2 per cent in their sanctions, from Rs.197.3 crore in 1993-94 to Rs.363.5 crore in 1994-95. Disbursements by these institutions also increased by 125.3 per cent from Rs.110.1 crore in 1993-94 to Rs.248.1 crore during the year under review. In contrast, the assistance sanctioned by Investment Institutions i.e., UTI, LIC and GIC and its subsidiaries declined by 9.2 per cent to

1. All Financial Institutions comprise All-India Development Banks, viz., Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India Ltd. (IFCI), Industrial Credit and Investment Corporation of India Ltd. (ICICI), Small Industries Development Bank of India (SIDBI), Industrial Reconstruction Bank of India (IRBI), SCICI Ltd. (formerly known as Shipping Credit and Investment Company of India Limited), Specialised Financial Institutions viz., Risk Capital and Technology Finance Corporation Limited (RCTC), Technology Development and Information Company of India Ltd. (TDICI), Tourism Finance Corporation of India Ltd. (TFCI), Investment Institutions viz., Unit Trust of India (UTI), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC) and its subsidiaries and State-level institutions, viz., State Financial Corporations (SFCs) and State Industrial Development Corporations (SIDCs).

Graph VI-4
Operations of AIFIs



Rs.9,005.5 crore from Rs.9,915.0 crore last year. The disbursements by these investment institutions also declined by 13.7 per cent to Rs.6,038.7 crore in 1994-95 from Rs.6,997.4 crore in 1993-94. The State-level financial institutions comprising 18 SFCs and 28 SIDCs, also showed an increase of 51.1 per cent in the assistance sanctioned to Rs.4,271.5 crore in 1994-95 from Rs.2,826.7 crore last year. Disbursements by these state-level financial institutions registered an increase of 32.0 per cent to Rs.2,989.8 crore.

I. Development Banks

(i) Industrial Development Bank of India (IDBI)

Financial assistance extended by IDBI witnessed substantial growth during 1994-95 (April-March). The aggregate sanctions at Rs.19,833.0 crore and disbursements at Rs.10,621.3 crore, recorded an increase of 58.8 per cent and 31.6 per cent, respectively, over those in the previous year. The total amount outstanding as at end-March 1995 (Statement 85 of Vol.II) aggregated Rs.33,244.5 crore.

During 1994-95, the buoyant investment climate got reflected in IDBI's fund-based operations. Sanctions of direct financial assistance, consisting of rupee loans, foreign currency loans, equipment leasing and underwriting and direct subscription rose significantly in 1994-95 by 75.2 per cent to Rs.17,966.8 crore, while disbursements moved up by 45.4 per cent to Rs.9,245.5 crore. The steep increase in the financial assistance under direct finance was mainly due to large sanctions to projects in power generation, iron and steel and oil refining which were recently opened up to the private sector. In the overall assistance, the share of sanctions and disbursements under direct finance constituted 90.6 per cent (82.1 per cent in 1993-94) and 87.0 per cent (78.8 per cent in 1993-94), respectively.

The industry-wise distribution of IDBI assistance indicated that a large part of the sanctions was in respect of industries such as textiles 19.7 per cent (11.2 per cent in 1993-94), electricity generation 14.4 per cent (13.1 per cent), and chemical and chemical products 13.8 per cent (10.9 per cent).

Private sector is the major recipient of IDBI sanctions. Its share went up from 78.1 per cent in 1993-94 to 85.2 per cent in 1994-95. The public sector, joint sector and co-operative sector, accounted for 9.2 per cent, 5.3 per cent and 0.3 per cent, respectively.

Total resources raised by IDBI during 1994-95 amounted to Rs.18,216.1 crore, of which Rs.6,151.4 crore were through borrowings (foreign currency borrowings worth Rs.924.7 crore and rupee borrowings of Rs.5,226.7 crore) and Rs.11,746.5 crore were by internal generation (includes Rs.175.0 crore through sale of investments).

(ii) Industrial Finance Corporation of India Ltd. (IFCI)

During the year 1994-95 (April-March), the financial assistance provided by IFCI in terms of both sanctions and disbursements increased significantly. Assistance sanctioned for 445 projects at Rs.5,719.5 crore was 52.7 per cent higher than those in the previous year (Statement 88 of Vol.II). Disbursements at Rs.2,838.7 crore were higher by 31.2 per cent over the year. As of March 31, 1995, cumulative sanctions and disbursements aggregated Rs.24,598.5 crore (4,586 projects) and Rs.15,387.1 crore, respectively.

Sector-wise, the private sector accounted for Rs.5,043.6 crore (88.2 per cent) of the total sanctions by the IFCI during the year, followed by joint sector - Rs.480.6 crore (8.4 per cent), public sector - Rs.126.4 crore (2.2 per cent) and co-operative sector - Rs.68.9 crore (1.2 per cent).

In regard to resources for financing activities, IFCI resorted to domestic market borrowings of Rs.385.9 crore through private placement of bonds and of Rs.42.0 crore by way of certificates of deposits; other market sources added to Rs.186.9 crore.

During the year, IFCI introduced two schemes viz., a corporate loan with a maximum repayment period of 5 years and a short term loan of one year. Under both these schemes, the level of assistance will range between Rs. one crore and Rs.20 crore subject to prudential norms.

The scheme announced by RBI, 'Self Liquidating Foreign Currency Loan' (SLFCL), was introduced by IFCI during the year to grant foreign currency loans to finance the cost of capital goods, raw materials, components, technology payments and local rupee cost of projects of the companies.

Cumulatively, as at the end of March 1995, Merchant Banking and Allied Services Department (MBAD) of IFCI has handled as many as 805 assignments including 350 public issues helping in mobilisation of funds to the extent of Rs.9,144.0 crore.

The foreign currency resources presently available and committed with IFCI comprise line of credit from Kreditanstalt-fur-Wiederaufbau (KfW) Germany, loans raised in US $ and Japanese Yen in international market, Deutsche Mark Revolving Fund (DMRF) as also export line of credit from BHF Bank, Germany.

(iii) Industrial Credit and Investment Corporation of India Ltd. (ICICI)

During the year 1994-95, ICICI witnessed phenomenal growth in sanctions of financial assistance by 77.4 per cent to Rs.15,065.4 crore; disbursements also registered a significant growth by 55.9 per cent to Rs.6,879.3 crore (Statement 89 of Vol.II). Cumulatively, sanctions and disbursements as of March 31, 1995 amounted to Rs.53,307.0 crore and Rs.30,594.7 crore, respectively.

A notable feature of financing by ICICI during the year has been the substantial growth in foreign currency loans of 202.8 per cent in sanctions and 120.2 per cent in disbursements under project finance mainly on account of revival in demand for foreign currency funds.

Sector-wise analysis of financial assistance shows that private sector accounted for the bulk of sanctions amounting to Rs.12,475.5 crore (91.4 per cent), followed by joint sector - Rs.541.8 crore (4.0 per cent), public sector - Rs.444.0 crore (3.2 per cent) and co-operative sector - Rs.186.0 crore (1.4 per cent).

In the second year of its operations i.e. during 1994-95, ICICI Securities and Finance Company Limited (I-Sec) has been able to establish itself with an asset base of Rs.1,099.4 crore as compared with that of Rs.674.0 crore during 1993-94.

During the year, ICICI mobilised resources aggregating Rs.4,834.0 crore in rupees and also in foreign currencies to meet its growing needs for funds.

(iv) Small Industries Development Bank of India (SIDBI)

During 1994-95, financial assistance sanctioned and disbursed by SIDBI aggregated Rs.4,699.3 crore and Rs.3,385.3 crore, recording an increase of 40.1 per cent and 26.7 per cent, respectively, over those in 1993-94 (Statement 112 of Vol.II). As of end-March 1995, cumulative financial assistance sanctioned and disbursed by SIDBI amounted to Rs.16,216.0 crore and Rs.12,068.0 crore, respectively; direct assistance (viz., direct discounting, marketing scheme, assistance to leasing companies, infrastructural development, factoring service and others) sanctioned by SIDBI during the year at Rs.2,489.3 crore recorded a growth of 102.1 per cent over 1993-94 (Rs.1,231.7 crore) whereas disbursements at Rs.1,880.4 crore, showed an increase of 82.1 per cent over the year (Rs.1,032.7 crore).

During the year under review, SIDBI formulated and introduced the following new schemes : 1) a scheme to provide pre-shipment credit in foreign currency to the exporting SSIs, 2) a scheme to enable direct equity investment by SIDBI in the SSIs and 3) a financial assistance scheme to enable well-run export-oriented units to acquire ISO-9000 Series Certification.

During the year, SIDBI raised resources aggregating Rs.1,381.0 crore for financing its activities. Market borrowing through SLR bonds and floating rate bonds (FRBs) constituting 36.2 per cent (Rs.500.0 crore) (as against 17.1 per cent in 1993-94) was a major source of finance. Grant from Overseas Economic Co-operation Fund, Japan and Kreditanstalt-fur-Wiederaufbau, Germany accounted for 26.6 per cent; inflow on account of shortfall in priority sector lending targets of foreign banks constituted 22.4 per cent (29.3 per cent in 1993-94) and funds from the Reserve Bank representing repayment of past borrowings out of NIC (LTO) Fund by IDBI accounted for 14.5 per cent (17.7 per cent in 1993-94).

v) Industrial Reconstruction Bank of India (IRBI)

During 1994-95, financial assistance sanctioned and disbursed by IRBI aggregated Rs.777.9 crore and Rs.397.6 crore, respectively, indicating substantial increases over those of the previous year (Statement 116 of Vol.II). While sanctions moved up by 82.7 per cent, disbursements went up by 110.8 per cent over those during 1993-94. Of the total sanctions, the term loans constituted 70.7 per cent whereas term loans disbursed were 83.4 per cent of total disbursements. Cumulatively, at end-March 1995, sanctions and disbursements amounted to Rs.2,761.0 crore and Rs.1,874.4 crore, respectively.

Of the total term loans sanctioned by IRBI during the year, private sector accounted for 89.8 per cent (Rs.493.5 crore), while the assistance to the joint sector and co-operative sector was Rs.55.0 crore (10.0 per cent) and to the public sector was Rs.1.1 crore (0.2 per cent).

As of end-March 1995, IRBI has assisted 346 sick units (large and medium) with an outstanding amount of Rs.416.5 crore. Of these, 254 units (7?.0 per cent) were under nursing programme with an outstanding amount of Rs.207.1 crore (50.0 per cent). Analysis of industry-wise classification of 254 sick units under nursing programmes at the end of March 1995, showed that as many as 88 units have been under the category of 'textile' (including jute), followed by basic metals with 34 units, food (23 units), paper (20 units) and other industries (26 units). These five industry groups accounted for 75.0 per cent of the number of units under nursing programmes with an outstanding advance of Rs.161.7 crore which formed 78.0 per cent of the total for all the industries.

During 1994-95, the net increase in the resource base of IRBI was Rs.155.0 crore with a major share of market borrowings through bonds for Rs.105.0 crore and short term borrowings from commercial banks for Rs.30.0 crore, followed by subscription to equity Rs.13.0 crore and Rs.7.0 crore in the form of loans from Government of India.

(vi) SCICI Limited

The SCICI Ltd. sanctioned financial assistance aggregating Rs. 3,719.8 crore during the year 1994-95 recording a growth of 119.0 per cent over those during 1993-94 (Statement 117 of Vol.II). Disbursements during the year amounted to Rs. 1,440.7 crore registering a growth of 43.1 per cent. Cumulatively, as of end-March 1995, sanctions stood at Rs.7,696.6 crore and disbursements aggregated Rs.3,695.6 crore.

During the year under review, domestic borrowings of unsecured short/long term loans of SCICI amounted to Rs.468.8 crore. Domestic borrowings included floating rate notes (FRNs) for Rs.200.0 crore and fixed rate bonds amounting to Rs.218.8 crore. Besides, SCICI raised Euro-dollar loan of Rs. 204.8 crore from a consortium of international banks.

2. Specialised Financial Institutions

Risk Capital and Technology Finance Corporation Ltd. (RCTC), Technology Development and Information Company of India Ltd. (TDICI) and Tourism Finance Corporation of India Ltd. (TFCI) are the three specialised financial institutions providing assistance for specific purposes like risk capital, venture capital, technology development, tourism development, etc. The data on financial assistance extended by these institutions are shown in Table C below.

Table C : Financial Assistance by Specialised Institutions (Year : April-March)

(Rs.crore)

Sr. No.	Institution	1993-94 S	1993-94 D	1994-95 S	1994-95 D
1	2	3	4	5	6
1.	RCTC	8.5	8.9	13.9	13.0
2.	TDICI	29.7	22.4	120.3	97.9
3.	TFCI	159.1	78.8	229.3	137.2

Note : S - Sanctions.
D - Disbursements.

3. Investment Institutions

Institution-wise operations of Investment Institutions, during the financial year 1994-95 are given in the following paragraphs :

(i) Unit Trust of India (UTI)

During 1994-95 (April-March), financial assistance sanctioned and disbursed by the Unit Trust of India through term loans, underwriting and direct subscriptions, bonds, short-term loans, etc., amounted to Rs.7,677.0 crore and Rs.4,791.1 crore, respectively, indicating a decline of 7.9 per cent and 27.5 per cent, respectively, over those in the preceding year (Statement 98 of Vol.II). There was a sharp rise in sanctions and disbursements in the category of 'underwriting and direct subscriptions'. However, assistance by way of 'project loans' declined sharply thus leading to the overall decline.

As of June 30, 1995, the investible funds of UTI aggregated Rs. 59,618.7 crore registering an increase of 15.3 per cent over the preceding year (Statement 99 of Vol.II). Investments in the corporate sector through equity and preference shares, debentures, term loans, special deposits, etc. went up to 80.1 per cent of total investments from 78.5 per cent in 1993-94. UTI's investments in Government securities as of end-June 1995 amounted to Rs. 9,796.7 crore as against Rs. 8,050.5 crore at end-June 1994.

The sale of units of UTI under all schemes aggregated Rs.12,852.6 crore during 1994-95 (July-June) which was higher by 17.0 per cent as compared with those in 1993-94. The repurchases of units at Rs.7,387.1 crore during the year were higher by 272.4 per cent over those of Rs.1,983.5 crore during the preceding year (Statement 101 of Vol.II).

(ii) Life Insurance Corporation of India (LIC)

During 1994-95, the financial assistance sanctioned by Life Insurance Corporation of India in the form of term loans and underwriting of shares and debentures to corporate sector aggregated Rs.1,540.0 crore, recording a marginal rise of 5.2 per cent over those during 1993-94. Disbursements at Rs.1,143.4 crore were substantially higher by 92.5 per cent over those in 1993-94 (Statement 104 of Vol.II). In addition, LIC sanctioned resource support to financial institutions by way of term loans amounting to Rs.250.0 crore. At end-March 1995, cumulative sanctions and disbursements of LIC aggregated Rs.10,112.8 crore and Rs.7,482.5 crore, respectively.

Investments of LIC during 1994-95 at Rs.9,317.9 crore showed an increase of 18.9 per cent over the year (Statement 105 of Vol.II). Investments in securities accounted for 84.6 per cent of total investments during the year under review.

(iii) General Insurance Corporation of India (GIC)

The General Insurance Corporation of India and its subsidiaries[1] have recorded steep decline in their financial operations during 1994-95. Sanctions at Rs.688.5 crore in 1994-95 were lower by 16.4 per cent (Rs.824.0 crore in 1993-94) (Statement 103 of Vol.II) and disbursements at Rs.379.2 crore registered a decline of 19.4 per cent (Rs.470.3 crore in 1993-94).

4. State Level Institutions

i) State Financial Corporations (SFCs)

During the year 1994-95, the total assistance sanctioned by 18 State Financial Corporations aggregated Rs.2,760.2 crore, registering an increase of 44.6 per cent over those in the preceding year. Disbursements at Rs.2,005.4 crore showed a significant rise of 28.3 per cent over the year. Cumulatively, as of end-March 1995, sanctions and disbursements by SFCs stood at Rs.19,349.5 crore and Rs.15,337.0 crore, respectively.

(ii) State Industrial Development Corporations (SIDCs)

The total financial assistance sanctioned and disbursed by 28 State Industrial Development Corporations during 1994-95 amounted to Rs.1,511.3 crore and Rs.984.4 crore, respectively, recording phenomenal increase of 64.6 per cent in sanctions and 40.5 per cent in disbursements, over those in the preceding year (Statement 106 of Vol.II). Cumulative sanctions and disbursements by these SIDCs as at the end

1. National Insurance Company Limited, The New India Assurance Company Limited, The Oriental Insurance Company Limited and United India Insurance Company Limited.

of March 1995 aggregated Rs.9,774.2 crore and Rs.7,125.8 crore, respectively.

5. Credit Rating Agencies

i) The Credit Rating Information Services of India Limited (CRISIL)

During the year 1994-95, CRISIL assigned ratings for 384 debt instruments covering a debt volume of Rs.24,544.0 crore and completed credit assessments of 29 companies (Statement 107 of Vol.II). Since commencement of operations in 1988, CRISIL has rated 1,310 debt instruments issued by 920 companies covering a debt volume of Rs.71,851.0 crore.

ii) ICRA Ltd. (Formerly known as Investment Information & Credit Rating Agency of India Ltd.)

During 1994-95 (April-March), ICRA completed rating of 212 debt-instruments equivalent to Rs.5,343.3 crore of manufacturing companies, finance companies and financial institutions as against 139 instruments for a volume of Rs.4,750.5 crore in 1993-94 (Statement 108 of Vol.II). Cumulatively, till end- March 1995, ICRA has carried out rating of 485 debt instruments aggregating Rs.17,638.0 crore.

(iii) Credit Analysis & Research Ltd. (CARE)

During 1994-95, CARE completed 184 credit rating assignments for a total debt volume of Rs.8,403.0 crore (Statement 93 of Vol.II). In addition, 18 Credit Ratings Analysis were also completed during the year. Cumulatively, the total number of assignments completed stood at 249 as on March 31, 1995, of which 228 related to debt instruments for a total debt volume of Rs.9,729.0 crore.

6. Other Institutions

(i) Export-Import Bank of India (Exim Bank)

During 1994-95, Exim Bank recorded a phenomenal growth in financial assistance in terms of both sanctions and disbursements. The loans sanctioned during the year i.e. funded assistance amounting to Rs.2,903.0 crore, were more than four times than those in the corresponding year (Statement 94 of Vol.II). Disbursements of funded assistance at Rs.1,556.1 crore were nearly double of those in the preceding year. Its outstanding loans as of March 31, 1995 stood at Rs.2,596.1 crore.

Sanctions of non-funded assistance in the form of guarantees were lower at Rs.69.0 crore during the year as compared to Rs.136.9 crore in 1993-94 and guarantees issued at Rs.83.2 crore were also lower as compared to Rs.103.7 crore in 1993-94.

Region-wise analysis of the operations indicated that during the year 1994-95, West Asia accounted for the largest share of sanctions of loans at Rs.271.6 crore (49.2 per cent) and disbursements at Rs.265.5 crore (72.7 per cent). Details are given in Statement 96 of Vol.II.

Industry-wise distribution of the assistance by Exim Bank during the year showed that textiles and garments accounted for the largest share of sanctions at Rs.493.4 crore (33.4 per cent), followed by construction goods and equipments Rs.203.7 crore (13.8 per cent) and chemicals, drugs and pharmaceuticals Rs.107.0 crore (7.2 per cent) (Statement 97 of Vol.II).

Exim Bank during the year under review, received sanctions for a line of credit of US $ 25 million from the International Finance Corporation for assisting new and existing export-oriented small and medium sized enterprises in the Indian private sector.

(ii) Stock Holding Corporation of India Limited (SHCIL)

The Stock Holding Corporation of India Limited which was established in 1986 by seven all-India financial institutions[1] to provide well-developed and fully automated infrastructural facilities for trade, clearance, settlement and depository services for securities and monetary instruments, stepped up its business by 101.4 per cent to Rs.14,273.4 crore during 1994-95. A total of 172.1 lakh certificates were processed during the year as against 68.1 lakh certificates during 1993-94, recording a growth of 152.7 per cent.

(iii) Infrastructure Leasing & Financial Services Ltd. (IL&FS)

During 1994-95, IL&FS enhanced its emphasis on commercialisation of infrastructure projects besides focussing on value added and structured transactions in the area of investment banking and project finance. For promoting venture capital activities, IL&FS has set up venture capital fund and a contributory trust scheme in the name of IL&FS Venture Fund (IVF) for Rs.400 million contributed by IDBI, UTI, HDFC, World Bank, etc.

As a part of multilateral assistance, IL&FS received "in-principle" commitments for financial assistance from the US Exim Bank and ING Bank during the year to the tune of US$ 10 million and US$ 15 million, respectively.

1. Industrial Development Bank of India, Industrial Finance Corporation of India Ltd, Industrial Credit and Investment Corporation of India Ltd., Unit Trust of India, Life Insurance Corporation of India, Industrial Reconstruction Bank of India and General Insurance Corporation of India and its subsidiaries.

The Government Securities Market

Primary Market

During 1994-95, the market borrowings of the Central Government aggregated Rs.38,108 crore (gross) and Rs.20,074 crore (net) (Table VIII-10 of Chapter VIII of this Report) as against Rs.50,388 crore (gross) and Rs.28,526 crore (net) during 1993-94. The market borrowings of the Central Government were raised through fresh issue of dated stocks, conversion of maturing treasury bills, Zero Coupon Bonds and Partially-Paid Stock. The aggregate net market borrowings of the Central Government during 1994-95 consisted of normal market borrowings (Rs.3,700 crore) and other medium and long term borrowings (Rs.16,597 crore) and a net repayment of Rs.223 crore of 364-day Treasury bills. The actual net market borrowings, however, fell short of the budgeted level of Rs.26,700 crore by 24.8 per cent mainly on account of a significant shortfall in borrowings through issue of 364-day Treasury bills, which was budgeted at Rs.12,000 crore.

The gross market borrowings of the Central Government are budgeted at Rs.40,806 crore for 1995-96 as against Rs.38,108 crore in 1994-95. During 1995-96 so far (upto end-September, 1995), total borrowings of the Central Government amounted to Rs.22,032 crore (gross) and Rs.12,411 crore (net). The Centre's dated securities were issued in quick succession in May/June 1995 when the increase in *ad hoc* Treasury bills during the financial year stood above the within the year ceiling of Rs.9,000 crore for more than 10 consecutive working days, consistent with the provisions of the agreement between the Reserve Bank and Government of India under which the Reserve Bank will issue fresh Government paper to bring down the level of *ad hocs*. Again during July-September 1995, the Central Government issued dated stock aggregating Rs.13,840 crore as the level of *ad hocs* was persistently running at a higher level; the fortnightly average for the quarter being as high as Rs.12,445 crore.

During 1994-95, according to the Reserve Bank records, 25 State Governments mobilised Rs.5,123 crore in two tranches. One of the important features of the 1994-95 borrowing programme of State Governments was the merger of the market borrowing programme of the State bodies with the respective State Governments. As against the gross allocation of Rs.6,275 crore for the fiscal 1995-96, the State Governments mobilised during the first half of the year Rs.2,955 crore in one tranche. On May 22, 1995, the State Governments issued loans for a notified amount of Rs.1,500 crore but the issue was oversubscribed and an amount aggregating Rs.2,955 crore was accepted.

Consequent upon the move towards market related rates of interest, there has been a rise in the rates offered on securities auctioned in the market, except for some moderation in 1994-95. During 1994-95, the interest rates on dated Government securities ranged between 11.00 per cent and 12.71 per cent for 3 year to 10 year maturities with a weighted average of 11.90 per cent; the comparable interest rate range for 1993-94 was 12.00 per cent and 13.40 per cent for 2 year to 10 year maturities with a weighted average of 12.63 per cent. However, during 1995-96 (upto end-September 1995), due to tight liquidity conditions in money and credit markets, the interest rates firmed up in the range of 13.25 per cent to 14.00 per cent for 2 year to 10 year maturities with a weighted average of 13.76 per cent (Table VIII-12 of Chapter VIII of this Report).

During 1994-95, the State Government loans issued for maturity period of 10 years carried a fixed coupon rate of 12.50 per cent which was lower than the coupon rate of 13.50 per cent for a similar maturity during the previous year. However, during the fiscal 1995-96, the coupon rate for similar maturity was raised to 14.00 per cent (Table VIII -12).

a) 91-Day Treasury Bills

The implicit yield at the cut off price for the 91-day auctioned Treasury bills was relatively low at 7.25 per cent per annum in April 1994. Thereafter, it varied in the range of 7.21 - 9.21 per cent till November 1994. In the first week of December 1994 the yield started moving up and touched 11.90 per cent in March 1995. During 1994-95, a gross amount of Rs.10,045.5 crore was raised from the market and on 17 occasions, the Reserve Bank participated in the auctions. During 1995-96 (up to September 29, 1995), a gross amount of Rs.8,974 crore was raised from the market. However, since mid-May 1995 persistent stringent liquidity condition led the yield rate to prevail above 12.0 per cent (Statement 192 of Vol.II) (Graph VI-5).

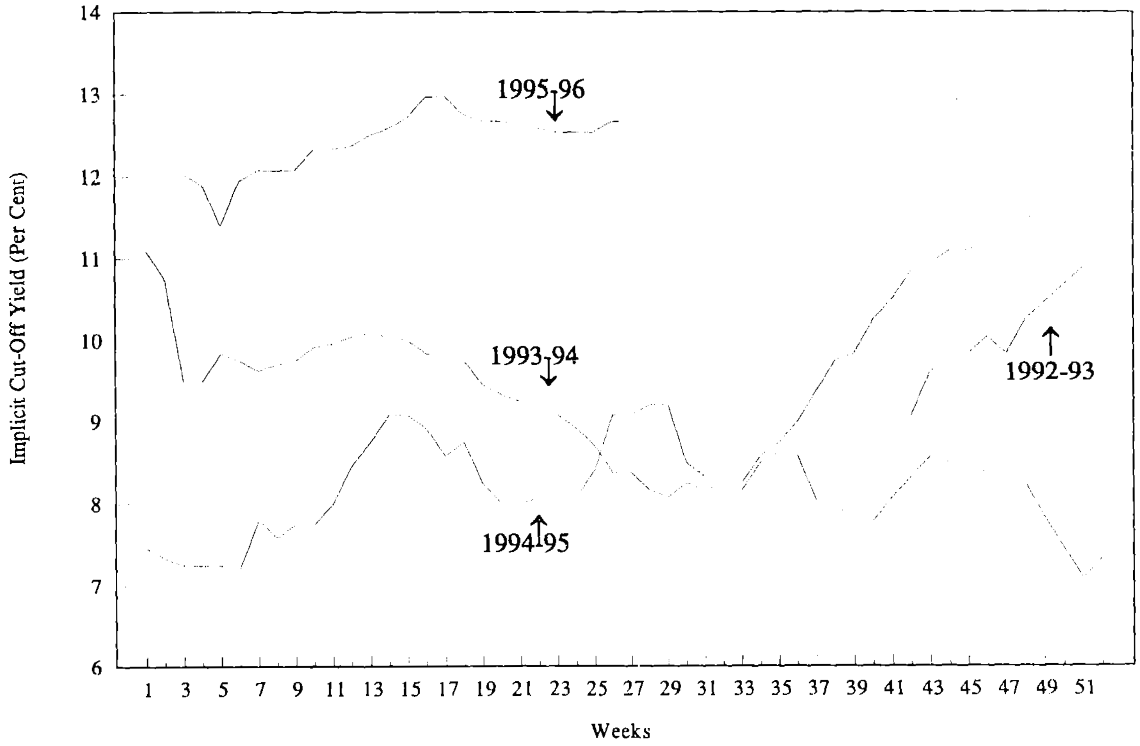
b) 364-Day Treasury Bills

The implicit yield at the cut-off price of the auctioned 364-day Treasury bills fluctuated in the range of 9.41 - 10.04 per cent per annum till end-December 1994 and then moved upward to 11.94 per cent at end-March 1995. During 1994-95, a gross amount of Rs.16,857 crore was mobilised. During 1995-96, the implicit yield at the cut-off price continued its upward movement and touched a high of 13.16 per cent in mid-July 1995. A modest quantum of Rs.1,397 crore (gross) was mobilised till end-September 1995 (Statement 193 of Vol.II) (Graph 6).

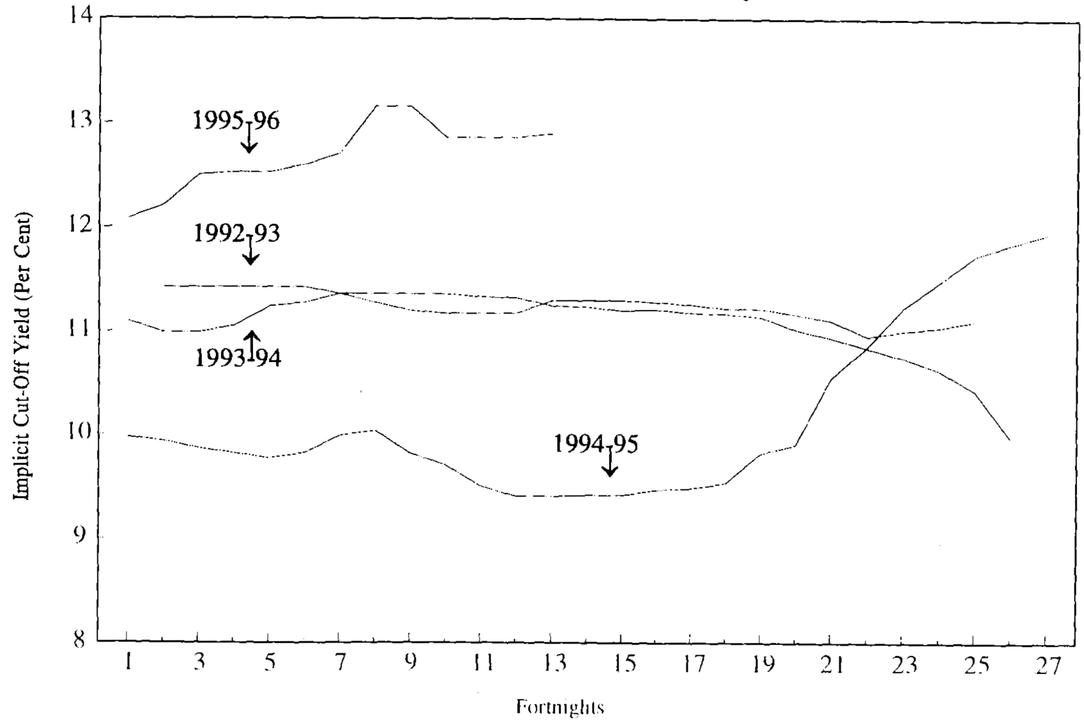
c) Open market operations

During 1994-95, the sales of Central Government securities by the Reserve Bank declined sharply to Rs.2,309.0 crore compared with Rs.10,804.6 crore in the previous year. Purchases, however, increased significantly to

Graph VI-5
Implicit Yield on Auctioned 91-Day Treasury Bills



Graph VI-6
Implicit Yield on 364-Day Treasury Bills



Rs.1,560.9 crore compared with Rs.967.6 crore in 1993-94, mainly due to liquidity support provided to the money market in September 1994 and January 1995.

The volume of both sales and purchases picked up in the first half of 1995-96, and the net sales of Rs. 939.2 crore was significantly higher compared with a net purchase of Rs.486.5 crore in the comparable period of the previous year (Table VI-4).

The policy of allowing limited inter-bank repo facility in select securities to enable liquidity adjustments in the system continued. The Reserve Bank conducted Repos Auctions on 22 occasions in 1994-95. But, due to stringent liquidity conditions, repos auctions were suspended after February 3, 1995. The total amount of accepted bids was much lower at Rs.6,428 crore compared with Rs.98,239 crore during 1993-94. The cut-off rate in 1994-95, varied in a narrower band of 5.40-7.00 per cent. (Statement 194 of Vol.II).

Liquidity Support to STCI and DFHI

The Reverse Repo facility in Government dated securities has been extended to STCI and DFHI to provide liquidity support to their operations particularly in times of liquidity stringency. Between December 27, 1994 and March 31, 1995 a cumulative sum of Rs.3,519.06 crore was released to DFHI and Rs.10,372.06 crore to STCI.

Securities Trading Corporation of India Ltd.(STCI)

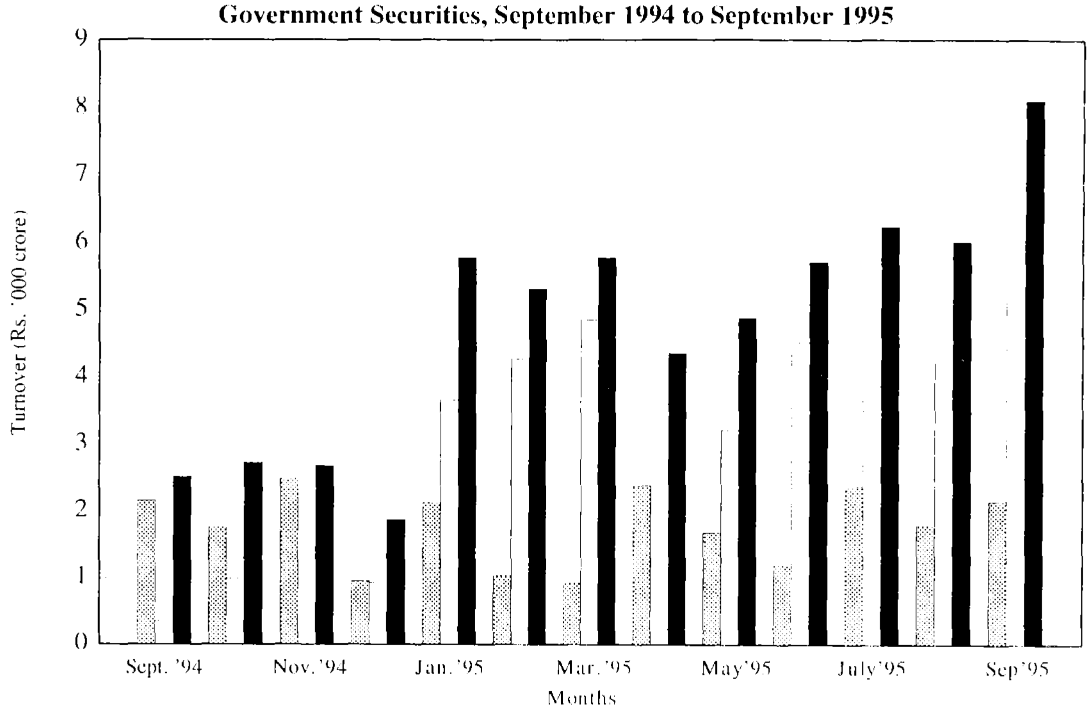
The STCI's turnover in the Government dated securities in the secondary market were Rs.39,631 crore during the period June 15, 1994 to March 31, 1995. This included sales/ purchases and repos in eligible securities with banks and the Reserve Bank (Table VI-5). Other liquidity management measures included purchase and sale of Treasury bills (Rs.310 crore) and participation in the call and notice money market (Rs.26,418 crore).

The Secondary market Transactions in Government Securities

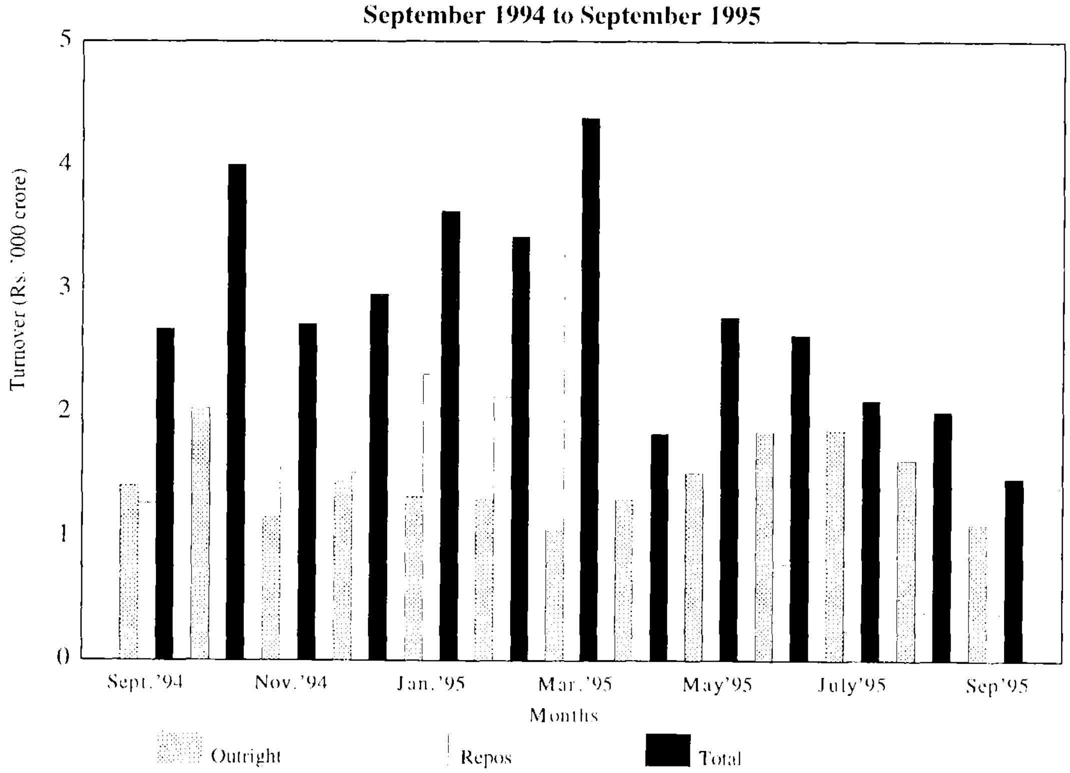
The turnover in Government securities and Treasury bills transacted through the Subsidiary General Ledger (SGL) amounted to Rs.50,569 crore during the period September 1, 1994 to March 31, 1995, which consisted of outright transactions as well as repos in eligible securities and Treasury bills (Statement 195 of Vol.II). The transactions in Central Government securities, however, amounted to Rs.26,843 crore accounting for 53.1 per cent of the total turnover in the secondary market. During the year, the monthly turnover in Central Government securities reached a peak level of Rs.5,764 crore in January 1995 (Graph VI-7) and the turnover in Treasury bills peaked to Rs.4,383 crore in March 1995 (Graph VI-8). The turnover in State Government securities, however, was relatively small. The repo transactions in Central Government securities which constituted only 14 per cent of the turnover in Central Government securities in September 1994 increased to 84 per cent in March 1995. The repo transactions in Treasury bills during March 1995 constituted 76 per cent of the total turnover in Treasury bills as against 47 per cent during September 1994. This reflects the important role of repo transactions in increasing the turnover in the Government securities and treasury bills in the secondary market.

During 1995-96 so far (April 1995 to September 1995), the turnover in Government securities and Treasury bills amounted to Rs.48,186 crore, of which turnover in Central Government securities was Rs.35,316 crore (i.e., 73.3 per cent). It was, however, noted that turnover in Central Government securities through repo transactions which was 45.6 per cent at the beginning of the year increased to 73.6 per cent by September 1995.

Graph VI-7
Secondary Market Transactions in Central Government Securities, September 1994 to September 1995



Graph VI-8
Secondary Market Transactions in Treasury Bills September 1994 to September 1995



There were frequent shifts in the yield curve caused by varying liquidity conditions in the money and credit markets. The yields for different maturities, which had shifted downward in early part of 1994-95, moved up particularly sharply in the middle of September 1994. The spells of tight liquidity condition witnessed since September 1994 caused larger trading in shorter maturities and pushed the yields upto three year maturity in the secondary market to a level higher than the yields on long term securities, thus resulting in an inverted yield curve. The firmness in the interest rate of the Government securities continued during 1995-96. For example, the interest rate on a 10 year Central Government dated security was 14.00 per cent during 1995-96 so far, as against 12.35 per cent in 1994-95 for a similar maturity.

Institutional Developments

To develop institutional set up for a vibrant secondary market in Government securities, STCI was set up with total capital of Rs.500 crore. It has commenced operations from June 1994. The turnover of STCI in the secondary market stood at Rs.39,631 crore during the period June 15, 1994 to March 31, 1995 which consisted of sales/purchases as well as repos in eligible securities with banks and the Reserve Bank. During the current year (upto end-September,1995), the turnover of STCI in Government securities amounted to Rs. 28,916 crore. As part of its liquidity management, STCI undertook purchase/sale of Treasury bills worth Rs 310 crore during 1994-95. However, during 1995-96 (upto end-September,1995), the turnover in Treasury bills was higher at Rs. 1,658 crore (Table VI-5).

In order to strengthen secondary market structure further, the Reserve Bank, in consonance with its guidelines of March 29, 1995 for enlistment of Primary Dealers in the Government securities market, has granted in principle, on November 13,1995, approval to six organisations to be accredited as primary dealers in the Government securities. The role of primary dealers would be to underwrite the auctions of Government securities, act as 'market makers' by providing two way quotes and access securities to a wider base of final investors. The endeavour of primary dealers would be to increase turnover of Government securities rather than becoming a mere repository of these securities. A Delivery Versus Payment (DVP) System for transactions in Government securities and Treasury bills has been introduced with effect from July 17, 1995 and February 19, 1996, respectively at the Reserve Bank, Bombay. The DVP system synchronizes the transfer of securities with cash payment thereby reducing the settlement risk in securities transactions and also preventing diversion of funds in the case of transactions routed through the Subsidiary General Ledger (SGL) accounts.

Other Policy Developments in the Government Securities Market

The most notable policy development in the Government securities market during 1994-95 was the delinking of budget deficit from automatic monetisation. On July 4, 1994 the Central Government announced that the State Governments and non-Government Provident Funds would participate in 91-day Treasury bills auctions on a non-competitive bid basis with allotment at weighted average price. In May 1995, the Government issued guidelines that the non-Government Provident Funds, Superannuation Funds and Gratuity Funds, for the first time, will have to earmark 25 per cent of their total corpus for investment in Central Government securities.

Housing Finance

Housing Finance - Policy Measures

The overall minimum target during 1994-95 for housing finance for banks continued to be 1.5 per cent of the incremental deposits between the last reporting Friday of March 1993 and March 1994. However, various sub-targets have since been revised as under:

i) Of total housing finance allocation, 20 per cent is intended for direct lending as against 30 per cent fixed in the previous year. Of this, at least 10 per cent of the allocation should be lent as direct housing loans in rural areas as against 15 per cent of the allocation fixed during the year 1993-94.

ii) Of the total allocation, 30 per cent is intended for indirect lending by way of term loans to housing finance companies/institutions as hitherto.

iii) The balance 50 per cent of the allocation can be used for subscription to the guaranteed bonds and/or debentures of National Housing Bank (NHB) and/or Housing and Urban Development Corporation (HUDCO), against 40 per cent of the allocation last year.

The ceiling of Rs.3 lakh per borrower for direct finance for housing purposes in cities has been raised to Rs.10 lakh with reference to the location of the property and not to the place of availability of credit. The concession available to housing finance intermediaries in lending rates of banks which was fixed at 3 percentage points below the minimum lending rate was withdrawn in May 1994.

(i) National Housing Bank (NHB)

During the year under review, NHB deregulated the interest rates to be charged by the primary lending agencies on all loans above Rs.1 lakh. However, for the purpose of targeting the funds to smaller borrowers and protecting their interest, NHB prescribed maximum lending rates for loans up to Rs.1 lakh apart from adopting slab reduction in lending rates in a phased manner.

In order to augment the flow of credit for housing activities, the refinance limits were revised upwards and scheduled commercial banks were brought at par with the specialised housing finance companies to cover all loans up to Rs.5 lakh from the earlier limit of Rs.2 lakh for banks. NHB also revised the interest rates on its refinance.

(ii) Housing and Urban Development Corporation Ltd. (HUDCO)

The assistance sanctioned and disbursed by HUDCO during the financial year 1994-95 for housing projects amounted to Rs.1,763.2 crore and Rs.1,121.5 crore, respectively, recording an increase of 28.8 per cent in sanctions and 11.9 per cent in disbursements, over the previous year. Till March 31, 1995, cumulatively, HUDCO has financed Rs.16,577.0 crore (for 11,041 projects). Out of the loan commitments of Rs.10,116.0 crore, 49.6 per cent has been accounted for rural areas. The cumulative disbursements upto March 31, 1995 amounted to Rs.6,836.0 crore. Around 250 borrowing agencies are associated with HUDCO for drawing the above finance facilities.

For financing its activities, HUDCO raises resources in the form of term loans from GIC and subsidiaries, and National Housing Bank, Government loans under various schemes like KfW Line of Credit, and OECF Line of Credit, Government guaranteed bonds, borrowings from banks, HUDCO bonds, public deposit schemes, interest bearing cash certificates from borrowing agencies, etc. Borrowings from these sources during 1994-95 amounted to Rs.1,146.8 crore.

(iii) Housing Development Finance Corporation Ltd. (HDFC)

HDFC's operations registered appreciable growth during 1994-95. Loan approvals and disbursements of the Corporation were Rs.1,494.6 crore and Rs.1,211.7 crore, respectively, registering a growth of 45.8 per cent in sanctions and 36.3 per cent in disbursements (Statement 119 of Vol.II). Cumulatively, as of March 31, 1995, assistance sanctioned and disbursed by HDFC stood at Rs.6,993.5 crore and Rs.5,695.1 crore, respectively.

"HDFC Bank Limited" promoted by HDFC commenced its operations during the year. HDFC alongwith its subsidiary HDFC Investments Ltd. holds 25.7 per cent of the equity share capital of the Bank.

Non-banking Financial Companies

Operations of the non-banking financial companies indicate that they mobilised significant resources by way of deposits. Data available for 1993-94 show that the aggregate deposits in respect of 12,350 reporting non-banking companies rose by Rs.60,752 crore or 40.4 per cent to Rs.2,10,979 crore. Of this, the non-financial companies' deposits accounted for 69.9 per cent and financial companies including housing companies accounted for 27.8 per cent. The regulated deposits increased by Rs.8,387 crore to Rs.19,689 crore during this period. Regulated deposits at this level were equivalent to 5.9 per cent of the aggregate deposits of all scheduled commercial banks at the end of March 1994 and was higher than 4.0 per cent recorded in the previous year.

Foreign Exchange Market

The foreign exchange market in India is at an important phase of its evolution as it emerges from a regime of exchange control. Quantitative controls and barriers to entry are being progressively dismantled to allow for a greater volume and diversity of transactions to be cleared by the market so as to enable the market to fulfill its principal function of exchange rate determination.

Three major changes were effected in 1994-95 to deepen the foreign exchange market. Effective May 1994, the limit of US $ 1 million or its equivalent placed on overbought/oversold positions in the rupee against foreign currencies was raised to Rs. 15 crores. In December 1994, corporates were permitted to book forward contracts in any permitted currency irrespective of the currency of invoice, subject to devising certain credit enhancements in the form of obtaining suitable margin deposits or earmarking against counterparty/default risk etc. Effective January 16, 1995, the RBI banned the roll-over of forward contracts at historical rates in order to achieve transparency in the financial statements of corporates/banks. These developments have gone towards removing distortions in market practices and by providing depth and liquidity to the market, augur well for its functioning during the current year.

The Reserve Bank of India set up an Expert Group on Foreign Exchange Markets in India to examine the issues relating to the operations of foreign exchange market and to suggest necessary changes to ensure its efficient functioning. The Group submitted its report in June 1995 (Box VI-2).

Relative Rates of Return

Rates of return in different segments of the domestic financial markets provide an indication of the liquidity condition as well as the degree of integration of the markets. Consequent upon deregulation of interest rates on commercial bank lending above Rs. 2 lakh, and the introduction of measures such as the auctioning of treasury bills and dated government securities, and of total freeing of call money rates, the interest rate structure has become much more responsive to demand and supply forces in respective markets. Table VI-6 which captures the rates of return in different markets shows that the rate of increase is sharper in respect of short-term instruments, although there was a general stiffening of rates across the board. Moreover since the rates of return in respect of all the instruments listed are higher than the inflation rate, it indicates that the incentives to

BOX VI-2

Expert Group on Foreign Exchange Market in India

With a view to broadening and deepening the Indian foreign exchange market, the Reserve Bank of India set up in November 1994 an Expert Group on Foreign Exchange Markets in India to examine the issues relating to the products available for hedging foreign exchange risks, the scope for further development of the foreign exchange market, the introduction of new derivative products and other related matters. The Group considered various relaxations needed in exchange control as well as monetary control to facilitate development of the foreign exchange market. The Group submitted its report in June 1995 covering various aspects of development of foreign exchange market in India.

The Group has recommended that the corporates may be permitted to book their genuine exposures on the basis of declaration, to hedge their foreign exchange risk. The Group is of the view that exchange position limits such as intra-day and overnight limits be fixed by the Board of Directors of the respective banks subject to ensuring that the capital is provided/ earmarked to the extent of 5 per cent of this limit based on internally accepted guidelines. The Group has also favoured fixation of Aggregate Gap Limit (AGL), which would also include rupee transactions, by the managements of the banks based on capital, risk taking capacity, etc. It has recommended that banks be allowed to initiate cross currency positions abroad and to lend or borrow short-term funds upto six months subject to a specified ceiling. Another important suggestion relates to allowing exporters to retain 100 per cent of their export earnings in any foreign currency with an Authorised Dealer (AD) in India subject to liquidation of outstanding advances against export bills. To encourage competition, the group recommended that financial institutions such as the ICICI, IDBI, IFCI etc, also be allowed to freely trade in foreign exchange. The Group was also in favour of permitting ADs to determine the interest rates and maturity period in respect of FCNR (B) deposits. It recommended selective RBI intervention in the market so as to ensure greater orderliness in the market.

In addition, the Group has recommended various short-term and long-term measures to activate and facilitate functioning of markets and promote the development of derivative products. Short-term measures include exemption of domestic inter-bank borrowings from SLR/ CRR requirements to facilitate development of term money market, cancellation and re-booking of currency options, cost effective strategies such as the 'range forward' and 'ratio range forward' to reduce risk and permitting ADs to offer any derivative product on a fully covered basis which can be freely used for their own asset-liability management.

As part of a long-term measure, the group suggested that the RBI invite detailed proposals from the banks for offering rupee-based derivatives. The group also wanted the RBI to frame a fresh set of guidelines for foreign exchange and derivatives risk management.

As regards accounting and disclosure standards, the main recommendations include reviewing of policy, procedure and transactions on an on-going basis by a risk control team independent of dealing and settlement functions, ensuring of uniform documentation and market practices by the Foreign Exchange Dealers Association of India (FEDAI) or any other body and development of accounting/ disclosure standards.

The setting up of a foreign exchange markets committee to advise RBI on policy issues, offshore banking units in Bombay to increase domestic and financial market integration and a foreign exchange clearing house to enable settlement of foreign exchange transactions are among the other recommendations of the Committee.

save are in evidence. To the extent that transaction costs differ from market to market, net rates of return could be different and should, theoretically cause shifts in market turnover and asset holdings. Once information content of markets becomes more transparent and symmetrical and institutional mechanisms in each of the markets are fully evolved, there would be minimisation of transaction costs with the result, the difference between the net rates of return and nominal rates of return would be minimal. Besides, with financial liberalisation gaining depth and momentum it is expected that rates in different markets would display better alignment.

Annexure
Progress of Financial Sector Reforms

Issues / Year	1994-95	1995-96[1]
1	2	3
I. Overall Monetary Policy		
1. Reserve Requirements		
a) Cash Reserve Ratio (CRR) on domestic net demand and time liabilities (NDTL)	i) CRR was increased from 14 per cent to 15 per cent in three phases: 14.5 per cent, 14.75 per cent and 15 per cent from the fortnights beginning June 11, July 9 and August 6, 1994 respectively.	i) CRR was reduced from 15.0 per cent to 14.5 per cent from the fort night beginning November 11, 1995 and further to 14 per cent from the fortnight beginning December 9, 1995.
	ii) From the fortnight beginning January 7, 1995 banks were required to maintain a minimum level of 85 per cent of the CRR balances required to be maintained on each of the first 13 days of the reporting fortnight, failing which they would not be paid interest for that/those day/days eventhough there was no shortfall in the maintenance of CRR on the average basis for the fortnight. On the 14th day of the reporting fortnight banks were allowed to maintain less than 85 per cent of the required cash balances to adjust the average of daily balances to the required level.	ii) From the fortnight beginning September 30, 1995 banks were required to maintain a minimum level of 85 per cent of the CRR requirement only from the first working day of the reporting fortnight. However, this stipulation would not be required to be maintained on the last working day of the reporting fortnight. For this purpose, banks should reckon the holidays with reference to the Centre where they have their principal account for maintenance of CRR.
b) Statutory Liquidity Ratio (SLR)	i) SLR on the level of domestic NDTL as on September 17, 1993 was reduced from 34.75 per cent to 34.25 per cent effective August 20, 1994 and further to 33.75 per cent effective September 17, 1994.	i) With a lower stipulation of SLR on incremental NDTL and zero SLR on certain specific external liabilities, the overall effective SLR which was 28.5 per cent in December 1995 would continue to decline on the basis of existing stipulations.
	ii) The base date for SLR on domestic NDTL was brought forward from September 17, 1993 to September 30, 1994 and SLR was fixed at 31.5 per cent and for any increase in domestic NDTL over the level as on September 30, 1994 the SLR would be 25 per cent.	ii) With effect from October 14, 1995 all scheduled commercial banks (excluding regional rural banks) were required to adopt for purpose of SLR, the same system of valuation of securities as for the balance sheet.

[1] The coverage for 1995-96 is upto the end of December 1995.

Issues / Year	1994-95	1995-96*
1	2	3
c) Inclusion/Exemption of certain liabilities from Reserve Requirements	i) From the fortnight beginning October 29, 1994 a CRR of 7.5 per cent was prescribed on liabilities under the Foreign Currency Non Resident (Bank) {FCNR(B)} Scheme. This was raised to 15 per cent from the fortnight beginning January 21, 1995. However liability under FCNR(B) Scheme was exempted from SLR requirement. ii) A CRR of 7.5 per cent on liability under Non-Resident Non Repatriable (NRNR) Scheme was prescribed from the fortnight beginning January 21, 1995.	i) The increase in liabilities under Non Resident External (Rupee) (NRE) Accounts over the level outstanding as on October 27, 1995 was exempted for maintenance of average CRR with effect from the fortnight beginning October 28, 1995. ii) The increase in liabilities under NRNR accounts over the level outstanding as on October 27, 1995 was exempted from maintenance of CRR with effect from the fortnight beginning October 28, 1995. iii) The increase in liabilities under FCNR(B) Scheme over the level outstanding as on November 24, 1995 was exempted from CRR with effect from the fortnight beginning November 25, 1995. Average CRR on the outstanding liabilities as on November 24, 1995 was reduced to 7.5 per cent with effect from December 9, 1995.
2. Interest Rates		
a) Lending Rate	i) Effective October 18, 1994 Minimum Lending Rate (MLR) for credit limits of over Rs.2 lakh was abolished and banks were free to fix their own Prime Lending Rates (PLR) subject to the approval of their Board of Directors. ii) Effective October 18, 1994 the lending rate for credit limits of over Rs.25,000 and upto Rs.2 lakh for all advances including term loans was fixed at 13.5 per cent. iii) The stipulation of effective interest rate on bill discounting of over Rs.2 lakh which was at one percentage point below the lending rate under this category was withdrawn from October 18, 1994.	i) Effective October 1, 1995 banks were allowed to fix their own interest rate on advances over Rs. 2 lakh against term deposits. ii) Effective October 31, 1995 interest rate on Post-Shipment Export Credit denominated in US Dollars (PSCFC) in respect of usance bills for periods beyond 90 days and upto six months from the date of shipment was enhanced from 7.5 per cent to 9.5 per cent per annum; interest rate on export credit not otherwise specified for PSCFC, which was 9.5 per cent per annum, was freed.
b) Deposit Rate	i) Effective October 18,1994 term deposit rate for NRE accounts for maturity of 6 months to 3 years and above was reduced from 'not exceeding 10 per cent' to 'not exceeding 8 per cent'.	i) Effective April 18, 1995 the maximum term deposit rate was increased to 'not exceeding 12 per cent' from 'not exceeding 11.0 per cent' per annum earlier.

Issues / Year	1994-95	1995-96*
1	2	3
b) Deposit Rate	ii) Effective November 1, 1994 the savings deposit rate for deposits including under NRE accounts was reduced to 4.5 per cent from 5 per cent earlier.	ii) Effective October 1, 1995 banks were given freedom to fix their own interest rates on domestic term deposits with a maturity of over two years.
	iii) Effective February 10, 1995 banks' maximum term deposit rate was increased to 'not exceeding 11 per cent' from 'not exceeding 10 per cent' earlier.	iii) Effective October 1, 1995 the maximum term deposit rate for NRE accounts for maturity of 6 months to 3 years and above was increased from 8 per cent to 10 per cent and further to 12 per cent effective October 31, 1995.
Institutional/ Other Developments		i) Private sector mutual funds, approved by SEBI, were allowed to operate only as lenders in the call/notice money/bill rediscounting market.
		ii) Effective September 30, 1995 the minimum period for Repos in Treasury Bills and Government dated securities was stipulated to be 3 days.
		iii) The private sector was allowed to set up Money Market Mutual Funds (MMMFs) in November 1995. The size of MMMFs and limits on investments by MMMFs were deregulated.
		iv) Banks were free to decide their own foreign exchange overnight open position limits subject to the approval by the Reserve Bank as against the earlier uniform limit of Rs.15 crore for each bank.
Internal Debt Management Policies	i) A historic agreement was signed on September 9,1994 between RBI and the Government of India on the net issue of ad hoc Treasury Bills. As per the agreement, the net issue of ad hoc Treasury Bills for the year 1994-95 was not to exceed Rs.6000 crore; if the net issue of ad hoc Treasury Bills exceeded Rs.9000 crore for more than ten consecutive working days at any time during the financial year 1994-95, the Reserve Bank was to automatically reduce only the excess beyond the prescribed level of ad hoc Treasury	i) Net issue of ad hoc Treasury Bills was decided not to exceed Rs 5000 crore at the end of the financial year 1995-96 and not to exceed Rs 9000 crore for more than ten continuous working days at any time during the year 1995-96. ii) An auction system for conversion of Treasury Bills into dated Government of India securities was introduced in April 1995. iii) For the first time, Government of India converted a maturing two-year dated Government security into another dated security of the same maturity on July 14, 1995.

Issues / Year	1994-95	1995-96*
1	2	3
4. Internal Debt Management Policies	Bills by auctioning Treasury Bills or selling fresh Government of India dated securities in the market. Similar ceilings for the net issue of ad hoc Treasury Bills would be stipulated for the years 1995-96 and 1996-97. From 1997-98 the system of ad hoc Treasury Bill would be totally discontinued. ii) The Securities Trading Corporation of India Ltd. (STCI) commenced operations from June 27, 1994. iii) From the fiscal year 1994-95 the allocation of open market borrowings was made only to State Governments and not to State guaranteed institutions. iv) From August 1994, State Governments and non-Government provident funds were allowed to participate in 91 day Treasury Bills auctions on a non-competitive basis with allotment at weighted average price. v) Government of India, for the first time, issued securities on a tap basis on July 29, 1994. vi) Particulars of transactions in Government securities including Treasury Bills put through SGL accounts at Public Debt Office at Bombay were being released to the Press daily beginning September 1, 1994. vii) Government of India issued, for the first time, on November 14, 1994, Government Stock (Securities) for which payment was made in instalments. viii) Repo facility with RBI in Government dated securities was extended to STCI and DFHI to provide liquidity support to their operations. ix) To strengthen Government securities market, guidelines and procedure for enlistment of Primary Dealers in Government securities market were issued on March 29, 1995.	iv) A system of Delivery versus Payment (DvP) in Government securities was introduced in Bombay from July 17, 1995 to synchronise the transfer of securities with the cash payment thereby reducing the settlement risk in securities transaction and also preventing diversion of funds in the case of transactions through Subsidiary General Ledger (SGL). v) New instrument of Floating Rate Bonds was introduced on September 20, 1995. vi) 'In principle' approval was granted to six entities to be accredited as primary dealers, in November 1995.

Issues / Year	1994-95	1995-96*
1	2	3
4. Internal Debt Management Policies	x) A scheme for auction sale of Central Government securities held in RBI's portfolio was introduced. xi) RBI decided to delink its role of investment management on behalf of Provident Funds.	
II. In-House Issues		
a) Capital Adequacy Norms	i) As against the budgetary provision of Rs.5,600 crore towards recapitalisation of nationalised banks the revised estimates are placed at Rs. 5292.37 crore out of which a sum of Rs. 4362.54 crore was allocated to 13 nationalised banks and Rs. 924.58 crore was passed on as Tier II capital to six nationalised banks against the World Bank assistance.	i) The Government made a budgetary provision of Rs. 852 crore towards recapitalisation of nationalised banks during 1995-96. ii) Banks were required to maintain Tier I capital funds of 5 per cent of the foreign exchange open position limit besides the existing capital adequacy requirements.
b) Capital Restructuring	i) Banking Companies (Acquisition and Tranfer of Undertakings) Acts, 1970/1980 were amended with effect from July 15, 1994 permitting the banks to raise capital upto 49 per cent from the public. ii) Oriental Bank of Commerce was the first nationalised bank to access the capital market with an equity issue of Rs. 360 crore in October 1994. iii) The Government of India promulgated an Ordinance in January 1995 to amend the Banking Companies (Acquisition and Transfer of Undertakings)Acts, 1970/80 for enabling the banks to reduce their paid up capital.	
c) Income Recognition and Provisioning Norms	i) The provisioning requirement for non-performing assets (NPAs) with balances of less than Rs.25,000 was increased from 5 per cent of the aggregate amount outstanding to 7.5 per cent for the year ending March 31, 1995 and further to 10 per cent for the year ending March 31, 1996.	i) The ratio of 'permanent' and 'current' investments in approved securities was prescribed to be 60:40 for the year ending March 1996 as against 70:30 earlier. ii) Banks were advised on April 3, 1995 that interest accrued and credited to income account during the year ended March 1994 in respect

Issues / Year	1994-95	1995-96*
1	2	3
c) Income Recognition and Provisioning Norms		of accounts identified as NPA for the first time during the year ended March 31, 1995 should be reversed or provided for as on that date.
		iii) Banks were advised that provision need not be made for a period of one year from the date of disbursement in respect of additional facilities sanctioned under the rehabilitation package approved by BIFR/term lending institutions.
		iv) Banks were advised that from 1995-96 onwards, for arriving at the provision required to be made in respect of doubtful assets, the realisable value of the securities should be deducted from the outstanding balance in respect of advances guaranteed by ECGC/DICGC.
d) Recovery of Bank Loans	i) Debt Recovery Tribunals at Calcutta, Delhi, Bangalore, Jaipur and Ahmedabad, and Appellate Tribunal at Bombay were set up. However, Delhi High Court quashed the notification constituting the Tribunal for Delhi region in March 1995.	i) Banks were required to have loan recovery policy delineating, inter alia, norms for write-off.
		ii) The Supreme Court stayed the operation of the Delhi High Court judgement in April 1995 and admitted special leave petition filed on behalf of the Government.
e) Lending Norms	i) Banks were advised to extend cash credit facilities to farmers with irrigation facilities in October 1994 and also to other farmers undertaking off farm/allied activities.	i) A 'Loan System' for Delivery of Bank Credit was introduced effective April 17, 1995 to bring about greater discipline in credit utilisation and better control over credit flow. The cash credit component was fixed at 75 per cent of the Maximum Permissible Bank Finance (MPBF), while loan component was fixed at 25 per cent.
	ii) In October 1994, the ceiling for term loans for any project of Rs. 50 crore for each bank was abolished and the limit of Rs.200 crore for the banking system as a whole was raised to Rs.500 crore for any project. Sanction of such term loans, however, continued to be subject to compliance with prudential exposure norms.	ii) Banks were advised to reduce the cash credit component from 75 per cent to 60 per cent of the MPBF and to increase the loan component from 25 per cent to 40 per cent effective October 5, 1995.

Issues / Year	1994-95	1995-96*
1	2	3
e) **Lending Norms**	iii) The stipulated margin of not less than 25 per cent for advances granted against deposits was withdrawn; banks were free to determine the margin on a case by case basis. iv) Banks/financial institutions were permitted to extend bridge loans/interim finance to all companies ,including finance companies, against public issues/market borrowing (domestic) upto 75 per cent of the amount called up on each occasion (as against 50 per cent earlier by banks). In September 1994, however, banks were advised not to extend bridge loans/interim finance loans in the form of bridging nature to all non-banking financial companies. v) The overall limits of bank credit to loan and investment companies and residuary non-banking financial companies were reduced to twice the net owned fund(NOF) as against three times the NOF as hitherto. In respect of credit to equipment leasing and hire purchase companies, the limit of four times the NOF was to continue provided such borrowers were predominantly engaged in equipment leasing/hire purchase business; otherwise, bank credit should be restricted to three times the NOF. vi) Banks were permitted to extend finance to public sector undertakings (registered under the Companies Act, 1956 or as a corporation under the relevant Act) for projects involving creation of infrastructure facilities subject to the same terms and conditions as applicable to the private sector. Additionally, banks were asked to ensure that such PSUs were run on commercial lines and repayment was made out of income generated by the project and not out of Government subsidies.	iii) Effective April 17, 1995 bridge loan by banks/financial institutions to all companies was banned. In October 1995, subject to the compliance of certain conditions, banks were allowed to sanction bridge loans against the commitment of financial institutions and/or other banks where the lending institution was faced with temporary liquidity constraint. iv) Bank credit limit to loan and investment companies and residuary non banking companies was reduced to the NOF from twice the NOF of the company. For companies having not less than 75 per cent of their assets in equipment leasing and hire purchase and 75 per cent of their gross income from these two types of activities as per their last audited balance sheets, the limit was brought down to thrice the NOF; for other equipment leasing/hire purchase companies the limit was prescribed to twice the NOF. v) Effective April 21, 1995 the extent of Commercial Paper was restricted to 75 per cent of the cash credit component of the working capital limit instead of 75 per cent of the working capital (fund based) limit as hitherto. vi) Effective July 25, 1995, banks were advised to scrupulously follow the guidelines in the Accounting Standard (AS7) prescribed/issued by the Institute of Chartered Accountants of India (ICAI) for the construction companies vii) Effective December 22, 1995, banks were allowed to sanction term finance upto Rs. 1,000 crore for each power generation project, subject to certain terms and conditions.

Issues / Year	1994-95	1995-96[P]
1	2	3
f) Investment Norm	i) Standby Facility for Commercial Paper (CP) was abolished, after issuance of CP the bank would effect a 'pro tanto' reduction in the cash credit limit.	i) Banks were advised to desist from acquiring shares/debentures etc. in the secondary market.
g) Computerisation	i) A High Powered Committee headed by Shri W.S. Saraf set up to study the technology issues relating to payment and settlement system in the banking industry submitted its report.	i) The recommendations of the Saraf Committee were at various stages of implementation. ii) The Reserve Bank set up a Committee (Chairperson: Ms K.S. Shere) to study all aspects of Electronic Funds Transfer (EFT) for instituting an EFT system in India. iii) Under the World Bank's Financial Sector Development Project, the participating banks would obtain a modernisation and institutional development loan of US $ 150 mn for extending, inter alia, automation and computerisation of banking operations.
III. Other Issues		
a) Supervision System	i) To enable the Board for Financial Supervision (BFS) to perform some of the functions of the Central Board of the Reserve Bank of India, the Reserve Bank of India (BFS) Regulations, 1994 framed under Section 58 of the RBI Act, 1934 came into effect from July 28, 1994. ii) BFS under the Chairmanship of Governor of the Reserve Bank became functional from November 16, 1994 with a Deputy Governor as Vice Chairman and six other members. BFS and the Advisory Council constituted under the RBI (BFS) Regulations, 1994 would each have a term of two years.	i) Effective April 1995, the BFS would take up the supervisory responsibility for all-India financial institutions and non-banking financial companies. ii) An audit sub-committee, comprising the Vice Chairman and two members of the BFS was examining the system of auditing of banks, financial institutions and non-banking financial companies.
b) Bank Branch Licensing		i) In line with the Bhandari Committee's recommendation, the branch licensing policy for RRBs was modified: (a) 70 RRBs, freed from the Service Area obligations, were given freedom to relocate their loss making branches preferably within the same block or convert them into satellite/mobile offices.

Issues / Year	1994-95	1995-96*
1	2	3
b) Bank Branch Licensing		Two loss making branches of the same RRB within five kms were permitted to merge. (b) RRBs with Service Area obligations were free to relocate loss-making branches at 'specified centres' within their Service Area. Their loss making branches could be converted into satellite/mobile offices, provided such conversion would not impair the performance of SAA obligations. Two branches of the same RRB within five kms in a geographically contiguous Service Area could be merged. New branches at 'specified centres' were allowed to be opened within their area of operation.
		ii) Banks were asked to set up 100 specialised branches in 85 identified districts to meet the requirements of Small Scale Industries.
c) Private Sector Banks	i) Six private banks, viz., UTI Bank Ltd., IndusInd Bank Ltd., ICICI Banking Corporation Ltd, Global Trust Bank Ltd,Centurion Bank Ltd., and HDFC Bank Ltd., commenced banking business out of 'in principle' approval given for setting up ten private banks.	i) With four more private banks viz., Times Bank Ltd., Bank of Punjab Ltd., Development Credit Bank Ltd. and IDBI Bank, ten private sector banks became operational out of 12 'in principle' approvals.
d) Priority Sector Lending	i) Banks were advised to consider on merits proposals for term finance/loans in the form of lines of credit to State Industrial Development Corporations and State Financial Corporations subject to the observance of terms and conditions advised to banks from time to time. The extent of such loans to SSI units would be treated as a part of priority sector lending.	i) Entire amounts of refinance granted by sponsor banks to the RRBs would be reckoned as priority sector lending.
e) Customer Service		i) For expeditious and inexpensive resolution of customer complaints against deficiency in banking services, the Banking Ombudsman Scheme, 1995 was introduced in June 1995.

Issues / Year	1994-95	1995-96
1	2	3
e) **Customer Service**		ii) a) For local and outstation cheques upto Rs. 5000, banks were required to provide immediate credit. b) For local cheques, customers were allowed to use the credited funds latest by the third working day from the date of acceptance of the cheque. c) Banks were advised to constitute a committee under a General Manager to identify the areas and factors for delays in collection of outstation instruments.
f) **Frauds and Malpractices in Banks**		i) Banks were required to devise a system of close watch on new deposit accounts, and cash deposits and withdrawals for Rs. 10 lakh and above.
g) **Export/Import Credit**	i) Sub-suppliers of export orders would be provided credit within the overall permissible pre-shipment export credit wherever letters of credit were opened by the export order holder.	i) Effective October 31, 1995, outstandings under the import credit sublimit of the cash credit would be subject to a 15 per cent interest rate surcharge.
h) **Dividend Declaration by commercial banks**		i) Public sector banks were made subject to prior approval for payment of interim dividend, dividend higher than 25 per cent and in cases of non-fulfillment of four stipulated conditions; fulfillment of the latter would obviate the need for prior approval.
i) **RRBs**	i) As recommended by the Bhandari Committee 49 RRBs were taken up for restructuring and revival.	i) The Basu Committee set up by NABARD recommended for selection of 68 RRBs for comprehensive restructuring under Phase II.
	ii) RRBs were allowed to deploy a part of their surplus non-SLR funds in credit portfolios of their sponsor banks and in specified investment avenues like UTI listed schemes, etc.	ii) The Union Budget for 1995-96 provided Rs. 300 crore for taking up some more RRBs for restructuring during 1995-96 under Phase II.
		iii) An Expert Group under the chairmanship of Dr. N.K. Thingalaya was set up to examine the issues concerning the managerial and financial restructuring of RRBs taken up during 1994-95 and continued in 1995-96 and to monitor the progress in this regard.
		iv) RRBs were advised to adopt income recognition and asset classification norms from 1995-96 and provisioning norms from 1996-97 onwards.

Issues / Year	1994-95	1995-96*
1	2	3
IV. Reforms in Co-operative Banking **a) Co-operative Banks**	i) Co-operative credit structure was set to be strengthened through state specific development action plans, and through MoU between NABARD, State Governments, SCBs and CCBs. ii) Lending and deposit rates of all co-operative banks, excluding urban co-operative banks, were deregulated in October 1994 subject to an MLR of 12 per cent. iii) Effective October 18, 1994 MLR for credit limits of over Rs.2 lakh was abolished and urban co-operative banks were free to fix their lending rates for such credit limits.	i) Effective June 21, 1995 urban co-operative banks were free to fix their lending rates for all categories of loans subject to an MLR of 13 per cent. ii) Urban co-operative banks were allowed in April 1995 to invest their surplus funds in equity/bonds of All India Financial Institutions in addition to their investment in PSU bonds, within the ceiling of 10 per cent of their deposits. iii) For term deposits of over two years, urban co-operative banks were given freedom to fix their own interest rate, effective October 1, 1995.
V. Reforms in Non-Bank Financial Sector **a) Non-Bank Financial Companies (NBFCs)**	i) Detailed prudential guidelines to NBFCs were issued in June 1994. The registered NBFCs were required to achieve a minimum capital adequacy norm of 6 per cent by March 31, 1995 and 8 per cent by March 31, 1996 and also obtain a minimum credit rating from any of the three credit rating agencies.	i) As at the end of December 1995, 745 NBFCs having net owned fund of Rs. 50 lakh and above have got themselves registered with the Bank. ii) Board for Financial Supervision with the assistance of the Bank's Department of Supervision started supervising the NBFCs w.e.f., July 1995. iii) An expert group (Chairman: Shri P.R. Khanna) was set up for recommending a framework for supervision of the financial companies. iv) Maintenance of liquid assets was increased from 10 per cent to 15 per cent of deposit liabilities for the equipment leasing and hire purchase finance companies and other NBFCs registered with the Reserve Bank. For other NBFCs not registered with RBI, the requirement was raised from 5 per cent to 7.5 per cent of the deposit liabilities. v) For better and effective regulation of the NBFCs, certain legislative changes were being considered.
b) Insurance Sector		i) An independent regulatory authority was announced to be set up for the industy.

Table VI-1 :The Cumulative Turnover of the Discount and Finance House of India Ltd.
(During the years 1993-94 to 1994-95)

(Rs.crore)

Instrument	1993-94	1994-95	During the year 1995-96 (April 1,1995 to Sept. 29, 1995)	The first half of 1994-95
1	2	3	4	5
1. Call Money Funds (including Notice Money)	589,434	529,183	242,849	273,668
2. Treasury Bills	19,974	30,921	9,264	8,210
3. Commercial Bills	32	322	96	75
4. Certificates of Deposit(CDs)	184	7	-	-
5. Commercial Papers (CPs)	212	-	-	-
6. Term Deposits	1,542	22	14	13
7. Central Government Dated Securities	14,388	12,488	16,649	1,573
Daily Average Lending during the year in the Call Money Market	1,600	1,431		

Table VI-2 : RBI All - India Index Numbers of Ordinary Share Prices and Yield

(Base : 1980-81 = 100)

Year (April-March)	End of the Year (week ended Saturday)	Highest	Lowest	Annual average of Weekly Index	Average Gross Yield (per cent per annum)
1	2	3	4	5	6
1987-88	189.3	227.1	189.3	207.3 (-10.1)	4.32
1988-89	308.2	308.2	187.1	247.5 (+19.4)	3.76
1989-90	400.0	411.4	317.7	359.4 (+45.2)	3.18
1990-91	527.9	654.2	395.6	500.3 (+39.2)	2.59
1991-92	1485.4	1485.4	536.9	776.2 (+55.1)	2.09
1992-93	892.1	1656.9	892.1	1142.1 (+47.1)	1.69
1993-94	1331.7	1461.1	799.5	1051.3 (-8.0)	2.19
1994-95	1384.5	1817.8	1331.8	1537.3 (+46.2)	1.79
1994-95 (April-September)	1743.2	1817.8	1331.8	1515.4	
1995-96 (April-September)	1211.2	1363.7	1172.0	1246.2	

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

Table VI-3: Assistance by All Financial Institutions
(Year: April-March)

(Rs. crore)

Institutions	1993-94		1994-95		Percentage change in 1994-95 over 1993-94	
	S	D	S	D	S	D
1	2	3	4	5	6	7
A. All India Development Banks **@**	**30,206.8**	**18,513.4**	**49,814.9**	**25,562.9**	**+64.9**	**+38.1**
(1 to 6) @@	**28,384.6**	**17,227.6**	**47,914.3**	**24,283.7**	**+68.8**	**+41.0**
1. IDBI	12,491.3	8,070.6	19,833.0	10,621.3	+58.8	+31.6
@	12,491.3	8,070.6	19,833.0	10,621.3	+58.8	+31.6
@@	11,962.2	7,677.4	19,317.0	10,249.0	+61.5	+33.5
2. IFCI	3,745.9	2,163.1	5,719.5	2,838.7	+52.7	+31.2
3. ICICI	8,491.4	4,413.2	15,065.4	6,879.3	+77.4	+55.9
4. SIDBI @	3,354.1	2,671.3	4,699.3	3,385.3	+40.1	+26.7
@@	2,061.0	1,778.7	3,314.7	2,478.4	+60.8	+39.3
5. IRBI	425.8	188.6	777.9	397.6	+82.7	+110.8
6. SCICI	1,698.3	1,006.6	3,719.8	1,440.7	+119.0	+43.1
B. Specialised Financial Institutions (7 to 9)	**197.3**	**110.1**	**363.5**	**248.1**	**+84.2**	**+125.3**
7. RCTC	8.5	8.9	13.9	13.0	+63.5	+46.1
8. TDICI	29.7	22.4	120.3	97.9	+305.1	+337.1
9. TFCI	159.1	78.8	229.3	137.2	+44.1	+74.1
C. Investment Institutions (10 to 12)	**10,820.6**	**7,876.7**	**10,155.5**	**6,513.7**	**-6.1**	**-17.3**
@	**9,915.0**	**6997.4**	**9,005.5**	**6,038.7**	**-9.2**	**-13.7**
@@	**9,915.0**	**6997.4**	**9,005.5**	**6,038.7**	**-9.2**	**-13.7**
10. UTI	8,332.6	6,612.4	7,677.0	4,791.1	-7.9	-27.5
@	7,627.0	5,933.1	6,777.0	4,516.1	-11.1	23.9
@@	7,627.0	5,933.1	6,777.0	4,516.1	-11.1	-23.9
11. LIC	1,664.0	794.0	1,790.0	1,343.4	+7.6	+69.2
@	1,464.0	594.0	1,540.0	1,143.4	+5.2	+92.5
12. GIC	824.0	470.3	688.5	379.2	-16.4	-19.4
D. Total Assistance by All-India Financial Institutions (A@+B+C@)	**40,319.1**	**25,620.9**	**59,183.9**	**31,849.7**	**+46.8**	**+24.3**
E. State-level Institutions (13 and 14)	**2,826.7**	**2,264.2**	**4,271.5**	**2,989.8**	**+51.1**	**+32.0**
13. SFCs	1,908.8	1,563.4	2,760.2	2,005.4	+44.6	+28.3
14. SIDCs	917.9	700.8	1,511.3	984.4	+64.6	+40.5
F. Total Assistance by All-Financial Institutions (A@@+B+C@@+E)	**41,323.6**	**26,599.3**	**61,554.8**	**33,560.3**	**+49.0**	**+26.2**

S - Sanctions D - Disbursements

@ Data are adjusted for inter-institutional (all India) flows.

@@ Data are adjusted for inter-institutional (all-India and state level) flows.

Note : 1. Data for 1994-95 are provisional.

2. Data have been adjusted for inter-institutional flows. This involves adjustment in regard to loans and subscription to shares and bonds of financial institutions by IDBI, IDBI/SIDBI's refinance to SFCs and SIDCs and seed capital assistance, term loans given by LIC and special deposits of UTI to IDBI, IFCI and ICICI.

3. SIDBI's assistance exclude short term bills.

Source : IDBI and Respective Financial Institutions.

Table VI-4: Reserve Bank's Open Market Operations in Central Government Securities (Year : April-March)

(Nominal Values in Rs. Crore)

Year	Purchase	Sales	Net Sales
1	2	3	4
1989-90	3,551.8 (14287.1)	4,739.0 (15631.2)	1,187.2 (1344.1)
1990-91	2,291.2 (14157.0)	2,238.1 (13725.2)	-53.1 (-431.8)
1991-92	3,244.8 (5321.7)	7,327.1 (9365.6)	4,082.3 (4043.9)
1992-93	6,273.4 (6307.7)	11,792.5 (11792.5)	5,519.1 (5484.8)
1993-94	967.6	10,804.6	9837
1994-95	1,560.9	2,309.0	748.1
April-September			
1994-95	887.9	401.4	-486.5
1995-96	453.2	1,392.3	939.2

Note : Figures shown in brackets up to 1992-93 are inclusive of purchases/sales effected from time to time out of surplus funds of IDBI, EXIM Bank, NABARD and other institutions under a special buy back arrangement.

Table VI-5 : Turnover of Securities Trading Corporation Of India Ltd.

(Rs. crore)

Instrument	1994-95*	1995-96 (Up to end-Sept.)
1	2	3
1. Government Securities	39,631	28,916
2. Treasury Bills	310	1,658
3. Borrowing in Call/ Notice Money Market	18,825	49,358
4. Lending in Call/ Notice Money Market	7,593	6,708
Memorandum Item : Daily average lending/borrowing in the call money market		
1. Borrowing	61	209
2. Lending	26	36

* : From June 15, 1994 to March 31, 1995.

Table VI-6 : Relative Rates of Return in Major Financial Markets

(Per cent per annum)

Item	Last Week/Fortnight of March					Last Week/Fortnight of September	
	1991	1992	1993	1994	1995	1994	1995
1	2	3	4	5	6	7	8
1. Call Money Rate (Bombay) (DFHI Average Lending Rate)	21.50	30.63	17.38	6.38	15.63	8.50	26.25
2. 91-day Treasury bills (Auction) (Cut-off yield)	-	-	10.97	7.46	11.99	9.08	12.67
3. 182-day/364 day Treasury bills (Cut-off yield)	10.08	9.27	11.10	9.97	11.94	9.42	12.91
4. Certificates of Deposit (Middle Rate)	12.44	14.50	14.50	9.60	12.50	9.75	12.37
5. Commercial Paper (Middle Rate)	15.10	16.50	15.88	11.50	14.50	10.25	14.25
6. 3-year Deposit Rate	10.00	12.00	11.00	10.00	11.00	10.00	12.00
7. Minimum Lending Rate	16.00	19.00	17.00	14.00	15.00@	14.00	15.50 @
8. Coupon Rate of 10-Year GOI Securities	10.75	11.00	12.75	12.50*	12.35	12.35 (May 24, 1994)	14.00 (June 22, 1995)
9. Capital Market (Ordinary Shares)							
a. Gross Yield (All Industries)	2.59	2.09	1.69	2.19	2.11	1.60	3.02 **
b. Change in RBI Index (All Industries)	39.20	55.15	47.14	-7.95	46.23	79.20	-32.97 P
Memo Item							
Inflation Rate (WPI on Point-to-Point Basis)	12.10	13.56	7.02	10.81	10.41	8.40	8.40

@ Prime Lending Rate of SBI.

* Fixed coupon rate offered in conversion of Treasury bills.

** Pertains to August 1995.

P : provisional

CHAPTER VII

COMMODITY AND BULLION PRICES*

Commodity Prices

Highlights

The persistence of inflationary pressure was one of the major macro-economic concerns in 1994-95. The annual rate of inflation measured in terms of the Wholesale Price Index (WPI) remained at the double digit level for the second year in succession, i.e., at 10.4 per cent in 1994-95, on a point-to-point basis, on top of a rise of 10.8 per cent in 1993-94 (Table VII -1). On an average basis, the inflation rate at 10.9 per cent was significantly higher than that of 8.3 per cent in the previous year. The inflation rate during the first five years of the 1990s worked out to 10.6 per cent on an average basis which was considerably higher than the average inflation rate of about 8.0 per cent in the 1980s and 9.0 per cent in the 1970s.

There were mainly three distinct phases of price movement during 1994-95. In the first phase, the inflation rate remained in the range of 10.2 to 12.1 per cent during April to August 19, 1994, followed by deceleration in the second phase ranging between 8.4 and 9.6 per cent between end-August and mid-November 1995. Thereafter, there was resurgence of inflationary pressure with the inflation rate remaining at the double digit level, notwithstanding an abatement in the price rise from February 1995.

The buoyant price situation during the early part of 1994-95 could be attributed to a host of factors pertaining to the previous year, such as, the high fiscal deficit; production shortfalls in sugar, cotton, jute, groundnut; increases in the administered/support prices especially of wheat, rice, sugar and energy products; and sharp monetary expansion following strong capital inflows, particularly, in the later half of 1993-94. The rekindling of inflationary pressure in the later part of 1994-95 was again a reflection of the high monetary expansion propelled by large capital inflows in the first half of 1994-95 and a large expansion of commercial banks' credit to the corporate sector.

The abatement of inflationary pressure since February 1995, continued in the first half of 1995-96 with inflation rate reaching a trough of 8.1 per cent at the end of July 1995. According to the latest data available up to September 30, 1995, the annual inflation rate on a point-to-point basis stood at 8.4 per cent (provisional) which was same as that recorded in the corresponding period last year. The deceleration in inflation in 1995-96 so far, was mainly due to restrictive monetary policy and improvement in the supply of essential commodities.

Commodity/Group-wise Trend

A commodity/group-wise analysis of price trends during 1994-95 shows that acceleration in the general price level was mainly driven by the high price rise in 'primary articles' at 12.7 per cent on a point-to-point basis (11.5 per cent last year) followed by 10.7 per cent in 'manufactured products' (as against 9.9 per cent in the previous year) (Table VII-2). The price rise in the 'fuel' group was subdued, at 2.4 per cent, compared with a significantly higher increase of 13.1 per cent in the previous year. On an average basis, the prices of major groups, *viz.*, 'primary articles', 'manufactured products' and 'fuel, power light and lubricants' moved up by 12.8, 10.5 and 6.9 per cent, respectively, in

* This Chapter is based on information/data available upto September, 1995.

1994-95 as against the corresponding increases of 6.9, 7.8 and 15.5 per cent in the previous year (Graph VII - 1).

a) Primary Articles

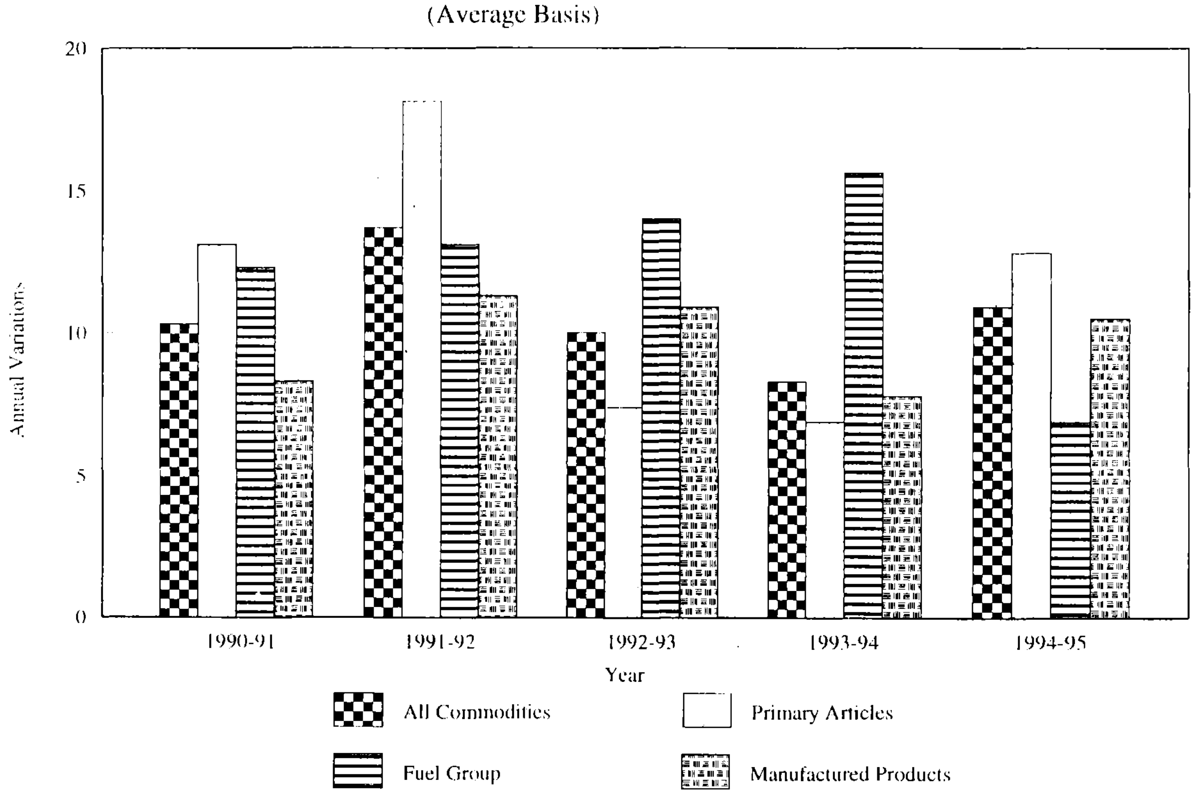
A disquieting feature of the price situation was that the 'primary articles' group continued to register a higher order of price increase at 12.7 per cent over and above the rise of 11.5 per cent in 1993-94. Within the group of primary articles, 'food articles' witnessed a rise of 11.9 per cent in prices as against a rise of 4.4 per cent in the previous year. As regards non-food articles, there was a rise of 15.5 per cent on top of a rise of 24.9 per cent in the previous year.

The acceleration in the prices of 'food articles' group was mainly on account of a sharp rise in the prices of fruits and vegetables, milk, eggs, fish and meat, condiments and spices, and other food articles. However, the prices of cereals, with the exception of Jowar decelerated owing to comfortable supply position. Rice and wheat recorded substantially lower increases in their prices. Among the 'non-food articles', oilseeds prices registered a sharper increase of 23.2 per cent as compared with 14.1 per cent in 1993-94. Sugarcane, tobacco and rubber recorded higher price increases over the previous year. The rate of increase in prices of fibres and minerals, however, decelerated.

b) Fuel, Power, Light and Lubricants

The index for 'Fuel, power, light and lubricants' which is generally influenced by changes in administered prices, witnessed marginal rise due to a lower rise in the prices of electricity and decline in the prices of mineral oils. Prices of LPG, petrol, kerosene, high speed diesel oil, furnace oil and lubricants remained unchanged

Graph VII-1
Annual Variations in WPI
(Average Basis)



while the coking coal prices recorded a rise of 5.2 per cent in 1994-95 as compared with that of 4.8 per cent in the previous year.

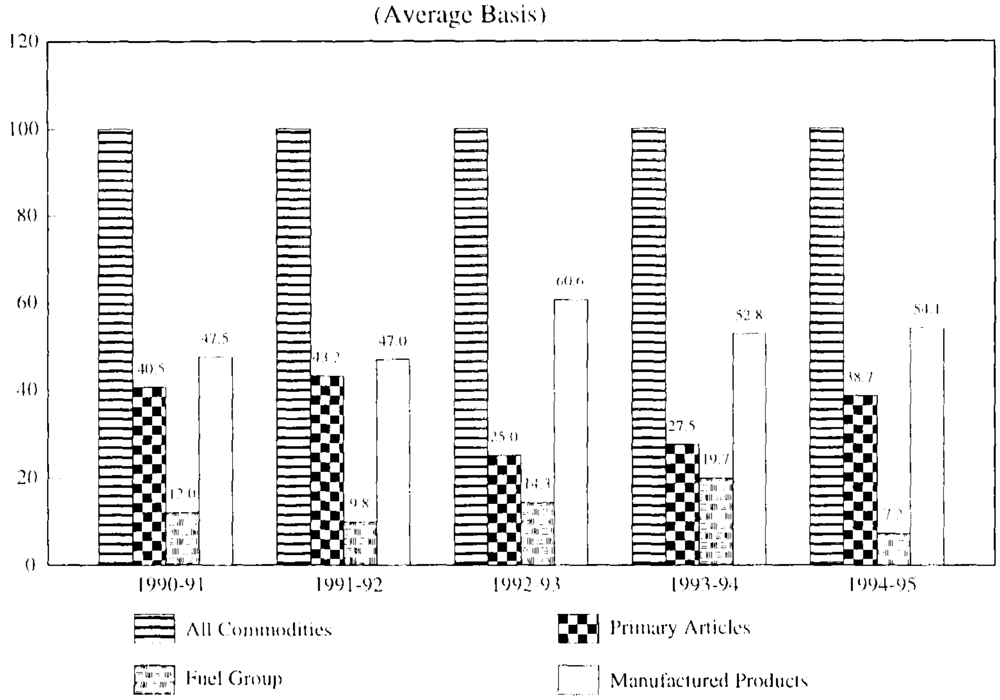
c) Manufactured Products

The index for 'manufactured products' registered an increase of 10.7 per cent in 1994-95 which was higher than that of 9.9 per cent in 1993-94. Group/Sub-group-wise, there was acceleration in the prices of dairy products, edible oils, beverages, tobacco and tobacco products, rubber and plastic products, chemicals and chemical products, basic metals and alloys, and machinery and machine tools. This was, however, partly offset by deceleration in the prices of grain mill products and textiles and decline in the prices of sugar, khandsari and gur. Commodity-wise, price acceleration was seen in respect of groundnut oil (30.9 per cent), newsprint (44.0 per cent), cement (24.6 per cent), basic metals and alloys (10.5 per cent) and drugs and medicines (16.0 per cent).

Weighted Contribution of Major Groups

An analysis of weighted contribution of different groups/commodities to the increase in the general index of wholesale prices in 1994-95 reveals that, on a point-to-point basis, the 'manufactured products' group, with a weight of 57.0 per cent, contributed 57.7 per cent (52.1 per cent previous year) to the rise in the general index, followed by 39.6 per cent by the 'primary articles' group (34.3 per cent last year) (Table VII- 3). The contributions of both 'manufactured products' and 'primary articles' were higher compared to the decadal average for the 'eighties (1980-81 to 1989-90) and their average contribution during the last five years (1990-91 to 1994-95). In contrast, the contribution of the fuel group was well below the decadal average and the average for the last five years. If weighted contribution is worked out with reference to changes in prices averaged for a period, there would still be no change in the trends mentioned above (Graph VII-2).

Graph VII-2
Weighted Contribution of Major Groups
(Average Basis)



The temporal changes in the price situation since 1980-81 could be seen in the frequency distribution of the annual rate of inflation recorded at monthly intervals. During the 1980s, the inflation rate ranging from 0 to 9 per cent was observed in as many as 106 months constituting about 88.4 per cent of the total sample of 120 months for which inflation rate was computed (Table VII-4). Inflation rate above 9 per cent was noticed only for 14 months i.e., 11.7 per cent of the total sample. The trend seems to have been reversed in the 1990s. During 1990-91 to 1994-95, the inflation rate ranging from 0 to 9 per cent was noticed for 19 months only, constituting about 31.7 per cent of the sample of 60 months. During the same period, inflation rate above 9 per cent was observed in as many as 41 months, constituting 68.3 per cent of the sample. The analysis thus shows that there was relatively higher level of inflation during the more recent period. Although the proximate cause of inflation lies in monetary accommodation, in the medium term, structural rigidities, supply shocks and above all a steady increase in the supply price constituting 'core' inflation play an important role in the inflationary process (Box VII-1).

Box VII-1

Sources of Inflation

There are mainly three approaches to explain the sources of inflation. The conventional as well as most widely held view about the proximate cause of inflation is a combination of demand pull factors where large scale expenditures, often propelled by Governments and accommodated by monetary authorities, augment effective demand far in excess of supply. The second approach deals with cost-push factors in which sudden increases in wages, interest payments and prices of raw materials and other inputs either individually or in combination jack up prices. The third approach is the so called structuralist one, wherein inflation is said to be caused by structural rigidities such as, stickiness in wages, prices and also other bottlenecks prevailing in the economy. For any given situation, it is difficult to identify the forces which cause inflationary spiral, as both demand pull and cost push factors interact and feed on one another, leave alone structural rigidities which are in any case difficult to remove in the short-run.

There are two other stands of thought in regard to the sources of inflation. One relates to the shocks that lead to inflation either from the supply side such as the sudden increases in oil and food prices or from policy shocks of the Government that are unanticipated by the households and firms. The other stream of thought points to 'core' factors which essentially represent the trend rate of increase of the price of aggregate supply. Broadly supply of anything has two major elements of cost: labour and capital. While labour costs are determined by the rate of wage increase after adjusting for productivity changes, capital costs are set by changes in interest rate, equity prices and relative price of capital goods. The underlying thrust of this approach is that the gradual rise in the prices of labour and capital is based on expectations. While both demand and cost push sources of inflation could be volatile and short-lived, the core inflation has a tendency to persist as it is strongly embedded in total inflation in the process of the economy's long-term growth.

Empirical measurement of core inflation has not been found to be easy. However, in the context of formulation of a framework for stabilisation, it would be useful to track the core component of inflation. For, where it is pronounced, demand management alone would not be adequate to bring about a significant reduction in the inflation rate. In other words, there is a need for supply side policies to supplement demand management. Policies which stimulate capital formation, human skill and productivity would lower the core inflation rate by influencing capital and labour costs.

In the Indian context, there is no comprehensive study on the 'core' aspects of inflation. However, the trend rate of inflation could be viewed as a surrogate for 'core' inflation. The secular trend rate of inflation, on the basis of the movements in the Wholesale Price Index for 'all commodities' since the

Box VII-1 (Contd.)

early 'fifties, has been about 6.8 per cent per annum. If one were to take 'sixties as the base for working out the long-term trend, the annual inflation turns out to be 8.2 per cent. The inflation rate for the last twenty five years (i.e., from 1970-71 to 1994-95) was still higher at 8.9 per cent. The decadal average inflation rates in the 'seventies and the 'eighties were 9.0 per cent and 8.0 per cent respectively. A steadily rising inflation rate during the more recent period is evident from the average inflation rate of 10.6 per cent during the first half of the 'nineties. Although it is difficult to know which of the trend rates could be regarded as providing a basis for expectation formation, a relatively higher level of inflation rate (say 8 to 9 per cent) seems to have strongly built into the inflationary process. In the context of the recent liberalisation programme, it is only natural that price adjustments would take place, possibly at a rapid rate. In view of this 'core' inflation could be higher than the secular trend rate of inflation.

Reference

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Consumer Price Indices

While the WPI reflects price movements in the wholesale markets, the Consumer Price Indices (CPI measures) measure price movements of consumer goods in the retail markets. As procedures of compilation, weighting diagrams and commodity coverage are not identical, the inflation rates measured in terms of WPI and CPI may not be identical. In fact, the inflation rate measured in terms of CPI for Industrial Workers was persistently higher than that measured in terms of WPI during the 1980s (Graph VII-3). During the first three years of the 'nineties, both the indices moved in tandem. However, during 1993-94 and 1994-95, the rise in CPI-IW was lower than that of WPI. A detailed month-to-month inflation rate measured in terms of both the indices since 1991-92 shows that CPI-IW generally followed the WPI (Graph VII-4).

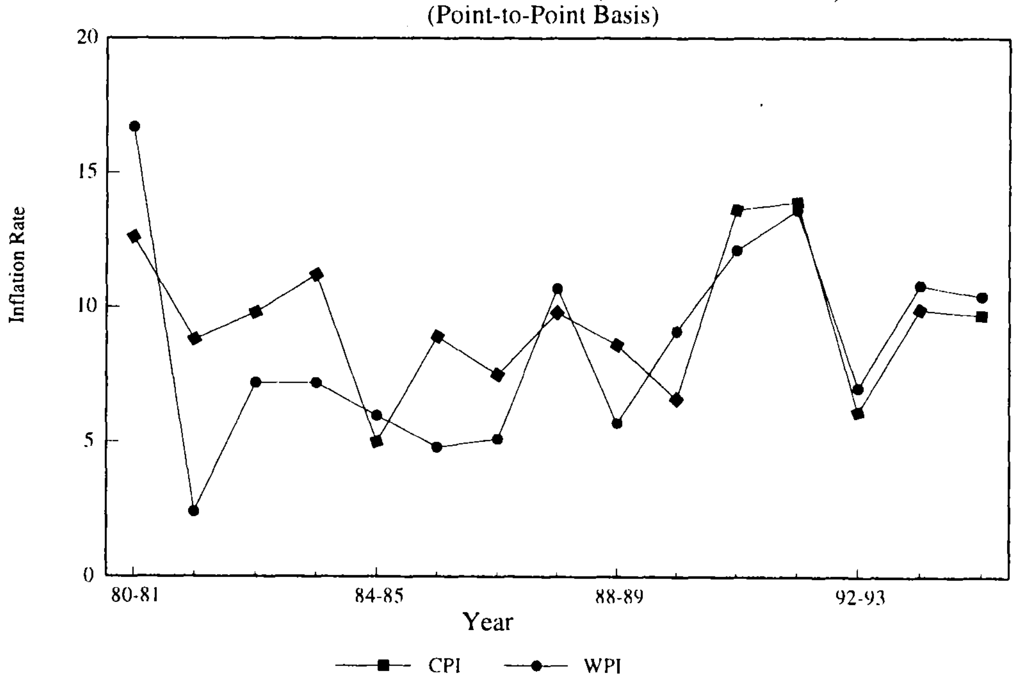
Besides the CPI-IW, two other measures are used: they relate to urban non-manual employees and agricultural labourers. The movements in the three measures are given in Table VII-5.

The spatial distribution of the rise in retail prices in terms of CPI-IW across the major cities was uneven. Out of seventy major centres for which frequency distribution is made, as many as 36 centres recorded more than 10 per cent increase in CPI-IW in 1994-95 as against 10 centres in the previous year (Table VII-6).

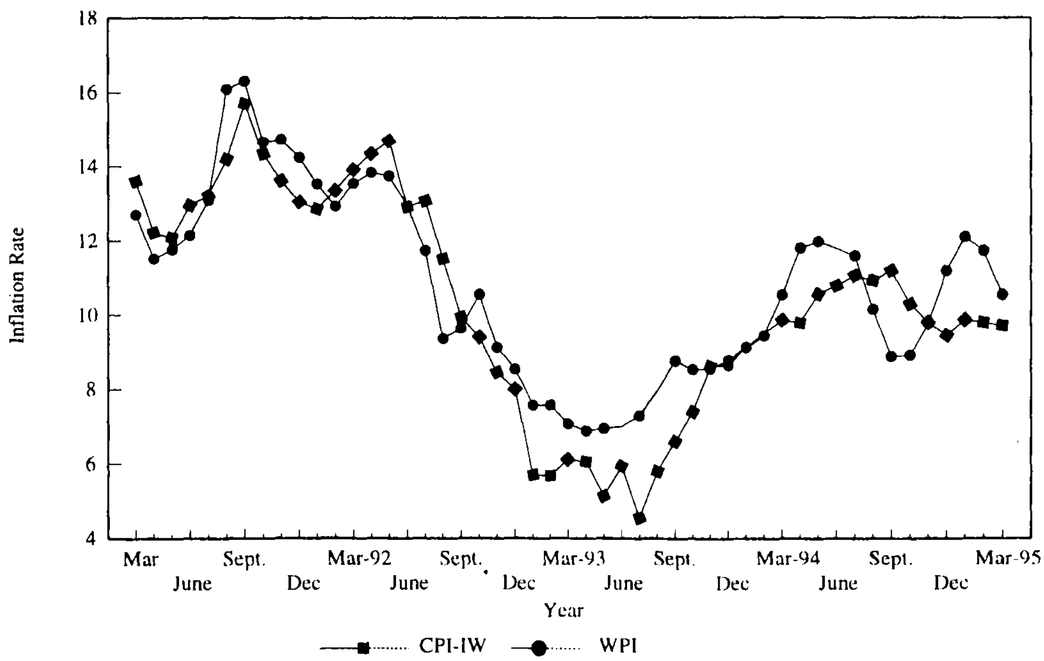
Trends in Administered/Support Prices

During 1994-95, the hikes in administered prices of crude oil,coal mining, petroleum products, electricity and fertilizers were considerably lower than those in the previous year (Table VII-7). The hike in the prices of non-ferrous metals was, however, higher in the

Graph VII-3
Inflation Rates : WPI and CPI (1980-81 TO 1994-95)
(Point-to-Point Basis)



Graph VII-4
Annual Inflation Rate in WPI and CPI
(Month-to-Month Basis) Graph VII.4



Box VII-2

Inflationary Expectations

Economic agents on the basis of their foresight anticipate future rates of inflation, such a phenomenon is usually referred to as the 'inflationary expectations'. If the agents have perfect foresight, then the future inflation rate as anticipated in the current period would be same as the realised inflation rate in the next period. As the inflationary process is complex and the economic agents may not have perfect foresight, anticipated inflation rate may not converge with the same on *ex post* basis, although the exponents of equilibrium analysis generally postulate such a possibility. What is however relevant in a macro-perspective is the mean expectations of all the economic agents concerning the future inflation rates at a particular point of time, ignoring their heterogeneity across the individuals and/or firms.

There are mainly two hypotheses which explain the process of expectation formation. The most widely used hypothesis in the 1950s and 1960s, which still commands some support, is the *adaptive expectations* which are based on the past behaviour of inflation. More precisely, under adaptive expectations, the rate of inflation expected for the next year can be expressed as a weighted average of all current and past actual inflation rates, with higher weight being attached to recent rates (Cagan 1956). If expectations are adaptive, it becomes virtually impossible to differentiate between past inflation and expected inflation. Hence, the economic agents under adaptive expectations commit *systematic* expectational errors which are *costly* to the agents as they take decisions based on incorrect beliefs about future conditions. Therefore, the question arises as to whether it is possible to avoid expectational errors which the economic agents generally seek. Although it is not possible to entirely eliminate the expectational errors, the economic agents can reduce and possibly eliminate *systematic* sources of error by appropriate reactions. In other words, the agents do not make systematic mistakes as they form expectations about the future rates of inflation based on all the information economically available during the current period. This hypothesis is known as *rational expectations*, which was introduced by Muth (1961) and developed by Lucas (1972) and Sargent (1973) in the macroeconomic context. The basic idea behind rational expectations is that the agents understand fully well the environment in which they operate and revise their expectations based on all information available from time to time. Unlike under adaptive expectations, errors under rational expectations would be random.

Reference:

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3. *Lucas, R.E., Jr., (1972), "Expectations and the Neutrality of Money", Journal of Economic Theory, 4, April, Pp 103-24.*

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year under review than that in the previous year. The overall rise in the prices of fuel was held in check following conscious decision by the Government not to effect sharp rise in administered prices.

One of the important elements of the studies on inflation is that prolonged and relatively high inflationary pressures would engender inflationary expectations (Box VII-2), and make anti-inflationary policy making very difficult.

Measures influencing Prices

The price policy of the Government during the year 1994-95 was characterised by greater market orientation and rationalisation of the price structure. Government policy on the supply side continued to supplement domestic shortages through liberal imports. This was facilitated by removal of tariff/non-tariff restrictions and also by high foreign exchange reserves. The Government also made open market sale of foodgrains from the public stock to moderate price increases in consumption centres.

The foodgrains stocks with the public sector agencies were on the higher side, reaching an all time high of 37.45 million tonne as on June 1, 1995. The support prices of *kharif* and *Rabi* crops were raised in June and November 1994. As a stabilisation measure, FCI undertook open market sale of wheat and rice from February 1995. Supply management measures were also put into effect for pulses and onion in 1994-95. The Essential Commodities Act was also extended by five years as a price stabilisation measure.

Cotton prices continued to demonstrate seasonality in their behaviour. During April 1994, the Government removed its February 1994 suspension order on cotton exports and allowed export of raw cotton and cotton wastes. At the same time, the Government decided to import cotton to stabilise prices. Supply management via imports continued throughout the financial year 1994-95. In order to boost cotton production, the Ministry of Textiles is planning to float a subsidiary namely, the Cotton Corporation of India.

In order to offer coffee at reasonable prices to consumers, the Union Government started providing coffee through the public distribution system in Southern State. The Coffee Board asked for increasing the free sale quota from 50 per cent of the produce in 1993-94 to 100 per cent in 1994-95 to contain the unprecedented price rise in Coffee. The Government, however, allowed 100 per cent free sale quota to small growers and upto 70 per cent to other remaining registered coffee growers.

To maintain stability in the prices of edible oils, the Union Government allowed 1,08,000 metric tonnes of edible oil import through the State Trading Corporation (STC) for distribution under PDS. To augment supplies of edible oils in the domestic market, six varieties of edible oils, *viz.*, groundnut oil, safflower oil, sunflower oil, rapeseed oil, soyabean oil and cotton seed oil were placed under the Open General Licence (OGL) list from March 1995 and import duty was reduced from 65 per cent to 30 per cent ad valorem.

In 1994-95, sugar prices continued to escalate. The Government started its supply management through imports via STC, MMTC as also by FCI. The Government also increased its free sale quota of sugar and continued to import sugar under the Open General Licence (OGL).

To regulate the use of sugar cane, the Government promulgated the Gur Control Order in May 1994 to divert a portion of sugarcane (about 5 per cent) in the production of sugar. In view of the comfortable position of sugar, the Gur Control Order was, however, rescinded in March 1995.

In June 1994, the administered average price of coal was hiked by Rs.20 per tonne. The prices of coal produced by Singareni Collieries Co. Ltd., (SCCL) was raised by Rs.21 per tonne (4.36 per cent). Prices of domestic LPG were hiked by 50 paise per cylinder in June 1995.

The Government continued the ad hoc subsidy scheme for decontrolled potassic and phosphatic fertilisers in 1993-94. The subsidy was released directly by the Agriculture Ministry to the retailing units effective June 10, 1994. The Union Government also decided to increase the price of urea by Rs.550 per tonne since June 1994.

In July 1994, the Tata Iron and Steel Company raised the hot-rolled coil prices by Rs.500 per tonne.

Government has come out with a new drug policy on September 15, 1994. The major features of the new drug policy included reduction in the number of controlled drugs from 142 to 76; a Rs.4 crore annual turnover limit as the criteria for including drugs under price control, and setting up of a National Pharmaceutical Pricing Authority (NPPA) to look after the task of price fixation, revision and related matters.

Bullion Prices

Policy Developments

The liberalisation measures relating to bullion trade taken during the last five years have brought about stability in domestic prices of precious metals, by reducing clandestine imports and supply side constraints.

In August 1994, the Minerals and Metals Trading Corporation of India and the State Bank of India were authorised to import gold on consignment basis and sell to eligible Non-Resident and returning Indians against payment in foreign currency. In order to avoid security hazard, the Government allowed Non-Resident Indians in September 1994 to purchase gold from the approved agencies within 15 days of their arrival in India against payment in foreign currency. In November 1994, the Government also decided to sell confiscated contraband gold biscuits to income tax paying individuals from the Bombay Customs at one per cent discount on the previous days' closing rate at Bombay. In July 1995, the Government also allowed exporters of gold and silver jewellery articles to directly approach nominated agencies for release of stocks for replenishment. The World Gold Council, a Geneva based organisation opened a full fledged office at Bombay in 1994 to offer marketing and technical expertise to improve the designing of gold jewellery and Indian gold trade. The Council has plans to initiate an open ended gold fund with the Unit Trust of India with fixed returns that should help deepen the precious metals market. The Kabra Committee (Chairman : Kamal Nayan Kabra) appointed by the Government to examine the feasibility of introducing forward trading in some selected commodities including gold and silver in its report submitted in September 1994 has recommended introduction of forward and future markets in 17 commodities which include silver but not gold. The report is under consideration of the Government.

Price Trends

Gold

In the domestic market, the prices of both gold and silver firmed up due to strong domestic demand on account of the present run of good harvests. Supply of both gold and silver, however, remained inadequate relative to demand, despite several liberalisation measures put in place relating to import of precious metals. The imports of gold through official channel and duty collected in foreign exchange rose considerably during 1994-95 (Table VII-8).

The average price of gold in March 1995 at Rs.4,661 per 10 grams was higher by 1.4 per cent over that of Rs.4,598 in March 1994 (Table VII-9). On an average basis, for the financial year as a whole the gold price in the domestic market rose by 3.0 per cent to Rs.4,667 in 1994-95 as compared with Rs.4,532 in 1993-94. The Indian gold market further buoyed up in the first half of 1995 due to strong seasonal demand.

In the London market, the price of gold per oz. moved in a narrow range of US $ 370 to US $ 398 in 1994-95 in contrast to a wide fluctuation of US $ 337 to US $ 407 in 1993-94. Upward movements in interest rates in the US during the year had a dampening effect on the price of gold in dollar terms in 1994. However, the weakness of bond markets and rising commodity prices in late June 1994, and unsettled financial markets in late September 1994 due to the worsening of the US trade deficit and the weakening of the dollar, have imparted an element of downward inflexibility to gold prices. As a result, the average price of gold in rupee terms in March 1995 at Rs.3,888 per 10 grams was marginally higher by 0.5 per cent over that of Rs.3,870 in March 1994. On a financial year average basis, the price of gold in London market rose modestly by 2.6 per cent to Rs.3,864 in 1994-95 as against a rise of 13.0 per cent to Rs.3,766 in the previous year. According to the estimates made by Gold Field Mineral Services, global gold supply declined by 6.8 per cent (244 tonnes) to 3,319 tonnes in 1994 from 3,563 tonnes in 1993 which could be attributed mainly to fall in official sales (by 402 tonnes to 86 tonnes) and also partly to fall in the mine output mainly in South Africa. The demand conditions remained generally buoyant mainly due to fabrication demand and bar holding.

The spread in gold prices between Bombay and London markets, declined significantly from 59.5 per cent in 1990-91 to 20.3 per cent in 1993-94, reflecting the gradual integration of domestic market with the international ones. In 1994-95, however, the spread had widened, albeit marginally, to 20.8 per cent over the previous year.

Silver

The domestic price of silver in March 1995 at Rs.6,189 per kg. was lower by 12.4 per cent over Rs.7,063 in March 1994 (Table VII-10). However, on an average basis, the silver price rose by 5.4 per cent to Rs.6,692 during the same period. In the New York market, the price of silver per oz. moved in the range of 436 cents to 570 cents in 1994-95 as against 383 cents to 576 cents in 1993-94. In rupee terms, the price of white metal on a financial year average basis rose by 9.4 per cent to Rs.5,187 in 1994-95 as against a sharp rise of 26.4 per cent to Rs.4,741 in the previous year. During the first half of 1995, the Indian silver market ruled firm mainly due to buoyancy in the overseas markets and also partly due to rise in seasonal demand in the domestic market. The average spread in silver prices between Bombay and New York markets shrank from 33.9 per cent in 1993-94 to 29.0 per cent in 1994-95.

Table VII-1 : Major Inflation Indicator

(Per cent)

Inflation	1993-94	1994-95	April - September	
			1994-95	1995-96
1	2	3	4	5
1. WPI : All commodities				
a) Point-to-Point basis	10.8	10.4	8.4	8.4(P)
b) Average basis	8.3	10.9	10.9	9.0(P)
2. CPI: Industrial Workers				
a) Point-to-Point basis	9.9	9.7	6.4	7.5*
b) Average basis	7.3	10.3	10.6	10.6*

* Up to August 1995.
P: Provisional

Table VII-2: Major Group-wise Inflation Rate*

(Per Cent)

Commodity Group	1993-94		1994-95	
	Point-to -Point	Average	Point-to -Point	Average
1	2	3	4	5
Primary Articles	11.5	6.9	12.7	12.8
'Fuel' Group	13.1	15.5	2.4	6.9
Manufactured Products	9.9	7.8	10.7	10.5
All Commodities	10.8	8.3	10.4	10.8

* Measured in terms of changes in the Index Number of Wholesale Prices.

Table VII-3 : Weighted Contributions to Inflation (Major Group-wise)

(Per cent)

Commodity Group	Decadal Average 1980-81 to 1989-90	Last Five Year Average 1990-91 to 1994-95	1993-94	1994-95
1	2	3	4	5
Point-to-Point basis				
Primary Articles	34.7	34.0	34.3	39.6
Fuel Group	15.8	12.3	13.6	2.7
Manufactured Products	49.5	53.7	52.1	57.7
All Commodities	100.0	100.0	100.0	100.0
Average basis				
Primary Articles	33.4	35.0	27.5	38.7
Fuel Group	12.5	12.6	19.7	7.2
Manufactured Products	54.1	52.4	52.8	54.1
All Commodities	100.0	100.0	100.0	100.0

Table VII-4 : Frequency Distribution of Annualised Inflation Rate (Month-wise)

(No. of months)

Range of Inflation in Per cent	Frequency Distribution of Months	
	Decadal Average (1980-81 to 1989-90)	Last Five Years' Average (1990-91 to 1994-95)
1	2	3
0-5.0	29 (24.2)	nil ( )
5.1-7.0	44 (36.7)	3 (5.0)
7.1-9.0	33 (27.5)	16 (26.7)
9.1-11.0	10 (8.3)	14 (23.3)
11.1-15.0	2 (1.7)	25 (41.7)
Over 15.0	2 (1.7)	2 (3.3)

Note : Figures in brackets represent percentage to the total number of months

Table VII-5 : Consumer Price Indices

(Per Cent)

Item	End-March Index		Percentage Variations			
	1993-94	1994-95	1993-94		1994-95	
			Point to-Point	Average	Point to-Point	Average
1	2	3	4	5	6	7
CPI-Industrial Workers	267	293	9.9	7.3	9.7	10.3
CPI-Urban Non-Manual Employees	222	244	8.3	6.9	9.9	9.5
CPI-Agricultural Labourers	1175	1300	11.6	3.5	10.6	12.0

Table VII-6: Centre-wise Frequency Distribution of Average Inflation Rate (measured in terms of CPI-IW)

Range of Inflation Rate (%)	Number of Centres			
	1991-92	1992-93	1993-94	1994-95
1	2	3	4	5
2-5	..	1	7	
6-9	3	35	53	34
10-13	32	32	10	31
14-17	32	2		4
18-21	3		..	1

Table VII-7 : Hike in the Administered/Support Prices (Average Basis)

(Per cent)

Item	1990-91 to 1994-95	1993-94	1994-95
1	2	3	4
1. Petroleum,crude & natural gas	7.2	17.5	7.0
2. Coal Mining	9.7	15.0	5.1
3. Petroleum Products	12.7	9.5	5.1
4. Electricity	13.6	27.7	10.8
5. Non-Ferrous Metals	7.1	4.3	10.9
6. Fertilizers	15.1	13.2	7.5
Memo Item Inflation Rate (change in WPI)	10.6	8.3	10.9

Table VII-8 - Imports of Gold through official channel

Year	Quantity of Imports (in tonnes)	Duty Collected (Rs. crore)
1.	2.	3.
1992-93	132.35	298.72
1993-94	109.51	241.76
1994-95	186.80	410.98
1995-96 (April-June)	55.38	121.84

Table VII-9 : Gold Prices in Bombay and London

(Rs. per 10 grams)

Month/Year	Bombay	London	Spread between Bombay and London	
			Absolute	Percentage
1	2	3	4	5
Monthly Averages				
March 1985	2097	1256	841	67.0
March 1990	3317	2170	1147	52.9
March 1991	3521	2256	1265	56.1
March 1992	4248	3179	1069	33.6
March 1993	4094	3344	750	22.4
March 1994	4598	3870	728	18.8
March 1995	4661	3888	773	19.9
Sept. 1995	4777	4082	695	17.0
Financial Year Averages				
1985-86	2126	1290	836	64.8
1990-91	3451	2164	1287	59.5
1991-92	4298	2841	1457	51.3
1992-93	4104	3333	771	23.1
1993-94	4532	3766	766	20.3
1994-95	4667	3864	803	20.8

Notes : 1. Based on closing quotation for Bombay Market and morning fixing for London Market.
2. The conversion factor is 1 Ounce = 0.0311035 Kg.
3. Since March 1992, the London quotations have been converted at the daily average of FEDAI's spot buying and selling rate of US Dollar in Bombay.

Source: 1. Bombay Bullion Association, Bombay.
2. Press Trust of India.

Table VII-10 : Silver Prices in Bombay and New York

(Rs. per Kg.)

Month/Year	Bombay	New York	Spread between Bombay and New York	
			Absolute	Percentage
1	2	3	4	5
Monthly Averages				
March 1985	3937	2490	1447	58.1
March 1990	6712	2787	3925	140.8
March 1991	6754	2464	4290	174.1
March 1992	7949	3979	3970	99.8
March 1993	5554	3704	1850	50.0
March 1994	7063	5488	1575	28.7
March 1995	6189	4723	1466	31.0
Sept. 1995	7188	5777	1411	24.4
Financial Year Averages				
1985-86	3918	2396	1522	63.5
1990-91	6761	2580	4181	162.1
1991-92	7332	3270	4062	124.2
1992-93	7078	3750	3328	88.8
1993-94	6348	4741	1607	33.9
1994-95	6692	5187	1505	29.0

Notes : 1. Based on closing quotation for Bombay Market and afternoon fixing for New York Market.
2. The conversion factor is 1 Ounce = 0.0311035 Kg.
3. Since March 1992, the New York quotations have been converted at the daily average of FEDAI's spot buying and selling rate of US Dollar in Bombay.

Source: 1. Bombay Bullion Association, Bombay
2. Press Trust of India.

CHAPTER VIII

FISCAL DEVELOPMENTS[1]

This chapter is organised into six sections. Section I deals with the budgetary developments of the Central Government. Section II discusses the developments in the finances of State Governments. Section III provides an analysis of the combined budgetary position of the Central and State Governments. Section IV covers the finances of Department of Posts and Department of Telecommunications. The financial performance of the Railways is presented in Section V. Section VI discusses the developments in Public Debt and other liabilities of the Centre, States and combined Government position.

I. Budgetary Operations of the Central Government[2]

Major Budgetary Developments during 1994-95

One of the major developments of 1994-95 pertains to the delinking of budget deficit from automatic monetisation. This was the direct result of the fundamental reform announced in the Union budget 1994-95 and the 'historic' agreement between the Government and the Reserve Bank of India effected on September 9, 1994 to delink 'the automatic monetisation of budget deficit' by means of *ad hoc* Treasury bills and its gradual phasing out by 1996-97 (Box VIII-1). The experience with regard to Government's resort to *ad hoc* Treasury bills during 1994-95 was very encouraging. In fact, the Central Government did not take recourse to *ad hoc* Treasury bills during the greater part of the year. At the end of the year, the recourse to *ad hoc* Treasury bills was a modest level of Rs.1,750 crore as against Rs.6,000 crore stipulated in the budget (Table VIII-1). Reflecting this, there was sharp reduction in both the monetised deficit and conventional budget deficit in terms of 'fortnightly' averages[3] (Table VIII-2 and Graphs VIII-1A and VIII-1B). The reduction in the average monetised deficit during 1994-95 was unique, in that, for the first time in almost two decades, the monetary expansion was not attributable to the monetisation of budget deficit. This had also provided the Reserve Bank of India with greater flexibility in monetary management. The downward movement in monetised and conventional budget deficit had also a positive effect on gross fiscal deficit (GFD) which, as percentage of GDP (nominal), declined to 6.7 per cent in 1994-95 from 7.7 per cent in the previous year. The decline of GFD was accompanied by a substantial reduction in the ratio of net primary deficit to GDP from 3.1 per cent in 1993-94 to 1.8 per cent in 1994-95 (Table VIII-3).

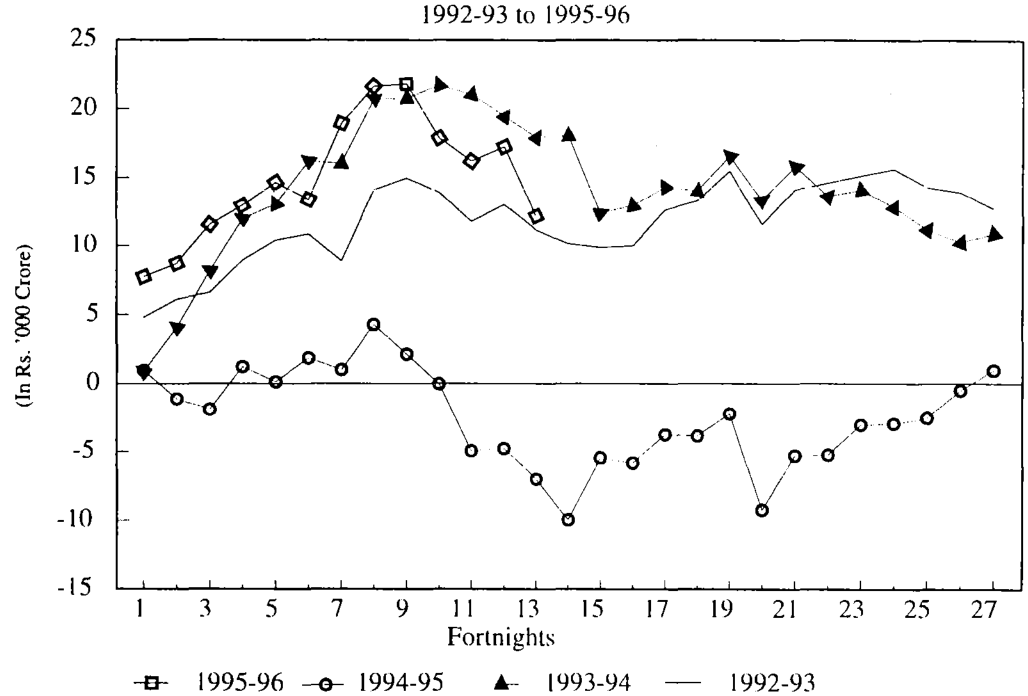
It is not merely the sizeable fiscal deficit that is a source of concern. It is the persistence of large revenue deficit that raises fundamental issues relating to the sustainability of the fiscal position. The revenue deficit in the revised estimates at Rs.34,132 crore was higher by 4.3 per cent than the budget estimates of Rs.32,727 crore. At this level, it formed around 3.7 per cent of GDP as compared with 3.6 per cent in

1. The cut-off date for analysis is September 30, 1995. In respect of State Government finances, please see the detailed article on the subject published in the December 1995 issue of the R.B.I. Bulletin for updated information.

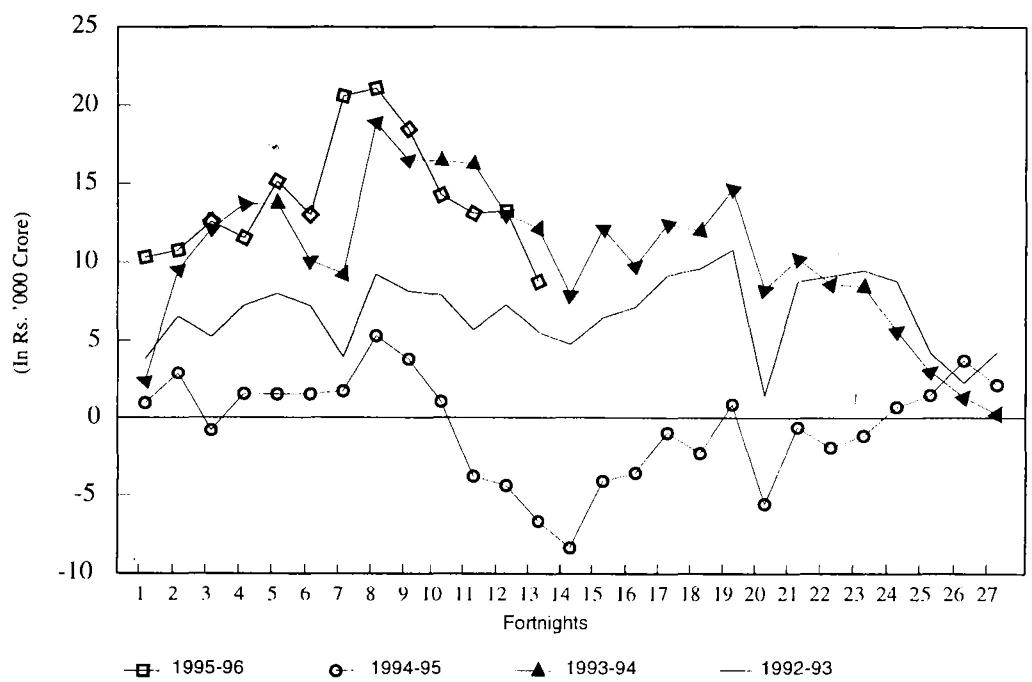
2. A detailed account of the budgetary operations of the Central Government during 1994-95 (Revised Estimates) and 1995-96 (Budget Estimates) was presented in an article on "Finances of the Central Government : 1995-96" in the September 1995 issue of the Reserve Bank of India Bulletin.

3. The word "fortnightly" is used in this Report to refer to a fourteen-day period.

Graph VIII-1 A
Centre's Budget Deficit
1992-93 to 1995-96



Graph VIII-1B
Net RBI Credit to Centre
1992-93 to 1995-96 (Monetised Deficit)



Box VIII-1

Supplemental Agreement between the Reserve Bank of India and the Government of India

An agreement made this ninth day of September 1994 between the President of India acting through the Ministry of Finance, Government of India (hereinafter referred to as "the Government") of the one part and the Reserve bank of India (hereinafter called "the Bank") of the other part.

2. Whereas the erstwhile Secretary of State for India in Council and the Bank have entered into an agreement dated fifth day of April 1935 (herein- after referred to as "the principal agreement").

3. Whereas under clause 5 of the principal agreement it is provided that the Bank shall not be entitled to any remuneration for the conduct of ordinary banking business of the Governor General in Council (now Government of India) other than such advantage as may accrue to it from the holding of his cash balance free of obligation to pay interest thereon.

4. Whereas it has been further agreed in November 1937 and January 1955 by exchange of letters that the Government shall maintain with the Bank a cash balance of not less than Rs.50 crore on Fridays and Rs.4 crore on other days free of obligation to pay interest thereon and further whenever the balance in the account of the Government falls below the minimum agreed to, the account be replenished by the creation of *ad hoc* Treasury Bills in favour of the Bank.

5. Whereas it has been announced by the Union Finance Minister in his budget speech for financial year 1994-95 the intention to phase out the Government's access to *ad hoc* Treasury Bills over a period of three years beginning financial year 1994-95.

6. Whereas it has been agreed between the parties that the end of the financial year 1994-95, the net issue of *ad hoc* Treasury Bills should not exceed Rs.6,000 crore, it has also been agreed that the net issue of *ad hoc* Treasury Bills should not exceed Rs.9,000 crore for more than ten continuous working days at any time during the financial year 1994-95. It has further been agreed that, if the net issue of *ad hoc* Treasury Bills exceeds Rs.9,000 crore for more than ten continuous working days at any time during the year, the Bank will automatically reduce only the excess beyond the prescribed level of *ad hoc* Treasury Bills, by auctioning Treasury Bills or floatation of Government of India dated securities. Similar ceilings for the net issue of ad hoc Treasury Bills will be stipulated for 1995-96 and 1996-97. From 1997-98 the system of *ad hoc* Treasury Bills will be totally discontinued.

7. Whereas it has been agreed between the parties that a suitable monitoring mechanism would be put in place by the Bank so as to furnish the Government up-to-date position about the net issue of *ad hoc* Treasury Bills.

8. Whereas the parties have agreed on certain changes in the matters referred to above, it is now hereby agreed and declared as follows:

(1) This agreement shall be supplemental to the principal agreement and the subsequent letters exchanged and shall come into force with effect from the date of this agreement.

(2) The Bank would monitor, on a daily basis, the position in regard to the net issue of *ad hocs* over the level at the end of the financial year 1993-94; similar monitoring will be provided for each of the financial years 1995-96 and 1996-97. The Bank will advise the Government of the net increase in *ad hocs* on a daily basis; and furthermore, the number of consecutive working days when the net issue of *ad hocs* exceeds the limit prescribed in paragraph hereof. Central Government holidays at New Delhi and bank holidays at Nagpur will be excluded from the computation of the number of consecutive working days. On receipt of the advice, Government could convey to the Bank its views and instructions in regard to regularisation or the extent to which the Bank may raise market borrowing on behalf of Government.

9. In witness whereof Finance Secretary to the Government of India acting for and on behalf of and by the order and direction of the President of India has hereunto set his hand and the common seal of the Reserve Bank of India has been hereunto affixed in the presence of its subscribing officials the day and year first above written.

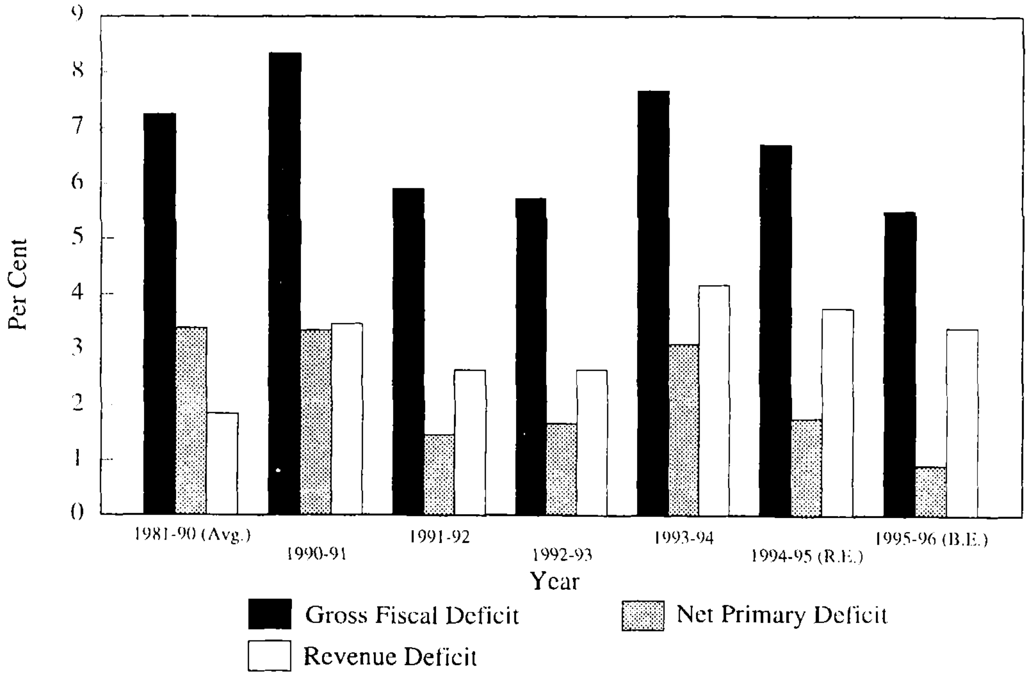
Signed by the said Shri Montek Singh Ahluwalia, Finance Secretary, Government of India for and on behalf of President of India in the presence of Shri N.P.Bagchee, Additional Secretary (Budget) to the Government of India.

Sd.
(Montek S.Ahluwalia)
Sd.
(N.P.Bagchee)

The Common seal of the Reserve Bank of India was affixed hereto in the presence of its Governor Dr. C. Rangarajan who has signed in the presence of Shri S.S. Tarapore, Deputy Governor of Reserve Bank of India.

Sd.
(C.Rangarajan)
Sd.
(S.S.Tarapore)
Sd.

Graph VIII-2
Central Government's Deficit Indicators
(As Per Cent of GDP)



the budget estimates. It is sharply higher than the average of 1.8 per cent of GDP during the 'eighties (Graph VIII-2).

The deterioration in revenue deficit, gross fiscal deficit and net primary deficit in 1994-95 from their budgeted levels was more on account of expenditure overruns, despite receipts being higher than the budgeted level. Revenue expenditure grew by Rs.3,868 crore or 3.1 per cent from Rs.1,23,948 crore in the budget estimates to Rs.1,27,816 crore in the revised estimates[4]. The increase in revenue expenditure was largely due to the growth in non-Plan expenditure (3.5 per cent), notwithstanding the reduction in interest payments by Rs.2,000 crore. The excess of non-Plan expenditure reflected mainly the higher provisions for subsidies. Total subsidies increased from Rs.9,725 crore to Rs.12,810 crore, the highest increase being in fertilisers from Rs.4,000 crore to Rs.5,166 crore. In addition to non-Plan expenditure, there was a step-up in the Plan component of revenue expenditure, *albeit* modestly, by Rs.875 crore.

Capital disbursements comprising capital outlay and loans and advances by the Centre exceeded the budget estimates by Rs.6,482 crore (19.7 per cent). Capital outlay increased by Rs.1,256 crore (8.9 per cent) to Rs.15,379 crore while loans and advances went up by Rs.5,226 crore to Rs.23,991 crore (27.8 per cent). The relatively large growth in loans and advances was due to larger release of loans to States and Union Territories (+Rs. 4,497 crore) against small savings collections on account of a sudden spurt in small savings collections to Rs.14,000 crore as against the budget estimates of Rs.6,000 crore. Small savings would constitute an 'autonomous liability' of the Centre, as 75 per cent of these collections are passed on to States

4. In this Report, the budgetary position of Government of India is inclusive of receipts of Commercial Departments in the Revenue Account.

and Union Territories as non-Plan loans. In point of fact, a larger release of loans and advances against small savings collections was primarily responsible for gross fiscal deficit exceeding the budget estimates of 6.0 per cent of GDP to 6.7 per cent. Accordingly, when adjusted for small savings loans to States and Union Territory Governments, the GFD-GDP ratio would work out to 6.2 per cent as against 6.7 per cent in the revised estimates.

Budget Estimates : 1995-96

The Central Government budget for 1995-96 proposed to pursue the twin strategy of accelerating growth, investment and modernisation of the economy as also strengthening of anti-poverty programmes. The policy stance as reflected in the expenditure strategy, Central Plan allocations and taxation measures proposed in the budget, is designed to achieve these objectives[5]. Besides, the budget envisaged to reduce the major deficit indicators relative to GDP from their levels in 1994-95 for purposes of further strengthening fiscal correction and consolidation. The GFD-GDP ratio is budgeted at 5.5 per cent, revenue deficit at 3.4 per cent, conventional deficit at 0.5 per cent and net primary deficit at 0.9 per cent of the GDP (Table VIII-3).

The reduction in fiscal imbalance is sought through a substantial improvement in receipts including large mobilization of public sector disinvestment and a sharp reduction in non-Plan expenditure. The budget anticipated growth of 7.2 per cent in receipts and 6.4 per cent in expenditure. The aggregate receipts have been placed at Rs.1,72,826 crore and aggregate disbursements at Rs.1,77,826 crore (Statement 146 of Volume II). Revenue receipts are budgeted at Rs.1,06,462 crore showing an increase of Rs.12,778 crore (13.6 per cent) over the year. Tax receipts estimated at Rs.74,374 crore (net of State's share) indicate a rise of Rs.9,386 crore (14.4 per cent) and non-tax receipts at Rs.32,088 crore register an increase of Rs.3,392 crore (11.8 per cent)[Statement 147, Volume II]. Almost 73 per cent of the growth in revenue receipts during 1995-96 would, therefore, be gained from tax receipts, mainly on account of the tax reform measures proposed in the budget. The major taxation measures announced in the budget, *inter alia* include a reduction in the peak rate of import duty from 65 per cent to 50 per cent, further reductions in the tax rates of both customs duties and excise duties, extension of Modified Value Added Tax (MODVAT) Scheme and broadening the base of direct tax mainly through enlarging the scope of deduction of tax at source (TDS).

Capital receipts budgeted at Rs.66,364 crore would be marginally lower (-1.7 per cent) than Rs.67,502 core in 1994-95, mainly due to the shortfall in small savings collections from abnormally large collections during 1994-95 (Statement 149 of Volume II). Market borrowings comprising normal (conventional) borrowing (Rs.3,700 crore), short term loans (Rs.4,387 crore) and other medium and long term loans (Rs.19,000 crore) would account for Rs.27,087 crore (net), which is higher by Rs.7,013 crore than Rs.20,074 crore mobilized in the previous year(as per RBI Records). Receipts from disinvestment of the equity holding of the Public Sector Enterprises is budgeted at Rs.7,000 crore, an increase of 33.7 per cent over Rs.5,237 crore in the revised estimates for 1994-95.

The expenditure reduction is essentially with respect to non-interest non-Plan expenditure which is budgeted to grow by 3.1 per cent at Rs.71,651 crore during 1995-96 as against Rs.69,511 crore (11.6 per cent) in 1994-95. As a result, its share in GDP is budgeted to decline

5. A detailed account of the major policy announcements is presented in the article on "Finances of the Central Government 1995-96" in the September, 1995 issue of RBI Bulletin.

to 6.8 per cent from 7.6 per cent (1994-95). In the revenue account, the cut back in non-interest non-Plan expenditure is sought to be effected mainly in subsidies from Rs.12,810 crore to Rs.12,401 crore (-3.2 per cent) while the other major components of non-Plan non-interest expenditures like administrative expenditure, defence and non-Plan grants to States and Union Territories are budgeted to register increases (Statement 148 of Volume II). In the capital account, the expenditure compression is to be effected primarily on non-defence capital outlay from Rs.8,446 crore to Rs.7,245 crore (-14.2 per cent). In effect, given the stickiness of the revenue expenditure, the moderation of GFD-GDP ratio (5.5 per cent) during 1995-96 would be rendered possible by a sharp reduction in non-defence capital outlay, which is budgeted at 0.7 per cent of the GDP as against 0.9 per cent in 1994-95.

Despite the moderation in non-Plan non-interest expenditures, the budget has maintained a higher provision for the Central Plan outlay for 1995-96 and a larger resource transfer to States and Union Territories. The Central Plan outlay for 1995-96 is budgeted at Rs.78,849 crore which is Rs.10,533 crore (15.4 per cent) higher than the revised estimates of 1994-95. However, in the financing of the Plan, a major portion of the resource is sought to be met from internal and extra budgetary resources (IEBR) of the public sector enterprises, as almost 90 per cent of the increase in Plan outlay would be met from this source. Accordingly, IEBR would account for Rs.49,855 crore (63.2 per cent) of the Plan outlay and the budgetary support would contribute Rs.28,994 crore (36.8 per cent). Against this, the respective shares in 1994-95 were 59.1 per cent (Rs.40,382 crore) and 40.9 per cent (Rs.27,934 crore). In line with the strategy of giving priority to programmes which directly benefit the poor, the budgetary support to the Central Plan has concentrated on rural development, employment, poverty alleviation programmes and human resource development sectors.

Gross transfer of resources to the States and Union Territory Governments, comprising share in Central taxes, grants and loans is budgeted at Rs.67,510 crore, an increase of 5.5 per cent over Rs.64,019 crore in the previous year. Total grants to States and Union Territories at Rs.21,841 crore during 1995-96 record a growth of 6.4 per cent as against a decline of 2.1 per cent in the previous year. The step-up in States' share in Central taxes and non-Plan grants would be due to the implementation of the recommendations of the Tenth Finance Commission[6]. The higher transfers on account of shareable tax revenue and grants would, however, be offset to a considerable extent by a decline in loans and advances from Centre to States and Union Territories by Rs.2,374 crore from Rs.18,655 crore in 1994-95 to Rs.16,281 crore in 1995-96. This shortfall would be mainly on account of the reduction in non-Plan loans to States and Union Territories against small savings collections from Rs.9,649 crore in 1994-95 to Rs.7,000 crore in 1995-96.

II. Budgetary Operations of the State Governments

Revised Estimates : 1994-95

The revised estimates for 1994-95 reveal that while the overall deficit of State Governments was contained within the budgeted level, the gross fiscal deficit and the revenue deficit exceeded the budget estimates by 1.0 per cent and 3.2 per cent, respectively (Table VIII-4). The increase in the revenue deficit was mainly on account of the overshooting of non-developmental expenditure (Rs. 3,766.9 crore or 8.3 per cent). The pressure on borrowing requirements stemming from the higher revenue deficit and a substantial increase (Rs.1,433.1 crore or 9.7 per cent) in capital outlay, was to a large extent offset by the growth in loan

6. A Summary of the major recommendations of the Tenth Finance Commission is set out in Box VIII-2.

recoveries (Rs.1,740.8 crore or 96.4 per cent). Consequently, the GFD increased moderately by Rs.295.3 crore (1.0 per cent) to Rs.29,139.8 crore in the revised estimates.

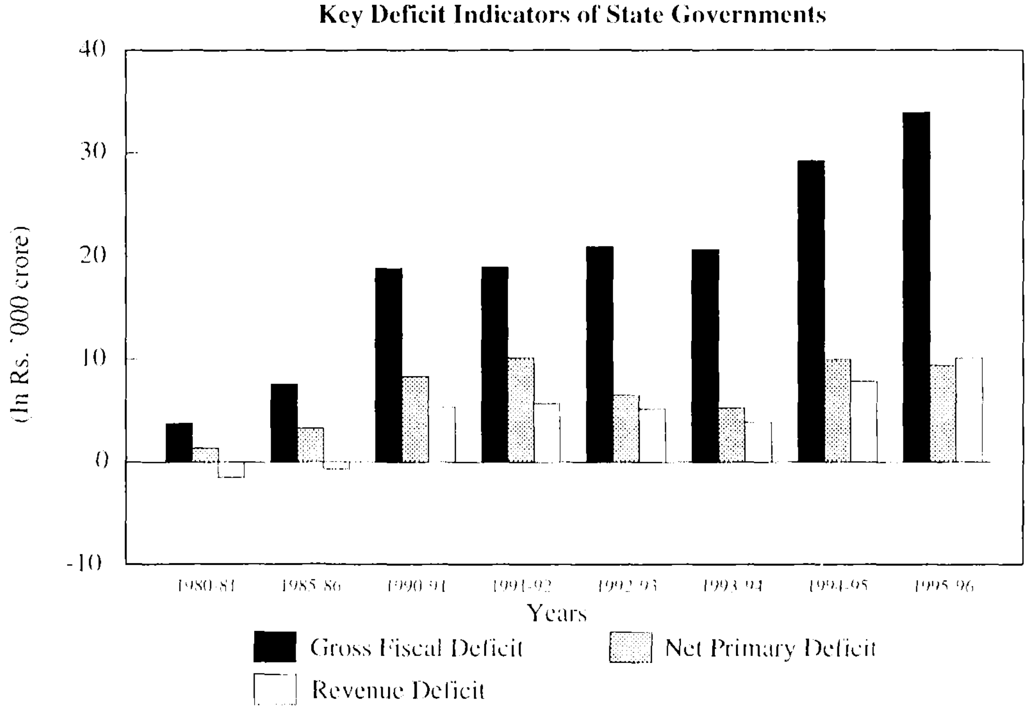
Gross transfer of resources from the Centre, as obtained from the State government budget documents, increased by Rs.1,303.1 crore (2.0 per cent) to Rs.67,015.6 crore in the revised estimates, essentially due to higher loans from the Centre (Rs.1,285.7 crore or 6.9 per cent). Adjusting for repayment of principal and interest payments, which were lower by Rs.322.8 crore (-6.6 per cent) and Rs.63.3 crore (-0.6 per cent), respectively, in the revised estimates, net transfer of resources at Rs.51,289.9 crore showed a growth of Rs.1,689.2 crore (or 3.4 per cent) over the budget estimates. Despite the increase, net transfers could finance 35.3 per cent of the States' net aggregate disbursements as against the budgeted level of 36.3 per cent.

Budget Estimates :1995-96 - Major Developments

All the major indicators of deficit show deterioration (Table VIII-4 and Graph VIII-3). The ratio of revenue deficit to revenue expenditure would move up from 5.9 per cent (Rs.7,712.3 crore) in 1994-95 to 7.1 per cent (Rs.10,444.3 crore) in 1995-96 while that of overall deficit and GFD to their respective expenditures would increase respectively from 0.1 per cent (Rs.132.2 crore) to 1.5 per cent (Rs.2,633.3 crore) and from 19.1 per cent (Rs.29,139.8 crore) to 20.0 per cent (Rs.34,217.5 crore). The revenue deficit would increase in 1995-96 due in part to the budgeted rise in revenue expenditure (Rs.15,891.2 crore or 12.1 per cent) and in part to a decline in States' non-tax revenues (Rs.-230.1 crore or -1.1 per cent) (Statements 164 and 165 of Volume II).

Reflecting the increase in the revenue deficit

Graph VIII-3
Key Deficit Indicators of State Governments



(Rs.2,732.0 crore or 35.4 per cent) and a sharp rise of Rs.2,172.0 crore (41.7 per cent) in net lending, the gross fiscal deficit would amount to Rs.34,217.5 crore, higher by Rs.5,077.7 crore (17.4 per cent) than in the previous year. The adverse fallout of rising revenue deficits is reflected in the decline of investment outlays as indicated by capital outlay-GFD and net lending-GFD ratios. The financing pattern of GFD reveals that loans (net) from the Centre would continue to be the major source despite a decline in its share to 48.4 per cent of GFD in 1995-96 from 52.4 per cent in 1994-95 and 57.8 per cent, on an average, during the second half of the 'eighties. The contribution of market loans (net) and 'others' (comprising provident funds, deposits and advances and reserve funds), on the other hand, would rise from 17.3 per cent (1994-95) to 17.8 per cent (1995-96) and from 30.3 per cent to 33.8 per cent, respectively, (Table VIII-6). Large borrowing requirements would result in a large volume of outstanding debt; total outstanding debt is estimated to increase by 15.2 per cent to Rs.2,12,029 crore at end-March 1996 accounting for 20.2 per cent of GDP as compared with 17.6 per cent as at end-March 1981. Interest payments on outstanding debt would account for a growing part of revenue expenditure: from 10.8 per cent, on an average, during the second half of the 'eighties to 14.8 per cent (Rs.19,327.8 crore) in 1994-95 and further to an estimated 15.2 per cent (Rs.22,304.5 crore) in 1995-96. The increase in the interest outgo would emanate from the cumulative burden of deficits incurred in the past and the progressive increase in the coupon rates on State Government paper in recent years.

Within the revenue expenditure, the non-developmental component would grow at a faster rate of 16.9 per cent in 1995-96 than that of 9.3 per cent in the developmental component. The proportion of the non-developmental component in revenue expenditure would rise from 37.7 per cent in 1994-95 to 39.3 per cent in 1995-96; the proportion of developmental expenditure would correspondingly decline (Statement 165, Volume II).

The emerging pattern of expenditure reflects the adverse implications of large resource gaps and of the downward stickiness of committed expenditure (e.g. interest payments, wages and salaries, pensions, etc.) on current developmental as well as investment outlays. The share of the developmental component in aggregate disbursements which was placed at 70.3 per cent, on an average, during the second half of the 'eighties declined to 64.7 per cent in 1994-95 and further to an estimated 62.9 per cent in 1995-96 with a corresponding increase in that of non-developmental component from 28.2 per cent to 31.3 per cent and to 33.1 per cent over the same period (Table VIII-5).

Gross transfers from the Centre, as obtained from State Government budget documents, are placed at Rs.74,636.5 crore in 1995-96 reflecting a growth of 11.4 per cent as against 15.6 per cent in 1994-95; the deceleration in gross transfers would be mainly on account of loans from the Centre[7]. It may be mentioned that 1995-96 is the first year of the award period (1995-96 to 1999-2000) covered by the Tenth Finance Commission (TFC) (Box VIII-2). Based on the recommendations of the TFC, the flow of funds from the Centre to States is estimated at Rs.35,055 crore in 1995-96, substantially higher (22 per cent) than that in 1994-95 (Rs.28,832 crore). A predominant portion of the increase in devolution and transfers over the period covered by the Commission is on account of the devolution of the States' share of Central tax revenue. Adjusting for debt servicing in 1995-96, the net transfer of resources would decelerate sharply to 11.1 per cent from 17.7 per cent in 1994-95; the proportion of net aggregate disbursements (i.e. aggregate disbursements less debt servicing to Centre) financed by net transfers would be placed

7. These data differ from those given in the Union budget, 1995-96.

Box VIII-2

Major Recommendations of the Tenth Finance Commission

The Tenth Finance Commission (TFC) constituted on June 15, 1992 with Shri Krishna Chandra Pant as the Chairman submitted its report to the President on November 26, 1994. In pursuance of Article 281 of the Constitution, the Report along with the action taken by the Government on the recommendations was presented to the Parliament on March 14, 1995.

The major recommendations of the TFC are set out below:

1. The Report has recommended that 77.5 per cent of the net proceeds of taxes on income as against the existing 85 per cent should be assigned to the States in each financial year during 1995-2000. This excludes a sum equal to 0.927 per cent of net distributable proceeds of income tax which would be attributable to Union Territories.

2. The States' share in the net proceeds of shareable Union Excise Duties shall be 47.5 per cent (as against the existing 45 per cent) which shall be distributed among the States on the basis of the percentage shares prescribed by the Commission in each of the five years 1995-96 to 1999-2000.

3. Out of the net proceeds of Additional Duties of Excise, a sum equal to 2.203 per cent be retained by the Central Government as attributable to Union Territories and the balance be distributed amongst States.

4. The quantum of the grant in lieu of the Railway Passenger Fares Tax for 1995-2000 should be Rs.380 crore annually.

5. A total sum of Rs.2,608.50 crore as grants for upgradation and special problems for the period 1995-2000 has been recommended by TFC.

6. **Devolution: An Alternative Scheme** : Having regard to the share of States in income tax, Union excise duties, and grants-in-lieu of tax on railway passenger fare in total Central tax revenues (including additional excise duties), and the recommended inclusion of some taxes under Article 269 in the Central pool, TFC recommended that the share of States in the gross receipts of Central taxes shall be 26 per cent. The tax rental arrangement should be terminated, and additional excise duties merged with basic excise duties. These three commodities should not be subject to State sales tax. Having done so, a further share of three per cent is recommended in the gross tax receipts of the Centre for the States in lieu of additional excise duties. These shares of 26 and 3 per cent, respectively, should be suitably provided for in the Constitution and reviewed once in 15 years.

According to the Report, there is some advantage in retaining a system such as in Article 268, where a tax is levied by the Union Government but collected and retained by the States, in the interest of uniformity of rates. Since Central sales tax, already being levied, and consignment tax, if and when levied are similar to the taxes under Article 268, the TFC has decided to keep them out of the pool of Central taxes. All other taxes in Article 269 shall form part of the Central pool.

The Centre should continue to have the power to levy surcharges for the purposes of the Union and these should be excluded from the sharing arrangements with the States.

The TFC recommended that the alternative scheme of resource sharing suggested by it may be brought into force with effect from April 1, 1996 after necessary amendments to the Constitution. This should not affect the inter-se shares and grants recommended by the TFC.

marginally higher at 35.5 per cent in 1995-96 as compared with 35.3 per cent in the previous year but below that of 39.0 per cent, on an average, during the second half of the 'eighties.

State-wise Position

Ten State Governments[8] have proposed additional resource mobilisation (ARM) in 1995-96 as compared with fifteen in 1994-95; the estimated ARM amount would be lower at Rs.966.3 crore as compared with Rs.1,385.8 crore in the previous year. Taking into account the ARM, the number of States with revenue deficit and overall (conventional) deficit in 1995-96 would be fifteen and seventeen, respectively. Four States, namely, Uttar Pradesh (Rs.3,129.1 crore), West Bengal (Rs.1,523.1 crore), Maharashtra (Rs. 1,377.6 crore) and Tamil Nadu (Rs.1,075.5 crore) would account for nearly 70.0 per cent of all-States' revenue deficit while Uttar Pradesh (Rs.1,230.5 crore) alone would explain 46.7 per cent of all-States' overall deficit (Statements 168, 170 and 171 of Volume II). As compared with all-States GFD-disbursements ratio of 20.0 per cent during 1995-96, State-wise ratios would range between 1.7 per cent (Manipur) and 27.8 per cent (West Bengal) with eleven States including, Uttar Pradesh (26.4 per cent), Rajasthan (26.3 per cent), Orissa (25.9 per cent and NCT Delhi (23.7 per cent), exceeding all-States average (Statement 172 of Volume II). The proportion of borrowings pre-empted by current expenditure, as measured by the revenue deficit-GFD ratio, for Orissa (61.1 per cent) would be more than double of all-States average (30.5 per cent); other States with this ratio above the all-States average are Uttar Pradesh (58.6 per cent), West Bengal (51.7 per cent), Tamil Nadu (47.5 per cent), Kerala (51.4 per cent), Maharashtra (35.0 per cent), Punjab (34.9 per cent), Himachal Pradesh (32.5 per cent) and Rajasthan (32.3 per cent).

The ratio of developmental expenditure to aggregate disbursements in 1995-96 would range between 37.9 per cent (Punjab) and 79.0 per cent (Arunachal Pradesh) as against the all-States average of 62.9 per cent; States, other than Punjab, with proportions below the all-States average are: Sikkim (42.5 per cent), Haryana (51.6 per cent), Uttar Pradesh (52.8 per cent), Bihar and Nagaland (both 59.9 per cent) and Jammu and Kashmir (62.2 per cent) (Statement 169 of Volume II).

Ways and Means Advances and Overdrafts of State Governments

In 1994-95, five State Governments could not clear their overdrafts on eight different occasions, within the stipulated time frame of ten consecutive working days. The Reserve Bank had therefore stopped payment on their behalf.

During 1995-96 so far (upto September 30, 1995), although a few State Governments resorted to overdrafts, they could clear these within the stipulated time frame.

III. Combined Budgetary Operations of the Centre and States

The combined gross fiscal deficit of the Central and State Governments has increased to Rs.76,427 crore, constituting 8.4 per cent of the GDP during 1994-95 (Revised Estimates) as against the budget estimates of Rs.74,478 crore (8.1 per cent of GDP). The revenue deficit has risen from 40,199 crore (4.4 per cent of GDP) in the budget estimates to Rs.41,844 crore (4.6 per cent) in the revised estimates and the net primary deficit increased by Rs.5,002 crore to Rs. 25,794 crore and constituted 2.8 per cent of the GDP (Table VIII-7). The deterioration in the combined budgetary position reflected the outcome of expenditure overrun. The combined

8. These are Karnataka (Rs. 244.9 crore), Andhra Pradesh (Rs. 211.0 crore), Kerala (Rs. 200.0 crore), Madhya Pradesh (Rs. 142.0 crore), Maharashtra (Rs. 98.0 crore), West Bengal (Rs. 30.0 crore), Gujarat (Rs. 18.0 crore), Goa (Rs. 14.9 crore), Sikkim (Rs. 5.5 crore) and Meghalaya (Rs 2.0 crore).

aggregate disbursements in the revised estimates for 1994-95 at Rs.2,74,165 crore were higher by Rs.12,937 crore (5.0 per cent) than Rs.2,61,228 crore in the budget estimates (Statement 173 of Volume II).

The budget for 1995-96 aimed at considerable reduction in the combined deficit indicators of the Central and State Governments. The gross fiscal deficit (combined) as a percentage to GDP is budgeted at 7.7 per cent as compared to 8.4 per cent during 1994-95. The moderation in GFD would, however, be essentially on account of expenditure reduction in view of the limited revenue buoyancy. The total expenditures at Rs.3,00,458 crore are budgeted to grow at 9.6 per cent during 1995-96 as against 17.8 per cent in 1994-95; at this level, the aggregate expenditure constitutes 28.7 per cent of GDP as against 30.1 per cent in 1994-95 and about 32 per cent, on an average, during the latter half of the 'eighties. On the contrary, receipts are budgeted to register a lower growth at 9.2 per cent during 1995-96 as compared to 21.2 per cent in the previous year essentially due to the deceleration in the growth of combined tax receipts to 14.5 per cent from that of 18.0 per cent in 1994-95 (Statement 174 of Volume II).

The combined revenue deficit budgeted at 4.4 per cent of GDP during 1995-96 accounts for about 56.9 per cent of the total borrowings requirements (GFD). A sizeable reduction in GFD-GDP ratio during 1995-96 has, however, been effected mainly by the Centre, with GFD-GDP ratio of the combined State Governments stagnating at around 3 per cent. The expenditure reduction for reducing gross fiscal deficit would be mainly on account of pruning of developmental components, in view of the downward inflexibility of non-developmental expenditures. It may be noted that there would be sharp increase in the obligatory expenditures like interest payments, defence, non-Plan grants and other current expenditures like administrative expenditure and pensions. The ratio of combined interest payments to combined revenue receipts increased from 18 per cent in the latter half of the 'eighties to 29.3 per cent in 1995-96. There has been a steady deterioration in the share of developmental expenditure in the aggregate expenditure to 53.4 per cent in 1995-96 from 57 per cent during the period 1991-92 to 1994-95 and 63.3 per cent in the 'eighties (Statements 174 and 176 of Volume II). However, it is necessary to recognise that the budgetary allocations in social sector expenditure comprising mainly of social services, rural development and food subsidy have not been allowed to suffer (Table VIII-9).

IV. Finances of Department of Posts and the Department of Telecommunications

Department of Posts

In 1994-95, the Department of Posts showed, as per the revised estimates, a deficit of Rs.331.1 crore as compared with a deficit of Rs.146.1 crore in the budget estimates. The budget for 1995-96 placed the deficit at Rs.304.1 crore. The revenue receipts during 1994-95 were placed at Rs.1,185.0 crore as against Rs.1,170.0 crore in the budget estimates showing a marginal increase of 1.3 per cent. The revenue receipts are budgeted lower at Rs.1,315.0 crore in budget estimates for 1995-96. The working expenses at Rs.2,097.1 crore in 1994-95 witnessed an increase of 6.2 per cent over the budget estimates. During 1995-96, the working expenditures are budgeted higher at Rs.2,236.1 crore because of provisions for credit to working expenses. As a result of higher working expenses during 1994-95, the Department could not pay dividend to General Revenues nor could it make any contribution to capital expenditure. The details of financial position are set out in Statement 178 of Volume II of the Report.

The finances of the Department of Posts have been showing a continuous deterioration since 1986-87, mainly on account of two factors; (a) a sharp rise in working expenses and (b) an under-pricing of various services offered by the Department. The extent of subsidy on services ranges from 20 per cent to 90 per cent. Elimination of subsidy on a few items, *viz.*, parcels and registered letters, and a reduction in subsidy on a few other services together with an improvement in the efficiency of some services would help eliminate the postal deficit.

Department of Telecommunications

The Department has been continuously generating surpluses. The surplus generated in the revised estimate for 1994-95 amounted to Rs.3,305.0 crore as compared with Rs.2,126.5 crore in 1993-94; this is budgeted to increase to Rs.3,867.0 crore during 1995-96. During 1994-95, revenue receipts were placed, as per revised estimates, at Rs.7,698.0 crore and working expenses at Rs.4,617.7 crore as against budget estimates of Rs.8,152.0 crore and Rs.4,967.0 crore, respectively. The budget estimates for 1995-96 placed revenue receipts at Rs.8,876.0 crore and working expenses at Rs.5,291.0 crore. The dividend to general revenue was marginally higher at Rs.269.2 crore against budget estimates of Rs.263.4 crore. The surplus of Rs.3,305.0 crore in 1994-95 was utilised to make appropriation to both Revenue Reserve Fund and Capital Reserve Fund of Rs.63.9 crore and Rs.3,241.1 crore, respectively. The details of financial working are set out in Statement 180 of Volume II of the Report.

In consonance with the targets set in the Eighth Five Year Plan, expansion of supply of value added services with the participation of private sector was taken up. The National Telecom Policy, with the aim of providing by 1997 telephones on demand, was announced in May, 1994. To achieve the targets set out in the new policy, basic services have been thrown open to the private sector. The policy envisages foreign equity participation in Indian companies providing basic services and manufacturing telecom equipments.

V. Railway Finances[9]

The net financial results of the Railways in the revised estimates for 1994-95 showed a surplus of Rs.1,870.0 crore, as against Rs.1,806.0 crore in 1993-94 (Statement 183 of Vol. II). Out of the total surplus of Rs.1,870.0 crore, Rs.1,575.0 crore were transferred to Capital Fund and Rs.295.0 crore to Development Fund as against a provision of Rs.1,680.0 crore and Rs.290.0 crore, respectively, in the budget estimates.

According to the revised estimates for 1994-95, the gross traffic receipts at Rs.19,920.0 crore showed a decline of Rs.474.0 crore or 2.3 per cent over the budget estimates. The decline was mainly due to fall in goods earnings. However, the receipts from passenger traffic at Rs.5,410.0 crore were higher by Rs.272.0 crore or 5.3 per cent than the budget estimates. The total working expenses at Rs.16,940.0 crore in the revised estimates for 1994-95 registered a decline of Rs.367.0 crore or 2.1 per cent as compared with the budget estimates of Rs.17,307.0 crore. During the year under review, the Railways incurred losses on account of social obligations amounting to Rs.2,321.3 crore as against Rs.1,926.4 crore in 1993-94. The improvements in the net financial results of the Railways in 1994-95 were reflected in a lower operating ratio, *albeit* marginally at 84.9 per cent as compared with 85.4 per cent in the budget estimates.

At the existing rates of fare and freight, the Railway budget for 1995-96 envisages a surplus of Rs.1,305.0 crore. After taking into account the additional resources mobilised by way of revision in fare and freight amounting to Rs.750.0 crore, the Railway budget would show a surplus of Rs.2,055.0 crore. The gross traffic receipts (after taking into account the additional

9. See July 1995 issue of RBI Bulletin for a detailed discussion on Railway Finances, 1995-96.

resource mobilisation of Rs.750.0 crore) are budgeted at Rs.21,955.0 crore, showing an increase of 10.2 per cent over 1994-95 (revised estimates). The total working expenses budgeted at Rs.18,760.0 crore, would record an increase of 10.7 per cent over the revised estimates for 1994-95.

VI. Public Debt and Other Liabilities

Total outstanding domestic liabilities of the Government Sector (Centre and States combined) were 61 per cent of GDP in 1994-95 as against 62 per cent in 1993-94. The budget estimates for 1995-96 placed domestic debt-GDP ratio lower at 60 per cent. This ratio was, however, about 51 per cent in 1985-86. The persistent rise of the overall borrowing requirements (GFD) of the Central and State Governments together have led to large accumulation of (combined) domestic debt.

Central Government

The aggregate outstanding liabilities of the Central Government at 59.5 per cent of GDP in 1994-95 were higher than the budget estimates of 58.2 per cent. This ratio was higher at 60.8 per cent in 1993-94. The Budget for 1995-96 placed the aggregate liabilities at 57.3 per cent of GDP almost the same as the average for the second half of the 'eighties. The reduction in the debt-GDP ratio was on account of the efforts of the Central Government to scale down GFD-GDP ratio to 5.5 per cent in 1995-96 from 8.2 per cent, on an average, during the second half of the 'eighties.

The outstanding internal debt[10] at end-March 1995 accounted for 56.0 per cent of outstanding domestic liabilities as against 57.0 per cent at end-March 1994 (Statement 186 of Vol. II). It is budgeted to increase to 56.4 per cent at end-March 1996. However, internal debt accounted for 50.7 per cent of aggregate outstanding liabilities at end-March 1995 as against 51.4 per cent at end-March 1994 and it is budgeted at 51.2 per cent at end-March 1996 (Statement 153 of Volume II). The decline in internal debt during 1994-95 was on account of shortfall in market loans which formed the largest share in internal debt. Consequent upon the introduction of the auction system for the Central Government securities, the share of market loans in aggregate domestic liabilities has increased to 26.8 per cent in 1994-95 from 25.7 per cent in 1993-94 and is budgeted still higher at 28.2 per cent in 1995-96. Other liabilities[11] accounted for 44.1 per cent of outstanding domestic liabilities in 1994-95 and it is budgeted at 43.7 per cent in 1995-96. However, other liabilities accounted for 40.0 per cent of aggregate outstanding liabilities in 1994-95 and are budgeted at 39.7 per cent in 1995-96. As a result of shift over policy to move to borrowings at market related rates, there has been a change in the composition of debt in favour of marketable debt.

Market Borrowings

During 1994-95, according to the Reserve Bank Records, aggregate market borrowings of the Central Government amounted to Rs.38,108 crore (gross) and Rs.20,074 crore (net) (Table VIII-10). The net market borrowings comprised normal market borrowings of Rs.3,700 crore, other medium and long-term borrowings of Rs.16,597 crore and a net repayment of Rs.223 crore of 364 day Treasury bills. The shortfall from the budget estimates of Rs.26,700 crore (net) was thus mainly on account of 364-day Treasury bills which showed a decline of Rs.223 crore as against the budgeted amount of Rs.12,000 crore. The budget estimates for 1995-96

10. Internal debt comprises market loans, special bearer bonds, Treasury bills, compensation and other bonds, special securities issued to RBI and international financial institutions, and Gold bonds.

11. Comprises small savings, provident funds and other accounts and reserve funds and deposits.

placed aggregate gross market borrowings at Rs.40,806 crore and net at Rs.27,087 crore. As at end-September 1995, the Central Government mobilised gross amount of Rs.22,032 crore and net Rs.12,411 crore.

During 1994-95, the interest rates on conventional and non-conventional market borrowings ranged between 11.00 per cent and 12.71 per cent for a maturity of 3 to 10 years with a weighted average of 11.90 per cent; the comparable interest rates ranged between 12.00 per cent and 13.40 per cent for a maturity of 2 to 10 years for 1993-94 with the weighted average of 12.63 per cent. The experience in relation to market borrowings during 1995-96 (upto September 1995) shows hardening of interest rates in the range of 13.25 per cent and 14.00 per cent for a maturity of 2 to 10 years. (Table VIII-12).

State Governments

Outstanding liabilities of State Governments are budgeted at 20.4 per cent of GDP at end-March 1996, the same as at end-March 1995. and at end-March 1994. On an average the debt GDP ratio was19.4 per cent during the 'eighties. Although the debt-GDP ratio has stagnated at a level around 20.0 per cent since 1991-92, the magnitude of debt has increased substantially from Rs.1,26,338 crore in 1991-92 to Rs.2,13,443 crore in 1995-96 (Statement 185 of Volume II).

The composition of States' outstanding liabilities indicate that loans and advances from the Centre would be 62.7 per cent of outstanding liabilities of States in 1995-96. This ratio would be marginally lower than that of 1994-95. Provident funds over the years have become an important component of State debt. The budget estimates for 1995-96 placed provident funds at 17.2 per cent of total liabilities of State Governments. However, the share of provident funds in total liabilities has remained constant at around 17.0 per cent since 1993-94 (Statement 188 of Volume II).

The share of market loans in outstanding liabilities would rise to 17.4 per cent in 1995-96 as against 16.8 per cent in 1994-95 and 14.2 per cent in 1990-91.

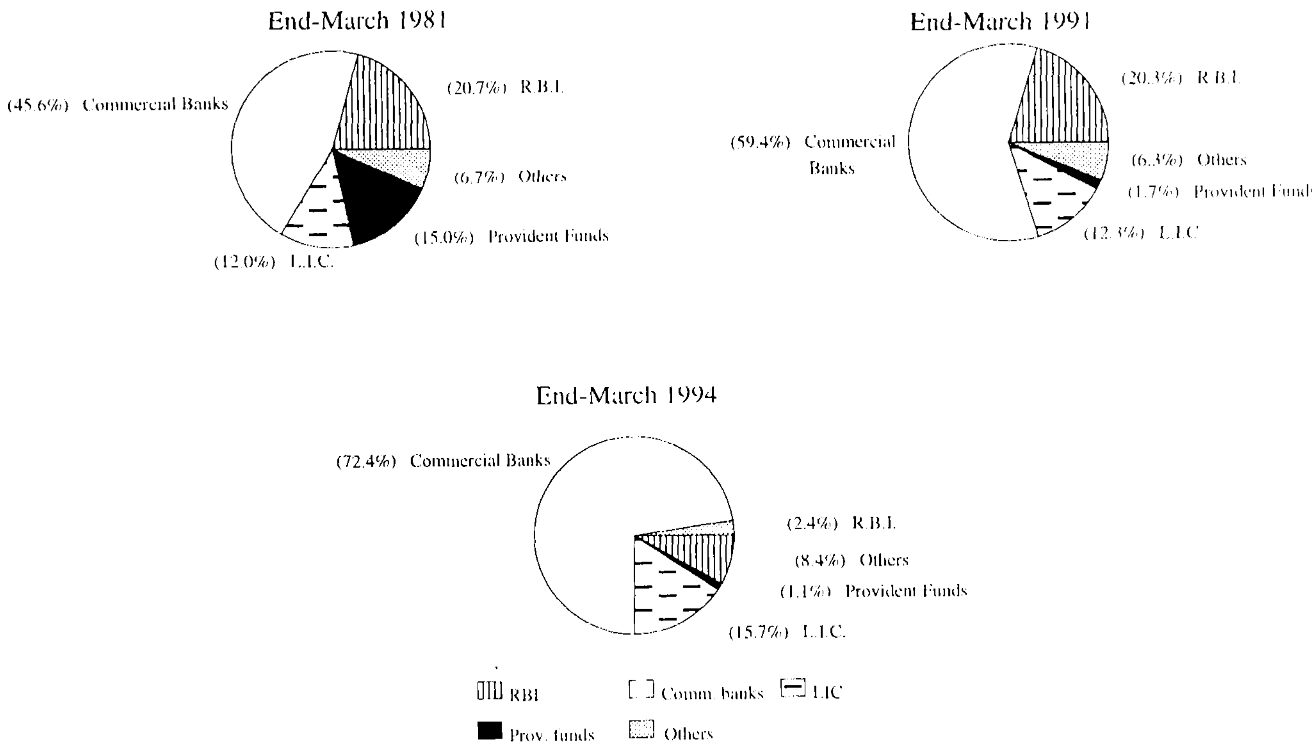
One of the important features of the 1994-95 borrowing programme of State Governments was the merger of market borrowings of State bodies with their respective State Governments. During 1994-95, 25 State Governments mobilised a net amount of Rs.5,123 crore as against Rs.3,638 crore in 1993-94. The budget estimates for 1995-96 placed gross market borrowings at Rs.6,275 crore and net Rs.5,932 crore. As at end-September 1995, State Governments mobilised Rs.2,955 crore in one tranche. The net market borrowings of the institutions sponsored by State Governments (SFCs and SLDBs) are placed at Rs.350 crore in 1995-96 as against Rs.346 crore in 1994-95 (Tables VIII-10 and VIII-11).

The State Government loans were issued for a maturity period of 10 years and carried a fixed coupon rate of 12.50 per cent in 1994-95 which was lower than the coupon rates of 13.50 per cent for similar maturities in 1993-94. However, in the first tranche floated on May 22, 1995 the coupon rate for similar maturities was raised to 14.00 per cent.

Ownership and Maturity Pattern

The ownership pattern of Government securities (of both the Central and State Governments) continued to be skewed in favour of the captive investors, notwithstanding the expansion of the investor base. Besides banks and insurance companies, other institutions have invested in Government securities (Table A and Graph VIII-4). Significantly enough, there was a sharp decline in the share of Reserve Bank of India. There was some improvement in the share of the non-captive investors, even though their presence in the Government securities market was limited. Commercial banks absorbed a large amount of Government securities. Accordingly,

Graph VIII-4
Investment in Central and State Govt. securities



their share in outstanding Government securities increased from 59.4 per cent at end-March 1991 to 72.4 per cent at end-March 1994.

Table A : Investments in Central and State Government Securities

(per cent)

Subscribers	1991	1992	1993	1994
1	2	3	4	5
RBI	20.3	17.9	8.2	2.4
Commercial Banks	59.4	63.7	66.4	72.4
L.I.C.	12.3	13.3	14.7	15.7
Provident Funds	1.7	1.5	1.5	1.1
Others	6.3	3.6	9.2	8.4
Total	100.0	100.0	100.0	100.0

The maturity period of new issues of Government of India securities has been shortened in recent years and since 1992-93, the Central Government has not floated any loan beyond a maturity period of 10 years. There has been a significant shift in the maturity structure of debt in favour of medium and short-term securities between 1993 and 1995 (Table B).

Table B: Maturity-wise percentage distribution of Government of India Rupee loan outstanding

(per cent)

End of March	Total	Over 10 years	Between 5 and 10 years	Under 5 years
1	2	3	4	5
1991	100.00	85.8	5.6	8.6
1992	100.00	75.8	16.8	7.4
1993	100.00	77.8	14.1	8.1
1994	100.00	57.4	27.7	14.9
1995	100.00	49.2	33.5	17.3

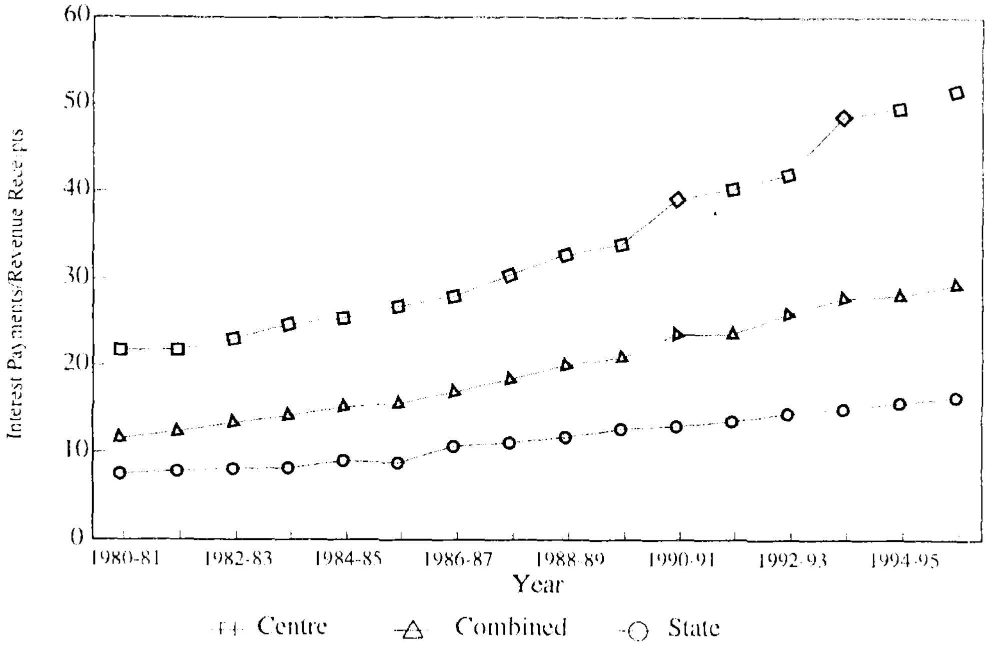
While the GFD-GDP ratio has shown some moderation during the reform period, gross borrowings by the Central Government in absolute terms, has shown persistent growth from Rs.8,919 crore (Rs.7,501 crore net) during 1991-92 to Rs. 38,108 crore (Rs.20,074 crore net) during 1994-95 and estimated at Rs. 40,806 crore (Rs.27,087 crore net) during 1995-96. The accumulation of domestic debt at the current rate would have serious implications for the finances of Central and State Governments in terms of higher interest payments and amortisation of debt. The move towards market related rates of interest on public borrowings along with reduction in SLR and setting up of limits to access to *ad hoc* Treasury bills has changed the profile of public debt to one of marketable debt. With steep humps in the projected repayment schedule, there would arise compulsions, in the event of inadequate resource mobilisation through tax and other non-inflationary sources, to go in for larger amount of gross borrowings. As humps in repayment are particularly sharp in the next ten years, redemption of debt may be addressed by establishing a consolidated sinking fund.

The Analytical Issues

The fiscal corrections undertaken by the Central Government since July 1991 have achieved reasonable success in reducing the gross fiscal deficit and primary deficit from their peak levels of 1990-91. The gross fiscal deficit and net primary deficit relative to GDP averaged 6.5 per cent and 2 per cent during the four years of reform (1991-95) as against 8.2 per cent and 3.8 per cent, respectively, during the second half of the 'eighties. The policy stance has been encouraging in that the Central Government has agreed to progressively delink budget deficit from automatic monetisation by signing an agreement with the Reserve Bank of India on September 9, 1994 thus creating a landmark in the history of Indian monetary and fiscal management. The performance in respect of delinking budget deficit from automatic monetisation during 1994-95 was commendable since the Government abstained from borrowing from the Reserve Bank for most part of the year, and effected a sharp reduction in monetised deficit and conventional budget deficit. The process of fiscal adjustment continued to be a major agenda in the budget for 1995-96 which not only seeks to consolidate the gains from the fiscal corrections during the last four years of reform but also integrates it with the objectives of growth and poverty alleviation.

Notwithstanding these positive developments, there are concerns about the quality of fiscal adjustment and sustainability of the fiscal position. One of the most disturbing aspects is the persistence of large revenue deficit emanating from unabated growth in revenue expenditure, particularly interest payments coupled with relatively sluggish revenue performance. The surge in revenue deficit has not only contributed to increasingly larger growth in gross fiscal deficit in the 'nineties but also significantly changed the composition of the gross fiscal deficit. During 1995-96 as much as 62 per cent of the borrowings (GFD) is budgeted to finance the revenue deficit, while this ratio averaged little over 50 per cent during the first four years of fiscal adjustment and 32 per cent during the second half of the 'eighties. The larger recourse to borrowings by the Government at higher interest rates resulted in increased pressure on interest payments, which account for as much as 52 per cent of the revenue receipts in 1995-96 as against 30 per cent during the latter half of the 'eighties (Graph VIII-5). This has had its advarse effect on the availability of resources for productive investment, and disturbed the asset-liability position of the Central Government. The net liabilities (i.e. liabilities minus assets) of the Central Government relative to GDP, on book value basis, are estimated to have gone up, substantially from an average of 9.3 per cent during the second half of the 'eighties to 19.8 per cent in 1994-95 and further to 20.6 per cent in 1995-96.

Graph VIII-5
Interest Payments as per centage of Revenue Receipts



A visible impact of moderation of GFD and NPD was felt mainly on expenditure compression, with the burden placed mainly on capital expenditure. Capital expenditure relative to GDP declined from an average level of 6.4 per cent during the second half of the 'eighties to around 4.4 per cent, on an average, during the period, 1991-95. The rate of growth in capital expenditure showed steady decline during the 'nineties from the position obtained in the second half of the 'eighties. The reduction in capital expenditure has been effected essentially on non-defence capital outlay which as a proportion to GDP declined to less than 1 per cent, on an average, during 1991-95 from 2 per cent in the latter half of the 'eighties.

The issue of sustainability of fiscal position is related to the likely outturn in the medium-term which needs to take into account interest payments in consonance with the desirable level of fiscal deficit relative to GDP. To meet the debt service interest payment obligations, it would be necessary to generate net primary surplus, especially on the revenue account. The Government has been successful in generating a primary revenue surplus (revenue deficit minus interest payments); during the years 1991-95 this surplus relative to GDP stood at 1.3 per cent as against 0.8 per cent during the latter half of the 'eighties but this has not been adequate to meet the interest obligations. The primary revenue surplus, on an average, could only finance 28 per cent of the total interest obligations during 1991-95 as against 23 per cent during the second half of the 'eighties.

The budgetary operations of State Governments also show a persistence of large revenue deficits. The compulsions of financing the uncovered revenue gap through high cost borrowing would lead to a high interest burden which in turn fuels the revenue deficit. Given the constraints on borrowings, the need to maintain to the best possible extent, the level of resources for financing consumption expenditure in real terms would imply cut backs in investment outlays. In the context of the resource gaps, the downward rigidities in committed expenditures (*viz*, interest payments and wages and salaries) would imply cuts in the maintenance expenditure in the revenue budget which leads to a deterioration in the quality of the existing infrastructure. Moreover, resource mobilisation at progressively increasing costs (interest rate) coupled with nil or low rates of return on the use of funds, exacerbate the strain on an already fragile fiscal position.

Table VIII-1 : Fortnightly Levels of Net Issue of Ad hoc 91-Day Treasury Bills (Face Value) @

(Rs.crore)

Period		Net Issue of Ad hocs (April-September)	
		1995-96	1994-95
1	2	3	4
Fortnightly Actuals	Date $		
1	14-4-95	7,065	425
2	28-4-95	9,250	-2,820
3	12-5-95	12,025	-1,365
4	26-5-95	12,160	-3,140
5	9-6-95	12,225	-1,550
6	23-6-95	9,660	-2,700
7	7-7-95	16,660	260
8	21-7-95	17,835	-995
9	4-8-95	15,445	-605
10	18-8-95	10,400	-5,305
11	1-9-95	10,280	-6,490
12	15-9-95	10,055	-9,380
13	29-9-95	6,440	-11,535
14	13-10-95		-8,205
15	27-10-95		-7,050
16	10-11-95		-5,350
17	24-11-95		-5,015
18	8-12-95		-2,205
19	22-12-95		-8,255
20	5-1-96		-3,115
21	19-1-96		-3,445
22	2-2-96		-1,575
23	16-2-96		-1,790
24	1-3-96		-140
25	15-3-96		1,880
26	29-3-96		
27	31-3-96		1,750
Quarterly Averages			
First Quarter (April-June)		10,398	-1,593
Second Quarter (July-Sept.)		12,445	-4,864
Third Quarter (Oct-Dec.)			-6,013
Fourth Quarter (Jan-March)			-919
Fiscal Year Average			-3,249

@ : Based on RBI records.
$: The relevant dates of fortnights for 1995-96 have been specified; the data for 1994-95 pertain to corresponding fortnights.

Table VIII-2 : Fortnightly Levels of the Centre's Budget Deficit and Net RBI Credit to Central Government@

(Rs.crore)

Period		Centre's Budget Deficit				Net RBI Credit to Centre			
		1995-96	1994-95	1993-94	1992-93	1995-96	1994-95	1993-94	1992-93
1	2	3	4	5	6	7	8	9	10
Budget Estimates		5,000	6,000	4,314	5,389			4,314	5,389
Fortnight Actuals	Date $								
1	1-4-94		946	887	4,774		945	2,413	3,847
2	15-4-94	7,764	-1,115	4,057	6,115	10,323	2,873	9,476	6,522
3	29-4-94	8,708	-1,890	8,186	6,604	10,749	-795	12,101	5,219
4	13-5-94	11,572	1,222	11,964	8,928	12,583	1,529	13,694	7,218
5	27-5-94	12,946	118	13,046	10,414	11,536	1,504	13,726	7,985
6	10-6-94	14,637	1,847	16,201	10,854	15,115	1,515	10,064	7,192
7	24-6-94	13,394	987	16,053	8,886	12,998	1,707	9,201	3,912
8	8-7-94	18,953	4,266	20,718	14,102	20,582	5,278	18,889	9,193
9	22-7-94	21,633	2,130	20,750	14,949	21,075	3,788	16,498	8,113
10	5-8-94	21,786	-39	21,727	13,935	18,478	1,036	16,444	7,872
11	19-8-94	17,890	-4,978	21,065	11,792	14,254	-3,760	16,245	5,657
12	2-9-94	16,198	-4,812	19,461	13,007	13,080	-4,354	13,012	7,236
13	16-9-94	17,257	-7,007	17,939	11,159	13,224	-6,640	12,117	5,512
14	30-9-94	12,156	-9,969	18,068	10,169	8,714	-8,342	7,882	4,723
15	14-10-94		-5,462	12,395	9,868		-4,068	12,092	6,424
16	28-10-94		-5,835	12,918	9,986		-3,541	9,740	7,111
17	11-11-94		-3,766	14,262	12,609		-975	12,367	9,110
18	25-11-94		-3,850	13,994	13,261		-2,260	11,989	9,549
19	9-12-94		-2,220	16,535	15,440		857	14,588	10,744
20	23-12-94		-9,234	13,341	11,511		-5,534	8,237	1,450
21	6-1-95		-5,285	15,806	14,134		-595	10,167	8,725
22	20-1-95		-5,222	13,680	14,637		-1,886	8,587	9,065
23	3-2-95		-3,038	14,113	15,166		-1,151	8,417	9,441
24	17-2-95		-2,963	12,840	15,658		719	5,609	8,773
25	3-3-95		-2,527	11,213	14,327		1,454	3,001	4,254
26	17-3-95		-489	10,287	13,960		3,714	1,335	2,262
End-March	31-3-95		946	10,893	12,757		2,130	260	4,257
Quarterly Averages									
First Quarter		11,504	302	10,056	8,082	12,217	1,325	10,096	5,985
Second Quarter		17,982 #	-2,916	20,277	13,157	15,630 #	-1,856	15,534	7,264
Third Quarter			-5,061	14,502	11,835		-2,587	10,985	7,016
Fourth Quarter			-2,654	12,990	14,647		626	6,186	7,087
Fiscal Year Average			-2,490	14,163	11,815		-550	10,302	6,717

Note : As per budgetary data, Centre's budget deficit was Rs.12,312 crore in 1992-93 (Accounts) and Rs.10,960 crore in 1993-94 (Accounts).

@ : Based on RBI records.

: Upto September 29,1995.

$: The relevant dates of fortnights for 1994-95 have been specified; the data for other years pertain to corresponding fortnights.

(-) : Indicates surplus.

Table VIII-3 : Key Fiscal Indicators of Government of India

(Rs. crore)

Items	Average (1980-81 to 1984-85)	Average (1985-86 to 1989-90)	1991-92	1992-93	1993-94	1994-95 (Revised Estimates)	1995-96 (Budget Estimates)
1	2	3	4	5	6	[illegible]	[illegible]
1 Conventional Deficit			6,855	12,312	10,960	6,000	[illegible]
	(1.2)	(2.3)	(1.1)	(1.8)	(1.4)	(0.7)	(0.5)
2 Gross Fiscal Deficit			36,325	40,173	60,257	61,035	57,634
	(6.3)	(8.2)	(5.9)	(5.7)	(7.7)	(6.7)	(5.5)
3 Revenue Deficit			16,261	18,574	32,716	34,132	35,541
	(1.1)	(2.6)	(2.6)	(2.6)	(4.2)	(3.7)	(3.4)
4 Monetised Deficit #			5,508	4,257	260	2,130	N.A.
	(2.2)	(2.3)	(0.9)	(0.6)	(0.03)	(0.2)	[illegible]
5 Gross Primary Deficit			9,729	9,138	23,562	17,035	5,634
	(4.1)	(4.8)	(1.6)	(1.3)	(3.0)	(1.9)	(0.5)
6 Net Primary Deficit			8,961	11,644	24,361	15,978	9,560
	(3.1)	(3.8)	(1.5)	(1.7)	(3.1)	(1.8)	(0.9)
7 Revenue Deficit as per cent of Gross Fiscal Deficit	17.0	31.5	44.8	46.2	54.3	55.9	61.7
8 Monetised Deficit as per cent of Gross Fiscal Deficit	35.3	27.9	15.2	10.6	0.4	3.5	
9 Subsidies			12,253	11,995	12,864	12,810	12,401
	(1.4)	(2.0)	(2.0)	(1.7)	(1.6)	(1.4)	(1.2)
of which :							
i) Food			2,850	2,800	5,537	5,100	5,250
	(0.4)	(0.6)	(0.5)	(0.4)	(0.7)	(0.6)	(0.5)
ii) Fertiliser			5,185	6,136	5,194	5,166	5,400
	(0.5)	(0.8)	(0.8)	(0.9)	(0.7)	(0.6)	(0.5)
iii) Export			1,758	818	665	560	315
	(0.3)	(0.3)	(0.3)	(0.1)	(0.1)	(0.1)	(0.03)
10 Defence Expenditure			16,347	17,582	21,845	23,544	25,500
	(2.8)	(3.4)	(2.7)	(2.5)	(2.8)	(2.6)	(2.4)
11 Interest Payments			26,596	31,075	36,695	44,000	52,000
	(2.2)	(3.4)	(4.3)	(4.4)	(4.7)	(4.8)	(5.0)
12 Wages and Salaries $			11,069	12,624	14,275	15,131	..
	(1.8)	(2.1)	(1.8)	(1.8)	(1.8)	(1.7)	(-)
13 Total Non Plan Expenditure			80,453	85,958	98,998	1,13,511	1,23,651
	(10.5)	(13.4)	(13.1)	(12.2)	(12.6)	(12.5)	(11.8)
14 Budgetary Support to Public Enterprises@			6,920	6,576	7,451	8,208	7,01[illegible]
	[illegible]	(1.9)	(1.1)	(0.9)	(0.9)	(0.9)	[illegible]
15 Direct Taxes (Net to Centre)			10,103	[illegible]	[illegible]	[illegible]	[illegible]
As per cent of total tax revenue	21.9	[illegible]	20.2	22.3	23.4	26.1	[illegible]
	[illegible]	(1.4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16 Indirect Taxes (Net to Centre)			39,966	41,969	40,927	48,033	[illegible]
As per cent of total tax revenue	78.1	84.9	79.8	77.7	76.6	[illegible]	[illegible]
	(5.7)	(8.8)	(6.5)	(6.0)	(5.2)	[illegible]	[illegible]
17 Interest Receipts			10,933	12,487	[illegible]	[illegible]	[illegible]
	(1.1)	(1.8)	(1.8)	(1.8)	(1.9)	[illegible]	[illegible]

@ Figures relate to Revised Estimates for all years except 1995-96.

\# According to Reserve Bank of India Records.

$ According to the Economic and Functional Classification of the Central Government Budget. [illegible] 95 relate to revised estimates and budget estimates respectively.

Note : Figures in brackets are per cent to GDP.

Source : Budget Documents of the Government of India.

Table VIII-4: Key Deficit Indicators of State Governments

(Rs.crore)

Year Revenue	Gross Fiscal Deficit	Net Fiscal Deficit	Net Primary Deficit	Conventional Deficit	Deficit
1	2	3	4	5	6
1980-85 (Average)	(19.9)	(12.8)	(10.2)	(3.3)	(-4.0)
1985-90 (Average)	(19.7)	(14.7)	(10.0)	(-0.5)	(1.9)
1990-91	18,787.0	14,532.1	8,280.8	-71.6	5,309.0
	(22.0)	(17.9)	(11.4)	(-0.1)	(7.4)
1991-92	18,900.1	15,746.4	10,122.0	155.9	5,650.7
	(19.0)	(16.4)	(11.9)	(0.1)	(6.6)
1992-93	20,891.2	15,768.8	6,496.8	-1,829.4	5,114.1
	(18.7)	(14.8)	(6.9)	(-1.5)	(5.3)
1993-94	20,596.0	16,262.7	5,187.6	461.7	3,812.5
	(16.3)	(13.4)	(4.9)	(0.3)	(3.5)
1994-95	28,844.5	22,252.8	7,962.5	2,773.1	7,471.6
(Budget Estimates)	(19.8)	(16.0)	(6.6)	(1.8)	(6.0)
1994-95	29,139.8	23,926.5	9,815.3	132.2	7,712.3
(Revised Estimates)	(19.1)	(16.3)	(7.7)	(0.1)	(5.9)
1995-96	34,217.5	26,832.2	9,739.9	2,633.3	10,444.3
(Budget Estimates)	(20.0)	(16.4)	(6.9)	(1.5)	(7.1)

Note : Figures in brackets indicate percentage to respective expenditure.
(–) Indicates Surplus.

Table VIII-5 : Overall Budgetary Position of State Governments

(Rs. crores)

Items	1993-94 (Accounts)*	Percentage variation over the previous year	1994-95 (Budget Estimates)	1994-95 (Revised Estimates)	Percentage variation 1994-95(RE) over 1994-95(BE)	Percentage variation over the previous year	1995-96 (Budget Estimates)	Percentage variation over the previous year
1	2	3	4	5	6	7	8	9
I Aggregate Receipts (A+B)	134,186.8	10.7	150,097.0	160,866.5	7.2	19.9	175,309.0	9.0
			(148,711.2)		(8.1)		(174,342.7)	(8.4)
A. Revenue Receipts (1+2)	105,563.7	15.9	116,868.1	123,301.6	5.5	16.8	136,460.8	10.7
			(115,482.3)		(6.7)		(135,494.5)	(9.9)
1. Tax Receipts (a+b)	68,818.9	13.8	77,920.2	79,266.9	1.7	15.2	90,769.7	14.5
			(76,836.7)		(3.2)		(89,815.0)	(13.3)
a. States' Taxes	46,424.1	16.4	53,391.1	54,416.8	1.9	17.2	61,697.8	13.4
			(52,307.6)		(4.0)		(60,743.1)	(11.6)
b. Share in Central Taxes	22,394.8	8.8	24,529.1	24,850.1	1.3	11.0	29,071.9	17.0
2. Non-Tax Receipts (c+d)	36,744.8	19.9	38,947.9	44,034.7	13.1	19.8	45,691.1	3.8
			(38,645.6)		(13.9)		(45,679.5)	(3.7)
c. Grants from the Centre	21,176.0	19.2	22,594.4	22,290.8	-1.3	5.3	24,177.4	8.5
d. States' Non-Tax Receipts	15,568.8	20.8	16,353.5	21,743.9	33.0	39.7	21,513.7	-1.1
			(16,051.2)		(35.5)		(21,502.1)	(-1.1)
B. Capital Receipts (1+2)	28,623.1	-4.8	33,228.9	37,564.9	13.0	31.2	38,848.2	3.4
1. States' Capital Receipts of which:	14,213.4	-16.3	14,639.9	17,690.2	20.8	24.5	17,461.1	-1.3
a. Market Borrowings (Gross)	4,216.1	10.9	4,635.7	5,065.3	9.3	20.1	6,444.6	27.2
b. Recovery of Loans and Advances	2,418.8	25.8	1,805.6	3,546.5	96.4	46.6	1,580.2	-55.4
2. Loans from the Centre	14,409.7	10.0	18,589.0	19,874.7	6.9	37.9	21,387.1	7.6
II Aggregate Disbursements(A to E)	134,648.5	12.8	152,870.1	160,998.7	5.3	19.7	177,942.3	10.5
A. Developmental Expenditure@ (1 + 2)	89,387.6	10.9	99,511.1	104,210.3	4.7	16.6	111,861.2	7.3
1. Social Services	41,979.1	12.4	48,705.4	49,741.5	2.1	18.5	56,923.7	14.4
of which: Expenditure on Natural Calamities	947.7	-2.5	928.8	970.2	5.8	2.4	1,328.9	37.0
2. Economic Services	47,408.5	9.7	50,805.7	54,468.8	7.2	14.9	54,937.5	0.9
B. Non-Developmental Expenditure@	38,019.6	18.4	46,669.6	50,393.1	8.0	32.5	58,933.0	16.9
C. Repayment of Loans to the Centre	4,876.9	16.7	4,901.4	4,578.6	-6.6	-6.1	4,818.3	5.2
D. Discharge of Internal Debt	1,193.1	-4.6	450.5	432.3	-4.0	-63.8	865.4	100.2
of which : Market Loans	595.7	70.5	40.3	12.8	-68.2	-97.9	344.7	2593.0
E. Others #	1,171.3	-5.1	1,337.5	1,384.4	3.5	18.2	1,464.4	5.8
III Overall Surplus(+)/Deficit(-)(I-II)	-461.7		-2773.1	-132.2			-2633.3	
			(-4158.9)				(-3599.6)	
IV Financing of surplus(+)/Deficit(-)								
A. Increase(+)Decrease(-)in cash balances(Net)	-561.0		-2784.4	140.5			-2646.3	
			(-4170.2)				(-3612.6)	
B. Additions to(+)Withdrawals from Cash Balance Investment Account(Net)	137.0		11.3	-606.0			13.0	
C. Repayment of(+)/Increase in(-) Ways and Means Advances and Overdrafts from R.B.I.(Net)	-37.7		333.3	-				

Note : 1. Figures outside brackets under budget estimates for 1994-95 include the estimated net yield of Rs.1,385.8 crore from Additional Resource Mobilisation measures proposed by the States.

2. Figures outside brackets under budget estimates for 1995-96 include the estimated net yield of Rs.966.3 crore from Additional Resource Mobilisation measures proposed by the States.

* Figures for Bihar, Jammu and Kashmir and Nagaland relate to Revised Estimates.

@ Comprise expenditure on Revenue and Capital accounts and Loans and Advances extended by States.

Comprise compensation and assignments to local bodies and reserve with Finance Department.

Table VIII-6 :Financing Pattern of Gross Fiscal Deficit of State Governments

(Rs. crore)

Fiscal Year	Loans from the Central Government (net)	Market Borrowings (net)	Others	GFD (2+3+4)
1	2	3	4	5
1980-85 (Average)	(28.1)	(9.6)	(53.8)	(100.0)
1985-90 (Average)	(57.8)	(14.2)	(28.0)	(100.0)
1990-91	9,977.6	2,555.5	6,253.9	18,787.0
	(53.1)	(13.6)	(33.3)	(100.0)
1991-92	9,373.5	3,305.4	6,221.2	18,900.1
	(49.6)	(17.5)	(32.9)	(100.0)
1992-93	8,921.3	3,501.2	8,468.7	20,891.2
	(42.7)	(16.8)	(40.5)	(100.0)
1993-94	9,532.8	3,620.4	7,442.8	20,596.0
	(46.3)	(17.6)	(36.1)	(100.0)
1994-95 (Budget Estimates)	13,687.6	4,595.3	10,561.6	28,844.5
	(47.5)	(15.9)	(36.6)	(100.0)
1994-95 (Revised Estimates)	15,296.1	5,052.5	8,791.2	29,139.8
	(52.5)	(17.3)	(30.2)	(100.0)
1995-96 (Budget Estimates)	16,568.9	6,099.9	11,548.7	34,217.5
	(48.4)	(17.8)	(33.8)	(100.0)

Note : Figures in brackets are proportion to GFD.

Table VIII-7 : Combined Deficits of Central and State Governments

(Rs.crore)

Year	Gross Fiscal Deficit	Net Fiscal Deficit	Net Primary Deficit	Revenue Deficit
1	2	3	4	5
1990-91	53,580 (10.01)	45,224 (8.44)	26,223 (4.90)	23,871 (4.46)
1991-92	45,850 (7.44)	40,369 (6.55)	19,082 (3.10)	21,911 (3.56)
1992-93	52,404 (7.46)	46,000 (6.54)	18,180 (2.59)	23,688 (3.37)
1993-94	70,952 (9.02)	62,256 (7.92)	29,503 (3.75)	36,528 (4.65)
1994-95 (Budget Estimates)	74,478 (8.14)	65,104 (7.11)	20,792 (2.27)	40,199 (4.39)
1994-95 (Revised Estimates)	76,427 (8.39)	67,670 (7.43)	25,794 (2.83)	41,844 (4.59)
1995-96 (Budget Estimates)	80,851 (7.72)	69,972 (6.68)	19,299 (1.84)	45,985 (4.39)

Note : Figures in brackets are percentages to GDP at current market prices.

Table VIII-8 : Trends in Budgetary Deficits and Net RBI Credit to Governments

(Rs. crore)

Year	Budgetary Surplus (+)/Deficit (-)($)			Net RBI Credit to Governments (a)		
	Centre	States	Total	Centre	States	Total
1	2	3	4	5	6	7
1980-81	-2,477	-897	-3,374	3,551	487	4,038
1981-82	-1,400	-1,020	-2,420	3,208	789	3,997
1982-83	-1,656	-820	-2,476	3,367	-984	2,383
1983-84	-1,417	-561	-1,978	3,949	38	3,987
1984-85	-3,745	-1,438	-5,183	6,055	1,485	7,540
1985-86	-5,315	1,688	-3,627	6,190	-1,862	4,328
1986-87	-8,261	-667	-8,928	7,091	516	7,607
1987-88	-5,816	-66	-5,882	6,559	-157	6,402
1988-89	-5,642	380	-5,262	6,503	425	6,928
1989-90	-10,592	-161	-10,753	13,813	255	14,068
1990-91	-11,347	72	-11,275	14,745	420	15,165
1991-92	-6,855	-156	-7,011	5,508	-340	5,168
1992-93	-12,312	1,829	-10,483	4,257	176	4,433
1993-94	-10,960	-462	-11,422	260	591	851
1994-95 (Budget Estimates)	-6,000	-2,773	-8,773	-	-	-
1994-95 (Revised Estimates)	-6,000	-132	-6,132	2,130 $$	48	2,178 $$
1995-96 (Budget Estimates)	-5,000	-2,633	-7,633	**		-

(a) : Comprising net changes in (i) RBI holdings of Treasury bills, other Government Securities, rupee-coins in Issue Department, Ways and Means Advances to State Governments and (ii) Government's balances with RBI so that an increase in cash balances will imply a decline in RBI credit to Government and vice versa. Data refer to full fiscal year (i.e. from April to March) and take into account adjustments made at the time of final closure of Government Accounts.

$: Budgetary deficit or surplus is measured (a) in the case of the Central Government by (i) net increase/decrease outstanding Treasury bills and (ii) Withdrawals from / additions to cash balances, and (b) in the case of States by (i) net increase/decrease in the RBI credit in the form of Ways and Means Advances, (ii) decline in / additions to cash balances; and (iii) net sales/purchases of securities held by States in their Cash Balance Investment Account .

$$: As per RBI records after closure of Government Accounts

** : Not available.

Table VIII-9 : Expenditure on Social Sector

(Rs. crore)

Year	Centre		States		Centre and States combined	
	Total Expenditure	Expenditure on Social sector	Total Expenditure	Expenditure on Social sector	Total Expenditure	Expenditure on Social sector
1	2	3	4	5	6	7
1980-81	23,194	1,697 (7.3)	22,770	6,601 (29.0)	37,879	8,298 (21.9)
1985-86	53,808	3,189 (5.9)	44,869	17,031 (38.0)	78,627	20,220 (25.7)
1989-90	95,226	8,029 (8.4)	76,809	29,005 (37.8)	1,45,137	37,034 (25.5)
1990-91	1,07,994	6,122 (5.7)	91,242	35,132 (38.5)	1,63,673	41,254 (25.2)
1991-92	1,14,483	6,817 (6.0)	1,08,646	39,255 (36.1)	1,85,905	46,072 (24.8)
1992-93	1,26,063	7,261 (5.8)	1,19,355	44,468 (37.3)	2,03,043	51,730 (25.5)
1993-94	1,46,050	12,020 (8.2)	1,34,649	49,837 (37.0)	2,32,649	61,857 (26.6)
1994-95(BE)	1,56,836	13,691 (8.7)	1,52,870	57,811 (37.8)	2,61,228	71,502 (27.4)
1994-95(RE)	1,67,186	15,297 (9.1)	1,60,999	58,419 (36.3)	2,74,165	73,716 (26.9)
1995-96(BE)	1,77,826	17,489 (9.8)	1,77,942	66,497 (37.4)	3,00,458	83,986 (28.0)

Notes : 1. Figures in brackets represent percentages to respective total expenditure.
2. Figures for the Centre and States do not add up to the combined position due to inter-governmental adjustment.

RE : Revised Estimates. BE: Budget Estimates.

Source : Budget Documents of Government of India and State Governments.

Tab le VIII-10 : Market Borrowings of Central and State Governments and Institutions Sponsored by Central and State Governments

(Rs. crore)

Government/Authority	Gross			Repayments			Net		
	1995-96$	1994-95*	1993-94*	1995 96$	1994-95*	1993-94*	1995-96$	1994-95*	1993-94*
1	2	3	4	5	6	7	8	9	10
1. Central Government (a+b+c)	40,806	38,108	50,388	13,719	18,034	21,862	27,087	20,074	28,526
a) Normal Market Borrowings	5,210	4,654	4,848	1,510	954	1,148	3,700	3,700	3,700
b) Other Medium and Long Term Borrowings	23,046@	16,597@	25,217@	4,046	–	-	19,000@	16,597@	25,217@
c) 364 day Treasury Bills	12,550	16,857	20,323	8,163	17,080	20,714	4,387	-223	-391
2. State Governments	6,275	5,123	4,145	343	–	507	5,932	5,123	3,638
3. Institutions sponsored by Central Government	599	775	1,200	126	–	–	473	775	1,200
4. Institutions sponsored by State Government	440	433	1,166	90	87	86	350***	346***	1,080 **
5. Total Market Borrowings (1+2+3+4)	**48,120**	**44,439**	**56,899**	**14,278**	**18,121**	**22,455**	**33,842**	**26,318**	**34,444**

$: Estimates. - Nil
* : Actuals as per R.B.I.Records.
** : Including SFCs and SLDBs.
*** : Indicates net borrowings of SFCs and SLDBs. (The States guaranteed bodies' borrowing programme merged with the concerned States' borrowings with effect from 1994-95).
@ Includes conversion of Treasury bills into funded securities and amount raised through other instruments.
Source : R.B.I.Annual Reports.

Table VIII-11 :Net Market Borrowings of Local Authorities and Institutions sponsored by the Central and State Governments

(Rs. crore)

Institutions	1993-94	1994-95
1	2	3
I. Institutions sponsored by the Central Government	1,200.00	775.00
Industrial Development Bank of India	200.00	-
Industrial Credit and Investment Corporation of India	(-)	(-)
Industrial Finance Corporation of India	366.00	-
Exim Bank	60.00	60.00
Industrial Reconstruction Bank of India	75.00	105.00
National Bank for Agriculture and Rural Development	78.00	90.00
Rural Electrification Corporation	26.00	30.00
Housing and Urban Development Corporation	30.00	40.00
National Co-operative Development Corporation	25.00	35.00
Damodar Valley Corporation	-	20.00
Shipping Credit and Investment Company of India Ltd.	-	
Delhi Co-operative Housing Society Ltd.	-	
National Housing Bank	40.00	45.00
Power Finance Corporation	10.00	-
Tourism Finance Corporation of India	-	(-)
SIDBI	290.00	300.00
NEEPCO	-	50.00
II. Institutions Sponsored by State Governments	1,079.73	345.56*
1 State Electricity Board	486.21	-
2 State Financial Corporation	350.00	350.00
3 Industrial Investment Corporations and Industrial Development Corporations	16.50	-
4 Land Development Banks	-	(-)4.44
5 Housing Boards	14.54	-
6 Municipal Corporations	24.67	
7 Other Institutions	187.81	-
Grand Total : (I+II)	**2,279.73**	**1120.56**

* Indicates net market borrowings of SFCs and SLDBs.
\- Nil

Source : Reserve Bank of India Records.

Table VIII-12 : Term Structure of Interest Rate– Central and State Government Securities

(Per cent per annum)

Maturity (in years)	1995-96[a]	1994-95	1993-94
1	2	3	4
Central Government Securities			
2	13.25***		12.00 *
	13.50		
3	13.65	11.00 *	12.75 *
4	13.73++		
5	13.25**	12.00 *	13.00
	13.85+	12.71$$	12.75 $
6		11.64 #	13.12
7	13.80	12.08	13.25
		11.75 *	
8		11.55@@	13.31
9			13.40
10	13.75	12.35	12.50 *
	14.00 @@@		
State Government Securities			
10	14.00@	12.50@	13.50@

\# Auctioned as well as tap issue coupon rate.
* Fixed coupon rate offered in conversion of Treasury bills.
** Cut off yield rate offered in lieu of conversion of Treasury bills.
*** Coupon rate on dated stock issued in lieu of conversion of 12.00 per cent Government Stock 1995.
$ Implicit yield on Government of India Zero Coupon Bond, 1999.
$$ Implicit yield on Government of India Zero Coupon Bond, 2000.
@ Pre announced.
@@ Government of India Partially Paid Stock.
@@@ Fixed Coupon tap issue as well as Partially Paid Stock.
\+ Implicit yield on Government of India Zero Coupon Bond,2000(II issue).
++ Floating Rate Bonds,1999 carries an interest rate of 13.73 per cent for the half year ending March 29,1996.
a : Upto September 30, 1995.
Note : Coupon rates based on Auctions.
Source : Reserve Bank of India Records.

CHAPTER IX

FOREIGN TRADE*

Overall Trend

Reflecting the surge in imports, emanating primarily from resurgence of industrial activity, the fiscal year 1994-95 experienced a deterioration in trade deficit, as compared with the trade deficit of 1993-94 which, it must be noted, was the lowest in more than one and half decade. The trade deficit during the year would have widened further but for the robust performance of exports. In order to get a realistic picture of trade performance over time, all the nominal values have been expressed in this chapter in US dollar terms. The Directorate General of Commercial Intelligence and Statistics (DGCI & S) data show that the trade deficit increased by US $ 960 million from US $ 1,068 million in 1993-94 to US $ 2,028 million in 1994-95. A break-up of trade balance into 'oil' and 'non-oil' components indicates a shrinkage in non-oil surplus to US $ 3,437 million in 1994-95 from US $ 4,288 million in 1993-94. The oil deficit deteriorated marginally to US $ 5,465 million in 1994-95 from US $ 5,356 million in the previous year. The trade deficit of US $ 2,028 million, however, constituted less than 1 per cent of the estimated GDP for 1994-95.

India's exports touched yet another peak at US $ 26,223 million during the fiscal year 1994-95 representing a growth rate of 17.9 per cent on top of a strikingly accelerated growth rate of 20 0 per cent in 1993-94. After a seasonal trough during April-July 1994, export growth has been on an ascending path throughout the rest of the year without showing deviation from the normal seasonal behaviour. This was rendered possible by an impressive 9.4 per cent rise in world exports in volume terms during 1994 and was aided by the policy-induced availability of export credit at internationally competitive interest rates. Price incentives have been made size-neutral which constitutes a distinct departure from the earlier policy of favouring smaller units.

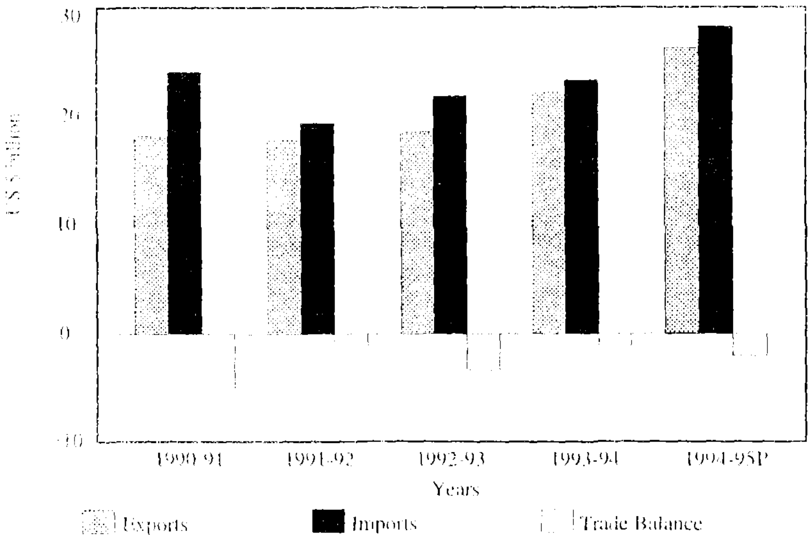
Imports at US $ 28,251 million represented a growth rate of 21.2 per cent during 1994-95 as compared with a modest rise of 6.5 per cent in the previous year. Reflecting primarily a smart recovery in industrial production, non-oil imports registered a notably high growth rate of 27.4 per cent to reach US $ 22,369 million in 1994-95 from US $ 17,552 million in 1993-94. Petroleum, Oil and Lubricants (POL), on the other hand, registered only a marginal rise of 2.2 per cent to US $ 5,882 million during the year from US $ 5,754 million in the previous year, although in quantum terms POL imports registered a marginal decline. Non-oil imports remained buoyant during 1994-95 except in November 1994 and January 1995. Industrial recovery led to a sharp increase in imports. Imports have also responded to the replacement of quantitative restrictions (QRs) by tariffs in the liberalised trade regime.

The trade data are presented in brief in Table IX-1 and Graph IX-1.

The export-import ratio which indicates the extent to which exports can finance imports, recorded a decline of over 2 percentage points reflecting the relative bulge in imports during the year.

* This Chapter is based on information/data available up to end-November, 1995.

Graph IX-1
India's Foreign Trade



P : Provisional

Trade Developments in the First Half of 1995-96

The robust export performance witnessed in the immediate preceding two years continued unabated during the first half (April-September) of the current fiscal year 1995-96. Exports at US $ 14,685 million represented an impressive growth rate of 26.4 per cent as compared with a modest rise of 12.3 per cent during the comparable half of 1994-95. The buoyancy in exports was sustained by the further dose of trade liberalisation effected by the modified EXIM Policy announced in March and April 1995. Reflecting primarily the continued resurgence in domestic industrial activity, imports registered a sharper rise of 32.8 per cent to US $ 17,065 million although there are signs of abatement in the recent months. Imports of capital goods contributed a sizeable portion of aggregate imports culminating into investment boom. As a result of these developments, the trade deficit during the first half of 1995-96 amounted to US $ 2,380 million as compared with US $ 1,230 million during the comparable half of 1994-95.

Performance of Trade Sector in the Reform Period

After two years of indifferent performance, exports have emerged as a force to be reckoned with. The years 1993-94 and 1994-95 experienced an annual average export growth of about 19 per cent in dollar terms, almost equalling the high growth phase witnessed in the last three years of the Seventh Five Year Plan (1987-88 to 1989-90). In volume terms too, the growth of 12.1 per cent per annum during the first three years of the Eighth Five Year Plan is close to the Plan target of 13.6 per cent. The striking improvement in the export performance had its reflection in trade deficit which contracted from an average of over $ 5 billion during 1986-91 to around $ 2 billion annually during 1991-95. Viewed differently, the average reduction in trade deficit since 1991-92 has resulted in considerable foreign exchange saving.

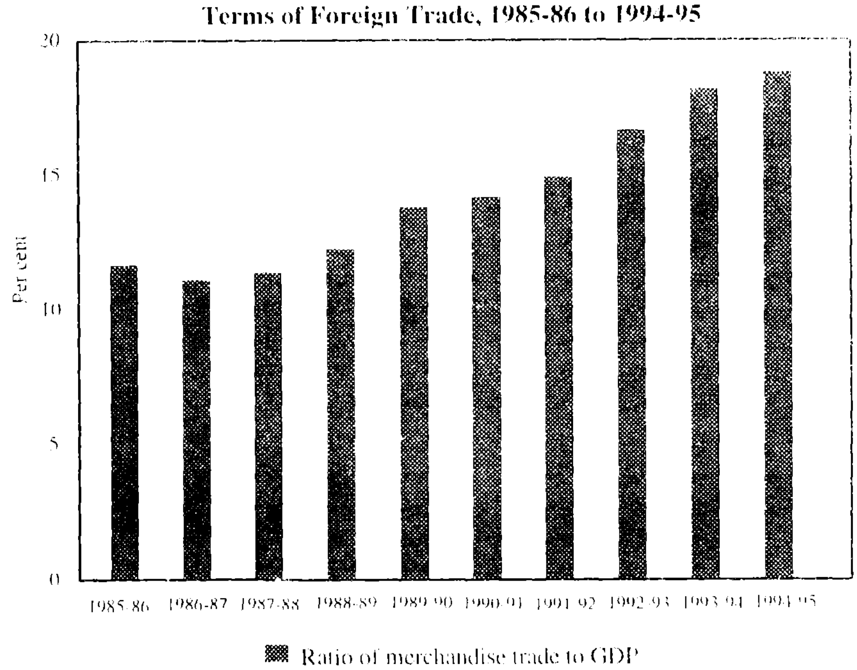
An examination of the trade data on customs basis has brought into sharp focus the increasing opening up of the economy. Merchandise trade accounted for, on an average basis, about 17 per cent of GDP during the period 1991-95 as compared with about 13 per cent in the pre-reform period, 1987-91 (Graph IX-2).

Trade reforms have had a perceptible positive impact on net terms of trade as evidenced by a consistent rise in the index (base 1978-79 = 100) from 109.3 in 1990-91 to 199.0 in 1994-95. The improvement in the terms of trade has been brought about by a larger rise in the unit value index of exports in relation to the unit value index of imports, reflecting the impact of exchange rate adjustments put in place in July 1991. More importantly, the improvement in the terms of trade was also reflected in income terms of trade which rose unabatedly from 212 in 1990-91 and peaked to 582.0 in 1994-95 (Graph IX-3), indicating thereby the enhanced import purchasing power of exports. The steady improvement in both net terms of trade and income terms of trade was not seen in the last two and half decades, and is therefore a reflection of the impact of trade reforms.

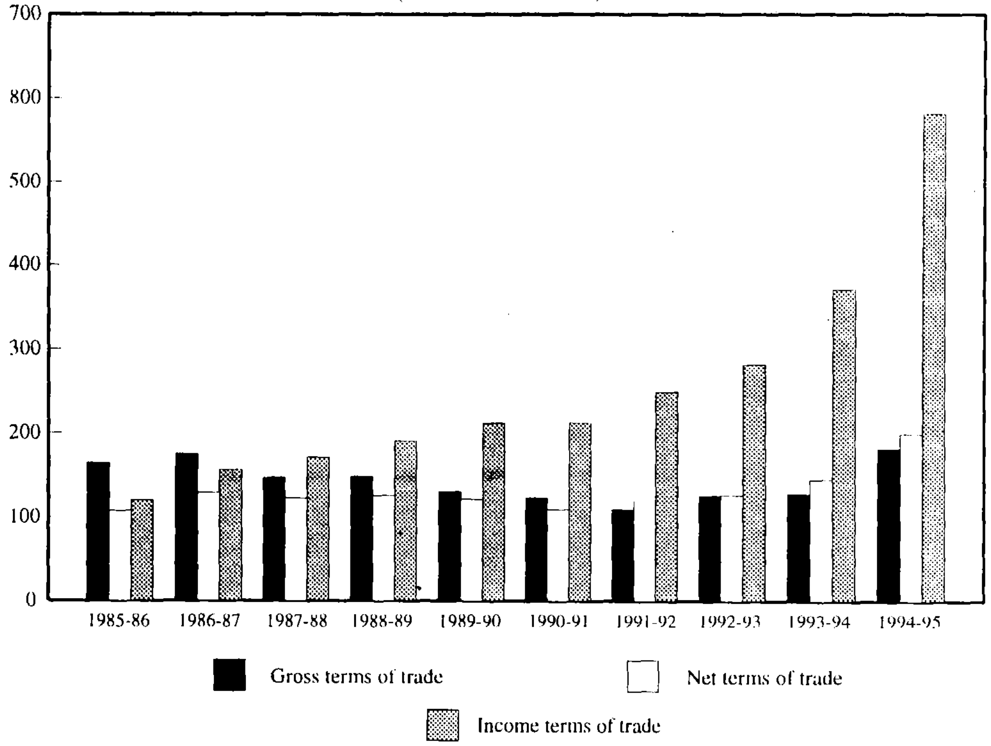
Composition of Exports

The surge in exports during 1994-95 was led by manufactured goods with a rise of [illegible] per cent in 1994-95 eclipsing the 18.6 per cent growth rate recorded during the previous year. On the other hand, the growth rate of primary product exports decelerated considerably from 26.9 per cent in 1993-94 to 5.4 per cent in 1994-95 due primarily to supply constraints exacerbated further by buoyant domestic demand (Table IX-2). The share of manufactured exports in total exports increased almost steadily from 71.6 per cent in 1990-91 to 77.3 per cent in 1994-95, except for a slight dip in 1993-94. The share of primary products, on the other hand, declined from 23.8 per cent to 19.8 per cent during the same period. As much as 91 per cent

Graph IX-2
Index of India's Openness in Terms of Foreign Trade, 1985-86 to 1994-95



Graph IX-3
India's Terms of Trade
(Base : 1978-79 = 100)



of the incremental exports emanated from the manufactured sector while the contribution of primary exports to the incremental exports was a mere 7 per cent. Significant strides were made by the textiles and the garments sectors in total exports for the second year in succession.

During 1994-95, the performance of the major industry-wise exports shows that most of the items exceeded growth rates of the previous year. Cotton yarn, fabrics, made-ups recorded the highest growth rate of 44.0 per cent followed by chemical and allied products (31.2 per cent), ready-made garments (26.2 per cent) and leather and leather manufactures (19.8 per cent). Other major commodities which maintained the double-digit growth rates included engineering goods (14.4 per cent) and handicrafts (11.6 per cent) although their growth rates were lower than those recorded in the previous year. One of the redeeming features of the recent export performance of the country has been a marked jump in the exports of labour-intensive products like textiles and clothing. Ready-made garments and cotton yarn, fabrics and made-ups taken together, registered a 60.8 per cent growth rate between 1990-91 and 1994-95 and thus, improved their share in the total exports from 18.8 per cent to 20.9 per cent during the period. This was greatly facilitated not only by a vigorous recovery in world trade, but also by the opening up of new markets.

Special incentives given to promote primary exports combined with international scarcity of certain primary products boosted the growth rate of India's primary commodity exports in certain cases. Among these products, the highest growth rate was registered by coffee (86.5 per cent) followed by marine products (37.9 per cent), processed fruits, juices and miscellaneous processed items (32.6 per cent) and mica, coal and other ores and minerals (29.2 per cent).

The direction of India's major export items during the year 1994-95 shows that the OECD countries continued to be the primary destination of India's exports. The USA was the single largest market for five out of six major export items of India. However, for many products (e.g. gems and jewellery, engineering goods, cotton-yarn, fabrics, made-ups, etc.) east Asian newly industrialised countries (NICs) are fast emerging as important markets for the country's exports.

Data on quantum and unit value realisation of exports have been presented in Table IX-3.

Commodity-wise Imports

India's imports at US $ 28,251 million during 1994-95 registered a sharp rise of 21.2 per cent as compared with a modest rise of 6.5 per cent in the preceding year. While both 'bulk' and 'non-bulk' imports contributed to the accelerated growth in total imports, the growth rate of the former was higher than that of the latter. As a result, the share of bulk imports in total imports increased, *albeit* marginally, to 40.2 per cent in 1994-95 from 39.2 per cent in the preceding year, partly reversing the earlier trend. The share of bulk imports in total imports had declined by about 6.4 percentage points during 1990-91 through 1993-94, reflecting, by and large, the declining unit cost of crude oil. The average price paid by India for crude oil in the world market declined from US $ 17.48 per barrel during 1992-93 to US $ 14.15 per barrel during 1993-94. During 1994-95, the average price registered a rise once again, reaching US $ 15.70 per barrel. The main items under bulk imports which registered sharp increases were non-ferrous metals, iron and steel, edible oils and fertilisers. POL imports, which constituted more than 50 per cent of bulk imports, remained broadly at the level of the preceding year. Imports of crude oil and petroleum products at US $ 5,882 million during 1994-95 represented a marginal rise of 2.2 per cent over the preceding year. In quantum terms, however, POL imports declined from 42.90 million tonnes in 1993-94 to 42.44 million tonnes in 1994-95 (Table IX-4).

Non-bulk imports continued to exhibit an uptrend with a growth rate of 19.2 per cent on top of a rise of 17.2 per cent in the previous year. Their share in total imports, however, declined marginally to around 60 per cent from 61 per cent in the previous year. Over a longer span, the share of non-bulk imports has increased gradually from over 54 per cent in 1990-91 to about 60 per cent in 1994-95 indicating, *inter alia*, the diversification of industrial structure, build up of additional industrial capacity and larger use of imported inputs by the industrial sector. The category of non-bulk imports broadly represents developmental imports (e.g. capital goods, organic and inorganic chemicals, etc.), and the items which recorded sharp increases included capital goods, organic and inorganic chemicals, artificial resins and plastic materials and textile yarn, fabrics and madeups. Imports of pearls, precious and semi-precious stones, however, registered a large decline. Import of capital goods, which comprise machine tools, electrical and non-electrical machinery, electronics goods and transport equipment, rose by 18.2 per cent on top of a rise of 37.8 per cent in the previous year. Increased imports of capital goods facilitated buoyant industrial activity. The apprehension regarding domestic capital goods production being swamped by imports was unfounded, since larger imports of capital goods took place along with a sharp surge in domestic production of capital goods.

Data on quantum and cost per unit are presented in Table IX-5. It can be seen therefrom that for all items of bulk imports except crude fertilisers, sugar and iron and steel, cost per unit registered increases during 1994-95. Bulk imports in respect of which quantum increased considerably include edible oils, iron and steel, crude fertilisers and sulphur and unroasted iron pyrites. On the other hand, for bulk imports such as wheat, rice, pulses, pulp and waste paper and crude rubber, quantum of imports registered declines during 1994-95.

Direction of Foreign Trade

The direction of India's foreign trade remained broadly unchanged during 1994-95. By and large, the industrial market economies belonging to the OECD group of countries continued to serve both as principal markets for India's exports as well as major sources of India's imports.

India's trading partners are classified into four broad categories :

a) Organisation for Economic Co-operation and Development (OECD) countries,

b) Organisation of Petroleum Exporting Countries (OPEC),

c) Eastern Europe, and

d) Developing countries.

The fiscal year 1994-95 was characterised by a turnaround in India's trade balance with OECD countries resulting from an accelerated rise in exports to the European Union (EU) and North America. The OECD group of countries continued to be the principal trading partners accounting for about 55.0 per cent of India's total trade (exports plus imports). The shares of OPEC and Eastern Europe were respectively 15.3 per cent and 3.7 per cent. The share of other developing countries in total trade was as much as 25.2 per cent (Table IX-6).

Reflecting the economic recovery, the EU and North America, India's two largest trading partners within the OECD group, increased their shares in India's total exports from 26.1 per cent and 19.0 per cent in 1993-94 to 26.7 per cent and 20.1 per cent respectively in 1994-95 . As regards the east European countries, their share in India's total exports registered a decline from 4.5 per cent in 1993-94 to 4.0 per cent in 1994-95. Developing countries, on the other hand, increased their share in India's total exports marginally from 26.1 per cent in 1993-94 to 26.3 per cent in 1994-95. During the 'eighties and early 'nineties, the share of developing countries has steadily increased in India's export basket by about 7 percentage points indicating a directional shift in exports from North to South.

The directional shift in India's foreign trade is more marked in the case of imports. Although the OECD group of countries continued to remain the principal source of India's imports, their share in India's total imports declined sharply to 51.1 per cent in 1994-95 from 56.1 per cent in 1993-94. The reduced share of the OECD countries in India's total imports is attributable to the shrinkage in the shares of EU and North America. The east European countries, on the other hand, registered a rise in their share in India's total imports from 2.4 per cent in 1993-94 to 3.[illegible] per cent in 1994-95. The developing countries have assumed increasing importance as sources of India's imports in recent years. Their share in India's total imports rose to 24.1 per cent in 1994-95 from 19.0 per cent in 1993-94, with Asia, Africa and Latin America accounting for the bulk of the increase.

Developments in Foreign Trade Policy

Several policy initiatives aimed at trade liberalisation embodied in the Export-Import (EXIM) policy, 1992-97, as modified up to March 30, 1994 were presaged in detail in the previous year's Report. Modifications introduced to the EXIM Policy in March and April 1995 represent yet another step in pursuing a comprehensive programme of external sector-oriented pro-market reforms. The focus of the modified EXIM policy is on quickening the pace of reforms so as to sustain the growth in exports. A two-tier approach had been resorted to in the modified EXIM Policy as a precursor to the opening up of the consumer goods sector; the negative list of imports was pruned further and simultaneously the lists of items importable under the Open General Licence (OGL) and Special Import Licences (SIL) were expanded.

The highlights of the modifications to the EXIM Policy, 1992-97, announced in March and April 1995 are spelt out below :

1. Export Promotion Capital Goods (EPCG) Scheme

To give boost to the domestic manufacturing sector, the scope of the EPCG Scheme was widened on March 31, 1995, by providing for zero-duty import of capital goods of a value of at least Rs. 20 crore (c.i.f.) subject to an export obligation to be fulfilled over time either on f.o.b. or n.f.e. basis. The export obligation will be six times the c.i.f. value of the capital goods in the case of f.o.b. option, and four times the c.i.f. value of the capital goods in the case of n.f.e. option within a period of eight years from the date of issue of the import licence. Both new and second-hand capital goods may be imported under the Scheme and shall be subject to Actual User condition till the export obligation is completed. In the case of import of second-hand capital goods at zero-duty, the minimum residual life shall be ten years. In the case of import of capital goods of c.i.f. value less than Rs. 20 crore under the Scheme, the export obligation will continue to be four times the c.i.f. value of the capital goods to be fulfilled within a period of five years. The value limit for the Zonal Licensing Committees at Bombay, Delhi, Calcutta and Madras for grant of EPCG Licence has been raised from Rs. 25 lakhs to Rs. 1 crore.

To facilitate sourcing of capital goods against EPCG licences from domestic manufacturers of capital goods, benefits of 'Deemed Exports' will be extended to the domestic manufacturers. Legal Undertaking (LUT)/Bank Guarantee was further rationalised. An applicant under the EPCG scheme will be required to give only a LUT. The Bank Guarantee will be executable only with the Customs Authorities. The Bank Guarantee will be for an amount equal to 50 per cent of the value of duty saved.

2. Duty Exemption Scheme

Under the Scheme, the value limit for granting duty free licences by the Zonal Advance Licensing Committees at Bombay, Delhi, Calcutta and Madras were enhanced to Rs. 2 crore where norms have not been fixed, and from Rs. 10 crore to Rs. 25 crore where standard norms have been fixed.

The procedural difficulties faced by Value-Based Advance Licence holders with reference to Modvat were minimised and streamlined by enabling such licence holders to claim Modvat or Drawbacks, as the case may be, in most cases. A new Pass Book Scheme will be introduced to enable certain categories of exporters, viz., Export Houses/Trading Houses/Star Trading Houses and Super Star Trading Houses to avail of all the facilities of a Value-Based Advance Licence with greater flexibility. The Pass Book will be issued by the offices designated by the

Director General of Foreign Trade (DGFT) who will sit in the Customs Houses at Calcutta, Delhi, Bombay and Madras to ensure prompt service to the exporters through close interaction with the Customs Authorities.

The Advance Intermediate Licence, which hitherto was only quantity-based, has been made value-based as well under the schemes such as the Engineering Products (Replenishment of Iron and Steel Intermediates) Scheme (EPRS), to be notified by the DGFT with a view to encourage licence holders to source their imports from indigenous suppliers. Further,transferability of Advance Licences has been simplified by allowing transfers of such licences as soon as the export obligation is fulfilled and the Bank Guarantee/LUT is redeemed, without waiting for the realisation of the export proceeds.

The Duty Exemption Scheme has also been designed to be more domestic supplier - friendly by allowing such licence holders to avail of the facility of Back-to-Back Letters of Credit through the banking system to access goods from indigenous suppliers without applying for an Advance Release Order. Standard Input-Output Norms for as many as 1,000 new items have also been fixed, taking the total to over 4,200 items.

3. Deemed Exports

The scope of 'Deemed Exports' has been widened by according 'Deemed Export' status to certain categories of supply of goods manufactured in India in order to encourage the domestic manufacturers to supply goods for such projects. The value of Special Import Licence available for 'Deemed Exports' will now be at the rate of 6 per cent, instead of 5 per cent, of the f.o.r. value (excluding all taxes and levies) of supplies made with effect from April 1, 1995.

4. Restricted List of Imports

To ensure adequate availability of goods of mass consumption at competitive prices the Restricted List of imports has been pruned further by expanding the list of freely importable goods, popularly known as the OGL. As regards other restricted goods, the approach is to allow relaxation in a phased manner through the Special Import Licence route.

5. Special Import Licence (SIL)

The scope of the SILs has been expanded further by allowing import of a number of additional items in the Restricted List of imports. Imports of mass consumption goods under SIL would be closely monitored to assess the impact on prices, domestic availability and production. The definition of consumer goods has been suitably amended to facilitate free import of components, parts and spares of consumer goods. Further, the SIL entitlement on both n.f.e. as well as f.o.b. basis has been increased by 1 per cent for Export Houses/Trading Houses/Star Trading Houses/Super Star Trading Houses as well as Quality Certification holders. In cases where the share of SSI manufactures, handlooms, handicrafts including sports goods, hand knotted carpets and silk products exceed 50 per cent of the total exports, additional SIL of 1 per cent will be allowed.

6. Export Oriented Units (EOUs) and Units in Export Processing Zones (EPZs)

Debonding and conversion for EOUs and units in EPZs have been made easier. Such units are now permitted, as a one time option, to debond on payment of duty on capital goods under the 15 per cent duty regime, subject to the unit undertaking the export obligation applicable under the EPCG scheme. This will be in addition to the facility of total debonding on payment of applicable duties and penalty. Further, existing DTA units having an export obligation under the EPCG scheme may be converted into an EOU and the export obligation under the EPCG scheme will be met concurrently from the exports by the units as an EOU. Moreover, EOU/EPZ units have also been permitted to carry out reconditioning, repair and re-engineering activities for exports in freely convertible currency.

7. Rationalisation of Tariff Structure

With a view to improving competitive efficiency of domestic industries, the peak tariff rate was slashed to 65 per cent in 1994-95 from 110 per cent in 1992-93. Encouraged by the buoyant industrial activity, especially in the manufacturing sector, the Central Budget for 1995-96 envisaged a further reduction in peak tariff rate to 50 per cent.

Pursuant to the recommendations of the Tax Reforms Committee (Chelliah Committee), the Central Budget for 1995-96 effected further reduction in tariff and rationalisation/ simplification of the tariff structure with a view to bringing them in line with those of other developing countries. Import duty on certain capital goods like generating sets and weighing machinery has been reduced to 25 per cent while import duties on machine tools and their parts have been unified at 25 per cent. Further, import duty on components of certain capital goods which contain electronic parts and components interchangeable with motor vehicle parts and testing, quality control and other instruments and their parts has been reduced to 25 per cent. These measures will unify the customs duty for nearly 80 per cent of general machinery (both mechanical and electrical), machine tools, instruments and project goods at 25 per cent. For key inputs into capital goods such as ferrous and non-ferrous metals the duty rate has been lowered to 40 per cent.

In the clothing and textile sector, import duty on essential raw materials and inputs such as xylenes and DMT,PTA and MEG have been lowered to 10 per cent and 35 per cent respectively with a view to reducing input cost to the user industries. To help ensure that the benefits are reflected in the prices of final products, import duty on synthetic fibres and filament yarns have also been reduced to 45 per cent *ad valorem*. Rationalisation and reduction in tariff rate has also been effected in important sectors of the economy such as agriculture, chemicals and electronics while the benefit of full exemption from import duty has been extended to all parts of life saving and sight saving medical equipment.

Other Measures

Given the critical importance of credit in the export promotion strategy, credit policy has been geared to provide increased availability of credit to exporters. Under the monetary and credit policy for the first half of 1994-95 announced in May 1994, the running account facility under the Pre-shipment Credit in Foreign Currency (PCFC) introduced in November 1993, which hitherto was available only to exporters of gems and jewellery, was extended to other exporters with a good track record. Further, under the refinance facility against Post-shipment Export Credit denominated in US dollar (PSCFC), banks' refinance access was reduced from 90 per cent to 80 per cent of such outstanding credit. Further,the base for determining the Export Credit (Rupee) refinance limits was also brought forward by one year. With regard to Export Packing Credit, the scheme of Export Credit (in Rupees) was extended to sub-suppliers of raw materials, components, etc., of exported goods.

Post-Uruguay Round Developments

By ratifying the Uruguay Round Agreement, India has become a founder member of the

World Trade Organisation (WTO) which came into existence on January 1, 1995 as the forum for multilateral trade negotiations. To maintain her commitments to the Organisation as well as to benefit from her affiliation to this world body, India has effected certain policy measures to fulfill the requirements. On December 31, 1994 the Government has promulgated two Ordinances; one amending the Patent Act, 1970 and Patent Rules, 1972 and the other one dealing with dumping and countervailing measures. The first Ordinance is awaiting the consent of the Upper House of the Parliament. The ordinance on patents seeks to bring parity between the relevant domestic laws and the corresponding international practices while incorporating various provisions to safeguard domestic interests. The other Ordinance aims at creating background for action through countervailing measures against dumping of merchandise into the country. In line with the persuasion of various developing countries including India, one of the significant developments of the Uruguay Round Agreement has been the resolution to gradually phase-out the MFA, a quota based restrictive system which has governed trade in textiles and clothing since early 1970s. In line with this agreement, India has, on December 31, 1994, entered into two separate agreements relating to trade in textiles and clothing with the EU and the USA which allow for larger market access to these countries. These two trade partners together account for about two-thirds of India's textile exports and it is expected that these agreements would boost India's exports significantly.

Emerging Issues

An important facet of the trade reform is the gradual reduction in import tariffs. With the gradual phasing out of the licensing system, import tariffs are perhaps the only instruments of domestic protection. The virtual elimination of the licensing system underscores the paramount need to work out equivalent tariffs to ensure adequate level of protection. The structure of tariff currently in vogue needs restructuring, and requires to be so designed as to achieve a harmonised tariff regime in which the spread across the sectors is minimised. However, the need for some sort of differential tariff regime in the context of the technological gap would have to be borne in mind, as indicated by the analytical approach supported by the Alexander Committee way back in 1978.

With the adoption of liberalised foreign investment policy, concerns are being voiced by the domestic industries regarding the level playing field. It is being felt in some quarters that certain benefits to the foreign firms accruing from the policies of the foreign governments such as lower interest rates, incentives for research and developments (R & D), efficient mechanism for coverage of risks, good infrastructure, etc., have placed them in an advantageous position vis-a-vis the domestic firms. These issues would need to be addressed, perhaps, on a case to case basis, with a view to removing the apparent anomalies to help evolve a truly competitive environment in the midst of imperfection of various kinds.

The trade configuration in the post-Uruguay Round era could be much more technology-driven than ever before. The introduction of product patenting, provisions of exclusive marketing rights sought to be effected through the amendments to the Indian Patents Act 1970 in conjunction with recognition of IPR as private property rights have thrown up new challenges. The emerging trade configuration underlines the need for evolving an appropriate institutional framework for strengthening the link between academic centres of excellence in science and technology and industrial R & D centres.

There is a growing apprehension that the liberal trade regime in the industrialised countries for the last two-three decades may not continue for too long in the presence of high unemployment and lower growth rates. Enforcement of certain environmental standards and labour standards are being seen as the manifestations of neo-protectionism sweeping across the developed economies. The emergence of neo-protectionism is generally attributed to the loss of international competitiveness, which raises a number of issues that need to be sorted out at the international fora including the World Trade Organisation (WTO).

World Trade Organisation

The World Trade Organisation (WTO) came into existence on January 1, 1995, replacing GATT, with a membership of 81 countries and territories which represented over 90 per cent of the international trade in goods and services.

The WTO will take charge of administering the new global trade rules aimed at establishing the rule of law in international trade in goods and services. This is expected to provide a fresh impetus to the growth of world trade. According to WTO's estimates, in view of the various agreements and market access agreements which will substantially reduce international trade barriers, the annual world trade growth will be higher by about a quarter by 2005.

International Agreements in respect of Selected Commodities during 1994-95

Food and Agriculture

The FAO Council's 107th Session (Rome, November 15-24, 1994) expressed concern over the deteriorating global food security, with the number of countries requiring exceptional food assistance increasing to 31 in 1994 from 27 in 1993. Eastern Africa remained the most affected region.

At its 20th Session (Rome, April 25-28, 1995), the Committee on World Food Security drew attention to the decline in levels of food aid in 1994-95 to below 10 million tons for the first time in more than ten years and substantial fall in the minimum commitment under the Food Aid Convention.

Coffee

The sixty-fifth (London, September 26-30, 1994) and the sixty-sixth (London, January 19-20, 1995) Sessions of the International Coffee Council deliberated on issues relating to membership of the International Coffee Agreement of 1994. In the sixty-fifth session, it was decided that the new ICA would come into force provisionally on October 1, 1994. Also, the period for the deposit of instruments of ratification, acceptance or approval of the 1994 Agreement was extended from September 1994 to March 1995.

A new coffee export retention scheme agreed upon by producing countries was started on April 11, 1995 whereby members of the Association of Coffee Producing Countries (ACPC) will retain 20 per cent of the exports if world prices of arabica and robusta beans fall below predetermined levels. The differences between the new scheme and the old one include higher floor prices and an option for export quotas.

Rubber

In a meeting under the auspices of UNCTAD (Geneva, February 6-17, 1995) producers and consumers agreed on a new International Natural Rubber Agreement to replace the 1987 Agreement due to expire on December 28, 1995. Producers and consumers settled the outstanding dispute over the reference price, which will rise by 5 per cent to 206.68 Malaysian/Singapore cents per kilo. The new price range is 159 to 268 Malaysian/ Singapore cents. The maximum size of the buffer stock has been fixed at 550,000 tonnes.

Cocoa

At its 50th Session, the International Cocoa Council (London, September 8-16, 1994) extended the period of obtaining the government's signature for the membership of the 1993 Agreement from October 1, 1994 to September 30, 1995. The Council also approved a redistribution of voting rights. 13 exporting countries and 19 importing countries were members of the 1993 Agreement as of mid-December, 1994.

Table IX-1 : India's Foreign Trade

(US $ million)

Year	Exports	Imports	Trade balance
1	2	3	4
1990-91	18,145 9.2	24,073 13.4	5,927
1991-92	17,866 -1.5	19,411 -19.4	1,545
1992-93	18,537 3.8	21,882 12.7	-3,345
1993-94	22,238 20.0	23,306 6.5	-1,068
1994-95 P	26,223 17.9	28,251 21.2	-2,028

Notes - (1) Figures in decimals relate to percentage variation over the previous year.
(2) For data in rupee terms please refer to Vol.II.

P - Provisional.

Source - DGCI & S.

Table IX-2 : India's Exports of Principal Commodities

(US $ million)

Commodity Group	1990-91	1991-92	1992-93	1993-94	1994-95 P
1	2	3	4	5	6
I. Primary products	**4,322**	**4,132**	**3,874**	**4,916**	**5,181**
	23.8	**23.1**	**20.9**	**22.1**	**19.8**
A. Agriculture and allied products	**3,354**	**3,203**	**3,136**	**4,028**	**4,183**
of which:	**18.5**	**17.9**	**16.9**	**18.1**	**16.0**
Tea	596	492	337	338	310
Coffee	141	135	130	174	324
Rice	257	306	337	410	376
Cotton raw (incl. waste)	471	124	63	208	45
Tobacco	147	153	164	147	79
Cashew kernels (incl. CNSL)	249	274	258	334	396
Spices	130	151	136	181	193
Oil meal	339	374	534	741	572
Fruits and vegetables	119	142	108	132	156
Processed fruits, juices and misc. processed items	68	77	79	91	120
Marine products	535	585	602	814	1,122
Sugar and molasses	21	64	122	57	20
Meat and meat preparations	78	94	89	110	126
B. Ores and minerals	**967**	**930**	**738**	**888**	**998**
of which:	**5.3**	**5.2**	**4.0**	**4.0**	**3.8**
Iron ore	585	582	381	438	417
Mica, coal and other ores and minerals	382	347	357	450	582
II. Manufactured goods	**12,991**	**13,149**	**14,039**	**16,657**	**20,283**
of which:	**71.6**	**73.6**	**75.7**	**74.9**	**77.3**
Leather and leather manufactures	1,449	1,269	1,277	1,300	1,557
Chemicals and allied products	1,307	1,480	1,229	1,478	1,939
Engineering goods	2,250	2,253	2,481	3,039	3,476
Readymade garments	2,236	2,199	2,393	2,586	3,264
Cotton yarn, fabrics, made-ups etc.	1,170	1,300	1,350	1,537	2,214
Natural silk yarn, fabrics, made-ups etc.	131	142	139	127	130
Jute manufactures	166	159	123	124	152
Coir and coir manufactures	27	28	31	41	55
Handicrafts	3,437	3,387	3,783	4,768	5,321
of which:					
Gems and jewellery	2,924	2,738	3,072	3,996	4,501
Carpets (handmade excl. silk)	289	407	435	454	437
Works of art (excl. floor coverings)	224	242	277	319	382
III. Petroleum products	**523**	**415**	**476**	**398**	**417**
	2.9	**2.3**	**2.6**	**1.8**	**1.6**
IV. Others	**310**	**170**	**149**	**268**	**342**
	1.7	**1.0**	**0.8**	**1.2**	**1.3**
Total Exports (I+II+III+IV)	**18,145**	**17,866**	**18,537**	**22,238**	**26,223**

Notes - (1) Figures in decimals represent percentage to total exports.
(2) For data in rupee terms please refer to Vol.II.

P - Provisional.

Source - DGCI & S.

Table IX-3 : India's Exports of Principal Commodities–Quantum and Unit Value

Commodity Group	Unit of quantity	Quantum		Unit value realisation ($ per tonne)	
		1993-94	1994-95 P	1993-94	1994-95 P
1	2	3	4	5	6
I. Primary goods					
A. Agriculture and allied products					
of which					
Tea	Mill. kgs.	154.3	151.0	2,188.6	2,056.5
Coffee	Mill. kgs.	118.5	125.0	1,467.5	2,596.0
Rice	'000 tonnes	1,092.4	891.4	375.5	422.0
Cotton raw (incl. waste)	'000 tonnes	312.6	34.8	666.7	1,287.4
Tobacco	Mill. kgs.	104.7	58.4	1,404.0	1,357.9
Cashew kernels (incl. CNSL)	'000 tonnes	78.5	80.5	4,257.3	4,923.0
Spices	'000 tonnes	182.3	157.6	995.1	1,225.9
Oil meal	'000 tonnes	4,837.3	3,897.0	153.2	146.7
Marine products	'000 tonnes	258.0	330.4	3,153.5	3,395.0
Sugar and molasses	'000 tonnes	204.5	51.6	277.8	383.7
B. Ores and minerals					
of which:					
Iron ore	Mill. tonnes	26.9	25.2	16.3	16.5
Mica	Mill. kgs.	33.4	29.7	245.5	239.1
Coal	'000 tonnes	515.1	721.2	40.4	35.2
II. Manufactured goods					
of which					
Inorganic, organic and agro chemicals	Mill. kgs.	249.4	331.6	925.4	979.2
Iron and steel	'000 tonnes	2,482.4	1,566.4	229.0	311.8
Jute manufactures	Lakh tonnes	2.0	2.2	607.5	661.8

P - Provisional.
Source : DGCI & S.

Table IX-4 : India's Imports of Principal Commodities

(US $ million)

Commodity Group		1990-91	1991-92	1992-93	1993-94	1994-95 P
1		2	3	4	5	6
I.	**Bulk imports**	**10,971**	**8,694**	**9,830**	**9,125**	**11,353**
	of which :	**45.6**	**44.8**	**44.9**	**39.2**	**40.2**
	Pulses	268	104	115	181	183
	Fertilizers	984	954	978	839	1,034
	Vegetable oils, fixed, edible	182	101	58	53	194
	Paper, paper boards and manufactures thereof	254	198	177	222	247
	Metalliferrous ores, metal scrap, etc.	852	477	664	442	677
	Petroleum, petroleum products and related materials	6,028	5,364	6,100	5,754	5,882
	Pulp and waste paper	255	121	141	159	197
	Iron and steel	1,301	891	779	795	1,215
	Sugar	5	-	-	-	715
	Non-ferrous metals	614	341	395	479	856
	Crude rubber (including synthetic and reclaimed)	126	74	90	109	117
II.	**Non-bulk imports**	**13,102**	**10,717**	**12,052**	**14,181**	**16,898**
		54.4	**55.2**	**55.1**	**60.8**	**59.8**
A.	**Capital goods**	**5,836**	**4,233**	**4,531**	**6,243**	**7,382**
		24.2	**21.8**	**20.7**	**26.8**	**26.1**
	Machinery other than electrical	2,363	1,631	1,819	1,882	2,723
	Electrical machinery	949	630	826	1,135	1,373
	Transport equipment	931	371	462	1,270	1,104
	Manufactures of metals @	168	130	146	333	403
	Project goods	1,425	1,471	1,278	1,623	1,778
B.	**Pearls, precious and semi-precious stones**	**2,083**	**1,957**	**2,442**	**2,634**	**1,598**
		8.7	**10.1**	**11.2**	**11.3**	**5.7**
C.	**Others**	**5,183**	**4,527**	**5,079**	**5,304**	**7,918**
	of which :	**21.5**	**23.3**	**23.2**	**22.8**	**28.0**
	Organic and inorganic chemicals	1,276	1,379	1,428	1,371	2,178
	Professional, scientific controlling instruments, photographic optical goods	591	407	501	422	479
	Artificial resins and plastic materials, etc.	610	569	421	434	617
	Total imports (I + II)	**24,073**	**19,411**	**21,882**	**23,306**	**28,251**

Notes - (1) Figures in decimals represent percentage to total imports
(2) For data in rupee terms please refer to Vol.II.

@ - Inclusive of machine tools.

P - Provisional.

Source - DGCI & S.

Table IX-5 : India's Imports of Principal Commodities-Quantum and Unit Value

Commodity group	Unit of quantity	Quantum 1993-94	Quantum 1994-95 P	Unit Value ($ per tonne) 1993-94	Unit Value ($ per tonne) 1994-95 P
1	2	3	4	5	6
I. Bulk Imports					
Cereals and cereal preparation	'000 tonnes	402.8	84.6	229.9	407.7
of which :					
Wheat	'000 tonnes	241.7	5.1	165.9	292.3
Rice	'000 tonnes	75.5	6.4	233.0	423.9
Pulses	'000 tonnes	628.2	554.9	287.7	329.3
Fertilizers					
of which :					
Crude	'000 tonnes	1,932.8	2,410.7	63.1	62.3
Sulphur and unroasted iron pyrites	'000 tonnes	1,264.5	1,538.7	67.1	87.7
Manufactured	'000 tonnes	4,634.5	4,719.6	136.3	158.6
Vegetable oils, fixed, edible	'000 tonnes	114.4	316.8	464.3	613.1
Paper, paper boards and manufactures thereof	'000 tonnes	352.2	361.8	630.1	683.2
Pulp and waste paper	'000 tonnes	626.3	581.6	253.2	339.1
Iron and steel	'000 tonnes	1,375.0	3,470.0	578.2	350.1
Sugar	'000 tonnes	0.4	1,765.4	565.0	405.2
Crude rubber, including synthetic and reclaimed	'000 tonnes	87.1	83.9	1,251.1	1,398.9
II. Others					
Synthetic and regenerated fibre	'000 tonnes	28.1	79.6	1,432.8	1,721.3

P - Provisional.

Source - DGCI & S.

Table IX-6 : Direction of India's Foreign Trade

(US $ million)

Country	1980-81			1990-91			1993-94			1994-95 P		
	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance
1	2	3	4	5	6	7	8	9	10	11	12	13
I. OECD countries	**3,957**	**7,275**	**-3,318**	**10,249**	**13,773**	**-3,524**	**12,648**	**13,084**	**-435**	**15,419**	**14,442**	**976**
	46.6	**45.8**		**56.5**	**57.2**		**56.9**	**56.1**		**58.8**	**51.1**	
EU	1,832	3,341	-1,509	4,988	7,067	-2,079	5,797	7,002	-1,205	7,011	6,984	28
	21.6	21.0		27.5	29.4		26.1	30.0		26.7	24.7	
North America	1,020	2,343	-1,323	2,830	3,235	-405	4,226	2,971	1,255	5,282	3,106	2,176
	12.0	14.8		15.6	13.4		19.0	12.7		20.1	11.0	
Asia and Oceania	896	1,180	-284	1,895	2,689	-794	2,020	2,256	-235	2,431	2,985	-554
	10.5	7.4		10.4	11.2		9.1	9.7		9.3	10.6	
Other OECD countries	209	411	-203	536	782	-246	605	855	-250	694	1,368	-674
	2.5	2.6		3.0	3.2		2.7	3.7		2.6	4.8	
II. OPEC countries	**943**	**4,418**	**-3,475**	**1,020**	**3,924**	**-2,904**	**2,383**	**5,221**	**-2,839**	**2,406**	**6,055**	**-3,649**
	11.1	**27.8**		**5.6**	**16.3**		**10.7**	**22.4**		**9.2**	**21.4**	
III. Eastern Europe	**1,881**	**1,641**	**241**	**3,243**	**1,882**	**1,361**	**1,001**	**563**	**438**	**1,044**	**954**	**90**
	22.1	**10.3**		**17.9**	**7.8**		**4.5**	**2.4**		**4.0**	**3.4**	
IV. Developing countries	**1,603**	**2,495**	**-892**	**3,099**	**4,490**	**-1,392**	**5,797**	**4,435**	**1,362**	**6,895**	**6,797**	**98**
	18.9	**15.7**		**17.1**	**18.7**		**26.1**	**19.0**		**26.3**	**24.1**	
Asia	1,114	1,808	-694	2,610	3,372	-762	4,892	3,574	1,318	5,659	4,988	671
	13.1	11.4		14.4	14.0		22.0	15.3		21.6	17.7	
SAARC	299	177	122	533	131	402	898	114	785	1,185	172	1,013
	3.5	1.1		2.9	0.5		4.0	0.5		4.5	0.6	
Other Asian developing countries	815	1,630	-815	2,077	3,240	-1,164	3,994	3,460	534	4,475	4,816	-342
	9.6	10.3		11.4	13.5		18.0	14.8		17.1	17.0	
Africa	437	258	178	394	573	-179	661	574	87	880	1,061	-181
	5.1	1.6		2.2	2.4		3.0	2.5		3.4	3.8	
Latin American countries	41	384	-343	95	546	-451	244	287	-43	356	748	-392
	0.5	2.4		0.5	2.3		1.1	1.2		1.4	2.6	
Other Developing countries	11	46	-34									
	0.1	0.3										
V. Others	**80**	**57**	**23**	**11**	**3**	**8**	**12**	**3**	**8**	**43**	**3**	**40**
	0.9	**0.4**		**0.1**	**–**		**0.1**	**–**		**0.2**	**–**	
Total	**8,495**	**15,885**	**-7,390**	**18,145**	**24,073**	**-5,927**	**22,238**	**23,306**	**-1,068**	**26,223**	**28,251**	**-2,028**

Notes : 1. Exports of petroleum products amounting to $ 31.5 million in 1980-81, $ 522.7 million in 1990-91, $ 397.8 million in 1993-94 and $ 416.9 million in 1994-95 are taken into account in total export, but are not included in countriy-wise details.

2. Data for German Democratic Republic from 1990-91 onwards are included under Germany, and hence under EU.

3. Figures in decimals relate to percentage to total.

4. For data in rupee terms please refer to Vol.II.

P : Provisional.

Source : D G C I & S.

CHAPTER X

BALANCE OF PAYMENTS AND INTERNATIONAL FI[illegible]

I. Balance of Payments

The distinct improvement in the balance of payments (BOP) following the adoption of economic reforms in 1991-92 got further consolidated during 1994-95. While a sharp revival of industrial activity triggered off a surge in imports, a robust export performance for the second year in succession coupled with an improvement in net invisible receipts and capital inflows left the current account deficit in a robust, financiable position. Large capital flows driven primarily by foreign investment flows characterised the first half of the year. These capital flows apart from financing the current account deficit enabled further accumulation of reserves.

Merchandise Trade

Exports in US dollar terms rose sharply by 17.9 per cent in 1994-95 building upon the strong growth (20.0 per cent) recorded in the preceding year as indicated by the provisional data of the Director General of Commercial Intelligence and Statistics(DGCI&S). Among the exported commodities which recorded high growth rates, the important ones were: textile fabrics and manufactures (33.0 per cent), chemicals and related products (31.2 per cent) and leather goods (19.8 per cent). The marked improvement on the export front could be traced to the definitive export bias that has come to bear upon the framework of commercial policy in recent years with incentives taking the form of income and price effects as well as specific policy intervention to augment import access for exporters. Exports benefitted from an effective depreciation of the rupee [illegible] currencies in tandem with [illegible] moderated the inflation differentials [illegible] rest of the world. Sharply reacting to [illegible] favourable developments, exports displayed [illegible] strong growth in the second half of the [illegible] However, the year also witnessed a shar[illegible] in imports(on payment basis) by about 3[illegible] cent reflecting industrial revival and grow[illegible] economic activity. As compared with [illegible] preceding year, the DGCI&S data indicat[illegible] among imports, the important commoditie[illegible] had marked high growth rates in 1994-95 w[illegible] capital goods (18.2 per cent), fertilisers (2[illegible] per cent), iron and steel (52.8 per cent) [illegible] chemicals (58.9 per cent). As a result, the [illegible] deficit widened from US $ 1,285 million [illegible] per cent of GDP in 1993-94 to US $ 4,[illegible] million or 1.5 per cent of GDP in 199[illegible] which, however, is modest when compared [illegible] the average level of 3.2 per cent of GDP [illegible] the second half of 1980s (seventh plan perio[illegible] or the unsustainable level of US $ 9,437 millio[illegible] or 3.2 per cent of GDP recorded in 1990-91 (Table X-1).

Invisibles

There was substantial improvement in the invisibles account. The net invisible receipts at US $ 2,191 (0.7 per cent of GDP) doubled in 1994-95 over the previous year's level of US $ 970 million (0.4 per cent of GDP). With the stability in the exchange rate encouraging the routing of remittances through banking channels, the private transfer receipts recorded an unprecedented rise of over 62 per cent from the previous year and touched a record level of US $ 6.2 billion. The non-factor services showed some deterioration mainly due to a sharp rise in travel and transportation payments as well as

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* This Chapter is based on information/data available upto June, 1995

other miscellaneous payments. The miscellaneous account comprises a variety of services such as royalty payments, professional fees, know-how etc. Travel receipts rose from US $ 2075 million in 1993-94 to US $ 2,325 million in 1994-95 reflecting a scenario of higher expenditure by tourists coupled with a marginal growth in tourist arrivals of 2 per cent during the year. Investment income receipts were higher at US $ 777 million mainly on account of a rise in the level of foreign currency assets of the RBI. Payments under 'investment income' recorded a substantial rise amounting to US $ 4.7 billion reflecting higher interest payments on external loans as well as a rise in profits and dividend remittances due to spurt in foreign investments in recent years (Table X- 4B).

Current Account Balance

Over three-fold rise in the merchandise trade deficit despite the improvement in net invisible receipts, resulted in the widening of current account deficit to US $ 2,315 million or 0.8 per cent of GDP in 1994-95 from US $ 315 million or 0.1 per cent of GDP in 1993-94. However, the current account deficit at 0.8 per cent of the GDP in 1994-95, given the level of foreign exchange reserves capable of meeting about 10 months of import bill and, in the context of the improvement in the ability of the country to attract sizable capital flows, was manageable (Table X -4A).

Capital Account

The developments in the capital account in 1994-95 displayed marked shifts in the composition of capital flows. It may be recalled that throughout the 1980s, the financing of the current account was, by and large, through debt creating capital flows and, foreign investments formed a negligible part of the aggregate capital flows. Since the onset of reforms, the perception about the foreign investment flows, particularly the direct investments, has changed as reflected in the easing/elimination of a number of restrictions on capital transactions (especially on foreign direct and portfolio investments, and on non-resident Indian investments). Further, the volatile and costly inflows were discouraged. At the macro level, a sort of self-imposed caps on external commercial borrowings and short-term debt were put in place. As a consequence, non-debt creating capital flows have improved their share in total flows. Foreign investment flows thus accounted for more than 69 per cent of the total capital flows (Inclusive of transactions with IMF) in 1994-95 as against 45 per cent recorded in the previous year.

The combined outcome of current and capital transactions resulted in accretions to the reserves of the order of US $ 4.8 billion, after meeting the repurchase obligations in respect of borrowings from the International Monetary Fund.

Developments in Foreign Exchange Reserves

The strength of the current account during the year and the large surplus in the capital account were reflected in an accretion to the stock of international reserves. India's foreign exchange reserves (comprising foreign currency assets of the RBI, gold held by the RBI and SDR balances held by the Government of India) rose from US$ 19,254 million (Rs.60,420 crore) as at the end of March 1994 to US$ 25,186 million (Rs.79,780 crore) as at the end of March 1995 representing an increase of US$ 5,932 million (Rs.19,360 crore). Exclusive of valuation effects, the increase in the foreign exchange reserves was of the order of US $ 4,757 million during 1994-95.

The foreign currency assets of the RBI which are the principal component of the reserves increased by US$ 5,741 million (Rs.18,718 crore) during 1994-95 (April-March) as against the increase of US$ 8,634 million (Rs.27,147 crore) during 1993-94. The large accretion to the foreign currency assets was rendered possible primarily by purchases of surplus foreign exchange by the Reserve Bank from the market. Such purchases amounted to US$ 10,304 million during 1994-95 as against US $ 13,940 million during 1993-94. With the continuous accretion to the reserves,the process of liquidating costlier and volatile components of reserves was carried forward during 1994-95. The outgo under the FCNRA deposits scheme amounted to US$ 3,096 million as against US$ 2,364 million during the previous year. Deposit liabilities under the FC(B&O)D scheme were completely liquidated with the withdrawal of US$ 565 million during 1994-95. Repurchase obligations to the IMF amounting to US$ 1,146 million falling due at various points during the year 1994-95 was fulfilled in advance in April 1994. Debt service payments on liabilities outstanding under government account amounted to US $ 2,868 million as against US $ 2,664 million in 1993-94.

The SDR balances declined by SDR 71.9 million during 1994-95 to SDR 4.6 million as against an increase of SDR 63.8 million in 1993-94. During 1994-95, repurchases from the IMF effected in SDRs amounted to SDR 157.71 million (US$ 222.48 million) and payment of charges on the use of Fund resources and interest on SDR allocation aggregated to SDR 182.88 million (US$ 265.61 million). Receipts from the Fund on account of interest on SDR holdings and remuneration amounted to SDR 1.62 million and SDR 0.12 million respectively.

Gold holdings of the RBI at 396 tonnes valued at US$ 4,370 million (Rs.13,752 crore) as at the end of March 1995 were higher by US$ 292 million (Rs.958 crore) than those of US $ 4078 million (Rs.12,794 crore) as at the end of March 1994. During 1994-95, while 28.9 tonnes of gold valued at US$ 315 million (Rs.990 crore) was purchased from the Government of India, there was also an addition to the gold stock of 0.03 tonnes valued at US$ 0.03 million (Rs. 0.87 crore) on account of interest on gold holdings kept abroad.

During the first quarter of 1995-96 (April-June), the position relating to the foreign currency assets of the RBI declined by US$ 1,208 million. This decline was primarily on account of larger outgo under debt service payments amounting to US$ 766 million and outflows under the FCNRA scheme of US$ 666 million. As against gross purchases from the ADs of US$ 3,538 million during the corresponding quarter of 1994-95, purchases of only US$ 36 million were reported during the first quarter of 1995-96. The SDR holdings of the Government increased by SDR 55.72 million to SDR 60.36 million during the quarter, while the acquisition of SDRs from the IMF amounted to SDR 340 million. Repurchases and payment of charges of SDR 249 million and SDR 36 million respectively were effected in favour of the IMF during the quarter. The gold holdings of the Reserve Bank at 398 tonnes valued at US$ 4,457 million (Rs.13,987 crore) as at the end of June 1995, included an increase of US$ 17.9 million (Rs.56.23 crore) during the quarter on account of a purchase of 1.61 tonne gold from the Government of India. On the whole, the foreign exchange reserves (comprising foreign currency assets of the RBI, gold and SDRs) decreased by US$ 1,033 million during the quarter.

II. Foreign Investment : Emerging Trends and Policy Developments

The spurt in foreign investment inflows witnessed in India during 1993-94 continued in 1994-95. Internal factors such as favourable growth prospects, positive market return differential on investment as compared to industrial countries and stability of the exchange rate buoyed up the inflows. The major external factor aiding inflows into India was the continued recession in many developed countries. However, India, with US $ 4.9 billion of foreign investment flows in 1994-95, received less than 5 per cent of the private non-debt creating flows to developing countries during the year (Table X-2).

The trends in foreign investment during the year along with the policy developments are discussed below :

(A) Portfolio Investment

Portfolio investment in India has been the single largest source of foreign investment flows during the year. Not only was the inflow of US $ 3581 million higher by US $ 91 million than that of 1993-94, but India's share in the portfolio equity flows to developing countries also increased during the period (Table X-3).

Though portfolio investment in secondary market does not contribute directly to the productive activity, it nevertheless supplements domestic savings. Moreover, it results in greater risk and reward sharing by foreign investors with host country investors, reduces the cost of domestic capital and brings about efficiency gains because of international exposure. Often, it also acts as a precursor to flow of direct foreign investment. The different forms in which the portfolio investment flowed into the country during the year were :

(a) Global Depository Receipts.

(b) Foreign Institutional Investments; and

(c) Offshore Funds and Others.

There was a distinct shift in the preference of many large corporate houses towards issuance of GDRs, since it works out to be cheaper than raising funds in the Indian capital market and also because the GDR issue generally does not carry any prospectus vetting procedure. Furthermore, GDRs need not be rated by an international rating agency.

There were 28 companies which opted for Global Depository Receipts (GDRs) during 1994-95 raising US $ 1839 million. But there has been a drastic fall in Euro Issues inflow into India since November 1994 mainly due to the revised Euro Issue Guidelines by the Government and the bearish equity market.

Portfolio inflows under Foreign Institutional Investors (FIIs) remained steady during the year at around US $ 1503 million, peaking up again from June 1995. Although a minor fraction of FII inflows could be on account of GDR conversion for those which are quoting at a discount with respect to domestic prices, a major part of it is of "autonomous" character attracted by higher returns in the Indian stock market. Unlike some emerging markets such as China, portfolio investment in India is not limited to a particular class of shares. Again there is no lock-in period on FII holdings except for preferential allotments. Repatriation of income and capital is free subject to capital gains and withholding tax. However, out of 323 FIIs operating as on end August 1995, only 20% of them were active and the top 10 per cent accounted for 70 per cent of the transactions.

The inflow under Offshore Funds in India i.e. the Indian mutual funds raising funds from abroad and under various other schemes were US $ 239 million during 1994-95. Offshore funds offer an attractive avenue for individual foreign investors unable to invest directly into Indian stock markets to reap the benefits of higher return prospects in the Indian market (Table X-5).

(B) NRI Investment

Investment made by Non-Resident Indians has been a major source of external finance during the year. The different avenues available to the NRIs for investing in India during 1994-95 were :

(i) deposits under various schemes such as Foreign Currency Non Resident (Banks) [FCNR(B)] Scheme, Non Resident (External) Rupee Account [NR(E)RA] Scheme and Non-Resident (Non Repatriable) Rupee Deposits [NR(NR)RD] Scheme;

(ii) direct equity participation under various direct investment schemes; and

(iii) portfolio investment.

The objective under the NRI deposit scheme has been to retain the attractiveness of the financial flows from the NRIs but at the same time reduce the volatile elements and minimise the effective cost to the country.

The phased discontinuation of Foreign Currency Non Resident (Accounts) [FCNR(A)] Scheme which started on May 15, 1993 with the withdrawal of "six months and less than one year" maturity period reached its logical conclusion with the discontinuation of the last maturity slab i.e., "three years only" maturity period on August 15, 1994. Consequent upon the discontinuation of the scheme, there was a net outflow of US $ 2,249 million under the FCNR(A) Scheme during 1994-95 (inclusive of accrued interest) while the actual outflow (exclusive of accrued interest) which impacts upon the foreign exchange reserves (since the FCNR(A) Scheme carried exchange rate guarantee from the Reserve Bank) was US $ 3,096 million during 1994-95. The outstanding balance under FCNRA Scheme thereby fell from US $ 9,300 million as at the end of March 1994 to US $ 7,051 million as at the end of March 1995 (both inclusive of accrued interest).

Foreign Currency Ordinary Non-Repatriable (FCON) Scheme was discontinued effective August 20, 1994, resulting in an outflow of US $ 7 million (inclusive of accrued interest) during 1994-95 as against an inflow of US $ 17 million (inclusive of accrued interest) during 1993-94. The outstanding balance of US $ 10 million (Rs.32 crore) as at end March 1995 is allowed to run off to maturity with no renewal. The amount of deposits, on maturity are required to be credited to the Non-Resident (Ordinary) [NRO] account of the account holder.

These outflows were more than compensated by the inflows under the existing Schemes during 1994-95. Under the Foreign Currency Non-Resident (Banks) Scheme [FCNR(B)], there was an inflow of US $ 1,979 million (Rs.6,143 crore) during 1994-95 ; under the Non-Resident (Non Repatriable) Rupee Deposits Scheme [NR(NR)RD] there was an inflow of US $ 682 million (Rs.2,308 crore) during 1994-95. The balance outstanding under FCNR (B) and NR(NR)RD Schemes as at the end of March 1995 were US $ 3,054 million (Rs.9,619 crore) and US $ 2,479 million (Rs.7809 crore) respectively (both inclusive of accrued interest). Under the Non-Resident (External) Rupee Account [NR(E)RA] Scheme, there were inflows (including accrued interest) of US $ 1,000 million (Rs.3,404 crore) resulting in an increase in outstanding balance to US $ 4,590 million (Rs.14,457 crore) at the end of March 1995 (Table X-7).

The outstanding liability under NRI Deposits stood at US $ 17,184 million as at the end of March 1995 as against US $ 15,780 million at end March 1994, showing an inflow in dollar terms of US $ 1,405 million [excluding outflows under Foreign Currency (Banks and others) Deposits {FC(B&O)D} of US $ 558 million that took place in 1994-95.] (Table X-6).

In response to the congenial climate created by the liberalisation in foreign investment policy, there has been a marked increase in the amount of investment proposals from NRIs and OCBs for direct and portfolio investment in India since 1992. As a further step to boost NRI investment in India, a working group was set up in 1994-95 to go into the existing facilities available and procedures under NRI investment and to recommend modifications, if necessary. The recommendations of the Group are summarised in Box X-I.

Under the direct investment scheme (on repatriation basis), routed through RBI, as against approvals amounting to Rs.207 crore (US $ 91 million) during 1991, the amount approved

BOX X-1

Report of the Working Group on Non-Resident Indian Investment

A Working Group headed by Shri O.P. Sodhani, Executive Director, Reserve Bank of India, was set up in October 1994 to look into the various schemes/ incentives available to NRIs for investment in India as well as the procedures prescribed for the purpose and to make recommendations to Government for modification/ amendment to the existing scheme, policies and procedures. The Group submitted its report in August 1995. The major recommendations of the Group are as follows.

The 40 per cent scheme on repatriation basis recommended for abolition as acquisition of a 40 per cent stake by NRIs in a new issue is clearly impermissible in terms of SEBI's guidelines. In order not to dilute the market access opportunities for NRIs, the areas/sectors available to NRIs under this scheme be merged with the 100 per cent repatriation scheme thereby enlarging rather than diminishing investment opportunities. The repatriable direct investment scheme may also cover sale of the existing shares to NRIs/OCBs on repatriation basis subject to the valuation of the shares as per the valuation guidelines.

In respect of NRI and OCB investment in housing and real estate, free repatriability of principal and profit was recommended along with dismantling the 3 year lock in period plus the 16% ceiling on remittance of profits.

To encourage NRI investments under the sick units scheme, current restrictions which stipulate a lock in period of five years plus eligibility criteria that the shares of the company should have been quoted below par for two years was recommended for removal.

The Group recommended abolition of the 100 per cent non repatriation scheme. It was also recommended that funds generated from the NRI (NRO) deposits as also accruals from past non-repatriable investments are to be deployed in the same manner as funds of other residents under the general permission granted for NRI investment in various sectors.

In respect of portfolio investment, the Group recommended parity between NRIs/OCBs and FIIs. The individual NRI/OCB ceiling may be increased to 5 per cent. Further, NRIs/OCBs may be allowed to acquire a maximum stake of 24 per cent of the paid up capital of the company without requiring a general body resolution. The Group also recommended fiscal parity between NRIs/OCBs and FIIs in respect of capital gains tax.

The Group recommended that all sectoral restraints on NRI/OCB direct investment may be removed. This implies opening up of the agricultural/plantation sector to direct investment from NRIs subject to State laws.

The banks have full freedom to mobilise deposits under the Non-Resident (Non-Repatriable) Rupee Deposits Scheme and fix interest rates as well as utilise the funds for their lending operations without observing priority sector lending norms. In view of this, banks have been paying higher rate of interest on these deposits. The interest earned on the deposits, which is tax free, is also now repatriable from the quarter ended December 1994 and onwards. Continuing this scheme would involve sizable outflow of foreign exchange by way of higher interest burden. The Group, therefore, recommends discontinuance of this Scheme.

The Group recommends that banks may be allowed to accept FCNR deposits in any convertible currency.

Indian companies are required to obtain permission of RBI to issue shares/debentures to NRIs/OCBs on repatriation basis under the direct investment schemes. Thereafter, the NRIs/OCBs are also required to obtain RBI permission again for sale of the shares/debentures through stock exchange. The Group, therefore, recommended that RBI should grant general permission to NRIs/OCBs for sale of shares/ debentures held on repatriation basis under the direct investment schemes provided the sale takes place through recognised stock exchange in India.

Box X-1 (Contd.)

The Group recommended general permission to residents to avail of non interest bearing loans on non repatriation basis from non-resident relatives. In respect of interest bearing non repatriable loans, the Group recommended automatic approval upto US $ 5,00,000 with the interest being not more than 2% below the SBI prime lending rate for a minimum period of 3 years for the borrowing.

It was recommended that freedom should be given for transfer of funds from one NRE account to NRE account of another person for any purpose. ADs may be authorised to extend housing loans to NRIs on the same terms and conditions as applicable to loans granted to NRIs by the housing finance companies.

The Group recommended that Reserve Bank of India may delegate to its Regional Offices the powers for approval of the proposals for NRI investment on repatriation basis under the direct investment schemes. Moreover, Reserve Bank of India may grant general permission to Indian companies for payment of interest on delayed refunds of share subscriptions, if such payment of interest is as per SEBI guidelines.

during 1994 has been Rs.4,633 crore (US $ 1,477 million). Under the automatic approval route for the NRIs, the amount approved under 100 percent equity participation in the high priority areas increased from Rs.450.8 crore (US $ 143.7 million) in 1993 to Rs.1,067.1 crore (US $ 339.8 million) in 1994 whereas under the 40 per cent scheme (computer software, shipping, hospitals/diagnostic, hotels, oil exploration etc.) the approval amount rose from Rs.1,812.4 crore (US $ 577.8 million) in 1993 to Rs.3,565.4 crore (US $ 1,135.5 million) during 1994. The approvals for other 100 per cent direct investment scheme (i.e.100 per cent Export Oriented Units in Free Trade Zone/outside Free Trade Zone, Housing and Real Estate Development Scheme, Air Taxi Scheme, Sick Units Scheme) and 24 per cent scheme amounted to Rs.108.64 crore (US $ 34.6 million) in 1994. The actual inflows of foreign direct investment made by NRIs under all the schemes taken together during 1994-95 were Rs. 1,383 crore (US $ 442 million) (Table X-5).

(C) Foreign Direct Investment (Foreign Collaboration)

Foreign collaboration both in terms of number and amount of approvals registered a steady rise during 1994-95. As against 1476 collaboration proposals (both financial and technical) during 1993, the number of collaborations approved during 1994 were 1854 of which 1062 were financial collaborations [comprising the approvals granted by the Reserve Bank of India, Secretariat of Industrial Approvals (SIA) and Foreign Investment Promotion Board (FIPB)]. The amount approved under the equity participation rose from Rs. 8,859 crore (US $ 2,824.4 million) during 1993 to Rs. 8,957 crore (US $ 2,852.7 million) during 1994. In the post-liberalisation period as a whole (i.e. August 1991 to April 1995) the total amount of foreign equity approvals amounted to Rs.27,480 crore.

Actual inflows under various direct investment schemes has also shown more than a two fold rise in 1994-95 over 1993-94. As against US $ 620 million during 1993-94, the foreign direct investment inflows during 1994-95 were US $ 1,314 million of which proposals approved by SIA/FIPB accounted for US $ 701 million followed by NRI direct investment and RBI automatic approval (Table X-5).

(D) Policy and Development

i) With a view to opening more areas for investment by NRIs/OCBs as also by FIIs, RBI has decided to allow them to invest, on a repatriation basis, in all activities except agriculture and plantation activities, subject to certain conditions. Accordingly, existing or new Indian companies (both private and public limited companies) engaged/proposing to engage in any activity including financial, hire purchase, leasing, trading, other services etc. (except agricultural/plantation activities) are allowed to issue equity shares/convertible debentures on repatriation basis to NRIs/OCBs and FIIs provided the aggregate allocation of shares/ convertible debentures qualifying for repatriation benefits to such non-residing investors does not exceed 24 per cent of the new issue. However, FIIs are not eligible to make investing in unlisted/ private limited companies under the scheme. The funds for such investment should be received by way of remittance from abroad through normal banking channel or by debit to NRE/FCNR account of the non-resident investor. Earlier NRIs and OCBs were permitted to invest on a repatriation basis in new issues of shares/convertible debentures made by companies engaged in industrial or manufacturing activities and also in certain other sectors such as hotels, hospitals, shipping, development of computer software and oil exploration. It has also been decided to permit authorised dealers to grant loans to NRIs holding Indian passports for acquisition of a house/flat for residential purpose against security of immovable property proposed to be acquired by them subject to certain conditions.

ii) As a process of further liberalisation, general permission has been granted to NRIs/ OCBs to purchase the shares on repatriation basis of Public Sector Enterprises (PSEs) disinvested by Central Government, subject to the condition that (a) the holding of shares by a NRI or by an OCB, at any time, does not exceed one per cent of the paid up capital of the PSE concerned, (b) the purchase consideration/bid money is received by way of remittance from abroad through normal blanking channels or by transfer of funds held in investor's NRI/FCNR accounts.

iii) NRIs resident in Nepal will be permitted henceforth to make investment in India provided the funds for the purpose are remitted in free foreign exchange through proper banking channels. Such investment will either be on repatriation or on non-repatriation basis depending on the terms and conditions applicable under the existing Schemes under NRI investment.

iv) The guidelines for Euroissues dated October 28, 1994, provided that the issuing companies mandatorily retain the Euro issue proceeds abroad and repatriate them as and when expenditure for the approved end uses (including upto a maximum of 15% of funds earmarked for general corporate restructuring uses) were incurred. This requirement was partially modified, effective May 24, 1995, with the permission given to the issuing companies to retain the Euro Issue proceeds as foreign currency deposits with the Banks and Public Financial Institutions in India, which can be converted into Indian rupees only as and when expenditure for the approved end uses (including upto a maximum of 15% of funds earmarked for general corporate restructuring uses) are incurred. As a further relaxation to the above requirement, companies were permitted effective November 25, 1995, to remit funds into India in anticipation of the use of funds for approved end uses. Moreover the existing ceiling for use of issue proceeds for general corporate restructuring including working capital requirements were raised from 15 per cent to 25 per cent of the GDR issues. In view of the importance of the infrastructure projects , and the need to encourage equity financing of such projects , the three year track record requirement were relaxed in case of companies seeking GDR/ FCCB issues to finance investment in infrastructure industries such as power generation , telecommunication, petroleum exploration and refining, ports, airports, roads, etc.

At present, corporates are permitted to access foreign capital markets for external commercial borrowings (ECB) through instruments like Floating Rupee Notes and Fixed Rate Bonds. In order to enable corporates to tap a wider spectrum of the market, they would be permitted to structure their borrowing as a *Foreign Currency Convertible Bond* (FCCB). The end use of funds through FCCB should conform to the norms prescribed by Government through ECB from time to time. While the time frame for conversion for FCCB is flexible, the non converted portion should have a minimum average tenure of five years.

v) In order to avoid any divergence between Government/RBI guidelines and SEBI guidelines regarding issue of shares to non-residents by existing Indian companies through preferential allotment and to ensure that the companies follow uniform guidelines as regards the pricing of preferential issue, Government of India has issued Press Note No.2 (1995 Series) dated April 10, 1995. Accordingly, every preferential allotment of shares (other than allotment on rights basis) by listed companies to foreign investors shall be at market price of the shares. According to the revised guidelines, the valuation of such shares , effective 30 days prior to the shareholders' general body meeting., is required not to be less than the higher of (a) the average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the six months preceding the relevant date or (b) the average of the weekly high and low of the closing price of the related shares quoted on a stock exchange during the two weeks preceding the relevant date. The shares allotted on preferential basis shall not be transferable in any manner for a period of five years from the date of their allotment. To facilitate the companies to complete formalities for issue of shares within the stipulated period of three months as per SEBI guidelines dated August 4, 1994, the companies may, if they so desire, submit their applications to the Reserve Bank for "in principle" approval prior to the passing of the General Body Resolution.

vi) In the context of ongoing economic liberalisation, the policy and procedures governing approval under the schemes for 100% Export Oriented Units (EOUs) and Export Processing Zones (EPZs) were further revised. All proposals confirming to the parameters presented vide Press Note No.13 (1991 Series) dated October 9, 1991, Department of Industrial Development, Ministry of Industry, shall receive automatic approval within two weeks from the Secretariat of Industrial Approval (SIA), Ministry of Industry (Department of Industrial Development) in the case of 100% EOUs and from the Developments Commissioners (DCs) concerned for units to be set up in EPZs. All other proposals which do not confirm to the parameters for automatic approval, shall be considered by the Board of Approvals (BOA) and disposed within 45 days from SIA.

vii) Under the National Telecom Policy, 1994 which enunciates the guidelines for the entry of private sector into Basic Telecom Services, joint venture between an Indian and a foreign company is allowed subject to a maximum of 49% equity participation from the latter.

viii) It has been decided that foreign investment upto 51% and foreign technology agreements in the case of bulk drugs, their intermediates and formulations thereof (except those produced by the use of recombinant DNA technology) will be granted automatic approval subject to the parameter of RBI.

ix) With a view of moderating monetary expansion scheduled commercial banks were required to maintain a Cash Reserve Ratio (CRR) of 7.5 per cent on liabilities under Foreign Currency (Non-Resident) Account (Banks) from the fortnight beginning October 29, 1994 and it was subsequently increased to 15 per cent for the fortnight beginning January 21, 1995. It was also decided that from the fortnight beginning January 21, 1995, scheduled commercial banks will be required to maintain a cash reserve ratio of 7.5 per cent on liabilities under Non-Resident (Non-Repatriable) Rupee Deposit [NR(NR)RD] Scheme.

Subsequently , with the easing of the pressure on monetary expansion, a number of measures were instituted to further encourage the inflows of funds under the various Non Resident Deposits Schemes. The rate of interest under FCNR(B) Scheme were adjusted four times during the first half of 1995-96 to retain its attractiveness and bring it in alignment with LIBOR. The deposits rate under NR(E)RA scheme were revised upward twice since April 1995, first from 8 per cent to 10 per cent for the term deposit of 6 months- 3 years and above effective September 29, 1995 and the next from 10 per cent to 12 per cent for the term deposit of 6 months- 3 years and above effective October 31, 1995. Again to make these deposits attractive to the commercial banks, the cash reserve ratio (CRR) requirement were exempted from the fresh deposits under Non Resident (External) Rupee Account [NR(E)RA] and Non Resident (Non Repatriable) Rupee Deposit [NR(NR)RD] Schemes effective October 28,1995 and Foreign Currency Non-Resident (Bank) Deposit (FCNR(B)] Scheme effective November 25, 1995. The cash reserve ratio (CRR) on outstanding balances of Non Resident (Non Repatricable) Rupee Deposit [NR(NR)RD] Scheme and Foreign Currency Non Resident (Bank) [FCNR(B)] Scheme were also brought down to 7.5 per cent effective October 27, 1995 and November 24, 1995 respectively.

(E) Indian Investment Abroad

At the end of December 1994, there were 524 active joint ventures, out of which 177 were in production/operation and 347 under various stages of implementation. The total quantum of Indian equity in joint ventures in operation is of the order of Rs.179.04 crore as at end of December 1994. Of the 177 joint ventures which are in operation, 99 (56%) are engaged in manufacturing activities and 78 (44%) are in non-manufacturing areas. The 524 active joint ventures are dispersed over 69 countries. As regards regional dispersal, 63 (35%) operating joint ventures are in East Asia followed by 37 (21%) in the Europe-America and 28 (16%) in the Africa. South Asia accounts for 25 (14%), West Asia for 20 (11%) and Oceania for 4 (2.2%).

In order to provide a framework for Indian industry and business to access global market through trade and investment flows, and keeping in view the need for transparency in regard to the policy relating to overseas investment, the Government of India, notified the guidelines for Indian direct investment in Joint Ventures (JVs) and Wholly Owned Subsidiaries (WOSs) on August 17, 1995 (See Box X-2).

BOX X-2

Guidelines for Indian direct investment abroad in Joint Ventures (JVs) and Wholly Owned Subsidiaries (WOSs)

The guidelines pertain to direct investment by Indian parties in newly promoted or existing Joint Ventures/ Wholly Owned Subsidiaries and investment for acquisition of overseas business engaged in industrial, commercial, trading or services activity (including hotel, tourism) and also financial services (such as insurance, mutual funds etc. but not banking sector).

The main features of the guidelines are set out below:

There would be two categories of applications for setting up overseas JVs and WOSs viz. Category "A" : Fast Track / Automatic Approval and Category "B" : Normal Cases.

Category A:

An application for direct investment in a JV/WOS abroad from a private/ public Ltd. Co. will be eligible for automatic approval by RBI provided :

Box X-2 (Contd.)

(i) the total value of the investment by the Indian party does not exceed US $ 4 million,

(ii) the amount of investment is upto 25 per cent of annual average export earnings of the company in the preceding three years; and

(iii) the amount of investment should be repatriated in full by way of dividends, royalty, technical services fee etc. within a period of five years

Within the overall limit of US $ 4 million the Indian party may opt for (i) cash remittance, (ii) capitalisation of export proceeds or other receivables like technical fees, royalties, commissions etc. from the foreign concern towards equity, or (iii) giving loans or corporate guarantees to/on behalf of Indian JVs/WOSs provided it acquires the requisite clearance from commercial banking angle for loans and guarantees as required.

This facility of automatic approval will be available to the Indian party in respect of the same JV/WOS only once in a block of three financial years including the financial year in which the investment is made.

Category B:

All applications involving investments beyond US $ 4 million but not exceeding US $ 15 million, or those not qualifying for fast track clearance on the basis of the applicable criteria outlined above,fall under category B.

Investment proposals in excess of US $ 15 million will be considered (i) in very exceptional cases where a company has a strong track record of exports or (ii)if the required resources beyond US $ 15 million are raised through the GDR route. Upto 50 per cent of GDR resources raised may be invested as equity in overseas JVs subject to specific approvals of the government.

The Reserve Bank of India would process the proposals for establishment of JVs/WOSs abroad granting approval for the proposals which fall under the fast track/ Category "A" route and also forward other proposals with the recommendations of its Special Committee set up to process the proposals falling under Category "B" cases. In the case of large investments (beyond US $ 15 million.), RBI would, after receiving the case, transmit the proposal with the committee's recommendation to the Inter Ministerial Special Committee (IMSC) for their consideration. The special committee would consider the proposals on the basis of merit taking into account the company's financial position, business and export track record, net worth of the company, size of the investment, benefit to the country in terms of foreign exchange, technology transfer etc.

The Indian party shall remit to India in free foreign exchange all entitlements due to it from a foreign concern such as after dividends/profits or royalties, technical fees, management fees or other types of payments, within a period of 60 days, they are (i) declared/ approved by the Directors/ Shareholders of the JV/WOS or (ii) become due.

The Indian party has to report to the Ministry of Commerce and the Reserve Bank of India the details of the decision if there are any post approval changes as to the activity, equity break up or other capital restructuring of the JV/WOS concerned, taken by that JV/WOS within 30 days of the approval of those decisions by the shareholders/ promoters/directors of the JV in terms of the local cases of the host country (together with a statement of fulfillment of certain conditions in case the Indian party has a majority equity share holding in the JV/WOS).

The amount of remittances abroad on account of dividend amounted to Rs.77.83 crore whereas the other repatriations by way of technical know-how fees, engineering services fees, management fee and royalty totalled Rs.113.77 crore.

The number of approved wholly owned subsidiaries abroad, wholly owned by one or more Indian bodies corporated, stood at 300 as on end December 1994, of which 58 were in operation and 242 under various stages of implementation. The value of equity participation in these subsidiaries amounted to about Rs.1,117.60 crore of which Rs.438.86 crore related to subsidiaries which were in operation and remaining Rs.678.74 crore in those subsidiaries which were at various stages of implementation.

Exports of projects (broadly construction contracts, turn key projects and engineering consultancy contracts) have recorded a consistent growth over the years as shown below:

Year	Total	Turn Key projects	Civil Construction projects	Consultancy
1	2	3	4	5
1990-91	1115	171	632	312
1991-92	1417	233	464	720
1992-93	1151	212	507	832
1993-94	2731	137	1225	1369
1994-95 (April-October)	451**	126	236	89

**Represents only contract approved by EXIM BANK.
Source: Ministry of Commerce, Annual Report, 1994-95.

III. External Assistance

Fresh authorisations of external assistance (i.e. loans and grants taken together) declined during 1994-95. The decline was by almost 50 per cent to US$ 4,471 million from the peak level authorisations of US$ 9,025 million during 1988-89. While authorisations of loans during 1994-95 increased by US$ 392 million over those in 1993-94, grant commitments declined sharply by US$ 411 million during the same period. There were higher authorisations of around US$ 461 million by International Development Agency (IDA) of the World Bank (Table X-8 and X-9).

In June 1995, members of the India Development Forum (earlier known as Aid India Consortium) pledged around US$ 6.7 billion to US $ 7.0 billion assistance to India for 1995-96 (July-June) as against US$ 6.0 billion and US$ 7.4 billion during 1994-95 and 1993-94, respectively. Of the total pledged amount, the soft component (i.e. grants and/or interest free loans) was around US$ 2.5 billion, constituting about 37 per cent of the total as against 45 per cent during the previous year. While Japan continued to be the largest bilateral donor by increasing its pledges from US$ 1.2 billion last year to around US$ 1.5 billion for 1995-96, the World bank group comprising the International Bank for Reconstruction and Development (IBRD) and IDA maintained their lending position among the multilateral donors with a fresh commitment of around US$ 2.5 billion to US$ 2.8 billion.

Utilisation

Utilisation of aid (loans and grants) declined by around 8 per cent during 1994-95 over 1993-94. While utilisation of loans from IDA significantly improved from US$ 666 million during 1993-94 to US$ 1003 million during 1994-95, this was more than neutralised by substantial drop in the utilisation of IBRD loans from US$ 1287 million to US$ 749 million during the same period (Table X-8 and 9).

The outstanding amount of undisbursed loans which had declined marginally by around US$ 318 million during 1993-94, increased sharply by US$ 1,423 million during 1994-95 from US$ 18,277 million to US $ 19,700 million (Table X-9). The stock of unutilised grants, however, showed a more rapid increase from US$ 1,719 million as at the end of March 1993 to US$ 2,529 million as at end-March 1994 and further to US$ 2,896 million at end-March 1995 (Table X-10).

On account of larger amortisation and interest payments under external assistance and lower utilisation, net inflows under external assistance for the first time turned negative. As against a net inflow of US$ 716 million during 1993-94, there was net outflow of US$ 126 million during 1994-95 (Table X-8).

Cumulative Assistance

The cumulative utilisation as a proportion of cumulative authorisation at 71 per cent for end March 1995 was same as at end-March 1994. While cumulative authorisations increased from Rs 1,33,982 crore (US$ 42,707 million) to Rs. 1,48,896 crore (US$ 47,464 million) and cumulative utilisations increased from Rs.94,633 crore (US$ 30,164 million) to Rs.1,05,575 crore (US$ 33,661 million), the share of loans, grants and PL 480/665 assistance remained unchanged for both the periods. The share of the World Bank group in total cumulative authorisations and cumulative utilisations at 43.3 per cent and 47.9 per cent, respectively, did not show any major variation from the previous years composition.(Statement 216 of Volume II).

Of the total loan amount utilised during 1994-95, energy sector accounted for 40 per cent followed by the Structural Adjustment Sector with 22.7 per cent (See Statement 217 of Volume II).

Aid in the Pipeline

Aid available in the pipeline represents assistance committed over the years which has remained undisbursed and is available for disbursement in future. Total aid in the pipeline, both in the form of loans and grants (but excluding those in Roubles from the former USSR) at US$ 22,596 million (Rs.71,062 crore) as at the end of March 1995 was higher by US$ 1,790 million (Rs.5,943 crore) than those of US$ 20,806 million (Rs.65,119 crore) as at the end of March 1994. Of the total outstanding undisbursed balance, loans accounted for 87.2 per cent and the World Bank group's share in the total undisbursed loans was as high as 51.2 per cent. In addition, the aid amount in Roubles from the former USSR in the pipeline remained at the same level of Roubles 7,821 million (Rs.24,862 crore) as at the end March 1994 (Table X-9 and 10).

The energy sector accounted for the largest proportion (45.2 per cent) of the total undisbursed outstanding amount followed by the social sector (9.4 per cent) and the infrastructure sector. (8.6 per cent). (Statement 218 of Volume II).

There has been a clear decline in the reliance on external assistance in the overall external financing need of the country in recent years. A decline in fresh aid commitments by donor countries as a proportion to their Gross National Product, hardening of the terms and conditions of loans in the form of shortening maturities, reduction in the concessionality or grant element, increased tied component, and higher costs associated with purchases under tied aid have operated as major constraints upon the availability of external aid. The ratio of aid to GNP of donor countries which remained low but steady at only 0.35 per cent in the eighties has declined further in nineties to 0.3 per cent which is the lowest since 1973. Performance of the donors in terms of achieving the aid to GNP target has been distinctly divergent (Table X-11).

In the nineties so far, while there has been a significant increase in the long term flows of capital to developing countries, the share of Official Development Assistance(ODA) has declined sharply. (The share of ODA in total net capital flows declined from around 50 per cent in 1989 to around 25 per cent in 1993 and 1994). Such a shift in the composition of aggregate resource flows is primarily on account of greater access to international markets and the preference for higher flows in the form of foreign direct investment, portfolio equity investment and other private debt instruments like floatation of bonds.

There have also been some internal factors in operation for low aid pattern. Inadequate timely provision of matching rupee resources from the Government, organisational and administrative inefficiency, undue delay in completion of projects and associated cost escalation in critical sectors have not only slowed down timely utilisation of aid available in the pipeline but also started affecting adversely the prospects of fresh commitments by donors. Several measures have been undertaken in recent years for improving the aid delivery system and speedier completion of aid funded projects. Since 1992, 100 per cent of the aid coming through the central budget are passed on to the states/ project authorities as against the earlier system of passing on only 70 per cent of the aid proceeds to the states. In the case of central Public Sector Undertakings (PSUs) , since 1993, the aid delivery system has been completely delinked from the budgetary process of the central government i.e., the loans would be borrowed and repaid by the PSUs directly without any budgetary intervention. As a result of this, the externally aided projects now get the benefit of actual terms of the loans including the entire element of concessionality.

IV. India's Financial Assistance to other countries:

Authorisation

Fresh commitment of external assistance by India to various countries during 1994-95 at Rs.174.3 crore was higher by Rs.27.8 crore than that of Rs.146.5 crore during the previous year. The grant component in the total assistance increased marginally from 24.9 per cent during 1993-94 to 26.3 per cent. The major beneficiaries of Indian assistance during the year were Nepal and Uzbekistan accounting for Rs.71.2 crore and Rs.45.5 crore, respectively (Statement 224 of Volume II).

Utilisation

Utilisation of assistance from India by the beneficiary countries at Rs.125.6 crore during 1994-95 exhibited considerable improvement from that of Rs.43.3 crore during the previous year. This was primarily on account of complete utilisation of the entire fresh commitment of Rs.71.2 crore to Nepal made during the year under view. (Statement 224 in Volume II).

Cumulative Assistance extended by India

Aggregate assistance extended by India up to end-March 1995 amounted to Rs.2,831.6 crore, of which about 59 per cent was in the form of grants. The proportion of cumulative utilisation to cumulative authorisation for grants was at 91 per cent: it was higher than the utilisation ratio for loans which stood at 77 per cent. The major country recipients of external assistance from India so far are: Bhutan (34.1 per cent), Nepal (22.5 per cent) and Bangladesh (12.5 per cent). As at the end of March 1995, undisbursed aid from India at Rs.417.7 crore constituted only 14.8 per cent of the aggregate authorisations.

V. External Debt

In nominal terms, India's external debt at the end of March 1995 stood at US $ 99,042 million showing a rise of US $ 6.3 billion as compared to that of US $ 92,695 million as at the end of March 1994. Around 88 per cent of the rise in the debt during 1994-95 is attributable to the revaluation of the non-dollar component of external debt. With the moderation of the current account deficit and increase in the inflows of non-debt creating flows, the growth of external debt in the last few years has been contained. The World Bank in its World Debt Tables 1994-95 places India as third largest debtor in the World; however, in terms of present value method which World Bank uses to assess the indebtedness of the devoloping countries, India ranks eighth among developing countries which have large stocks of external debt, reflecting a large component of concessional element in the debt. Bilateral debt and debt owed to multilateral institutions, both of which have a large element of concessionality constituted 49.2 per cent of gross indebtedness at the end of March 1995 as against 47.1 per cent at the end of March 1994. This compares favourably with other indebted countries. The share of external commercial borrowings comprising trade credits, bank loans and various types of securitised borrowings remained at around 19.8 per cent as a result of a cap placed on fresh commitments over the last three years. The liabilities to IMF constituted a little less than 4.5 per cent of gross external debt as at the end of March 1995. The long-term component of Non-resident deposits at 12.5 per cent as at end March 1995, showed a very modest decline of US $ 243 million over the year. Rupee debt (both civilian & non-civilian) dropped in terms of share from 10.8 per cent as at end-March 1994 to 9.7 per cent at the end of March 1995. Short-term debt rose from US $ 3627 million as at the end of March 1994 to US $ 4,264 million as at the end of March 1995 accounting for 4.3 per cent of total debt. Under short-term component of NRI Deposits, the deposits maturing in one year under FCNRA have been liquidated. However, there has been a substantial increase in deposits up to one year maturity under FCNR(B) deposits. There has been an increase of US $ 197 million over the year under trade credits reflecting the rise in imports.

In relation to GDP at current market prices, external debt as at end of March 1995 declined to 34.2 per cent from 36.9 per cent at end-March 1994. The debt service ratio,however, rose from 25.1 per cent to 26.7 per cent during the period. (Statements 231, Vol. II).

India's external debt is sustainable. There is considerable amount of literature on the subject (See Box X-3) but the issue has to be addressed empirically.

Box X-3

Sustainability of External Debt

The sustainability of external debt is linked to perceptions about the potential rate of growth of the economy. If the economy displays a higher growth potential and the expected growth of output exceeds the effective interest rate on borrowing, then the debt servicing obligations could be met without impinging on the growth process. The economy could then be in a position to repay the entire debt. To put it differently, debt servicing difficulties could be avoided over the long run, if it is ensured that the productivity of borrowed resources is at least equal to the rate of interest charged on debt. This could briefly be depicted as follows :

$$g - i > 0$$

where g stands for the rate of growth of real GDP and i refers to the effective rate of interest at which debt is contracted. In such a case, the debt-output ratio would reach a finite limit rendering external debt sustainable. In this sense, a country could continue to borrow so long as the internal rate of return on new investment is higher than the interest rate (Joshi and Little, 1994).

As external debt represents the cumulative evolution of external current account position and as it influences the prospective level of current account, constant monitoring of the evolving current account situations keeping in view the medium term perspective, would be necessary. In one sense, the resource gap would be reflected through the current account deficit which is inextricably linked to export prospects.

Box X-3 (Contd.)

In other words, in the long-run exports must eventually pay for imports. According to this view, as long as the rate of interest on foreign borrowing is lower than the rate of growth of exports, a country can afford to have a positive resource gap with a limited debt-to-export ratio as shown below :

$$g = (x - i) z \text{ or } z = \frac{g}{(x - i)}$$

Where g= resource gap, x= rate of growth of exports, i= rate of interest, and z= debt-export ratio. In case the terms of trade remains unchanged, the ratio of debt-to-exports would stabilise when the real growth of exports is higher than the real interest rate on borrowing (Joshi and Little,1994) i.e. when

$$d = \frac{z}{(g.\text{volex} - r^*)}$$

where d = external debt-gdp ratio, z = non-interest debt-creating current account deficit, g.volex = growth rate of the volume of exports and r* = real interest rate on foreign borrowing.

Having discussed the broad criteria that governs debt sustainability, there still remains the issue concerning the determination of optimal level of debt i.e., the size of debt that a country could ideally have in consonance with its growth potential. The proponents of optimality consider that a country could borrow (to bridge the gap between domestic saving and investment) until the marginal product of capital becomes negated by the cost of borrowing. The underlying principle is that if the rate of return is lower than the cost of borrowing, then it leads to a decline in GDI which renders it difficult to service the accumulation of debt in the long run.

In a broader context, optimal borrowing has been perceived as that level of borrowing at which total costs by and large offset total benefits. The total costs (apart from interest cost) include a possible reduction in domestic saving ratio in the wake of reliance on external finance while the benefits of external finance include (apart from financing investment projects), achievement of an optimal inter temporal consumption patterns particularly, in years of export shortfalls.

In the literature, two major preconditions viz., liquidity and solvency have also been discussed *vis-a-vis* the sustainability issue. Solvency means that the present value of the country's net income is more than the debt obligations while liquidity refers to the ability to meet the short-term gaps in the balance of payments. These efforts recognise the twin role of external finance, viz, financing foreign exchange shortages arising out of long-term structural problems as well as bridging short-term balance of payments gaps. The distinction brought out by these two concepts is, however, hard to reconcile because a country could face problems of liquidity in the wake of shortages of ready cash in meeting its external payment obligations even though its macro fundamentals could display solvency.

Recent developments in the literature (Daniel Cohen, 1984) indicate that solvency need not require full payment of the debt and continued borrowing may be possible in case a country accomplishes the needed adjustment process. Conventionally, measures of solvency of developing countries usually rely on such indices as debt-export or debt-GNP ratios. The underlying rationale is that, to be solvent, a country must eventually pay back all its debt. In the light of this revelation, efforts were made to evolve a set of debt indicators together with indicators of general economic performance which includes the debt service ratio, the reserves-import ratio, the debt-to-export ratio, the debt-to-GDP ratio, the ratio of amortisation to exports of goods and services, the ratio of interest payments to exports of goods and services, the ratio of interest payment to GDP and the ratio of net external debt to GDP. Further, when a country fully and promptly services all its debt-servicing obligations, its debt would enjoy a high market value. The latter, therefore, becomes another important indicator of country's credibility.

There are no ceilings fixed for any of these ratios. Generally, these indicators are used to measure the degree of debt through inter-country comparisons. Such efforts, however, may prove inadequete in the

Box X-3 (Contd.)

wake of countries displaying wide divergences in the degree of openness, magnitude of external payments and other macro economic performance indicators.

Another major factor that is of paramount relevance for a developing country's debt management strategy is the composition of debt (in terms of relative costs of components) as well as the nature of debt i.e. whether the inflows are debt creating or non-debt creating.

In the ultimate analysis, the success of an external debt management policy, vitally depends upon two major factors viz., the optimal level of debt that could be contracted during a period and the efficiency with which it is used. The size of the external debt that a country could sustain mainly depends on the absorptive capacity of the economy and the ability to service debt without rendering the balance of payments position difficult. This basically depends upon prudent macroeconomic management through co-ordinated policy efforts particularly in the fiscal, monetary and balance of payments areas. Eventually, a debt driven growth strategy, to become successful, should ideally satisfy the conditions of liquidity, solvency and productivity which *inter alia* encompasses (a) meeting the payment commitments at all times (b) operation of projects financed by foreign borrowing profitably and competitively and (c) ability to earn sufficient foreign exchange.

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VI. Exchange Rate Developments

The rupee remained broadly stable *vis-a-vis* the U.S. dollar during 1994-95. During the first seven months of the year there had been a growing surplus of foreign exchange in the market, brought about by buoyant exports and the sharp rise in private transfer receipts on the one hand, and capital inflows through foreign direct investment and portfolio investment on the other. This was absorbed by the Reserve Bank's purchases which were aimed at protecting the export competitiveness and consolidating the foreign exchange reserves of the Bank. In the subsequent months, however, rising imports following the industrial revival and a deceleration in foreign capital inflow, particularly since November 1994, reduced the surplus in the market resulting in a sharp fall in the Reserve Bank's purchases of foreign exchange from US $ 8.7 billion during April-October 1994 to US $ 1.7 billion during November 1994 - March 1995. The rupee came under pressure in March 1995, touching a low of Rs.31.9700 per U.S. dollar, when the supply of foreign exchange was affected by a temporary drying up of foreign remittances due to closure of markets in the Gulf region and pre-budget expectations, as also by rise in demand due to seasonal spurt in imports. The rupee recovered thereafter despite the Reserve Bank's negligible presence in the market. During the first quarter of 1995-96 the rupee remained broadly stable at around Rs.31.4000 per U.S.dollar.

During 1994-95, the rupee depreciated against the currencies of most of India's trade partners and competitors barring a few exceptions. The currencies against which the rupee strengthened are the Canadian dollar, the Indonesian rupiah, the Bangladeshi taka, the Sri Lankan rupee and the Pakistan rupee (Table X-12).

The rupee's weakness against the major currencies other than the U.S. dollar is further vindicated by the monthly average rates (Table X-13). These have, by and large been on the decline with the maximum depreciation occurring in March 1995 when the rupee's weakness against the U.S. dollar was exacerbated by the U.S.dollar's own weakness in the international currency markets. Contributing to the dollar's weakness were factors such as the huge U.S.- Japan trade deficit, weakness in the U.S. financial market due to the Federal Reserve's lagged response to the rising U.S. inflation rates, the dollar-selling pressure from the central banks of Mexico and Brazil, and the safe haven appeal of the Deutsche mark amongst the weak European currencies.

Reflecting the rupee's weakness against India's major trade partners, the Nominal Effective Exchange Rate of the Rupee (NEER) based on a thirty-six country export weighted index reversed the preceding year's uptrend, depreciating by 7.8 per cent in March 1995 over its level in March 1994. The strong NEER depreciation more than compensated for the adverse inflation differential between India and the rest of the world and the rupee marginally weakened by 0.6 per cent in terms of the Real Effective Exchange Rate (REER) over its level in March 1994. (Statement 229, Volume II).

The forward foreign exchange market in India which had hitherto been insulated from changes in the financial markets, governed as it were by forces of demand and supply, has shown definite signs of being drawn into the continuum encompassing the various financial markets. With the deregulation of lending rates in October 1994, there appears to be a nebulous link between the inter-bank premia and the prime lending rate adjusted for inflation differentials. Increased recourse to swaps by commercial banks flush with foreign exchange to tide over their liquidity shortage and to meet their reserve requirements has also brought about a positive correlation between the swap premia and the call money rates. While the spot rates have been more or less stable, the swap premia has been generally on the rise. As a result, forward rates have so far been poor indicators of the future spot rates. The swap premia have been rising steadily since August 1994 with the monthly average rate for the three-month and six-month swaps registering a rise of 6.04 per cent and 5.32 per cent respectively in March 1995 over the levels in March 1994. The inter-bank swap premia breached the 8 per cent level during the first week of April 1995 but have in general, been on a downward trend during the first quarter of 1995-96. (Statement 230, Volume II).

VII. International Monetary Developments[1]

The world economy progressed further on the way to recovery during 1994, and output growth improved to 3.6 per cent in 1994, from 2.5 per cent in 1993. The stronger growth was contributed by economic expansion in most of the industrial countries, and continuing robust growth in a number of developing countries. The world output is projected to grow by 3.7 per cent in 1995 and strengthen further to 4.1 per cent in 1996.

Domestic Activity

Industrial Countries

The industrial countries as a group registered a strong recovery in output growth to 3.1 per cent in 1994, compared to 1.1 per cent in 1993.

1. This section is based upon the information contained in IMF's World Economic Outlook, October 1995.

Output growth in 1995 is estimated to slow down to 2.5 per cent and decline marginally to 2.4 per cent in 1996. The economic recovery in industrial countries as a group during 1994 was mainly driven by strong expansionary trends in the United States, the United Kingdom, Germany, Canada, Australia and New Zealand. The output growth in the United States at 4.1 per cent was contributed by strong domestic demand, coming mainly from business investment.

Most of the other leading industrial countries recorded higher real GDP growth during 1994 than in 1993. Japan's output, however, recovered only modestly by 0.5 per cent in 1994 as against a marginal decline in the year before. The recovery in Japan remains under doubt as domestic demand has suffered a set back and exports have declined in the wake of the continued appreciation of the yen, especially against the US dollar.

The most remarkable achievement of industrial countries consisted of achievement of reasonable price stability. The consumer price inflation in industrial countries declined from 2.9 per cent in 1993 to 2.3 per cent in 1994, reflecting pre-emptive tightening of monetary policy to prevent an acceleration of inflation. During 1994, the highest inflation rate among the major industrial countries was in Italy (4.0 per cent), followed by Germany (2.7 per cent) and the United States (2.6 per cent).

As some of the major industrial countries have advanced steadily on the growth path, the fear of excess demand fueling inflation has made the monetary policy less accommodative in industrial countries in 1994. In the United States, monetary policy was tightened during 1994 and early 1995. The key federal funds rate, the cost of overnight money for banks, was increased by 3 percentage points to 6.0 per cent between February 1994 and February 1995, while the discount rate, charged by the Federal Reserve for loans to banks, was moved up to 5.25 per cent. The US Federal Reserve, however, began undoing the interest rate increases in July 1995, for maintaining the strength of the economic recovery. While the federal funds rate was cut down to 5.75 per cent, the discount rate was kept unchanged. In response to the continuing weakness of recovery, monetary policy in Japan was eased further, with the Bank of Japan reducing its official discount rate to 1.0 per cent in April 1995, and further to a historic low of 0.5 per cent in early September 1995. The Bundesbank, in order to curb the steep rise in its currency, reduced its discount rate to 4.0 per cent in March 1995, while keeping the Lombard rate unchanged at 6.0 per cent. In August 1995, the Bundesbank adjusted the interest rates downwards again, when the discount rate was reduced to 3.5 per cent and Lombard rate to 5.5 per cent. In European countries there has been easing of monetary policy to provide further support to the recovery. Strong recovery of the economy and rising import prices and producer prices prompted the United Kingdom to tighter monetary conditions since September 1994, in spite of low inflation rate. The base rates were raised in three steps in September 1994, December 1994 and February 1995 to 6.75 per cent so as to pre-empt inflationary resurgence. The short term interest rates in the industrial countries on the whole moved downward, with the average in the seven major industrial countries, declining from 4.9 per cent in 1993 to 4.6 per cent in 1994. The long-term interest rates, however, edged up to 6.8 per cent in 1994, from 6.2 per cent in 1993.

The broad money growth in the major industrial countries declined to 1.9 per cent in 1994 from 3.3 per cent in 1993. The narrow money growth also declined to 3.7 per cent in 1994 from 8.4 per cent in 1993.

Developing Countries

The developing countries (excluding the countries in transition) improved their GDP growth rate marginally to 6.2 per cent in 1994, compared to 6.1 per cent in 1993. The IMF expects the output in developing countries, as a group, to grow by 6.0 per cent in 1995. The outlook for developing countries had worsened during early 1995 as a number of these countries had resorted to tightening of policies in the wake of the Mexican financial crisis, which had resulted in a slowing down of capital flows to developing countries.

The output growth in developing countries of Africa increased to 2.6 per cent in 1994 (0.8 per cent in 1993), helped by the implementation of structural reforms and stabilisation programmes in a number of countries belonging to this group. Asia continued to be the fastest growing region among the developing countries, even though its GDP growth declined marginally to 8.5 per cent in 1994, compared to 8.7 per cent in the year before. The growth of real output declined substantially in Middle East and Europe to a mere 0.3 per cent in 1994 (3.6 per cent in 1993), mainly as a result of decline in output level in Turkey at the rate of 5.5 per cent in 1994, and a sharp slowing down in Kuwait. The economic developments in this region crucially depend on the recovery of oil prices, which declined further in 1994. The Western Hemisphere improved its average output growth to 4.6 per cent in 1994 from 3.3 per cent in 1993. The repercussions of the financial crisis in Mexico are likely to pull down the growth rate for this region in 1995.

The average consumer price inflation for developing countries, rose to 48.1 per cent in 1994 from 43.1 per cent in 1993, with all the regions experiencing increases in price levels. The consumer price inflation in Africa increased from 27.9 per cent in 1993 to 32.9 per cent in 1994. In Asia, the increase in prices by 13.5 per cent in 1994 as against 9.4 per cent in 1993 reflected the sharp upsurge in prices in China by 21.7 per cent in 1994 compared to 13.0 per cent in 1993. The Western Hemisphere continued to face the highest inflation rate of 226.7 per cent in 1994 as against 212.2 per cent in 1993, mainly contributed by a four-digit inflation in Brazil. The countries in Middle East and Europe also witnessed increase in inflation to 32.3 per cent in 1994 from 24.5 per cent in 1993.

Countries in Transition

The progress with stabilisation measures and institutional and structural reforms has brought about economic recovery among an increasing number of countries in transition. The output for the region as a whole declined at a lower rate of 3.8 per cent in 1994, compared with 6.1 per cent in 1993. The output growth in countries such as Albania, Estonia, Poland, Slovak Republic and Slovenia is estimated to have reached or exceeded 5 per cent in 1994. The economic activity has shown signs of improvement with positive growth rates in Czeck Republic, Hungary, Latvia, Lithuania and Romania. The consumer price inflation for the central and eastern European countries declined to 203.2 per cent in 1994 from 458.8 per cent in 1993.

The economic activity continued to be sluggish in Russia and countries belonging to Transcaucasus and Central Asia. In Russia, GDP fell by 15.0 per cent in 1994 over and above the fall of 12.0 per cent in 1993. The worsening of economic conditions in Russia during 1994 is mainly attributed to the relaxation of fiscal adjustment efforts. The loosening of financial policies also resulted in edging up of inflation, with consumer prices in Russia increasing three-fold in 1994.

For the countries belonging to the Transcaucasean and Central Asian region, output declined by 16.2 per cent in 1994, as compared to 11.2 per cent in the year before. The conprice inflation for this region reigned at extremely high levels because of tardy pace of reforms.

International Trade and Payments

The world trade volume in 1994 increased by an unprecedented 8.7 per cent, as compared with 3.9 per cent in 1993. This reflects a pick-up in economic activity in industrial countries leading to enhanced export and import volumes. The world trade growth is expected to slow down to 7.9 per cent in 1995, in view of the likely moderation of economic activity in industrial countries.

The export volume in industrial countries grew at a substantially higher rate of 8.1 per cent in 1994 (2.5 per cent in 1993), while import volume increased by 9.2 per cent in 1994 (1.1 per cent in 1993). The volume growth of exports of developing countries increased to 11.3 per cent in 1994 from 7.3 per cent in 1993, whereas the import volume growth declined from 9.3 per cent in 1993 to 8.5 per cent in 1994.

The combined current account deficit of the industrial countries in 1994 amounted to $ 6.3 billion in contrast to the surplus of $ 28.8 billion in 1993. The external current account deficit of the United States continued to rise and reached $ 151.2 billion in 1994, from $ 99.9 billion in 1993. The US deficit may suffer in the short run on account of reduced exports to Mexico and is likely to widen to $ 175.9 billion in 1995. The current account surplus of Japan was marginally lower at $ 129.1 billion in 1994 compared with $ 131.4 billion in 1993. This situation may continue in 1995 as well. The current account deficit of Germany increased to $ 20.6 billion in 1994, compared with $ 15.6 billion in 1993 and is expected to decrease to $ 16.5 billion in 1995.

The combined current account deficit of developing countries declined from $ 98.5 billion in 1993 (8.1 per cent of exports of goods and services) to $ 68.4 billion in 1994 (4.9 per cent of exports of goods and services), reflecting mainly the decrease in deficits in Asia and Middle East and Europe, while the deficit increased further for the Western Hemisphere. The deficit is expected to decline further to $ 65.7 billion in 1995 (4.0 per cent of exports of goods and services).

The terms of trade of developing countries improved marginally by 0.5 per cent in 1994. While the terms of trade of fuel exporting countries improved by 4.3 per cent, that of non-fuel exporters improved marginally by 0.1 per cent. Industrial countries' terms of trade improved by 1.1 per cent.

Developments in Exchange Rates of Major Currencies

During 1994 and early 1995, the US dollar weakened sharply against the Japanese yen and the deutsche mark, to lowest levels reached in recent years on an effective basis. The persisting weakness of the US dollar has raised concerns about future inflationary pressures in the US economy. The US dollar has suffered from the persistence of high current account deficit raising concerns about its financing requirements and poor prospects of further reductions in the US budget deficit. The weakness of the US dollar also reflected adverse effects of the economic crisis in Mexico and shifts in market perceptions. The US dollar had gained some strength against the deutsche mark in March this year with Bundesbank lowering its official rates. It also strengthened against the yen in mid-July, following the easing of monetary conditions in Japan, supported further by the intervention in the foreign exchange markets by the Bank of Japan. Against the Canadian dollar and some European currencies, the US dollar maintained its strength. Between end-1994 and early-August 1995, the US dollar depreciated by approximately 10 per cent against the Japanese yen and the deutsche mark. The Japanese yen appreciated against the US dollar and several other currencies, including the deutsche mark, reflecting Japan's large current account surplus. The Japanese yen has appreciated by 16 per cent in nominal effective terms between end-1994 and early April 1995.

Among the European currencies, the deutsche mark continued to strengthen against, apart from the US dollar, several European currencies including the Italian lira, the Swedish krona and the pound sterling, and, to a lesser extent, against the French franc. The deutsche mark appreciated by 10 per cent against the US dollar and by 4 per cent in nominal effective terms from end-1994 to April 1995. The Exchange Rate Mechanism (ERM) witnessed currency pressures early this year, reflected in increased official interest rates in a number of European countries. The strains resulted in the devaluation of the central parity of the Spanish peseta and Portuguese Escudo in the first week of March. Increased political uncertainties, fiscal difficulties and associated concerns about inflation have contributed to downward pressures on the lira, the peseta, the krona and the sterling, bringing them to record lows against the deutsche mark. The exchange market tensions have, however, subsided in recent months, and several currencies, including the French franc, the Spanish peseta, have reversed their declines against the deutsche mark. The Italian lira and the Swedish krona have also appreciated, thus offsetting some of their earlier declines.

European Economic and Monetary Union

The European Exchange Rate Mechanism (ERM) was remarkably tension-free in 1994. The lowering of the German interest rates, the tendency towards convergence of the inflation differential among European countries and the return of the French franc towards the centre of the widened exchange rate band were significant factors that helped restore confidence in the ERM. Except on one occasion, exchange rates fluctuated within the 8 per cent of the parity, the permitted limit being 15 per cent.

The ERM experienced the first real test of the new wide band arrangements in March 1995 when both the Spanish peseta and the Portuguese escudo were devalued. While the peseta's central rates were realigned by 7 per cent, the escudo was devalued by 3.5 per cent. The currencies of Belgium, France, Denmark and Ireland also came under some pressure forcing the monetary authorities of these countries to raise interest rates. A cut in German interest rates on March 30, 1995 contributed to the subsiding of tensions in the ERM in early April.

International Reserves

During 1994, the growth in global international reserves (excluding gold) slackened to 7.3 per cent from 9.1 per cent in the previous year (Table X-14). The reserve holdings of industrial countries recorded a higher growth of 4.9 per cent to SDR 433.8 billion in 1994 compared to 4.2 per cent in 1993, while the reserves of developing countries grew by a much lower rate of 10.2 per cent as against 15.6 per cent rise in 1993 to SDR 378.9 billion. Among the industrial countries, Japan experienced the maximum growth of reserves of SDR 14.5 billion to SDR 86.2 billion. Germany's reserves declined by SDR 3.5 billion during the year.

In the first quarter of 1995, the world non-gold reserves decreased by 1.8 per cent to SDR 798 billion. The reserves of industrial and developing countries declined by 0.2 per cent and 3.6 per cent, respectively, to SDR 432.9 billion and 365.1 billion, respectively.

Among the components of international non-gold reserves, foreign exchange reserves totalled SDR 765.2 billion at end 1994, a growth of 7.8 per cent over the year. During 1994, the foreign exchange reserves of industrial countries increased by SDR 20.2 billion or 5.4 per cent while those of developing countries increased by SDR 34.9 billion or 10.4 per cent.

The reserve position in the Fund for all member countries recorded a further decline of SDR 1.1 billion in 1994, the same as in 1993.

Between end-June 1994 and end-June 1995, the position in the SDR Department of other holders improved to SDR 1,057.6 million from SDR 167.6 million.

External Debt Situation

At the end of 1994, the total external debt of developing countries (excluding IMF credit) stood at $ 1,704.7 billion, having increased by 8.5 per cent during the year (Table X-15). The IMF estimates that in 1995, total external debt of all developing countries will increase further to $ 1,852.1 billion.

During 1994, most of the developing country groups witnessed increases in their total external debt. The increase in debt was the highest in Asia ($ 63.4 billion), followed by Western Hemisphere ($ 47.6 billion). The debt indicators worsened further for the African region, while improving marginally for the other developing country groups.

The ratio of total debt to export earnings, in dollar terms, of the developing countries declined to 123.0 per cent in 1994, from 128.6 per cent in 1993. The debt-export ratio decreased for Asia and the Western Hemisphere, while it increased for Africa from 269.5 per cent in 1993 to 276.5 per cent in 1994, and for Middle East and Europe from 151.4 per cent in 1993 to 152.3 per cent in 1994.

The ratio of external debt to GDP for developing countries decreased marginally to 33.0 per cent in 1994 (33.1 per cent in 1993). While the developing countries of Middle East and Europe and Western Hemisphere witnessed improvements in their debt-GDP ratios, the ratio went up for Africa and Asia.

The debt service ratio for the developing countries, as a group, decreased to 15.0 per cent in 1994, from 15.2 per cent in 1993, reflecting in part, an increase in interest rates during 1994. Across regions, this ratio worsened further only for Middle East and Europe, while improving for the other regions.

During 1994, further progress was made in debt-rescheduling agreements, with Paris Club adopting a more flexible approach in providing for 67 per cent of reduction in official bilateral debt for most low-income countries. Several countries, including Combodia, Chad, Guinea-Bissau, Togo, Bolivia, Nicaragua and Uganda were offered upto 67 per cent net present value reduction in debt-servicing by Paris Club creditors. The commercial bank creditors also reached agreement with Ecuador for reduction in its commercial bank debt and interest arrears.

International Monetary Fund

Use of IMF Resources

During the year 1994, gross disbursements by the IMF (i.e. members' purchases) out of the General Resources Account remained unchanged at the 1993 level of SDR 5.0 billion. But net disbursements fell sharply to SDR 0.4 billion from SDR 1.2 billion in 1993, with repurchases being higher at SDR 4.6 billion in 1994 than SDR 3.8 billion in the previous year (Table X-16).

Facility-wise, the gross disbursements under short-term stand-by arrangements increased substantially to SDR 1.83 billion in 1994 from SDR 1.05 billion in 1993. In contrast, drawings under extended arrangements (EFF) decreased sharply to SDR 0.9 billion from SDR 1.85 billion. Similarly, drawings under the Compensatory and Contingency Financing Facility (CCFF) declined to SDR 0.31 billion from SDR 0.71 billion in 1993. Lending under the temporary Systemic Transformation Facility (STF) created in April 1993 increased to SDR 1.9 billion in 1994 from SDR 1.4 billion in 1993. Since May 1, 1995, the first drawings under the STF can no longer be made, but members that have had a first drawing approved by then are eligible for a second drawing by end-December 1995.

Gross disbursements to low income countries at concessional terms under the Structural Adjustment Facility (SAF) and Enhanced Structural Adjustment Facility (ESAF) arrangements more than tripled to SDR 0.91 billion in 1994 from SDR 0.27 billion a year ago.

During the first half of 1995, total purchases amounted to SDR 8.7 billion (of which Mexico's share alone was SDR 5.3 billion) and repurchases accounted for SDR 2.1 billion respectively. The net purchases during this period increased to SDR 6.6 billion from SDR 0.1 billion in the same period of 1994 (Table X-16).

As at end of June 1995, total Fund credit and loans outstanding were SDR 37.0 billion which included SDR 32.3 billion from the General Resources Account, SDR 4.6 billion under SAF and ESAF arrangement and SDR 101.8 million under Trust fund loans.

SDR Allocation and SDR Interest Rate

The SDR (Special Drawing Right) is an international reserve asset created by the IMF and allocated to its members participating in the SDR Department. SDR is also a unit of account. Total allocation during the period 1970-81 aggregated SDR 21.4 billion. Since then no further allocation has taken place. The interest/ remuneration rate on the SDR is calculated weekly and is equal to the weighted average interest rate or yield on specified short term instruments in the money markets of the US, the UK, France, Germany and Japan, whose currencies comprise the SDR valuation basket. In tandem with the movements in short-term rates in these countries, the SDR interest/ remuneration rate, after declining from an average of 6.48 per cent for the quarter ended June 1992 to 3.98 per cent for the quarter ended March 1994, increased steadily to 5.00 per cent for the quarter ended March 1995 before declining to 4.71 per cent for the quarter ended June 1995 (Table X-17).

Rate of Charge, Overdue Obligations and Burden Sharing

The rate of charge and the rate of remuneration are both set in proportion to the weekly SDR interest rate. For IMF's fiscal year 1995/96 (May 1995-April 1996), the basic rate of charge for the use of ordinary resources of the Fund has been fixed at 102.5 per cent of SDR interest rate. The rate of charge, fixed initially at 115.1 per cent for 1994/95, was retroactively reduced to 112.0 per cent in view of the Fund's favourable net income position, which exceeded the target amount of SDR 85 million in 1994/95 by SDR 109 million owing to the higher use of Fund credit, the rise in SDR interest rate and a lower value of administrative expenses in SDR terms.

The basic rate of charge and the rate of remuneration together with the adjustments on account of Deferred income, Special Contingent Account-1 and Special Contingent Account-2 for the four quarters ended April 30, 1995 are provided in Table X-18.

As of end-April 1995, the overdue financial obligations for six months or more amounted to SDR 3.0 billion in respect of eight members - Bosnia and Herzegovina, Iraq, Liberia, Serbia and Montenegro, Somalia, Sudan, Zaire and Zambia. The overdue financial obligations were lower at SDR 2.87 billion as of end-April 1994.

The total reserves (general and special reserves) of the Fund totalled SDR 3.2 billion as at the end of April 1995, composed of general reserves - SDR 1.79 billion and special reserves under two Special Contingent Accounts - SDR 1.37 billion. The general reserves of the Fund stood at SDR 1.70 billion a year earlier.

World Bank Group[1]

During the World Bank year 1995 (July 1994 to June 1995), the Bank played a vital role in helping countries design and implement policies aimed at expanding their markets and strengthening their economies, attracting private capital and gradually integrating with the world economy. The use of the Bank's guarantee powers became a major operational tool during 1995.

Efforts were continued to reduce the debt burden of severely indebted poor countries through support for policy reform, provision of IDA credits, extraordinary IDA allocation for countries engaged in debt workouts, "Fifth Dimension" allocations, funding from the Debt-Reduction Facility for IDA-only countries to reduce commercial debt, and technical assistance for debt management.

Twenty-five countries have phased out their reliance on World Bank lending. The Republic of Korea is the first country ever to have progressed from being a purely concessional borrower from IDA to being an IDA donor apart from ceasing to rely on World Bank lending.

During the year, the total membership of IBRD increased to 178 following the joining of Eritrea, while the total membership of IDA was brought to 158 with the joining of Eritrea and Azerbaijan Republic.

In 1995, commitments by the World Bank (IBRD and IDA combined) at $ 22.5 billion showed an increase of 8.1 per cent as against a decline of 12.1 per cent in 1994 (Table X-19). Adjustment lending increased to 24 per cent of Bank commitments, compared with 12 per cent in the previous year. It included $ 1,395 million in rehabilitation-import loans and $ 375 million in debt-reduction loans. IBRD commitments increased to $ 16.9 billion from $ 14.2 billion a year earlier, whereas IDA commitments declined to $ 5.7 billion from $ 6.6 billion the previous year.

Assistance to the poorest countries (with a per capita gross national product of $ 695 or less in terms of 1993 US dollars) was $ 3,770 million from IBRD and $ 4,715 million from IDA, totalling $ 8,485 million this fiscal year as compared with $ 2,690 million from IBRD and $ 5,939 million from IDA, totaling $ 8,629 million in 1994.

International Bank for Reconstruction and Development (IBRD)

Lending commitments of the IBRD amounted to $16,853 million in fiscal 1995, an 18.3 per cent increase over $ 14,244 million of the previous year. Mexico was the largest borrower ($ 2,387 million) followed by China ($ 2,370 million) and Russia ($ 1,741 million). India received $ 1.12 billion (6.6 per cent) in 1995 as compared with $ 0.09 billion (0.7 per cent) in 1994. The sector-wise details of IBRD loans to India are indicated in Table X-20.

Gross disbursements by the IBRD increased by $ 2,225 million (or 21.3 per cent) to $ 12,672 million from $10,447 million in 1994. Disbursements were high in Europe and Central Asia, Latin America, Caribbean, East Asia and Pacific regions. Net disbursements, excluding prepayments, to current borrowers were $ 2,238 million, an increase of $ 2,175 million over $ 963 million in the previous year.

At the end of 1995, the IBRD's liquidity amounted to a total $ 18.4 billion as compared with $19.2 billion in the previous year.

The total medium-term and long-term (MLT) borrowing of IBRD in seven currencies amounted to $ 9.0 billion with an average maturity of 7.4 years and the average cost, after swap, of 6.32 per cent. At the end of 1995, the outstanding MLT borrowing amounted to

1. *Source* : World Bank Annual Report, 1995.

$ 104.5 billion, or 96 per cent ($ 107.8 billion or 97 per cent after swaps) of total debt outstanding, with an average maturity of 5.6 years and average cost, after swaps, of 6.3 per cent. At the end of 1995, the outstanding short-term borrowings were $ 3.9 billion before and after swaps, as compared with $ 3.3 billion the previous year. The cost of borrowings was 5.85 per cent this year as against 4.94 per cent at the end of 1994. Short-term and variable rate funding aggregated $ 4.3 billion equivalent, representing about 3 per cent of total outstanding debt.

On June 30,1995, the total subscribed capital of IBRD was $ 176.4 billion or 96 per cent of the authorized capital of $ 184 billion. During fiscal 1995 twenty countries subscribed an aggregate $ 6.4 billion to the General Capital Increase (GCI) of $ 74.8 billion. A total of 51,754 GCI shares ($ 6.2 billion), including additional GCI shares allocated to new members who joined the IBRD after 1988, remain to be subscribed.

At the end of 1995, the reserve position was $17.2 billion as against $ 14.8 billion the earlier year. The reserves-to-loan ratio increased to 14.3 per cent compared with 11.4 percent in 1994.

International Development Association (IDA)

During 1995 the lending commitments of IDA stood at $ 5,669 million, a decline of $ 923 million or 14.0 per cent from $6,592 million the previous year. Disbursement from IDA amounted to $ 5,703 million, an increase of $171 million or 3.1 percent over $ 5,532 million in fiscal 1994. India was the largest borrower of IDA credit ($ 945 million), followed by China ($ 630 million) and Vietnam ($ 415 million). The sectorwise composition of IDA loans to India is shown in Table X-21.

IDA is mainly funded by donor contributions and such funds are "replenished" by an agreement among donors every three years. The year 1995 was the second year of the 10th replenishment of IDA (IDA-10), the size of which was agreed upon at SDR 13 billion. The total resources available for IDA-10 period during fiscal 1995 amounted to SDR 3,829 million. Four meetings were held on the 11th replenishment of IDA resources (IDA-11) during 1995. The fiscal constraints experienced by the donor nations make it necessary to redouble efforts to conclude a significant replenishment of IDA resources.

For each fiscal year, IDA fixes the level of commitment fee based on an annual review of IDA's financial position. It continues to be zero per cent for all IDA credits since 1989.

International Finance Corporation (IFC)

The International Finance Corporation (IFC), established for promoting private enterprise in the developing member countries, registered a steady growth in 1995. The significant sectors of growth for IFC during the year were infrastructure (power, tele-communications and transport), capital market and privatization.

The total financing for IFC's own account has increased by an average annual rate of 16 per cent over the last four years. The IFC approved $2.9 billion for 212 projects for its own account, compared with $ 2.5 billion for 231 projects in fiscal 1994. Its resource mobilization activity recorded an approval of $ 2.6 billion in financing through loan syndications and underwriting of securities issues and investment funds. The Corporation's approved projects had total investment cost of $ 18.9 billion which meant that other lenders and investors provided $ 5.56 for every dollar approved by IFC. Projects were approved in 67 countries as against 65 countries in the previous year. New commitments signed during the year aggregated to $ 2.4 million as compared with $1.8 million in 1994. Disbursements increased to $1.8 billion from $ 1.5 billion the previous year and IFC's total disbursed portfolio reached $ 7.3 billion as of June 30,1995. IFC borrowed $ 2.4 billion in the international market and $ 45 million from IBRD. Its net income in 1995 was $188 million, compared with $ 258 million in the earlier year. It earned a return of 5.5 per cent on its net worth, which reached $ 3.6 billion at June 30,1995.

The joining of Armenia, Georgia, Moldova and Tajikistan in 1995 has increased the membership of IFC to 165.

Multilateral Investment Guarantee Agency (MIGA)

In 1995, MIGA's net income before provisioning increased by 140 per cent to $ 12.8 million, while the net income after provisioning increased by 64 per cent to $ 2.6 million. The year witnessed better results for MIGA's guarantee programmes compared with those in 1994 with respect to (a) number of contracts executed (54 against 38), (b) total amount of coverage issued ($ 672 million compared with $ 372.6 million), (c) number of developing countries benefitted (21 as against 14) and (d) the income earned from premiums and commitment fees ($ 14.4 million as against $ 9.9 million). In addition, there were 7 commitment letters outstanding with $ 210 million in potential coverage, compared with 5 commitment letters for potential maximum coverage of $ 167 million outstanding as of June 30, 1994. The contracts issued in 1995 facilitated total direct investment of about $ 2.5 billion and created an estimated 8,800 jobs in developing member countries. MIGA introduced significant amount of coverage ($ 142 million) for infrastructure investments, inclusive of its first power and toll road projects.

In order to promote private investment, MIGA offers technical assistance to developing member countries through direct support of investment-promotion activities, dissemination of information on investment opportunities, and capacity building of Investment Promotion Agencies (IPAs), so that they can attract foreign direct investment in the most effective way. Wherever possible, MIGA seeks to support activities on a sectoral and multicountry basis.Two major conferences of this nature were organized during 1995 — for the tourism sector in the Middle East and the mining sector in Sub-Saharan Africa.

The number of member countries of the MIGA increased from 121 to 128 in 1995. Twenty-four countries are in the process of fulfilling membership requirements.

Asian Development Bank (ADB)

During 1994, the Asian Development Bank's total approvals of new loans and investments amounted to US $ 3,737.4 million, comprising loans of US $ 2,509.8 million from ordinary capital resources (OCR), US $ 1,176.7 million from the concessional Asian Development Fund (ADF) and US $ 50.9 million of equity investments (Table X-22). Almost the entire loans were to governments or were guaranteed by governments. Sectorwise, the transport and communications sector was the major area of Bank lending, followed by energy, agriculture and agro-industry and social infrastructure. Countrywise, People's Republic of China was the largest recipient of ADB loans followed by Indonesia. In 1994, the lending volume declined by 29 per cent with ADB stressing more on the improvement of the quality of its projects.

During 1994, loan disbursements increased by a record 25 per cent to $ 3,688 million; OCR disbursements were higher by 24 per cent at US $ 2,501 million and ADF disbursements 28 per cent higher at US $ 1,187 million. Following the completion of 88 projects in 1994, the total number of completed projects increased to 903 out of 1,223 projects approved as of end-1994.

The net transfer of resources (disbursements minus capital repayments, payments of interest and other charges, plus equity investments) to the developing member countries (DMCs) increased by 18 per cent to US $ 1,100 million.

The ADB's authorised capital as at end-1994 stood at US $ 50,789 million, of which US $ 30,151 million was subscribed. The ADB membership rose to 55 with the joining of Kazakhstan and Kyrgyz Republic.

VIII) Developments relating to Exchange Control (April 1994 to August 1995)

i) With effect from July 5, 1995, the authorised dealers have been permitted to release exchange for visits abroad for business, participation in overseas conferences / seminars, specialised training, medical treatment and studies, even beyond the scales and the durations prescribed by the bank provided they are satisfied about the bonafides of the application and the need for releasing the exchange at the higher rates.

ii) The export/trading/star trading/super star trading houses were allowed, with the permission of the RBI, to make advance payments to the overseas suppliers by utilising the funds in their Exchange Earners Foreign Currency (EEFC) Accounts upto 5 per cent of their export realisation of the previous year, through a branch of an authorised dealer to be designated by them for this purpose.

iii) Settlement towards payments of import of sugar, fertiliser and pulses for any of the ACU countries were allowed to be made outside the ACU mechanism in any permitted currency. Indian exporters have also been permitted to accept payment in free foreign exchange in respect of their exports to ACU countries provided such payment is voluntarily offered by the importer in ACU country.

iv) Off-line carriers and their General Sales Agents in India, with appropriate permission from the RBI, were permitted to stock and sale their tickets to travellers in India and also remit surplus fare collection without limit.

v) The Export Credit Guarantee Corporation was permitted to provide non- fund based export factoring services to the exporters holding its policies. The Bank has also approved the scheme evolved by SBI for providing internal factoring services on " with recourse" basis.

vii) The value limits up to which authorised dealers and EXIM Bank can grant approvals at pre-bid and post- award stages for proposals for project exports were enhanced from Rs. 10 crore to Rs. 25 crore for the former and from Rs. 50 crore to Rs. 100 crore for the latter.

viii) The requirement of declaration of foreign currency brought into the country, to the Customs Authorities would be applicable where the aggregate value of the foreign exchange brought in by travellers coming to India, in the form of currency notes/bank notes and travellers cheques at any one time exceeds US $ 10,000 or its equivalent and/or the aggregate value of foreign currency notes brought in at any time exceeds US $ 2,500 or its equivalent. Accordingly, an incoming traveller will have to declare the foreign currency notes/ bank notes brought in by them if the value thereof exceeds US $ 2500/- or its equivalent even though the aggregate value of the foreign currency notes/bank notes and travellers cheques does not exceed US $ 10,000 or its equivalent.

ix) Residents maintaining foreign currency balances or holding other assets viz., foreign currency securities or immovable properties abroad which were acquired by them before July 8, 1947 and holding necessary permission/ licence issued by Reserve Bank for holding these foreign currency assets as on the date of the Notification issued by the Government of India (July 6, 1994) would, henceforth, enjoy complete freedom for holding and utilisation of funds held in such foreign currency accounts and also for holding/disposal of overseas assets as well as incomes earned on these balances/ assets or sale proceeds of such assets. Accordingly, the conditions stipulated in the respective letters of approval/licences in regard to repatriation of balances in the accounts or incomes like interest, dividend or sale proceeds of the assets and submission of annual returns to Reserve Bank will no more be applicable in their cases. They can also make fresh investment in overseas securities or immovable properties out of the funds without the permission from Reserve Bank.

x) Residents who have acquired foreign currency balances and overseas assets by way of gift or inheritance from returning Indians (i.e. persons who have returned India after a minimum continuous stay abroad of not less than one year as resident outside India) out of their eligible funds/assets or from other residents holding foreign currency balances/ assets acquired before July 8, 1947 with the permission of RBI referred above will also similarly enjoy complete freedom from holding, utilisation and disposal of such funds/overseas assets as well as utilisation of income earned on these assets, or sale proceeds thereof, provided (a) tax, if any, has been paid in India in respect of gift or inheritances and (b) in the case of gift, the recipient donee is a relative i.e. husband, wife, brother, sister or any lineal ascendant or descendant of the doner. Such persons i.e. the recipient of gifts will neither be required to declare these foreign currency funds/assets to RBI nor to repatriate the interest or income earned thereon or the sales proceeds thereof. They can also make fresh investments in securities or immovable properties abroad from out of the funds so gifted or inherited, without the prior approval of Reserve Bank.

xi) Authorised dealers have been permitted to make remittances towards import of drawing and designs up to Rs.25 lakhs subject, inter alia, to the condition that a confirmation is obtained from the Indian companies, that Research and Development Cess payable in terms of Research and Development Cess Act, 1947 has been paid, before allowing the remittance.

xii) Reserve Bank of India have approved the Scheme evolved by SBI Factors and Commercial Services Pvt. Ltd. for providing "International Export Factoring" services on "inter recourse" basis.

xiii) Persons of Indian nationality/origin residing abroad (NRIs) have been permitted to bring into India gold in any form including ornaments (other than ornaments studded with stones and pearls) upto 5000 grams and silver upto 100 kilograms as part of their personal baggage once in six months. The duty on such import is payable in foreign exchange. Persons residing in India desiring to purchase such imported gold/silver would need permission of Reserve Bank for making payments in rupees to the NRI seller. Reserve Bank has now granted general permission to persons resident in India to make payments in Indian rupees for the gold /silver purchased by them, the amount of which should be credited only to NRO accounts of the NRI seller and not to their NRE/FCNR account.

Table X-1: External Sector :Key Indicators

Item	Quick Estimates		Preliminary Actuals		
	1994-95	1993-94	1992-93	1991-92	1990-91
a. Degree of Openness					
i) Exports / GDP (%)	8.9	8.9	7.8	7.3	6.2
ii) Imports / GDP (%)	10.4	9.4	9.8	8.3	9.4
iii) Merchandise Trade / GDP (%)	19.3	18.3	17.6	15.6	15.5
b. Invisibles Account					
i) Invisibles Receipts/GDP @ (%)	4.9	4.2	3.4	3.8	2.5
ii) Invisibles Payments/GDP (%)	4.2	3.8	3.2	3.2	2.6
iii) Invisibles Net/GDP @ (%)	0.7	0.4	0.2	0.6	-0.1
c. Indicators of Sustainability					
i) Import Purchasing Power of Exports	581.6	373.1	283.8	249.3	212.2
(Base: 1978-79 = 100): Annual Growth rate	(55.9)	(31.5)	(13.8)	(17.5)	(0.3)
ii) Current Receipts/Current Payments(%)	93.8	98.0	87.3	94.3	71.5
iii) CAD/GDP	-0.80	-0.12	-1.82	-0.36	-3.24
d. Capital Account					
i) Equity/Net Capital Flows(%)	69.2	44.8	13.8	3.2	0.8
ii) Debt Service Ratio (%)	26.65	25.07	28.63	30.21	34.26
iii) Debt / GDP (%)	34.2	36.9	39.9	41.1	30.4
iv) Debt Service Cover of Reserve (In months of payments)	27.6	27.9	15.4	13.4	7.8
v) Imports Cover of Reserves (In months of imports)	9.7	9.6	5.1	5.3	2.5

@ Include official grants which are treated as part of current account receipts here.

Table X-2 : Private Non-debt creating flows to Developing Countries, 1991-94

(U.S. $ billion)

Category	1991	1992	1993	1994*
1	2	3	4	5
Total private non-debt creating flows	45	61	114	118
(India's share %)	(0.4)	(0.7)	(3.6)	(4.2)
Foreign direct investment	37	47	67	78
(India's share %)	(0.4)	(0.7)	(0.9)	(1.7)
Portfolio equity investment (Estimated)	8	14	47	40
(India's share %)	(0.1)	(0.7)	(7.4)	(9.1)

* Projected.
Source: World Debt Table, 1994-95.

Table X-3 : Portfolio Equity Flows to Developing Countries, by Region, 1989-94

(U.S. $ billion)

Region or country group	1989	1990	1991	1992	1993	1994 *
All developing countries	4	4	8	14	47	40
India's share	-	-	0.1	0.7	7.4	9.1
Sub-Saharan Africa	0	0	0	0	0	1
East Asia and the Pacific	3	2	1	5	18	18
South Asia	0	0	0	0	2	8
Europe and Central Asia	0	0	0	0	1	3
Latin America and the Caribbean	0	1	6	8	25	10
Middle East and North Africa	0	0	0	0	0	0

* Projected.
Source: World Debt Table, 1994-95.

Table X-4A : India's Overall Balance of Payments

Item	(US $ million)					(Rs Crore)				
	Quick Estimates		Preliminary Actuals			Quick Estimates		Preliminary Actuals		
	1994-95	1993-94	1992-93	1991-92	1990-91	1994-95	1993-94	1992-93	1991-92	1990-91
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
A. Current Account										
1. Exports, f.o.b.	26763	22700	18869	18266	18477	84032	71210	54762	44922	33153
2. Imports, c.i.f.	31269	23985	23237	21064	27914	98180	75241	68863	51417	50086
3. Trade Balance	-4506	-1285	-4368	-2798	-9437	-14148	-4031	-14101	-6495	-16933
4. Invisibles, net	2191	970	842	1620	-243	6880	3043	1337	4258	-435
Non factor services	-494	777	1128	1207	979	-1551	2437	2698	3134	1758
Investment Income	-3905	-4002	-3422	-3830	-3752	-12261	-12554	-10503	-9397	-6732
Private Transfers	6200	3825	2773	3783	2069	19467	11999	8089	9381	3711
Official Transfers	390	370	363	460	461	1225	1161	1053	1140	828
5. Current Account Balance	-2315	-315	-3526	-1178	-9680	-7268	-988	-12764	-2237	-17368
B. Capital Account										
1. External Assistance, net	1250	1700	1859	3037	2210	3925	5333	5750	7394	3965
a) Disbursements	3067	3318	3302	4366	3397	9630	10409	10173	10714	6095
b) Amortisation	-1817	-1618	-1443	-1329	-1187	-5705	-5076	-4423	-3320	-2130
2. Commercial Borrowings,net	1029	1252	-358	1456	2249	3231	3928	-1094	3807	4035
a) Disbursements	3841	3285	1167	3133 #	4253	12060	10305	3583	7852	7630
b) Amortisation	-2812	-2033	-1525	-1677	-2004	-8829	-6377	-4677	-4045	-3595
3. Short Term Credit,net	330	-800	-1079	-515	1074	1036	-2510	-3174	-1277	1829
4. NRI Deposits, net	847	940	2001	290	1536	2659	2949	6097	1008	2756
4. Foreign Investment	4895	4110	585	154	68	15370	12893	1787	375	122
5. Rupee Debt Service	-1050	-745	-878	-1240	-1193	-3297	-2337	-2335	-2785	-2140
6. Other Capital,Net @	917	2535	836	786	1244	2863	7952	4933	1483	2330
7. Total Capital Account	8218	8992	2966	3968	7188	25787	28208	11964	10005	12897
C. Overall Balance (A+B)	**5903**	**8677**	**-560**	**2790**	**-2492**	**18519**	**27220**	**-800**	**7768**	**-4471**
D. Monetary Movements (E+F+G)	**-5903**	**-8677**	**560**	**-2790**	**2492**	**-18519**	**-27220**	**800**	**-7768**	**4471**
E. IMF, Net	**-1146**	**191**	**1288**	**786**	**1214**	**-3585**	**599**	**3363**	**2077**	**2178**
F. SDR Allocation	–	–	–	–	–	–	–	–	–	–
G. Reserves and Monetary Gold (Increase -, Decrease +)	**-4757**	**-8868**	**-728**	**-3576**	**1278**	**-14934**	**-27819**	**-2563**	**-9845**	**2293**

: Includes India Development Bonds

@ : Includes delayed export receipts and errors and omission. For the year 1992-93, it also includes errors and omissions arising out of the application of dual exchange rates applicable under the Liberalised Exchange Rate Management System (LERMS).

Table X-4B : Invisibles - Category wise

(US $ million)

	Quick Estimates		Preliminary Actuals		
	1994-95	1993-94	1992-93	1991-92	1990-91
1	2	3	4	5	6
I. Non-Factor Services, net	**-494**	**777**	**1128**	**1207**	**979**
Receipts	7284	6226	4716	5022	4550
Payments	7778	5449	3588	3815	3571
i) Travel, net	1120	1325	1713	1512	1064
Receipts	2325	2075	2098	1977	1456
Payments	1205	750	385	465	392
ii) Transportation, net	-1556	77	-503	-350	-110
Receipts	1460	2327	982	939	983
Payments	3016	2250	1485	1289	1093
iii) Insurance, net	-118	115	12	-18	23
Receipts	155	290	158	108	111
Payments	273	175	146	126	88
iv) G.N.I.E., net	-97	-90	-26	-103	-158
Receipts	128	85	66	16	15
Payments	225	175	92	119	173
v) Miscellaneous, net	157	-650	-68	166	160
Receipts	3216	1449	1412	1982	1985
Payments	3059	2099	1480	1816	1825
II) Investment Income, net	**-3905**	**-4002**	**-3422**	**-3830**	**3752**
Receipts	777	298	377	221	368
Payments	4682	4300	3799	4051	4120
III) Private Transfer, net	**6200**	**3825**	**2773**	**3783**	**2069**
Receipts	6220	3850	2784	3798	2083
Payments	20	25	11	15	14
IV) Official Transfers, net	**390**	**370**	**363**	**460**	**461**
Receipts	390	371	364	461	462
Payments	..	1	1	1	1
Invisibles, net (I to IV)	**2191**	**970**	**842**	**1620**	**-243**
Receipts	**14671**	**10745**	**8241**	**9502**	**7463**
Payments	**12480**	**9775**	**7399**	**7882**	**7706**

Table X-5 : Foreign Investment Inflows

(US $ mn.)

	1991-92	1992-93	1993-94	1994-95
1	2	3	4	5
A. Direct Investment	**150**	**341**	**620**	**1314**
a. Government (SIA/FIPB)	87	238	314	701
b. RBI	-	42	89	171
c. NRI	63	61	217	442
B. Portfolio Investment	**8**	**92**	**3490**	**3581**
i. GDRs	-	86	1460	1839
ii. FIIs	–	1	1665	1503
iii. NRIs	8	5	15	N.A.
iv. Offshore funds and others	-	–	350	239
Total (A+B)	**158**	**433**	**4110**	**4895**

GDRs : Global Depository Receipts.
FIIs : Foreign Institutions Investors.

Table X-6 : Outstanding balances under various NRI deposits@ (as at the end of March)

(US $ million)

	1991	1992	1993	1994	1995
1	2	3	4	5	6
1. FCNR(A)	10103	9792	10617	9300	7051
2. FCNR(B)	–	-	–	1075	3054
3. NR(E)RA	3588	2527	2862	3590	4590
4. NR(NR)D	-	–	610	1797	2479
Total	**13691**	**12319**	**14089**	**15762**	**17174**
FC(B&O)D	262	607	1044	533	-
FCON	–	–	1	18	**10**
Total including FC(B&O)D	**13953**	**12926**	**15134**	**16313**	**17184**

@ All figures are inclusive of accrued interest.

Table X-7 : Inflows (+)/ Outflows (–) under various NRI deposit schemes @

(US $ million)

	1991-92	1992-93	1993-94	1994-95
1	2	3	4	5
1. FCNR(A)	–311	825	1317	–2249
2. FCNR(B)		–	1075	1979
3. NR(E)RA	–1061	335	728	1000
4. NR(NR)D	–	610	1187	682
Total	**–1372**	**1771**	**1690**	**1412**
FC(B&O)D	304	350	–576	–558
FCON	–	1	17	7
Total incl.FC(B&O)D & FCON	**–1068**	**2121**	**1114**	**847**

@ All figures are inclusive of accrued interest.

Table X-8 External Assistance

(Rs. crore)

Fiscal Year	Authorisation			Utilisation			Debt Service Payments			
	Loans	Grants	Total (2+3)	Loans	Grants	Total (5+6)	Amortisation	Interest payments	Total debt services	Net inflow of aid (7-10)
1	2	3	4	5	6	7	8	9	10	11
1980-81	3,237@	76	3,313	1,228@	397	1,625	518	286	804	821
	(4,094)	(96)	(4,190)	(1553)	(501)	(2,054)	(655)	(362)	(1.017)	(1,038)
1981-82	2,767	207	2,974	1,519	346	1,865	538	311	849	1,016
	(3,085)	(231)	(3,316)	(1694)	(386)	(2,080)	(600)	(347)	(947)	(1,153)
1982-83	2,550	423	2,973	1,909	343	2.252	587	360	947	1,305
	(2,638)	(438)	(3,076)	(1975)	(355)	(2,330)	(607)	(372)	(979)	(1,351)
1983-84	1,701	387	2,088	1,962	303	2,265	616	417	1,033	1,233
	(1,645)	(374)	(2.019)	(1,898)	(293)	(2,191)	(596)	(403)	(999)	(1,192)
1984-85	4,409	471	4,880	1,962	397	2,359	647	529	1,176	1,183
	(3,709)	(396)	(4,105)	(1,650)	(334)	(1,984)	(544)	(445)	(989)	(995)
1985-86	5,337	313	5,650	2,493	443	2,936	776	591	1,367	1,569
	(4,362)	(256)	(4,618)	(2,038)	(362)	(2,400)	(634)	(483)	(1,117)	(1,283)
1986-87	5,730	430	6,160	3,176	429	3,605	1,176	853	2,029	1,576
	(4,484)	(336)	(4,820)	(2,485)	(336)	(2,821)	(920)	(668)	(1,588)	(1,233)
1987-88	8,203	1,062	9,265	4,574	478	5,052	1,581	1,043	2,624	2,428
	(6,327)	(819)	(7,146)	(3,528)	(368)	(3,896)	(1,219)	(804)	(2,023)	(1,374)
1988-89	12,856	214	13,070	4,739	566	5,305	1,646	1,300	2,946	2,359
	(8,877)	(148)	(9,025)	(3,272)	(391)	(3,663)	(1,136)	(898)	(2,034)	(1,629)
1989-90	10,106	720	10,826	5,138	665	5,803	1,987	1.699	3.686	2,117
	(6,070)	(433)	(6,503)	(3,086)	(399)	(3,485)	(1,193)	(1,020)	(2,213)	(1,272)
1990-91	7,601	522	8,123	6,170	534	6,704	2,329	1,953	4,282	2,422
	(4,236)	(291)	(4,527)	(3,439)	(298)	(3,737)	(1,298)	(1,088)	(2,386)	(1,350)
1991-92	11,806	902	12,708	10,696	919	11,615	3,650	3,006	6,656	4,959
	(4,766)	(364)	(5,130)	(4,318)	(371)	(4,689)	(1,492)	(1,228)	(2,720)	(1,969)
1992-93	13,082	1,012	14,094	10,102	880	10,982	4,788	4,314	9,102	1,880
	(4,276)	(331)	(4,607)	(3,302)	(287)	(3,589)	(1,562)	(1,408)	(2,970)	(619)
1993-94 (R)	11,619	2,415	14,034	10,895	886	11,781	5,363	4,211	9,574	2,207
	(3,717)	(773)	(4,490)	(3,486)	(283)	(3.769)	(1.710)	(1,343)	(3,053)	(716)
1994-95(P)	12,901	1,137	14,038	9,986	901	10,887	6,161	5,121	11,282	-395
	(4,109)	(362)	(4,471)	(3,180)	(287)	(3467)	(1,962)	(1,631)	(3,593)	(-126)
Amount undisbursed as at the end of March 1995				61998	9064	71062				
				(19700)	(2896)	(22596)				

Notes : 1. Amounts of authorisations and utilisation under 'loans' are inclusive of Government and Non-Government loans.

2. Loan amounts are net of surrenders, de-obligations and cancellations etc.

3. Amount undisbursed as at the end of March 1995 represent rupee values calculated at the rates prevalent at end March 1995.

4. Figures in brackets represent amounts in millions of US dollars. These are converted at annual average rates for the respective years and amount undisbursed are converted from donor currencies to US dollar at end March 1995 rate.

5. 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 (8) and (9) above.

@ Excludes IMF Trust Fund.

R : Revised.

P : Provisional.

Table X-9 : Loans authorised and utilised during 1993-94 and 1994-95

(Rs.crore)

Country/ Institution	Authorisations		Utilisation		Loans undisbursed as at the end of	
	1993-94 (R)	1994-95 (P)	1993-94 (R)	1994-95 (P)	March 1994 (R)	March 1995 (P)
1	2	3	4	5	6	7
IBRD	2250	2932	4022	2351	16863	16814
	(720)	(934)	(1287)	(749)	(5394)	(5346)
IDA	3669	2983	3150	14119	14836	
	(708)	(1169)	(666)	(1003)	(4501)	(4736)
IFAD	..	122	11	27	149	265
	(–)	(39)	(4)	(9)	(47)	(85)
ADB	1580	608	1532	9298	8479	
	(447)	(503)	(194)	(488)	(2975)	(2696)
Austria	–	..	17	–	25	2
	(–)	( )	(6)	(–)	(8)	(1)
Belgium	..	..	..	4	31	33
	( )	(–)	(–)	(1)	(10)	(11)
United Kingdom	..	..		..	..	..
	( )	(–)	( )	(–)	(–)	(–)
Denmark	..	..	..	..	31	37
	(–)	(–)	( )	(–)	(10)	(11)
France	211	146	175	57	1009	856
	(67)	(46)	(56)	(18)	(324)	(275)
Germany	172	495	677	585	1861	2210
	(55)	(158)	(217)	(186)	(596)	(707)
Italy	–	..	..	72	73	
	(–)	(–)	(–)	(–)	(23)	(23)
Japan	4234	3957	3192	2127	11950	16918
	(1355)	(1260)	(1021)	(677)	(3845)	(5338)
Netherlands	..	–	..	–	100	
	(–)	(–)	(–)	(–)	(32)	( )
Sweden	1141	..	64	100	215	127
	(365)	( )	(20)	(32)	(69)	(40)
Switzerland	–		21	30	96	82
	(–)	( )	(7)	(10)	(31)	(26)
Spain	–	..	..		..	–
	( )	(–)	( )	(–)	(–)	(–)
U.S.A.	–	..	..	–	264	265
	(–)	(–)	(–)	(–)	(84)	(84)
Hungary	..	..	–	–	625	629
	(–)	(–)	(–)	(–)	(200)	(200)
OPEC*	..	..	19	7	365	356
	(–)	(–)	(6)	(2)	(118)	(116)
Australia	–	–	6	16	32	16
	(–)	(–)	(2)	(5)	(10)	(5)
Total	**11619**	**12901**	**10895**	**9986**	**57105****	**61998**
	(3717)	**(4109)**	**(3486)**	**(3180)**	**(18277)**	**(19700)**

* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and OPEC Special Fund.

** Excludes undisbursed balances of USSR amounting to Rupees 24862 Crore for end-March 1994.

R : Revised. P : Provisional.

Note : Figures in brackets represent millions of US dollars. These are converted at annual average rates for the respective years and amounts undisbursed are converted from donor currencies to US dollars at end- March rates.

Table X-10 : Grants @ Authorised and Utilised during 1993-94 and 1994-95

(Rs.crore)

Country/ Institution	Authorisations		Utilisation		Grants undisbursed as at the end of	
	1993-94 (R)	1994-95 (P)	1993-94 (R)	1994-95 (P)	March 1994 (R)	March 1995 (P)
1	2	3	4	5	6	7
Australia	-	-	-	-	77	80
	(-)	(-)	(-)	(-)	(24)	(25)
Canada	-	16	20	4	864	863
	(-)	(5)	(6)	(1)	(275)	(276)
Denmark	121	35	38	41	782	961
	(39)	(11)	(12)	(13)	(249)	(309)
France	1	9	6	3	13	22
	(-)	(3)	(2)	(1)	(4)	(7)
West Germany	234	296	-	87	163	580
	(75)	(94)	(-)	(28)	(59)	(185)
Japan	109	123	163	99	150	209
	(35)	(39)	(52)	(31)	(48)	(66)
Netherlands	166	202	137	132	510	386
	(53)	(65)	(44)	(42)	(163)	(119)
Sweden	91	32	87	78	388	375
	(29)	(10)	(28)	(25)	(125)	(123)
Norway	5	19	10	12	102	128
	(2)	(6)	(3)	(4)	(33)	(41)
Switzerland	22	4	61	46	258	244
	(7)	(1)	(20)	(15)	(83)	(77)
U.K.900	267	221	212	1721	2027	
	(288)	(85)	(71)	(67)	(546)	(645)
U.S.A. other than P.L. 480/ P.L.665	63	131	17	35	1480	1586
	(20)	(42)	(5)	(11)	(437)	(504)
E.E.C.	703	-	92	115	1505	1601
	(225)	(-)	(29)	(37)	(483)	(519)
Other International Institutions	-	3	34	37	-	2
	(-)	(1)	(11)	(12)	(-)	(-)
Total	**2415**	**1137**	**886**	**901**	**8014**	**9064**
	(773)	**(362)**	**(283)**	**(287)**	**(2529)**	**(2896)**

Note : Figures in brackets represent millions of US Dollars. These are converted at annual average rates for the respective years and amounts undisbursed are converted from donor currencies to US dollars at end-March rates.

R : Revised P : Provisional.

@ Including debt relief as under:

Country	Authorisations		Utilisation	
	1993-94	1994-95 (P)	1993-94	1994-95(P)
1	2	3	4	5
By way of Grants	15.2	14.4	9.1	-
Japan	(4.8)	(4.6)	(2.9)	(-)

Table X-11: Official Development Assistance of some member countries of the Development Assistance Committee (DAC) as percentage of their GNP

Country	1970	1980	1990	1993
1	2	3	4	5
Japan	0.23	0.32	0.31	0.26
USA	0.32	0.27	0.21	0.15
France	0.66	0.63	0.60	0.63
Germany	0.32	0.44	0.42	0.37
UK	0.41	0.35	0.27	0.31
Norway	0.32	0.87	1.17	1.01
Sweden	0.38	0.78	0.91	0.98
Netherland	0.01	0.97	0.92	0.82
Denmark	0.38	0.74	0.94	1.03

Source : World Development Report, 1995.

Table X-12 : Exchange Rate of Indian Rupee
(Annual Average)* (April-March)

(Rupees per unit of SDR/Foreign Currency)

Currency	1990-91	1991-92	1992-93	1992-93	1993-94	1994-95
	Official rate			Market rate		
1	2	3	4	5	6	7
SDR	24.8491	33.4325	37.1415	–	43.8863 @	45.7908@
		-25.7	-10.0			-4.2
U.S.$	17.9400	24.4700	26.4331	30.6488	31.3655	31.3986
		-26.7	-7.4		-2.3	-0.1
Pound Sterling	33.1900	42.5200	44.5440	51.6858	47.2064	48.8211
		-21.9	-4.5		9.5	-3.3
Deutsche Mark	11.4400	14.6200	16.9042	19.5877	18.7403	20.2017
		-21.8	-13.5		4.5	-7.2
Japanese Yen	0.1279	0.1845	0.2124	0.2459	0.2911	0.3163
		-30.7	-13.1		-15.5	-8.0
French Franc	3.3871	4.2985	4.9918	5.7895	5.4633	5.8551
		-21.2	-13.9		6.0	-6.7
Canadian Dollar	15.4787	21.2666	21.5047	24.9370	23.9564	22.7251
		-27.2	-1.1		4.1	5.4
Swiss Franc	13.4493	16.6702	18.6825	21.6690	21.4373	23.9576
		-19.3	-10.8		1.1	-10.5
Italian Lira	0.0154	0.0196	0.0203	0.0236	0.0196	0.0196
		-21.4	-3.4		20.4	0.0
Netherlands Guilder	10.1775	12.9830	15.0199	17.4190	16.7801	17.9876
		-21.6	-13.6		3.8	-6.7
Bangladesh Taka	0.5234	0.6806	0.6892	0.7992	0.7948	0.7929
		-23.1	-1.2		0.6	0.2
Thailand Bhat	0.7101	0.9770	1.0419	1.2081	1.2398	1.2539
		-27.3	-6.2		-2.6	-1.1
Indonesian Rupiah	0.0096	0.0124	0.0129	0.0150	0.0149	0.0144
		-22.6	-3.9		0.7	3.5
S.Korean Won	0.0251	0.0329	0.0337	0.0390	0.0389	0.0393
		-23.7	-2.4		0.3	-1.0
Sri Lankan Rupee	0.4509	0.5904	0.6021	0.6985	0.6450	0.6369
		-23.6	-1.9		8.3	1.3
Pakistan Rupee	0.8274	1.0214	1.0595	1.2291	1.0827	1.0240
		-19.0	-3.6		13.5	5.7
Singapore Dollar	10.1189	14.4255	16.2180	18.8046	19.6413	21.0822
		-29.9	-11.1		-4.3	-6.8
Hongkong Dollar	2.3072	3.1534	3.4181	3.9633	4.0543	4.0616
		-26.8	-7.7		-2.2	-0.2
Malaysian Ringgit	6.6368	8.9883	10.3888	12.0471	12.0477	12.1853
		-26.2	-13.5		-0.0	-1.1

@ Rupees per SDR is arrived by crossing U.S.dollar /SDR rate with RBI Reference rate.

* Based on monthly averages

Note : 1 (a) The official rates have been worked out as follows: The SDR rate is as given in the International Financial Statistics. Upto February 1992, the pound sterling rate was the middle rate of the RBI quotations and the rates for all other currencies were the average rates in London market crossed with the RBI middle rate for pound sterling. From March 1992 to February 1993, the US dollar rate was the middle rate of RBI quotations and the rates for all other currencies were the average rates in the New York/London market crossed with RBI middle rate for the U.S. dollar. The rates for March 1993 have been worked out by crossing foreign currency/U.S.dollar rate with Rupee/U.S.dollar(RBI reference) rate.

(b) The market rates have been worked out by crossing foreign currency/U.S. dollar rate with Rupee/U.S.dollar FEDAI (Indicative) rates.

2 Figures with one decimal indicate percentage appreciation (+)/depreciation(-) of the rupee in terms of the SDR/foreign

Table X-13 : Exchange Rate of the Indian Rupee - Monthly Averages

(Rupees per unit of SDR/Foreign Currency)

Month/Year	SDR	U.S.Dollar	Pound Sterling	Deutsche Mark	Japanese Yen
	FEDAI Indicative Rates				
1	2	3	4	5	6
March 1993	43.5296	31.5256	45.9520	19.1156	0.2695
1993-94					
April	44.2741	31.3105	48.4066	19.6442	0.2794
	-1.7	0.7	5.1	-2.7	-3.5
May	44.3400	31.3283	48.5172	19.5046	0.2841
	0.1	-0.1	-0.2	0.7	-1.7
June	44.2402	31.4068	47.4174	19.0123	0.2929
	0.2	-0.2	2.3	2.6	-3.0
July	[illegible]	31.3704	46.9536	18.3094	0.2911
	[illegible]	0.1	1.0	3.8	0.6
August	[illegible]	31.3725	46.7983	18.4806	0.3028
	[illegible]	[illegible]	0.3	-0.9	-3.9
September	[illegible]	[illegible]	47.8524	19.3381	0.2978
	[illegible]	[illegible]	-2.2	-4.4	1.7
October	[illegible]	[illegible]	47.1961	19.1680	0.2935
	[illegible]	[illegible]	[illegible]	0.9	1.5
November	[illegible]	31.3706	[illegible]	18.4608	0.2909
	[illegible]	0.0	[illegible]	3.8	[illegible]
December	[illegible]	[illegible]	[illegible]	18.3594	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	0.8	-0.0	[illegible]	1.9	[illegible]
February	43.5265	31.3700	46.4871	18.0784	0.2954
	-1.0	0.0	0.7	0.4	-4.8
March	[illegible]	31.3727	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1994-95					
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	0.2	0.0	[illegible]	0.3	[illegible]
May	[illegible]	31.3705	[illegible]	[illegible]	0.3029
	[illegible]	0.0	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	-0.8	0.0	[illegible]	[illegible]	[illegible]
July	[illegible]	31.3707	[illegible]	[illegible]	[illegible]
	[illegible]	-0.0	[illegible]	[illegible]	[illegible]
August	[illegible]	31.3726	48.3881	20.0214	0.3175
	0.3	-0.0	0.2	-0.3	1.5
September	[illegible]	31.3714	[illegible]	[illegible]	0.3177
	[illegible]	0.0	[illegible]	[illegible]	[illegible]
October	[illegible]	31.3714	50.3967	[illegible]	0.3188
	-0.9	0.0	-2.7	-5.3	-0.3
November	46.1840	31.3910	49.8302	20.3974	0.3203
	0.4	-0.1	1.1	4.8	-0.5
December	[illegible]	31.3880	[illegible]	20.0690	0.3131
	1.3	0.0	[illegible]	2.2	2.3
January	45.9777	31.3779	[illegible]	[illegible]	0.3145
	0.9	0.0	-1.0	[illegible]	[illegible]
February	46.3326	31.3779	49.3389	20.8566	0.3192
	-0.8	-0.0	0.0	-1.9	-1.5
March	48.5186	31.6538	50.6595	[illegible]	0.3489
	-4.7	-0.9	[illegible]	[illegible]	-8.5
1995-96					
April	49.5785	31.4132	[illegible]	[illegible]	[illegible]
	-1.9	0.8	[illegible]	-1.6	-7.5
May	48.9507	31.4185	49.9048	22.3101	0.3695
	1.3	-0.0	1.4	2.4	2.1
June	[illegible]	31.4017	[illegible]	[illegible]	[illegible]
	-0.3	0.1	-0.3	0.4	-0.5

Note : Figures with one decimal indicate percentage appreciation (+)/ depreciation(-) of the rupee in terms of SDR/Foreign currency concerned over preceding month.

Table X-14 : International Reserves (excluding gold).

(SDR million)

Country Group	Total Reserves (excluding gold)		SDRs		Reserve Position in the Fund		Foreign Exchange Reserves	
	1993	1994	1993	1994	1993	1994	1993	1994
1	2	3	4	5	6	7	8	9
All Countries	757,214	812,715	14,614	15,762	32,802	31,726	710,044	765,234
Industrial Countries	413,444	433,835	11,454	12,486	28,309	27,417	373,683	393,934
Developing Countries	343,770	378,881	3,160	3,276	4,493	4,309	336,361	371,300

Source : International Financial Statistics, August 1995.

Table X -15 : External Debt and debt-service of developing countries.

(US $ billion)

	1992	1993	1994
1	2	3	4
External Debt			
All Developing Countries	1439.8	1571.2	1704.7
Africa	235.4	246.7	256.0
Asia	455.6	518.6	582.0
Middle East and Europe	276.8	303.9	317.1
Western Hemisphere	472.0	502.0	549.6
External Debt to Exports of Goods & Services(in per cent)			
All Developing Countries	125.5	128.6	123.0
Africa	249.4	269.5	276.5
Asia	67.4	69.5	66.2
Middle East and Europe	134.3	151.4	152.3
Western Hemisphere	276.0	274.5	265.6
External Debt to GDP (in per cent)			
All Developing Countries	33.4	33.1	33.0
Africa	60.8	63.6	66.9
Asia	23.5	23.7	25.0
Middle East and Europe	36.4	37.6	36.3
Western Hemisphere	38.4	36.8	34.9
Debt Service Ratio (in per cent)			
All Developing Countries	15.3	15.2	15.0
Africa	34.1	30.2	28.9
Asia	8.1	8.4	7.5
Middle East and Europe	9.4	9.9	16.1
Western Hemisphere	40.3	41.4	39.4

Source: World Economic Outlook, International Monetary Fund, October, 1995

Table X-16 : Fund Purchases and Repurchases.

(SDR billion)

	1992	1993	1994	January-June 1994	January-June 1995
1	2	3	4	5	6
1. Total Purchases @	4.8	5.0	5.0	2.9	8.7
2. Total Repurchases @	4.2	3.8	4.6	2.8	2.1
3. Net Purchases (1-2)	0.6	1.2	0.4	0.1	6.6

@ : Excludes reserve tranche Purchases/Repurchases.
Source : International Financial Statistics, August 1995.

Table X-17 : SDR Interest and Remuneration Rates.

(per cent per annum)

For the quarter ended	SDR Interest Rate/ Rate of Remuneration @
1	2
June 1994	4.13
September 1994	4.32
December 1994	4.73
March 1995	5.00
June 1995	4.71

@ Average of the weekly rates.

Table X-18 : Rate of Charge and Remuneration.

(per cent per annum)

For the quarter ended	Rate of charge			Rate of Remuneration		
	Basic Rate*	Adjustment#	Adjusted Rate	Unadjusted Average Rate@	Adjustment#	Adjusted Average Rate
1	2	3	4	5	6	7
July 31, 1994	4.79	0.38	5.17	4.16	0.83	3.33
October 31, 1994	5.10	0.40	5.50	4.43	0.88	3.55
January 31, 1995	5.43	0.40	5.83	4.85	0.97	3.88
April 30, 1995	5.56 (5.19) $	0.35	5.91 (5.54) $	4.97	0.99	3.98

* This is determined by assuming that all charges due and accrued would be paid.
\# This is on account of burden sharing of overdue charges and the amounts to be placed in Special Contingent Account 1 and Special Contingent Account-2.
@ This is equivalent to the average SDR rate of interest for the quarter concerned.
$ Rate after adjusting for the retroactive reduction of charge.

Table X-19 : Lending by the World Bank - Fiscal 1994 and 1995.

(US $ million)

	IBRD		IDA		World Bank	
	1994	1995	1994	1995	1994	1995
1	2	3	4	5	6	7
1. Lending commitments	14,244 @ (-15.9)	16,853@ (+18.3)	6,592 (-2.4)	5,669 (-14.0)	20,836 (-12.1)	22,522 (+8.1)
2. Disbursements	10,447@ (-19.3)	12,672@ (+21.3)	5,532 (+11.8)	5,703 (+3.1)	15,979 (-10.7)	17,720 (+10.9)

Note : Figures in parentheses indicate percentage variation over the previous year.
@ Excludes guarantees and loans to IFC.
Source: World Bank Annual Report 1995.

Table X-20 : IBRD's Assistance to India - Sector-wise, fiscal years 1993-95.

(US $ millions)

Sector	1993	1994	1995
1	2	3	4
Agriculture and Rural Development	--	--	-
Education	-	-	--
Financial Sector	--	--	700.0
Oil, gas and coal	--	--	--
Power	845.0	--	--
Industry	-	--	--
Environment	--	--	143.0
Population, Health and Nutrition	--	–	--
Highways	--	94.0	--
Urban Development	--	--	--
Water supply and sewerage	–	–	275.8
Others	300.0	–	–
Total	1,145.0	94.0	1,118.8
Total loans sanctioned by IBRD	16,944.5	14,244.0	16,852.6
Percentage share of India	6.8	0.7	6.6

Table X-21 : IDA's Assistance to India - Sector-wise, fiscal years 1993-95.

(US $ millions)

Sector	1993	1994	1995
1	2	3	4
Agriculture and Rural Development	369.7	382.4	526.4
Education	165.0	..	260.3
Population, Health and Nutrition	779.0	206.4	133.0
Transportation Highways	–	..	..
Area Development	..	246.0	.
Industry	.	.	..
Environment	..	..	25.0
Water supply and sewerage	92.0	–	
Others	127.0	.	-
Total	1,532.7	834.8	944.7
Total loans sanctioned by IDA	6,751.4	6,592.1	5,669.3
Percentage share of India	22.7	12.7	16.7

Table X-22 : Lending Activities of Asian Development Bank.

(US $ million)

	1993	1994	1966-1994 #
1	2	3	4
Total lending -			
Amount	5,231.3	3,686.5	51,191.4 *
Number of Projects @	77	48	1,223 *
OCR loans -			
Amount	3,933.8	2,509.8	35,154.0 *
Number of loans	37	24	700 *
Disbursements	2,016.2	2,501.1	19,241.2
ADF loans -			
Amount	1,297.5	1,176.7	16,037.4
Number of loans	40	26	635
Disbursements	925.1	1,186.5	9,602.3
Equity Investments -			
Amount	22.7	50.9	244.0
Number of Investments	9	14	76
Equity Underwriting -			
Amount	–	–	45.7
Number of Commitments	–	–	7

Cumulative number of projects excludes supplementary loans.
* Amounts and numbers adjusted to exclude withdrawals and cancellations.
@ Projects financed from both OCR and ADF are counted only once.

CHAPTER XI

MAJOR DEVELOPMENTS IN STATES AND UNION TERRITORIES*

This Chapter analyses some of the important economic aspects relating to the developments in the States and Union Territories (UTs).

State Domestic Product

The latest data on net State Domestic Product (SDP) pertain to the year 1993-94. Annual growth rates in SDP of States and Union Territories, together with those on Net Domestic Product (NDP) at factor cost at 1980-81 prices for all-India for the period 1988-89 - 1993-94 are presented in Table XI-1. The all-India NDP grew by 4.1 per cent during 1993-94 as compared to a growth rate of 4.2 per cent in 1992-93. Data for 1993-94 in respect of Assam, Bihar, Gujarat, Himachal Pradesh, Jammu & Kashmir, Manipur, Nagaland, Orissa, Tamil Nadu, Tripura, West Bengal, Andaman & Nicobar Islands, National Capital Region - Delhi and Pondicherry are not available. Among other States/UTs the lowest and highest annual growth rates recorded during the year 1993-94 were 1.0 per cent for Kerala and 10.2 per cent for Meghalaya, respectively.

During 1993-94, Rajasthan recorded a negative growth of 5.8 per cent as against a positive growth of 10.6 per cent in 1992-93. Andhra Pradesh, Arunachal Pradesh, Madhya Pradesh, Maharashtra and Meghalaya recorded growth in their NSDP above 5 per cent. The States/UTs in different size-class categories of annual compound growth rates during the period 1988-89 through 1993-94 are listed below :-

Compound Annual Growth Rates of NSDP of States/UTs - 1988-89 to 1993-94

Compound Annual Growth Rates, size-class	No.of States/ Union Territories	Names of States/Union Territories
1	2	3
1. Less than 3 per cent	9	Andhra Pradesh, Bihar@, Gujarat@ Jammu & Kashmir@, Nagaland* Orissa@, Rajasthan, Uttar Pradesh and Andaman & Nicobar Islands@
2. Between 3 per cent and less than 4 per cent	3	Haryana, Himachal Pradesh* and Pondicherry@
3. Between 4 per cent and less than 5 per cent	2	Punjab & West Bengal@
4. Between 5 per cent and less than 6 per cent	6	Assam@, Goa, Karnataka, Kerala, Madhya Pradesh and Tamil Nadu@
5. Between 6 per cent and less than 7 per cent	1	Tripura*
6. Between 7 per cent and less than 8 per cent	3	Maharashtra, Manipur* and Delhi*
7. Between 8 per cent and above	2	Arunachal Pradesh and Meghalaya

Note : NSDP Data are at constant (1980-81) prices.
@ : Compound growth rates are calculated between 1988-89 and 1992-93 due to non availability of data for 1993-94.
* Compound growth rates are calculated between 1988-89 and 1991-92 due to non-availability of data for 1992-93.
Source : Directorate of Economics and Statistics of respective State Governments

* This Chapter is prepared on the basis of information/data available upto end-November, 1995.

Sectoral Growth Rates

Sectoral Growth Rates in different States/ UTs during 1992-93 and 1993-94 for selected sectors are presented in Table XI-2. At the all-India level there was improvement in the 'agricultural' sector which registered a growth rate of 16.5 per cent during 1993-94 as against 5.4 per cent during the previous year. State-wise, Rajasthan recorded decline during 1993-94 in agricultural sector. During 1992-93 four States viz., Andhra Pradesh, Arunachal Pradesh, Orissa and Uttar Pradesh and Union Territory of Pondicherry had recorded declines in the agricultural sector. During 1993-94, 4 States recorded positive growth rates of more than 7 per cent. These were Arunachal Pradesh, Madhya Pradesh, Maharashtra and Meghalaya. At all-India level 'Forestry and Logging' sector recorded a growth rate of 0.3 per cent in 1993-94. All States excepting Arunachal Pradesh, Madhya Pradesh and Maharashtra recorded positive growth in forestry and logging and the rate of growth varied between 1.0 per cent for Goa to 14.2 per cent for Haryana. At the all-India level 'Fishing' sector recorded a growth rate of around 6 per cent in 1993-94. 'Mining and Quarrying' sector was yet another sector which showed positive growth rates at the all-India level. Except Arunachal Pradesh which recorded a negative growth rate, all other States/ UTs recorded positive growth rates. The 'Manufacturing' sector recorded a growth rate of 3.1 per cent during 1993-94 at the all-India level as against 2.6 per cent during the previous year. Excepting Rajasthan, all other States and UTs recorded positive growth in manufacturing and the rate of growth varied between 0.2 per cent for Goa to 9.0 per cent for Maharashtra.

The sector-wise compound annual growth rates during the period 1988-89 through 1993-94 are indicated in Table XI-3. Data in respect of Assam, Bihar, Gujarat, Jammu & Kashmir, Orissa, Tamil Nadu, West Bengal, Andaman & Nicobar Islands and Pondicherry have been computed only for the years 1988-89 and 1992-93 and that for Himachal Pradesh, Manipur, Nagaland, Tripura and Delhi have been computed only for the period 1988-89 and 1991-92 due to non-availability of data for 1992-93 and 1993-94, respectively.

The data show that barring Andhra Pradesh, Bihar, Goa, Gujarat, Orissa and Rajasthan, the rest of the States/UTs have recorded positive compound growth rates in agriculture. In regard to 'Fishing' only Assam recorded negative growth rate whereas in respect of 'Manufacturing', Bihar and Andaman & Nicobar Islands posted negative growth rates during the period under review.

Shares of Agriculture and Manufacturing

Shares of agriculture and manufacturing in the aggregate State Domestic Product (SDP) for two years 1992-93 to 1993-94 are presented in Table XI-4. These data show that output from agriculture provides an important source of income for most States/UTs. For ten States/UTs in 1992-93, agricultural output contributed between 30 and 40 per cent of State Domestic Product. The agricultural sector of Haryana, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh and Andaman & Nicobar Islands accounts for more than 40 per cent of the State Domestic Product. For as many as ten States agricultural output in 1993-94 was more than the all-India level of 31.6 per cent. Of these Haryana, Madhya Pradesh, Punjab, Rajasthan and Uttar Pradesh contributed more than 40 per cent of the State Domestic Product. In case of Goa, the share of agriculture in SDP was less than 10 per cent. The share of agriculture in SDP of Maharashtra was 19.0 per cent. The share of the manufacturing sector in the NDP at the all-India level stood at around 20 per cent during the two years viz., 1992-93 and 1993-94. The contribution of the manufacturing sector to the SDP in the case of Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra and Punjab ranged between 15-30 per cent for both the years while in respect of Goa, the share of the manufacturing sector in its SDP was around 33 per cent during these years. The States/UTs where the contribution of manufacturing to their SDP was below 10 per cent were: Arunachal Pradesh, Jammu & Kashmir, Meghalaya, Rajasthan and Andaman & Nicobar Islands.

State-wise share in All-India NDP

Details of State-wise share in All-India NDP at constant (1980-81) prices are given in Table XI-5. During the period 1988-89 to 1993-94, the shares of most of the States in all-India NDP have remained nearly constant. State-wise, Maharashtra led with a share of 15.6 per cent in 1993-94. The other States/UTs whose share in the national NDP was above five per cent during 1993-94 were: Andhra Pradesh, Karnataka, Madhya Pradesh and Uttar Pradesh.

Agricultural Production

Data on production of selected foodgrains in respect of States/Union Territories are available upto 1993-94 and these are indicated in Statement 18 of Volume II of this Report. During 1993-94, 15 states recorded an increase in the foodgrains output over the level of 1992-93 while there was a decline in seven states, viz., Gujarat, Himachal Pradesh, Karnataka, Kerala, Maharashtra, Rajasthan and Sikkim. Six major states viz. Gujarat, Himachal Pradesh, Karnataka, Kerala, Maharashtra and Rajasthan recorded a decline in cereal production in 1993-94 than in 1992-93. Similarly, five major states viz., Andhra Pradesh, Gujarat, Rajasthan, Uttar Pradesh and West Bengal recorded a decline in production of pulses in 1993-94 over 1992-93. Rice production in 1993-94 showed increase over the level reached in the previous year in most of the States except Goa, Himachal Pradesh, Madhya Pradesh, Kerala, Orissa and Tamil Nadu. Similarly, wheat production increased in 1993-94 in Arunachal Pradesh, Assam, Bihar, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Nagaland, Punjab, Uttar Pradesh and West Bengal over the level recorded in 1992-93.

State-wise data on production of selected non-foodgrains are presented in Statement 19 of Volume II of this Report. Among the States which are major producers of oil-seeds[1], almost all the States recorded a rise in output in 1993-94 over that of the previous year excepting Gujarat and Rajasthan. In the case of cotton, among the major cotton producing States[2] only Andhra Pradesh and Maharashtra recorded increases in output in 1993-94 and Gujarat, Haryana, Karnataka, Punjab and Rajasthan registered a fall in output in 1993-94 compared with a good performance in the previous year. In respect of sugarcane, all the major producers of sugarcane[3] excepting Andhra Pradesh, Madhya Pradesh, Orissa, Tamil Nadu and Uttar Pradesh registered declines in output in 1993-94. As regards raw jute and mesta, the major producing States[4] like Bihar and West Bengal registered a rise in output in 1993-94 whereas Assam registered a fall in output during the same year.

Area Under High Yielding Varieties Programme

The data on state-wise area covered under high yielding varieties (HYV) programme for

1. The States are identified on the basis of the annual average output of 1 million tonnes a year during the five-year period ending 1993-94.
2. The States are identified on the basis of the mean output level of more than 500 thousand bales (of 170 kgs. each) per year during the period 1989-90 to 1993-94.
3. The States are identified on the basis of the annual average output of a minimum 1 million tonnes a year during the five year period ending 1993-94.
4. The States are identified on the basis of the mean output level of more than 500 thousand bales (of 180 kgs. each) per year during the period 1989-90 to 1993-94.

the year 1987-88 to 1995-96 have been presented in Table XI-6. The coverage of the area under high yielding varieties programme improved in 1994-95 over that in the preceding year in majority of the States/Union Territories excepting Andhra Pradesh, Karnataka, Maharashtra, Manipur, Nagaland, Rajasthan and Sikkim. Uttar Pradesh had the highest coverage of the area under high yielding varieties programme at 144.91 lakh hectares in 1994-95 followed by Madhya Pradesh (88.31 lakh hectares), Maharashtra (77.55 lakh hectares), Bihar (57.80 lakh hectares), Punjab (55.67 lakh hectares) and West Bengal (41.39 lakh hectares). In Daman and Diu the coverage of the area under high yielding varieties programme was the lowest at 0.01 lakh hectares in 1994-95. The total area under HYV for all States/Union Territories for 1994-95 was envisaged at 735.88 lakh hectares but actual area under HYV was much lower at 712.71 lakh hectares. For 1995-96, the target for all States/Union Territories is placed at 758.12 lakh hectares.

Consumption of Fertilisers

The region-wise information on the consumption of fertilisers (NPK) in terms of kilograms per hectare is available upto 1994-95. The consumption of fertilisers showed a rise in all the States except Jammu and Kashmir, Karnataka, Kerala, Sikkim and Tripura as compared to the position in 1988-89 (Table XI-7). The per hectare consumption of fertilisers in 1994-95 was the highest in Delhi (246.98 kgs.) followed by Punjab (174.74 kgs.), Tamil Nadu (136.64 kgs.), Haryana (126.37 kgs.), Andhra Pradesh (121.38 kgs.), Uttar Pradesh (99.27 kgs.) and West Bengal (86.18 kgs.). In comparison with the top rankers, per hectare consumption was low in the case of Arunachal Pradesh, Assam, Himachal Pradesh, Meghalaya, Mizoram, Nagaland, Orissa, Rajasthan, Sikkim and Tripura. Bihar, Karnataka, Kerala, Maharashtra and Manipur crossed the level of consumption of fertilisers at 50 kgs. per hectare. Arunachal Pradesh recorded the lowest level of consumption at 2.58 kgs. In 1994-95, as many as 18 states were having average consumption of fertilisers lower than the average consumption level for the country as a whole. The average consumption of fertilisers for the country as a whole has increased from 61.30 kgs. per hectare in 1988-89 to 75.68 kgs. per hectare in 1994-95.

Industrial Sector

The main aspects of industrialisation in the States/UTs are captured from the data indicated in the Annual Survey of Industries (ASI) published by the Central Statistical Organisation (CSO). The latest survey pertains to 1991-92. Some of the indicators culled out from the survey are presented in Table XI-8 for two reference years viz. 1987-88 and 1991-92 covering in the process a period of five years.

One of the striking features was the concentration of registered factories only in a few States. In 1987-88, the number of factories was the highest in Maharashtra. However, during 1991-92 Andhra Pradesh had the highest number of factories followed by Tamil Nadu, Maharashtra, Gujarat, Uttar Pradesh, Punjab, Karnataka, West Bengal, Madhya Pradesh and Kerala. These ten States accounted for over 83 per cent of factories all-over India in 1987-88 as well as in 1991-92. In both the reference years, Meghalaya had the lowest number of factories. The number of employees in 10 out of 28 States/UTs viz., Andhra Pradesh, Bihar, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal accounted for about 83 per cent in both the reference years viz. 1987-88 and 1991-92 of the total employees all over India. The number of employees in States/UTs moved up during 1991-92 compared to the 1987-88 level except in Bihar, Jammu & Kashmir, Maharashtra, Tripura, Andaman & Nicobar Islands where it declined. The total number of employees at the all-India level indicated a rise of 5.2 per cent during 1991-92 compared to the

1987-88 level. The value of fixed capital installed was the highest in Maharashtra in 1991-92 followed by Uttar Pradesh, Andhra Pradesh, Gujarat, Tamil Nadu, West Bengal and Madhya Pradesh.

In terms of value of output, the top four States during 1991-92 were :- Maharashtra, Tamil Nadu, Gujarat and Uttar Pradesh. During the period of 1987-88 to 1991-92 the nominal value of output rose in all the States except in Tripura where it recorded a fall of 12.2 per cent. Output value in nominal terms spurted up by 94.3 per cent at the all-India level. During 1991-92, the nominal net value added was the highest in Maharashtra. The States which followed in the order were Gujarat, Tamil Nadu, Uttar Pradesh, West Bengal and Bihar in 1987-88 and Tamil Nadu, Uttar Pradesh, Gujarat, West Bengal and Karnataka in 1991-92.

Some of the structural and technical ratios based on the important indicators of the industrial sector are indicated in Table XI.9. Gross output per employee, which may be regarded as a very rough measure of labour-output relationship, rose in all the States/UTs over the period barring Meghalaya. Fixed capital per employee, a proxy measure of non-inventory investment to labour ratio, had also shown a rise over the five-year period in all the States/UTs other than Jammu & Kashmir, Tripura, Delhi, Andaman & Nicobar Islands and Chandigarh. The ratio of fixed capital to output increased over the period in Andhra Pradesh, Assam, Maharashtra, Meghalaya, Punjab, Tamil Nadu, Uttar Pradesh and Chandigarh and recorded a fall in the remaining States/UTs. Productivity as measured by net value added to output declined in majority of the States/UTs except in Andhra Pradesh, Goa, Haryana, Himachal Pradesh, Karnataka, Meghalaya, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Delhi and Andaman & Nicobar Islands where it increased. Fixed capital to net value added ratio moved up in Andhra Pradesh, Assam, Gujarat, Maharashtra, Meghalaya, Punjab, Uttar Pradesh, West Bengal and Pondicherry and decelerated in the remaining States.

The Annual Survey of Industries (ASI) also provides information about the share of seven most important industry-groups in the total value of gross output in ten major States. The share of the seven industry-groups together ranged between 73 per cent and 92 per cent of the total industrial output in the 10 selected States during 1991-92. The industry-groups which had more than 10 per cent share in the value of the industrial output in a State during 1991-92 are enumerated below :-

Industry-Groups with share of 10 per cent and above in Industrial output

Sr. No.	Industry Group	States
1	2	3
1.	Food Products	Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh.
2.	Chemicals & Chemical Products	Gujarat, Maharashtra, Tamil Nadu and Uttar Pradesh.
3.	Basic Metals & Alloys	Bihar, Madhya Pradesh, Punjab and West Bengal.
4.	Rubber, Petroleum & Coal Products	Bihar and Maharashtra.
5.	Cotton Textiles	Tamil Nadu
6.	Electricity	Andhra Pradesh, Madhya Pradesh, Uttar Pradesh and West Bengal.
7.	Machinery other than Transport	Andhra Pradesh, Karnataka, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal

Of these industry groups, 'Food Products' and 'Machinery other than Transport' were the ones which had considerable presence in most of these selected States. Next in terms of the number of industry groups with shares above 10 per cent, came 'Chemicals and Chemical Products', followed by 'Basic Metals and Alloys' and 'Electricity'.

Banking Developments

Latest data on selected banking indicators available for all the States/UTs relate to the period ended March 1995. The details of the number of scheduled commercial bank offices, deposits, credit and credit-deposit (CD) ratios, based on BSR data, for the two reference years viz. March 1990 and March 1995 are presented in Table XI-10. With a view to get a broad overview of the medium-term trends in banking developments in the various regions and States/ UTs, the above period of five years has been chosen. As on March 31, 1995, the total number of bank offices in the country was 62,264 as compared with that of 58,914 as on March 31, 1990. While in all the regions the number of bank offices had spurted up between the two reference years, growth was impressive in North-Eastern Region (10.9 per cent) followed by Eastern Region (7.9 per cent), Northern Region (5.7 per cent), Southern Region (5.4 per cent), Western Region (4.7 per cent) and Central Region (4.2 per cent). As on the last Friday of March 1990, the highest CD ratio was recorded by Southern Region at 87.4 per cent, followed by the Western Region (74.0 per cent) while the lowest CD ratio of 51.7 per cent was recorded by the North-Eastern Region as compared with 65.8 per cent at the All-India level. As on the last Friday of March 1995, the Credit-Deposit ratio of 34.6 per cent in North-Eastern Region was the lowest in the country, while the Southern Region recorded the highest CD ratio of 71.9 per cent as against the all-India ratio of 59.2 per cent. During the five-year period, except Northern Region, all other Regions recorded declines in CD ratio. In respect of Northern Region the CD ratio improved from 54.8 per cent to 60.3 per cent during the period.

The performance of the banking sector in the States/UTs can be assessed on the basis of data on bank deposits and bank credit per office (Table XI-11). Bank deposits per office moved up in all States/UTs except in Sikkim where it showed a marginal decline. Over the period of 5 years, deposits per bank office increased from Rs.2.93 crore in March 1990 to Rs.6.04 crore in March 1995 at the all India level. Andhra Pradesh, Arunachal Pradesh, Gujarat, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Maharashtra, Mizoram, Rajasthan, Tamil Nadu, Chandigarh, Dadra & Nagar Haveli, Daman & Diu, Delhi, Lakshadweep and Pondicherry registered more than 100 per cent rise in per branch office deposits. The increase in the remaining States ranged between 50 and 100 per cent. The bank credit per branch office increased from Rs.1.93 crore in March 1990 to Rs.3.57 crore in March 1995 at the all-India level. The increase in bank credit per office was more than 100 per cent during the period in Jammu & Kashmir, Maharashtra, Chandigarh and Delhi as against the all-India rise of 85.0 per cent. A decline of 17.3 per cent and 11.3 per cent was recorded in Sikkim and Andaman and Nicobar Islands, respectively. Except in Jammu & Kashmir, Maharashtra and Tamil Nadu where the increases were more than the all-India increase of 85.0 per cent, in all other States the increases were less than the all-India increase.

In recent years, the banking habit has spread in a substantial way in rural areas. In March 1990, 57.6 per cent of bank offices were located in rural areas. During the last five years, the growth of new bank offices in rural areas somewhat slowed down. As a result, at the all-India level, the share of bank branch office in rural areas came down marginally to 56.2 per cent in March 1995. The share of rural offices in total number of scheduled commercial bank offices decreased in majority of the States/UTs viz. Haryana, Himachal Pradesh, Punjab, Rajasthan, Chandigarh, Delhi, Nagaland, Bihar, Orissa, Sikkim, Andaman & Nicobar Islands, Madhya Pradesh, Uttar Pradesh, Goa, Gujarat, Maharashtra, Daman & Diu, Andhra Pradesh, Karnataka, Kerala and Tamil Nadu and remained constant in Dadra & Nagar Haveli and Lakshadweep (Table XI-12). These shares as on last Friday of March 1995 were respectively high in North-Eastern Regions (72.6 per cent), Eastern Region (67.9 per cent) and Central Region (67.0 per cent). The share of deposits of rural branches in the total deposits of scheduled commercial banks increased marginally from 15.1 per cent in March 1990 to 15.3 per cent in March 1995. The share of credit of rural branches in total credit, however, declined from 14.6 per cent in March 1990 to 12.7 per cent in March 1995. The share of rural credit in total credit exceeded the relative shares of deposits with rural offices in North-Eastern Region and Southern Region as on last Friday of March 1995. The performance of scheduled commercial banks in rural areas is indicated in Table XI-13.

The growth rate in rural offices in North-Eastern Region was 12.0 per cent and that in Eastern Region was 8.5 per cent as against the all-India growth rate of 3.2 per cent. While all the States/UTs recorded positive growth rates in rural offices, Rajasthan, Delhi, Madhya Pradesh and Kerala recorded negative growth rates during the period. Deposits with rural offices in majority of the States/UTs increased substantially. The highest growth rate in bank deposits between the last Fridays of March 1990 and 1995 was observed in North-Eastern Region (141.4 per cent) followed by Southern Region (126.6 per cent), Western Region (123.0 per cent), Northern Region (119.5 per cent), Central Region (118.6 per cent) and Eastern Region (113.6 per cent) as against the all-India growth rate of 120.6 per cent. Similarly, the highest growth rate in the bank credit during the period was observed in Northern Region (92.0 per cent) and the lowest in Central Region (56.1 per cent) as against the all-India growth rate of 69.5 per cent.

Credit-deposit ratio of rural offices was the highest in Southern Region (100.6 per cent) and lowest in Northern Region (46.4 per cent) as on last Friday of March 1990. The credit-deposit ratio of rural offices continued to be the highest in Southern Region (75.4 per cent) as on last Friday of March 1995 and the lowest was in Central Region (39.0 per cent).

Priority Sector Advances

The data on state-wise share of priority sector advances relating to scheduled commercial banks in total bank credit are presented in Table XI-14. At the end of March 1994, North-Eastern, Eastern and Central Regions had achieved the target of 40 per cent share of priority sector advances. The Southern Region was close to the target whereas Western and Northern Regions were far behind the target. The Western Region showed an improvement in its share over March 1992 while there was a deterioration in the case of Southern Region. Majority of the States and Union Territories had achieved the target of 40 per cent lending to priority sector excepting Jammu & Kashmir, Chandigarh, Delhi, West Bengal, Goa, Gujarat, Maharashtra, Karnataka and Tamil Nadu.

The sub-target of 18 per cent of total bank credit for direct and indirect finance to agriculture and allied activities was achieved by Haryana, Punjab, Rajasthan, Arunachal Pradesh, Nagaland, Tripura, Bihar, Orissa, Madhya Pradesh, Uttar Pradesh and Andhra Pradesh (Table XI-15). The share of Himachal Pradesh, Manipur, Meghalaya, Mizoram, Sikkim, Karnataka and Pondicherry was close to the target. In Jammu & Kashmir, Chandigarh, West Bengal, Goa, Maharashtra and Daman & Diu the share of lending to agricultural sector was below 10 per cent.

State-wise Financial Assistance by All-India Financial Institutions and Industrial Development Bank of India

The data on State-wise financial assistance sanctioned and disbursed by All-India Financial Institutions* for the years 1989-90, 1992-93, 1993-94 and the cumulative position upto end-March 1994 are presented in table XI-16. The financial assistance sanctioned and disbursed by Industrial Development Bank of India for the year 1993-94 formed 32.3 per cent of the amount sanctioned and 31.8 per cent of the amount disbursed by All-India Financial Institutions. The share of each State/Union Territories in financial assistance sanctioned by these institutions is given in Table XI-17. Of the total amount sanctioned by All-India Financial Institutions during 1993-94, Maharashtra accounted for 21.07 per cent followed by Gujarat (18.35 per cent), Uttar Pradesh (6.63 per cent), Tamil Nadu (6.49 per cent) and Andhra Pradesh (5.13 per cent). The States which had relatively lower share of less than 1 per cent each were : Assam, Bihar, Goa, Himachal Pradesh, Jammu & Kashmir, Meghalaya and Orissa.

As regards disbursements during 1993-94, Maharashtra had the largest share of 23.66 per cent followed by Gujarat (11.35 per cent), Tamil Nadu (7.00 per cent), Karnataka (6.09 per cent), Madhya Pradesh (4.93 per cent), Uttar Pradesh (4.81 per cent) and Andhra Pradesh (4.60 per cent). As in the case of the sanctions, the share of smaller States in the amount of disbursement was very low. The data on cumulative position upto end-March 1994 indicated similar trends. Table XI-18 indicates State-wise share of financial assistance sanctioned and disbursed.

The data on state-wise Financial Assistance sanctioned and disbursed by State Financial Corporations indicated that the financial assistance sanctioned by State Financial Corporations improved in Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Punjab, Rajasthan and Tamil Nadu in 1993-94 over the year 1989-90 (Table XI-19). In Tamil Nadu the amount sanctioned increased sharply from Rs.112.7 crore in 1989-90 to Rs.318.5 crore in 1993-94 whereas in Haryana the amount sanctioned nearly doubled from Rs.53.9 crore in 1989-90 to Rs.102.5 crore in 1993-94. Gujarat, Karnataka, Maharashtra and Rajasthan crossed the amount sanctioned level at Rs.100 crore. Bihar recorded the lowest amount sanctioned at Rs.0.1 crore in 1993-94. Disbursements were higher in 1993-94 in Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Punjab, Rajasthan, Tamil Nadu and Delhi as compared to 1989-90. The amount disbursed more than tripled in Haryana from Rs.33.7 crore in 1989-90 to Rs.115.2 crore in 1993-94 whereas in Karnataka, Maharashtra and Tamil Nadu disbursements more than doubled during the period 1989-90 to 1993-94. The data on cumulative assistance sanctioned upto end March 1994 indicated that Karnataka had the highest cumulative amount sanctioned at Rs.2,023.6 crore followed by Gujarat (Rs.2,003.1 crore), Maharashtra (Rs.1,851.0 crore), Tamil Nadu (Rs.1,842.5 crore), Uttar Pradesh (Rs.1,417.9 crore), Andhra Pradesh (Rs.1,413.9 crore) and Rajasthan (Rs.1,090.2 crore). Cumulative disbursements upto end March 1994 showed more or less similar trends.

Small Savings Collections

Gross collections of small savings improved in all States/Union Territories in 1994-95 over the year 1991-92 (Table XI-20). Similarly, net collections also recorded a rise in 1994-95 in all States/Union Territories over the year 1991-92. At the all-India level net collections nearly tripled in 1994-95 as compared to the year 1991-92. Uttar Pradesh recorded the highest net collections at Rs.2,235.23 crore during 1994-95 followed by West Bengal (Rs.1,976.01 crore),

* The expression All-India Financial Institutions (AIFI) refer to All-India Development Banks (AIDBs) viz. IDBI, IFCI, ICICI, SIDBI, IRBI and SCICI, Specialised Financial Institutions, viz. RCTC, TDICI, TFCI and investment Institutions viz. LIC, UTI and GIC.

Karnataka (Rs.1,244.49 crore), Andhra Pradesh (Rs.920.52 crore), Gujarat (Rs.820.38 crore), Tamil Nadu (Rs.710.00 crore), Delhi (Rs.683.56 crore), Bihar (Rs.659.41 crore), Rajasthan (Rs.652.12 crore), Punjab (Rs.651.55 crore), Assam (Rs.637.19 crore), Kerala (Rs.633.36 crore), Maharashtra (Rs.606.15 crore) and Himachal Pradesh (Rs.598.72 crore). Lakshadweep was at the bottom line with net collections at Rs.0.04 crore. The target of net collections was achieved in 1994-95 in majority of the States/UTs except in Goa, Gujarat, Jammu & Kashmir, Madhya Pradesh, Maharashtra, Meghalaya, Chandigarh, Lakshadweep and Pondicherry. The States/UTs like Madhya Pradesh, Meghalaya, Chandigarh and Pondicherry were very close to the target.

Socio-Economic Indicators

(i) Minor Irrigation Facilities

There was an improvement in the total cropped area in all the States/Union Territories excepting Meghalaya and Tripura over the period 1987-88 to 1993-94. The proportion of area covered by minor irrigation facilities also moved up in all the States/Union Territories, excepting Kerala, Rajasthan and Pondicherry during the period under review (Table XI-21). In Uttar Pradesh and Pondicherry this proportion was above 50 per cent during 1993-94. Among the states for which the data on wells, tube wells and canals are available, the number of wells, was the highest in Tamil Nadu at 16,87,026 followed by Rajasthan (12,92,939), Madhya Pradesh ([illegible],77,440), Andhra Pradesh ([illegible],30,279), Gujarat ([illegible]), Karnataka (4,70,989) and Uttar Pradesh (2,[illegible]) in 1993-94. The number of tubewells was the highest in Bihar at 9,57,556 followed by Uttar Pradesh (5,38,000), Andhra Pradesh (1,56,676), Karnataka (1,64,728), Tamil Nadu (1,03,242) and Rajasthan (1,01,032) during the same year. The number of canals was higher in major states like Bihar, Kerala, Madhya Pradesh and West Bengal.

(ii) Health Facilities

According to the data on health facilities available for some States/Union Territories, the number of hospitals moved up in all the States/ Union Territories excepting Andhra Pradesh and West Bengal during the period 1987-88 to 1994-95 (Table XI-22). Uttar Pradesh had the highest number of hospitals at 8,614 followed by Gujarat (2,619), Madhya Pradesh (396), West Bengal (392), Karnataka (358), Andhra Pradesh (340), Bihar (310), Orissa (285) and Tamil Nadu (273). The population covered per hospital in 1994-95 was highest in Bihar at 2,93,387 persons while it was lowest in Uttar Pradesh at 16,840 persons. Gujarat had the highest number of dispensaries, at 7,34[illegible] followed by Andhra Pradesh (2,730), Bihar (2,488) and Karnataka (2,178) in 1994-95. In Kerala, the number of dispensaries declined from 188 in 1987-88 to 51 in 1994-95. As a result, the population covered per dispensary increased from 1,49,893 persons in 1987-88 to 5,89,608 persons in 1994-95 which was the highest among all States/UTs. The number of beds rose in all the States/Union territories excepting Punjab during the period under review. The population covered per bed was highest in Bihar 2,836 persons in 1994-95 while it was lowest in Goa at 271 persons.

(iii) Educational Institutions and Students' enrolment in Schools

The data on the number of schools and students' enrolment in schools (Table XI-23) indicate that the number of primary, middle, secondary/higher secondary schools increased in all the States/Union Territories except Himachal Pradesh, Kerala, Meghalaya, Sikkim, Tamil Nadu, Uttar Pradesh, West Bengal and Pondicherry. In Kerala, Meghalaya and Pondicherry the number of primary schools declined marginally whereas in Himachal Pradesh, Sikkim, Tamil Nadu and West Bengal the number of middle schools showed a fall. In Uttar Pradesh both the primary and middle schools registered a fall. The students' enrolments improved in all the States/Union Territories at the primary level excepting Andhra Pradesh, Kerala, Punjab and Pondicherry. At the middle school level the enrolment of students moved up in all the States/Union Territories during the period 1987-88 to 1994-95 except Andhra Pradesh. Similarly, at the secondary/higher secondary school level, the enrolment increased in all the States/Union territories excepting Meghalaya where enrolment declined from 61,248 in 1987-88 to 40,120 in 1994-95.

(iv) Drinking Water Facilities

The number of villages where drinking water facilities are available increased in all the States/Union Territories for which such information was reported excepting Tamil Nadu and Pondicherry (Table XI-24). In Bihar, Haryana, Himachal Pradesh, Punjab, West Bengal, Lakshadweep, Pondicherry and Delhi all the villages were reported to have drinking water facilities during 1994-95. In states like Gujarat, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Meghalaya, Rajasthan and Tamil Nadu, the coverage of villages where drinking water facilities were available was close to the number of villages in 1994-95. Sikkim had the lowest coverage of villages in regard to the drinking water facilities.

(v) Rural Road Length

The proportion of rural road length improved in all the States/Union Territories except Andhra Pradesh, Gujarat, Karnataka, Kerala, Orissa, Pondicherry and Sikkim between 1987-88 and 1994-95 (Table XI-25). Lakshadweep had 100 per cent rural road length followed by Tamil Nadu (98.41 per cent), Orissa (83.30 per cent), Haryana (76.05 per cent), Kerala (74.77 per cent), Sikkim (72.26 per cent), Andhra Pradesh (68.06 per cent) and Madhya Pradesh (67.61 per cent). The rural road length was lowest in Uttar Pradesh in 1994-95.

(vi) Rural Electrification

According to the available data on the number of villages electrified out of the total number of villages in the States/Union territories during 1987-88 and 1994-95 (Table XI-26) all the villages were electrified during 1994-95 in Haryana, Himachal Pradesh, Kerala, Punjab, Sikkim, Tamil Nadu, Chandigarh, Delhi, Lakshadweep and Pondicherry whereas in Andhra Pradesh, Goa, Gujarat, Jammu & Kashmir, Karnataka and Madhya Pradesh the coverage of villages under rural electrification was nearer to the 100 per cent level. In Assam, Mizoram, Tripura, Rajasthan, Orissa, Uttar Pradesh and West Bengal the coverage of villages under rural electrification was above 70 per cent.

(vii) Expenditure on Employment Schemes

The data on expenditure on Employment schemes for the years 1987-88 and 1994-95 (Table XI-27) indicated that the expenditure on employment schemes increased in all the States/Union territories excepting Meghalaya, West Bengal and Delhi. Madhya Pradesh had the highest expenditure on Employment Schemes at Rs.817.32 crore in 1994-95 followed by Andhra Pradesh (Rs.620.36 crore), Bihar (Rs.607.71 crore), Orissa (Rs.448.65 crore), Rajasthan (Rs.307.85 crore), Kerala (Rs.115.38 crore) and Haryana (Rs.68.36 crore). In Meghalaya the expenditure was the lowest at Rs.0.17 crore. Similarly, the expenditure on Jawahar Rojgar Yojana improved in almost all the States/Union Territories excepting Mizoram, Punjab, Sikkim and Tripura. The expenditure on Jawahar Rojgar Yojana was the highest in Madhya Pradesh at Rs.514.71 crore in 1994-95 followed by Bihar (Rs.507.31 crore), Andhra Pradesh (Rs.363.61 crore), Tamil Nadu (Rs.296.43 crore), Orissa (Rs.187.40 crore), Karnataka (Rs.183.32 crore), Rajasthan (Rs.139.52 crore), Gujarat (Rs.106.33 crore), Assam (Rs.103.87 crore) and West Bengal (Rs.80.00 crore). The expenditure was the lowest at Rs.0.25 crore in Tripura.

Table XI-1 : Annual Growth Rates and Compound Growth Rates of Net State Domestic Product at Constant (1980-81) Prices

(Per cent)

Sr. No.	States/Union Territories	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	Compound Growth Rates	Average Growth Rates
1	2	3	4	5	6	7	8	9	10
1	Andhra Pradesh	15.6	4.7	1.6	2.5	-2.2	5.2	2.3	4.6
2	Arunachal Pradesh	11.5	6.7	16.1	13.6	1.8	7.8	9.1	9.6
3	Assam	2.0	6.5	4.8	7.0	5.4	N.A.	5.9	5.1
4	Bihar	12.6	-1.6	8.3	-5.9	2.2	N.A.	0.6	3.1
5	Goa	21.5	4.4	7.5	6.0	5.6	2.2	5.1	7.9
6	Gujarat	42.2	-3.4	0.8	-3.9	14.6	N.A.	1.8	10.1
7	Haryana	24.3	1.3	9.1	2.0	0.9	4.2	3.5	7.0
8	Himachal Pradesh	8.5	12.0	0.5	-0.7	N.A.	N.A.	3.8	5.1
9	Jammu & Kashmir	12.9	-1.4	3.0	3.7	4.1	N.A.	2.3	4.5
10	Karnataka	8.1	6.5	0.1	11.8	6.3	2.2	5.3	5.8
11	Kerala	10.0	6.7	7.6	1.9	5.9	1.0	5.3	5.5
12	Madhya Pradesh	6.6	1.4	15.4	-2.9	5.0	6.7	5.2	5.4
13	Maharashtra	9.2	15.3	5.4	0.5	11.5	7.6	7.9	8.3
14	Manipur	5.2	4.4	7.3	10.4	N.A.	N.A.	7.3	6.8
15	Meghalaya	2.0	14.3	11.8	11.4	7.5	10.2	11.0	9.5
16	Nagaland	7.5	3.9	-1.1	4.1	N.A.	N.A.	2.3	3.6
17	Orissa	15.0	7.5	-10.4	11.4	-2.8	N.A.	1.1	4.1
18	Punjab	5.3	8.4	1.8	5.0	4.0	4.5	4.7	4.8
19	Rajasthan	41.3	-2.1	15.7	-8.9	10.6	-5.8	1.5	8.5
20	Tamil Nadu	8.5	6.8	7.4	5.9	2.2	N.A.	5.6	6.2
21	Tripura	13.7	7.5	7.7	4.0	N.A.	N.A.	6.4	8.2
22	Uttar Pradesh	10.7	2.7	5.7	0.5	1.7	3.0	2.7	4.1
23	West Bengal	4.8	5.0	2.9	5.9	4.3	N.A.	4.5	4.6
24	Andaman & Nicobar Islands	9.0	0.1	-1.7	-8.8	14.3	N.A.	0.6	2.6
25	Delhi	9.2	9.2	5.4	7.3	N.A.	N.A.	7.3	7.8
26	Pondicherry	4.8	5.2	3.1	3.4	2.0	N.A.	3.4	3.7
	All India	**11.2**	**6.9**	**5.3**	**0.3**	**4.2**	**4.1**	**4.1**	**5.3**

Source : Data obtained from C.S.O. are based on data compiled by Directorate of Economics and Statistics of respective State Governments

Table XI-2 : Sectoral Growth Rates, 1992-93 and 1993-94

(Per cent)

Sr. No.	States/Union Territories	Agriculture		Forestry & Logging		Fishing		Mining and Quarrying		Manufacturing	
		1992-93	1993-94	1992-93	1993-94	1992-93	1993-94	1992-93	1993-94	1992-93	1993-94
1	2	3	4	5	6	7	8	9	10	11	12
1	Andhra Pradesh	-6.3	3.8	-7.7	2.7	18.8	7.8	-3.2	16.0	-7.0	4.4
2	Arunachal Pradesh	-5.1	8.6	8.4	-4.9	6.9	6.0	118.4	-10.2	8.7	8.6
3	Assam	0.8	N.A.	2.5	N.A.	2.2	N.A.	2.9	N.A.	1.6	N.A.
4	Bihar	2.3	N.A.	-7.2	N.A.	-11.2	N.A.	5.4	N.A.	9.8	N.A.
5	Goa	1.8	1.3	4.1	1.0	18.2	7.2	-10.1	-	7.7	0.2
6	Gujarat	58.0	N.A.	-0.8	N.A.	18.6	N.A.	-14.0	N.A.	4.4	N.A.
7	Haryana	2.7	3.7	6.8	14.2	-17.0	12.0	-0.6	13.3	-2.5	3.2
8	Jammu & Kashmir	1.2	N.A.	-2.6	N.A.	4.9	N.A.	32.1	N.A.	-0.9	N.A.
9	Karnataka	3.0	3.1	1.6	1.6	0.2	8.0	32.9	7.9	4.6	0.8
10	Kerala	6.7	3.4	5.4	5.5	16.7	16.7	3.6	3.7	5.3	3.4
11	Madhya Pradesh	9.6	11.1	-19.9	-7.9	9.2	-4.3	-1.1	1.4	12.5	5.3
12	Maharashtra	38.4	9.1	-4.4	-12.5	32.2	-10.7	5.8	2.2	8.8	9.0
13	Meghalaya	12.5	7.4	-	6.1	17.5	15.8	-21.6	45.0	10.7	8.3
14	Orissa	-11.9	N.A.	5.8	N.A.	16.5	N.A.	5.6	N.A.	5.9	N.A.
15	Punjab	2.2	3.1	-0.7	-	19.3	18.7	-10.7	10.2	6.9	6.1
16	Rajasthan	20.0	-16.2	2.7	2.8	30.5	10.5	8.0	8.0	-2.7	-2.7
17	Tamil Nadu	1.3	N.A.	-1.9	N.A.	4.8	N.A.	9.1	N.A.	-3.6	N.A.
18	Uttar Pradesh	-2.1	3.9	-21.1	7.3	6.9	9.0	-3.6	1.1	3.2	3.2
19	West Bengal	4.7	N.A.	11.7	N.A.	3.4	N.A.	-1.3	N.A.	-0.6	N.A.
20	Andaman & Nicobar Islands	25.0	N.A.	25.0	N.A.	25.0	N.A.	25.0	N.A.	9.1	N.A.
21	Pondicherry	-0.8	N.A.	Nil	N.A.	5.5	N.A.	Nil	N.A.	-	N.A.
	All India	**5.4**	**16.5**	**0.3**	**0.3**	**6.0**	**6.1**	**0.4**	**4.3**	**2.6**	**3.1**

Note : Computed on the basis of data at Constant (1980-81) prices. N.A. = Not available

Source : Data obtained from C.S.O. based on data compiled by Directorate of Economics & Statistics of respective State Governments.

Table XI-3 : Compound Annual Growth Rates, Major Sector-wise (period 1988-89 to 1993-94) Based on Data at Constant(1980-81) Prices

(Per cent)

Sr. No.	States/Union Territories	Agriculture	Forestry & Logging	Fishing	Mining and Quarrying	Manufacturing	SDP
1	2	3	4	5	6	7	8
1	Andhra Pradesh	-0.3	-1.6	5.3	8.8	1.3	2.3
2	Arunachal Pradesh	5.3	2.7	18.2	24.6	36.6	9.1
3	Assam	2.8	12.8	-7.6	-6.2	3.4	5.9
4	Bihar	-2.8	-4.7	0.4	10.2	-1.3	0.6
5	Goa	-0.2	-11.9	20.0	0.1	7.9	5.1
6	Gujarat	-2.4	1.2	13.0	9.3	1.7	1.8
7	Haryana	2.8	11.1	4.9	20.8	1.2	3.5
8	Himachal Pradesh	8.4	-4.6	10.6	3.0	8.2	3.8
9	Jammu & Kashmir	2.4	-24.1	4.6	-10.8	0.4	2.3
10	Karnataka	3.8	2.7	6.5	2.8	6.6	5.3
11	Kerala	5.0	5.2	13.1	0.8	5.8	5.3
12	Madhya Pradesh	3.8	-4.4	8.8	11.3	10.4	5.2
13	Maharashtra	6.7	1.0	4.4	5.2	7.9	7.9
14	Manipur	6.6	-1.3	24.5	—	8.8	7.3
15	Meghalaya	15.7	7.6	54.8	20.4	16.3	11.0
16	Nagaland	7.0	11.5	16.8	—	7.5	2.3
17	Orissa	-6.9	11.9	9.5	14.1	12.8	1.1
18	Punjab	4.5	0.5	23.2	2.0	7.1	4.7
19	Rajasthan	-1.1	1.9	44.7	7.9	1.5	1.5
20	Tamil Nadu	7.1	-3.0	2.6	8.6	0.4	5.6
21	Tripura	2.6	-16.9	12.1	—	23.0	6.4
22	Uttar Pradesh	1.9	-8.7	7.6	17.9	2.3	2.7
23	West Bengal	3.9	-8.5	8.6	0.2	1.8	4.5
24	Andaman & Nicobar Islands	5.7	0.3	21.3	9.9	-5.5	0.6
25	Delhi	6.6	5.7		-8.8	12.0	7.3
26	Pondicherry	1.0	—	5.2	—	2.8	3.4
	All India	**2.1**	**1.0**	**6.2**	**5.1**	**3.7**	**4.1**

Source : Data obtained from C.S.O. based on data compiled by Directorate of Economics & Statistics of respective State Governments.

Table XI-4 : Share of Real Output from Agriculture and Manufacturing to SDP.

(Per cent)

Sr. No.	States/Union Territories	1992-93		1993-94	
		Agriculture/ SDP	Manufacturing/ SDP	Agriculture/ SDP	Manufacturing/ SDP
1	2	3	4	5	6
1	Andhra Pradesh	36.0	10.9	35.6	10.8
2	Arunachal Pradesh	35.1	6.1	35.4	6.2
3	Assam	32.6	12.7	N.A.	N.A.
4	Bihar	33.1	16.8	N.A.	N.A.
5	Goa	10.0	33.5	9.9	32.9
6	Gujarat	26.2	25.2	N.A.	N.A.
7	Haryana	45.1	18.0	44.9	17.8
8	Himachal Pradesh	N.A.	N.A.	N.A.	N.A.
9	Jammu & Kashmir	36.2	5.8	N.A.	N.A.
10	Karnataka	34.8	18.6	34.4	18.0
11	Kerala	34.1	15.3	33.7	15.1
12	Madhya Pradesh	40.6	17.3	42.3	17.1
13	Maharashtra	18.7	27.3	19.0	27.6
14	Manipur	N.A.	N.A.	N.A.	N.A.
15	Meghalaya	32.5	4.2	31.7	4.2
16	Nagaland	N.A.	N.A.	N.A.	N.A.
17	Orissa	32.8	12.7	N.A.	N.A.
18	Punjab	48.0	17.4	47.4	17.7
19	Rajasthan	45.4	9.8	40.9	10.2
20	Sikkim	N.A.	N.A.	N.A.	N.A.
21	Tamil Nadu	22.6	21.9	N.A.	N.A.
22	Tripura	N.A.	N.A.	N.A.	N.A.
23	Uttar Pradesh	42.4	13.3	42.8	13.3
24	West Bengal	30.1	23.8	N.A.	N.A.
25	Andaman & Nicobar Islands	49.7	7.7	N.A.	N.A.
26	Delhi	N.A.	N.A.	N.A.	N.A.
27	Pondicherry	7.1	20.5	N.A.	N.A.
	All India	**32.0**	**19.4**	**31.6**	**19.2**

Note : Computed on the basis of data at constant (1980-81) prices
N.A. : Not Available
Source : Data obtained from C.S.O. based on data compiled by Directorate of Economics and Statistics of respective State Governments.

Table XI-5 : State-wise Percentage Share in All-India NDP at Constant (1980-81) Prices

(Per cent)

Sr. No.	States/Union Territories	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
1	2	3	4	5	6	7	8
1	Andhra Pradesh	6.5	6.4	6.2	6.3	5.9	6.0
2	Arunachal Pradesh	0.1	0.1	0.1	0.1	0.1	0.1
3	Assam	2.1	2.1	2.1	2.2	2.3	N.A.
4	Bihar	5.6	5.2	5.3	5.0	4.9	N.A.
5	Goa	0.3	0.3	0.3	0.3	0.3	0.3
6	Gujarat	6.4	5.8	5.5	5.3	5.8	N.A.
7	Haryana	3.0	2.9	3.0	3.0	2.9	2.9
8	Himachal Pradesh	0.6	0.6	0.6	0.6	N.A.	N.A.
9	Jammu & Kashmir	0.7	0.7	0.7	0.7	0.7	N.A.
10	Karnataka	5.1	5.1	4.8	5.4	5.4	5.4
11	Kerala	2.7	2.7	2.8	2.8	2.9	2.9
12	Madhya Pradesh	5.6	5.4	5.9	5.7	5.7	5.9
13	Maharashtra	13.1	14.1	14.1	14.1	15.1	15.6
14	Manipur	0.2	0.2	0.2	0.2	N.A.	N.A.
15	Meghalaya	0.1	0.2	0.2	0.2	0.2	0.2
16	Nagaland	0.1	0.1	0.1	0.1	N.A.	N.A.
17	Orissa	2.7	2.7	2.3	2.5	2.4	N.A.
18	Punjab	4.0	4.1	3.9	4.1	4.1	4.1
19	Rajasthan	4.4	4.1	4.5	4.1	4.3	3.9
20	Sikkim	0.1	0.1	0.1	N.A.	N.A.	N.A.
21	Tamil Nadu	6.4	6.3	6.5	6.8	6.7	N.A.
22	Tripura	0.2	0.2	0.2	0.2	N.A.	N.A.
23	Uttar Pradesh	12.1	11.6	11.7	11.7	11.4	11.3
24	West Bengal	7.2	7.1	6.9	7.3	7.3	N.A.
25	Andaman & Nicobar Islands	0.1	0.1	0.1	0.1	0.1	N.A.
26	Delhi	2.3	2.4	2.4	2.5	N.A.	N.A.
27	Pondicherry	0.2	0.2	0.2	0.2	0.2	N.A.
	All India	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

N.A. : Not available.

Source : Central Statistical Organisation.

Table XI-6 : State-wise Total Coverage of the Area under High Yielding Varieties.

(Lakh Hectares)

Sr. No.	States/Union Territories	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96 (Working Target)
1	2	3	4	5	6	7	8	9	10	11
1	Andhra Pradesh	34.18	44.67	48.38	45.25	46.84	41.48	40.45	39.91	55.37
2	Arunachal Pradesh	0.09	0.15	0.24	0.35	0.40	0.42	0.50	0.50	0.55
3	Assam	10.66	11.76	13.63	10.88	12.26	12.84	12.59	13.00	13.62
4	Bihar	58.00	40.27	34.64	35.40	37.00	33.96	52.01	57.80	59.50
5	Goa	0.42	0.43	0.44	0.48	0.47	0.49	0.49	0.49	0.51
6	Gujarat	12.92	28.02	26.57	25.73	23.17	25.00	22.50	28.29	29.60
7	Haryana	23.60	26.73	27.06	26.93	25.98	26.73	26.83	28.18	29.84
8	Himachal Pradesh	4.32	5.22	5.28	5.39	5.51	5.63	5.20	5.74	5.85
9	Jammu & Kashmir	5.30	5.74	6.32	4.18	4.19	6.71	4.40	4.58	4.67
10	Karnataka	18.35	20.76	20.58	31.65	33.40	31.58	31.66	30.25	40.50
11	Kerala	3.53	1.60	1.56	1.63	1.66	1.75	1.72	1.93	2.50
12	Madhya Pradesh	49.29	58.40	58.04	69.77	67.75	63.21	[illegible]	[illegible]	59.70
13	Maharashtra	66.02	67.66	73.16	76.29	70.85	76.91	79.78	77.33	73.68
14	Manipur	0.93	0.94	1.06	0.90	0.92	0.81	0.83	0.79	0.90
15	Meghalaya	0.50	0.51	0.51	0.51	0.56	0.57	0.60	0.63	0.72
16	Mizoram	0.08	0.10	0.13	0.10	0.29	0.09	0.10	0.11	0.33
17	Nagaland	0.25	0.32	0.35	0.39	0.41	0.44	0.05	0.04	0.05
18	Orissa	18.28	21.46	23.86	26.13	28.06	28.23	[illegible]	30.20	31.83
19	Punjab	47.60	49.71	51.82	55.77	53.68	53.64	[illegible]	55.67	55.10
20	Rajasthan	20.48	31.46	28.27	30.74	28.02	33.08	29.44	27.41	34.40
21	Sikkim	0.41	0.46	0.46	0.48	0.40	0.41	0.33	0.30	0.34
22	Tamil Nadu	27.83	24.57	25.58	26.64	31.70	30.14	31.21	31.52	32.38
23	Tripura	1.77	1.86	1.93	2.13	2.14	1.84	2.12	2.13	2.66
24	Uttar Pradesh	105.08	125.55	127.48	137.32	133.36	136.45	138.57	144.91	151.00
25	West Bengal	30.59	30.90	33.44	35.76	37.10	36.98	36.98	41.39	41.39
26	Andaman & Nicobar Islands	N.A.	0.08	0.08	0.07	0.07	0.08	0.08	0.08	0.08
27	Chandigarh	N.A.	N.A.	0.02	0.02	0.02	0.02	0.02	0.02	0.02
28	Dadra & Nagar Heveli	0.07	0.07	0.08	0.08	0.12	0.10	0.11	0.11	0.12
29	Daman & Diu	N.A.	N.A.	0.03	0.02	0.03	0.03	0.01	0.01	0.01
30	Delhi	0.48	0.59	0.40	0.57	0.51	0.11	0.58	0.59	0.63
31	Pondicherry	N.A.	0.26	0.26	0.27	0.26	0.28	0.26	0.27	0.27
Total		**541.03**	**600.25**	**611.66**	**649.84**	**647.24**	**654.03**	**669.92**	**712.71**	**758.12**

Source : Ministry of Agriculture, Government of India.

Table XI-7 : Per Hectare State-wise Consumption of Fertilisers (N+P+K) 1988-89 to 1994-95

(Kg/Ha)

Sr. No.	State	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
1	2	3	4	5	6	7	8	9
1	Andhra Pradesh	103.06	115.58	122.78	119.94	114.77	116.99	121.38
2	Arunachal Pradesh	1.54	1.59	1.79	1.86	1.98	2.30	2.58
3	Assam	6.97	6.30	9.92	9.20	6.87	8.65	9.48
4	Bihar	57.82	54.14	57.08	59.49	58.71	57.68	64.51
5	Delhi	118.58	127.89	141.28	171.20	187.77	238.41	246.98
6	Goa	39.56 *	36.88	51.60	49.23	45.05	39.39	41.39
7	Gujarat	61.97	64.50	66.77	69.82	68.24	63.71	77.48
8	Haryana	84.69	94.78	99.05	114.39	109.27	120.59	126.37
9	Himachal Pradesh	30.82	33.69	35.16	34.37	31.20	29.17	34.63
10	Jammu & Kashmir	51.81	44.74	39.96	44.44	41.08	39.15	48.17
11	Karnataka	67.68	64.31	70.83	73.08	62.95	64.96	64.92
12	Kerala	72.20	70.37	80.92	74.30	67.19	58.53	66.74
13	Maharashtra	45.42	54.91	59.82	62.96	56.38	59.47	75.41
14	Madhya Pradesh	30.13	30.05	34.02	35.01	34.35	33.52	37.41
15	Manipur	38.44	37.52	40.87	45.98	47.70	47.42	58.90
16	Meghalaya	12.81	11.86	11.03	13.90	12.44	13.38	14.92
17	Mizoram	4.74	6.86	9.20	8.33	12.36	9.70	8.57
18	Nagaland	1.51	3.46	5.30	3.29	3.45	5.06	3.01
19	Orissa	17.63	21.68	20.08	19.97	20.68	21.16	22.48
20	Punjab	151.00	154.86	159.67	165.56	159.53	159.55	174.74
21	Rajasthan	16.21	15.95	19.14	24.37	27.11	27.77	34.80
22	Sikkim	12.94	11.03	10.11	11.79	8.18	7.37	7.30
23	Tamil Nadu	119.14	114.65	125.29	120.28	114.59	111.93	136.64
24	Tripura	20.04	21.88	19.96	23.32	19.84	17.48	19.48
25	Uttar Pradesh	84.58	82.53	87.95	87.07	84.40	88.75	99.27
26	West Bengal	76.47	79.55	86.93	87.18	84.39	85.98	86.18
Total		**61.30**	**63.49**	**67.49**	**69.66**	**66.52**	**67.68**	**75.68**

* : Including Daman & Diu

Note : Figures from 1991-92 are estimated.

Source : Ministry of Agriculture, Fertiliser Division, Government of India, New Delhi.

Table XI-8 : Some Indicators of Industrial Sector

(Value in Rs. crore)

Sr. No.	States/Union Territories	No. of Factories		No.of Employees		Fixed Capital		Value of Output		Net Value Added	
		1987-88	1991-92	1987-88	1991-92	1987-88	1991-92	1987-88	1991-92	1987-88	1991-92
1	2	3	4	5	6	7	8	9	10	11	12
1	Andhra Pradesh	14101	15972	712862	847555	4514	17135	9137	19936	1245	3185
2	Assam	1598	1625	102722	121835	630	1334	1928	3375	464	758
3	Bihar	3487	3671	386635	358469	5967	8158	8103	14413	1909	3281
4	Goa	229 *	243	15796 *	19508	158 *	336	558 *	1416	80 *	276
5	Gujarat	10655	11094	671685	690053	7727	13430	16395	30763	2859	4092
6	Haryana	2775	3102	236716	265144	2338	4201	5383	10709	806	1749
7	Himachal Pradesh	227	331	44600	53788	940	1290	645	1354	166	408
8	Jammu & Kashmir	378	240	44715	14040	404	81	462	599	69	71
9	Karnataka	5734	5850	387979	426473	3085	4792	6564	15174	1343	3421
10	Kerala	3056	3702	246155	278684	1820	3112	4173	8082	867	1653
11	Madhya Pradesh	3417	4163	375389	397115	6908	9950	8006	15456	1563	2777
12	Maharashtra	15163	15264	1221285	1192668	12178	24686	32831	59130	6245	10865
13	Manipur	45	63	853	1502	1	13	2	27	1	2
14	Meghalaya	30	29	1859	5726	12	297	17	51	4	20
15	Nagaland	N.A.	63	N.A.	4237	N.A.	26	N.A.	56	N.A.	10
16	Orissa	1584	1566	161655	170105	3789	6141	2926	6679	473	1251
17	Punjab	6100	5985	381244	384188	3873	7805	7698	13820	1023	2061
18	Rajasthan	2930	3689	234363	248541	3215	4887	4356	9937	700	1687
19	Tamil Nadu	13193	15502	885826	993229	6523	12850	16349	31593	2821	6116
20	Tripura	258	200	15707	9070	157	61	41	36	10	6
21	Uttar Pradesh	8631	10124	752642	753662	7526	18394	13666	28781	2576	5942
22	West Bengal	5329	5679	734634	765069	7346	11528	11087	18327	2524	3732
23	Delhi	3190	3346	134225	144555	1342	849	3240	6783	497	1127
24	Andaman & Nicobar Islands	52	52	6318	5434	63	22	34	65	11	22
25	Chandigarh	258	288	11252	11548	113	47	162	487	28	78
26	Dadra & Nagar Haweli	N.A.	132	N.A.	5311	N.A.	149	N.A.	1093	N.A.	89
27	Daman & Diu	N.A.	66	N.A.	3118	N.A.	66	N.A.	246	N.A.	30
28	Pondicherry	176	245	18463	22968	185	260	211	809	48	117
All India		**102596**	**112286**	**7785580**	**8193590**	**77856**	**151902**	**153973**	**299196**	**28334**	**54827**

* Includes Daman & Diu

Table XI-9 : Selected Ratios relating to the Industrial Sector

Sr. No.	States/Union Territories	Gross output per Employee*		Fixed Capital per Employee*		Fixed Capital to output		Net Value Added to output		Fixed Capital to Net Value added	
		1987-88	1991-92	1987-88	1991-92	1987-88	1991-92	1987-88	1991-92	1987-88	1991-92
1	2	3	4	5	6	7	8	9	10	11	12
1	Andhra Pradesh	1.28	2.35	0.63	2.02	0.49	0.86	0.14	0.16	3.63	5.38
2	Assam	1.88	2.77	0.61	1.09	0.33	0.40	0.24	0.22	1.36	1.76
3	Bihar	2.10	4.02	1.54	2.28	0.74	0.57	0.24	0.23	3.13	2.49
4	Goa	3.53	7.26	1.00	1.72	0.28	0.24	0.14	0.19	1.98	1.22
5	Gujarat	2.44	4.45	1.15	1.95	0.47	0.44	0.17	0.13	2.70	3.28
6	Haryana	2.27	4.04	0.99	1.58	0.43	0.39	0.15	0.16	2.90	2.40
7	Himachal Pradesh	1.45	2.52	2.11	2.40	1.46	0.95	0.26	0.30	5.66	3.16
8	Jammu & Kashmir	1.03	4.27	0.90	0.58	0.87	0.14	0.15	0.12	5.86	1.14
9	Karnataka	1.69	3.56	0.80	1.12	0.47	0.32	0.20	0.23	2.30	1.40
10	Kerala	1.70	2.90	0.74	1.12	0.44	0.39	0.21	0.20	2.10	1.88
11	Madhya Pradesh	2.13	3.89	1.84	2.51	0.86	0.64	0.20	0.18	4.42	3.58
12	Maharashtra	2.69	4.96	1.00	2.07	0.37	0.42	0.19	0.18	1.95	2.27
13	Manipur	0.23	1.80	0.11	0.87	0.50	0.48	0.50	0.07	-	6.50
14	Meghalaya	0.91	0.89	0.65	5.19	0.71	5.82	0.24	0.39	3.00	14.85
15	Nagaland	N.A.	1.32	N.A.	0.61	N.A.	0.46	N.A.	0.18	N.A.	2.60
16	Orissa	1.81	3.93	2.34	3.61	1.29	0.92	0.16	0.19	8.01	4.91
17	Punjab	2.02	3.60	1.02	2.03	0.50	0.56	0.13	0.15	3.78	3.79
18	Rajasthan	1.86	4.00	1.37	1.97	0.74	0.49	0.16	0.17	4.59	2.90
19	Tamil Nadu	1.85	3.18	0.74	1.29	0.40	0.41	0.17	0.19	2.31	2.10
20	Tripura	0.26	0.40	1.00	0.67	3.83	1.69	0.24	0.17	15.70	10.17
21	Uttar Pradesh	1.82	3.82	1.00	2.44	0.55	0.64	0.19	0.21	2.92	3.10
22	West Bengal	1.51	2.40	1.00	1.51	0.66	0.63	0.23	0.20	2.91	3.09
23	Delhi	2.41	4.69	1.00	0.59	0.41	0.13	0.15	0.17	2.70	0.75
24	Andaman & Nicobar Islands	0.54	1.20	1.00	0.40	1.85	0.34	0.32	0.34	5.73	--
25	Chandigarh	1.44	4.22	1.00	0.41	0.70	1.00	0.17	0.16	4.04	0.60
26	Dadra & Nagar Haweli	N.A.	20.58	N.A.	2.81	N.A.	0.14	N.A.	0.08	N.A.	1.67
27	Daman & Diu	N.A.	7.89	N.A.	2.12	N.A.	0.27	N.A.	0.12	N.A.	2.20
28	Pondicherry	1.14	3.52	1.00	1.13	0.88	0.32	0.23	0.14	1.77	2.22
All India		**1.98**	**3.65**	**1.00**	**1.85**	**0.51**	**0.51**	**0.18**	**0.18**	**2.75**	**2.77**

* In Rs. lakhs.

Table XI-10 : State-wise Distribution of the Number of Reporting Offices, Aggregate Deposits and Gross Bank Credit of All Scheduled Commercial Banks

(Rs. lakhs)

States/Union Territories	As on the last Friday of March 1990				As on the last Friday of March 1995			
	No. of offices	Bank Deposits	Bank Credit	Credit Deposit Ratio (per cent)	No. of offices	Bank Deposits	Bank Credit	Credit Deposit Ratio (per cent)
1	2	3	4	5	6	7	8	9
I. Northern Region	**9079**	**3791910**	**2077142**	**54.8**	**9596**	**8367967**	**5049768**	**60.3**
Haryana	1256	343601	210250	61.2	1337	727797	339929	46.7
Himachal Pradesh	695	119774	46200	38.6	756	267892	70578	26.3
Jammu & Kashmir	746	153928	48931	31.8	792	349045	149366	42.8
Punjab	2131	866790	394312	45.5	2239	1762061	730085	41.4
Rajasthan	3023	460428	286314	62.2	3161	1038248	477205	46.0
Chandigarh	109	129685	84936	65.5	126	319103	369477	115.8
Delhi	1119	1717704	1006199	58.6	1185	3903823	2913129	74.6
II. North-Eastern Region	**1704**	**282823**	**146225**	**51.7**	**1889**	**604804**	**209016**	**34.6**
Arunachal Pradesh	64	10449	2096	20.1	68	32312	3646	11.3
Assam	1137	189118	104994	55.5	1228	392898	149487	38.0
Manipur	68	8382	5861	69.9	85	17742	9865	55.6
Meghalaya	144	27275	6721	24.6	179	65034	10302	15.8
Mizoram	64	6492	2223	34.2	76	18001	2765	15.4
Nagaland	69	18053	7689	42.6	71	29889	10567	35.4
Tripura	158	23054	16641	72.2	182	48928	22383	45.7
III. Eastern Region	**10579**	**2760360**	**1450653**	**52.6**	**11417**	**4862049**	**2313893**	**47.6**
Bihar	4599	825302	330408	40.0	4924	1509306	501233	33.2
Orissa	1944	234951	191085	81.3	2149	521112	282066	54.1
Sikkim	29	10646	3013	28.3	42	14779	3591	24.3
West Bengal	3986	1684648	924458	54.9	4272	2804861	1524871	54.4
Andaman & Nicobar Islands	21	4813	1689	35.1	30	11992	2132	17.8
IV. Central Region	**12524**	**2447556**	**1292336**	**52.8**	**13050**	**4854143**	**1943734**	**40.0**
Madhya Pradesh	4282	657290	450939	68.6	4423	1332438	710541	53.3
Uttar Pradesh	8242	1790266	841397	47.0	8627	3521705	1233193	35.0
V. Western Region	**9102**	**4435514**	**3281875**	**74.0**	**9532**	**10652740**	**6804111**	**63.9**
Goa	256	130735	41659	31.9	269	274021	72672	26.5
Gujarat	3331	1018202	623822	61.3	3488	2346680	1093807	46.6
Maharashtra	5498	3280251	2614521	79.7	5757	8012503	5634735	70.3
Dadra & Nagar Haveli	7	1370	761	55.5	7	5993	929	15.5
Daman & Diu	10	4956	1112	22.4	11	13543	1967	14.5
VI. Southern Region	**15926**	**3557690**	**3110969**	**87.4**	**16780**	**8244694**	**5930135**	**71.9**
Andhra Pradesh	4534	935357	815142	87.1	4808	1995717	1511498	75.7
Karnataka	4227	821804	747626	91.0	4395	1967497	1333004	67.8
Kerala	2824	649757	415751	64.0	3018	1704077	765885	44.9
Tamil Nadu	4264	1123125	1116897	99.4	4479	2516121	2293494	91.2
Lakshadweep	8	766	124	16.2	8	2023	200	9.9
Pondicherry	69	26881	15429	57.4	72	59259	26053	44.0
All India	**58914**	**17275853**	**11359200**	**65.8**	**62264**	**37586397**	**22250656**	**59.2**

Note : Data are inclusive of those relating to RRBs.

Source : Banking Statistics - Quarterly Handouts, Reserve Bank of India.

Table XI-11 : Per Office Bank Deposits and Credit
(As on last Friday of March)

(Rs. Crore)

Sr. No.	States/Union Territories	Bank Deposits		Bank Credit	
		1990	1995	1990	1995
1	2	3	4	5	6
1.	Andhra Pradesh	2.06	4.15	1.80	3.14
2.	Arunachal Pradesh	1.63	4.75	0.33	0.54
3.	Assam	1.66	3.20	0.92	1.22
4.	Bihar	1.79	3.07	0.72	1.02
5.	Goa	5.11	10.19	1.63	2.70
6.	Gujarat	3.06	6.73	1.87	3.14
7.	Haryana	2.74	5.44	1.67	2.54
8.	Himachal Pradesh	1.72	3.54	0.66	0.93
9.	Jammu & Kashmir	2.06	4.41	0.66	1.89
10.	Karnataka	1.94	4.48	1.77	3.03
11.	Kerala	2.30	5.65	1.47	2.54
12.	Madhya Pradesh	1.54	3.01	1.05	1.61
13.	Maharashtra	5.97	13.92	4.76	9.79
14.	Manipur	1.23	2.09	0.86	1.16
15.	Meghalaya	1.89	3.63	0.47	0.58
16.	Mizoram	1.01	2.37	0.35	0.36
17.	Nagaland	2.62	4.21	1.11	1.49
18.	Orissa	1.21	2.42	0.98	1.31
19.	Punjab	4.08	7.87	1.85	3.26
20.	Rajasthan	1.52	3.28	0.95	1.51
21	Sikkim	3.67	3.52	1.04	0.86
22.	Tamil Nadu	2.63	5.62	2.62	5.12
23.	Tripura	1.50	2.69	1.05	1.23
24.	Uttar Pradesh	2.17	4.08	1.02	1.43
25.	West Bengal	4.23	6.57	2.32	3.57
26.	Andaman & Nicobar Islands	2.29	4.00	0.80	0.71
27.	Chandigarh	11.90	25.33	7.79	29.32
28.	Dadra & Nagar Haveli	1.96	8.56	1.09	1.33
29.	Daman & Diu	4.96	12.31	1.11	1.79
30.	Delhi	15.35	32.94	8.99	24.58
31.	Lakshadweep	0.96	2.53	0.16	0.25
32.	Pondicherry	3.90	8.23	2.24	3.62
All India		**2.93**	**6.04**	**1.93**	**3.57**

Source : Computed from Quarterly Handouts, Banking Statistics, Reserve Bank of India.

Table XI -12 : Share of Rural to Total Offices, Deposits and Credit of Scheduled Commercial Banks (As on last Friday of March)

(Per cent)

States/Union Territories	Rural/Total Offices		Rural/Total Deposits		Rural/Total Credit	
	1990	1995	1990	1995	1990	1995
1	2	3	4	5	6	7
I. Northern Region	**56.9**	**54.8**	**15.7**	**15.6**	**13.3**	**10.5**
Haryana	58.5	56.0	24.8	25.6	27.8	24.8
Himachal Pradesh	88.8	88.4	69.7	67.0	66.8	68.8
Jammu & Kashmir	71.8	72.6	30.0	35.2	24.6	13.3
Punjab	55.3	52.9	28.8	28.9	22.7	33.2
Rajasthan	66.5	63.4	21.0	22.9	26.5	25.8
Chandigarh	11.0	9.5	1.9	1.8	1.2	0.4
Delhi	6.7	5.7	1.7	1.6	0.7	0.3
II. North-Eastern Region	**71.9**	**72.6**	**24.8**	**28.0**	**32.4**	**37.3**
Arunachal Pradesh	98.4	98.5	98.1	98.7	99.2	99.2
Assam	71.0	71.1	22.9	24.8	29.7	35.3
Manipur	58.8	63.5	13.2	17.7	26.0	32.2
Meghalaya	72.2	75.4	16.9	21.1	35.5	34.9
Mizoram	87.5	89.5	24.3	19.9	34.2	41.3
Nagaland	65.2	64.8	17.1	19.7	22.0	24.1
Tripura	69.6	70.9	27.2	28.3	46.3	49.2
III. Eastern Region	**67.5**	**67.9**	**17.3**	**21.0**	**19.2**	**19.5**
Bihar	74.9	74.8	28.0	32.0	38.6	40.5
Orissa	76.1	76.0	25.6	30.6	34.1	36.1
Sikkim	86.2	78.6	19.7	33.1	22.0	28.9
West Bengal	54.7	55.8	10.9	13.2	9.2	9.5
Andaman & Nicobar Islands	61.9	56.7	22.6	24.5	22.4	29.5
IV. Central Region	**68.7**	**67.0**	**25.0**	**27.6**	**25.9**	**26.8**
Madhya Pradesh	70.6	68.3	20.7	23.5	22.9	21.6
Uttar Pradesh	67.7	66.3	26.6	29.1	27.4	29.9
V. Western Region	**47.3**	**45.5**	**7.8**	**7.3**	**6.8**	**5.6**
Goa	60.2	57.2	30.7	32.6	23.7	17.6
Gujarat	49.8	48.3	15.6	15.2	14.8	12.9
Maharashtra	45.2	43.3	4.5	4.0	4.6	4.1
Dadra & Nagar Haveli	100.0	100.0	100.0	100.0	100.0	100.0
Daman & Diu	10.0	9.1	2.8	3.6	3.7	3.2
VI. Southern Region	**46.9**	**45.0**	**14.1**	**13.8**	**16.2**	**14.4**
Andhra Pradesh	57.9	55.3	17.8	17.0	21.1	18.5
Karnataka	55.3	53.7	17.0	17.4	19.9	18.4
Kerala	20.1	18.2	8.0	8.2	9.1	9.8
Tamil Nadu	44.7	43.3	12.3	12.0	12.7	11.0
Lakshadweep	100.0	100.0	100.0	100.0	100.0	100.0
Pondicherry	37.7	38.9	15.8	17.1	17.3	13.9
All India	**57.6**	**56.2**	**15.1**	**15.3**	**14.6**	**12.7**

Source : Computed from the data taken from BSR - Quarterly Handouts, Reserve Bank of India.

Table XI-13 : Performance of Scheduled Commercial Banks in Rural Areas

(Per cent)

States/Union Territories	Growth between the last Fridays of March 1990 and 1995			Credit Deposit Ratio as on last Friday of	
	No.of Offices	Bank Deposits	Bank Credit	March 1990	March 1995
1	2	3	4	5	6
I. Northern Region	**1.9**	**119.5**	**92.0**	**46.4**	**40.6**
Haryana	1.9	118.6	44.2	68.6	45.3
Himachal Pradesh	8.3	114.9	57.3	36.9	27.0
Jammu & Kashmir	7.3	166.6	65.0	26.1	16.2
Punjab	0.4	103.5	171.5	35.8	47.7
Rajasthan	-0.3	145.2	62.4	78.4	52.0
Chandigarh	-	135.9	36.2	42.0	24.3
Delhi	-9.3	111.3	7.2	25.3	12.8
II. North-Eastern Region	**12.0**	**141.4**	**64.5**	**67.5**	**46.0**
Arunachal Pradesh	6.3	211.4	74.0	20.3	11.3
Assam	8.2	124.9	69.2	72.1	54.3
Manipur	35.0	184.1	108.7	138.0	101.4
Meghalaya	29.8	198.6	51.0	51.9	26.2
Mizoram	21.4	127.0	50.3	48.3	31.9
Nagaland	2.2	90.1	50.2	54.8	43.3
Tripura	17.3	120.9	43.1	122.7	79.5
III. Eastern Region	**8.5**	**113.6**	**62.0**	**58.3**	**44.2**
Bihar	7.0	109.6	59.0	55.3	41.9
Orissa	10.3	164.9	56.3	108.4	64.0
Sikkim	32.0	132.8	56.4	31.6	21.2
West Bengal	9.3	101.4	70.8	46.3	39.3
Andaman & Nicobar Islands	30.8	170.3	66.7	34.8	21.4
IV. Central Region	**1.6**	**118.6**	**56.1**	**54.6**	**39.0**
Madhya Pradesh	-0.1	130.2	48.4	76.0	49.0
Uttar Pradesh	2.4	115.3	59.5	48.5	35.9
V. Western Region	**0.8**	**123.0**	**71.7**	**64.3**	**49.5**
Goa	-	122.1	29.6	24.6	14.3
Gujarat	1.7	125.5	52.5	58.2	39.3
Maharashtra	0.3	118.4	90.2	82.0	71.4
Dadra & Nagar Haveli	-	337.4	22.1	55.5	15.5
Daman & Diu	-	248.2	51.2	29.5	12.8
VI. Southern Region	**1.0**	**126.6**	**69.8**	**100.6**	**75.4**
Andhra Pradesh	1.4	104.0	61.9	103.7	82.3
Karnataka	1.0	144.4	65.2	106.4	71.9
Kerala	-3.3	170.1	98.4	72.8	53.5
Tamil Nadu	1.7	118.8	77.4	103.1	83.6
Lakshadweep	-	164.1	61.3	16.2	9.9
Pondicherry	-	138.1	35.6	62.8	35.7
All India	**3.2**	**120.6**	**69.5**	**63.9**	**49.1**

Source : Computed from the data taken from BSR - Quarterly Handouts, Reserve Bank of India.

Table XI-14 : State-wise Share of Priority Sector Advances Relating to Scheduled Commercial Banks in Total Bank Credit

(Per cent)

States/Union Territories	Share of Priority Sector Advances in Total Bank Credit		
	March 1992	March 1993	March 1994
1	2	3	4
I. Northern Region	**31.20**	**26.78**	**27.28**
Haryana	63.50	59.78	62.85
Himachal Pradesh	57.91	53.20	57.03
Jammu & Kashmir	41.44	37.94	28.95
Punjab	56.40	52.77	52.42
Rajasthan	53.11	49.17	51.00
Chandigarh	29.44	31.27	16.92
Delhi	12.65	10.49	12.01
II. North-Eastern Region	**53.65**	**53.85**	**60.36**
Arunachal Pradesh	68.42	46.15	46.46
Assam	51.42	51.65	58.27
Manipur	65.79	64.71	81.15
Meghalaya	53.52	57.14	52.74
Mizoram	50.00	63.16	69.63
Nagaland	64.77	64.95	67.02
Tripura	61.26	62.20	70.07
Sikkim	35.71	31.03	46.46
III. Eastern Region	**36.78**	**35.77**	**40.27**
Bihar	61.22	61.00	61.97
Orissa	53.44	52.51	58.00
West Bengal	25.71	24.86	30.33
Andaman & Nicobar Islands	38.10	43.48	50.88
IV. Central Region	**53.12**	**53.67**	**56.28**
Madhya Pradesh	52.08	51.03	51.46
Uttar Pradesh	53.70	55.16	59.08
V. Western Region	**22.68**	**20.64**	**23.82**
Goa	29.88	25.99	31.29
Gujarat	38.57	35.64	37.01
Maharashtra	19.02	17.37	21.03
Dadra & Nagar Haveli	55.56	62.50	63.53
Daman & Diu	92.86	86.67	97.80
VI. Southern Region	**39.97**	**39.43**	**39.55**
Andhra Pradesh	44.90	43.14	44.08
Karnataka	41.54	39.99	38.42
Kerala	43.04	39.40	42.39
Tamil Nadu	43.06	36.66	36.43
Pondicherry	43.18	43.30	40.92
Lakshadweep	50.00	100.00	69.93
All India	**34.24**	**32.08**	**33.79**

Table XI:15 Priority Sector Advances for Agriculture and Allied Activities– March 1994

(Rs.crore)

States / Union Territories	Direct and Indirect Finance for Allied Activities	Total Bank Credit	Percentage of Col.2 to Col.3
1	2	3	4
Northern Region	**3784**	**39691**	**9.53**
Haryana	843	2828	29.81
Himachal Pradesh	95	593	16.02
Jammu & Kashmir	65	1209	5.38
Punjab	1429	6164	23.18
Rajasthan	1064	4021	26.46
Chandigarh	152	1886	8.06
Delhi	136	22990	0.59
North-Eastern Region	**281**	**1638**	**17.16**
Arunachal Pradesh	7	28	25.00
Assam	177	1182	14.97
Manipur	14	87	16.09
Meghalaya	13	76	17.11
Mizoram	3	19	15.79
Nagaland	30	97	30.93
Sikkim	5	28	17.86
Tripura	32	121	26.45
Eastern Region	**2238**	**18843**	**11.88**
Bihar	974	4005	24.32
Orissa	464	2176	21.32
West Bengal	798	12644	6.31
Andaman & Nicobar Islands	2	18	11.11
Central Region	**3770**	**15758**	**23.92**
Madhya Pradesh	1425	5780	24.65
Uttar Pradesh	2345	9978	23.50
Western Region	**3368**	**52919**	**6.36**
Goa	37	598	6.19
Gujarat	1156	8755	13.20
Maharashtra	2173	43541	4.99
Daman & Diu	1	16	6.25
Dadra & Nagar Haveli	1	8	12.50
Southern Region	**8124**	**46062**	**17.64**
Andhra Pradesh	2652	11199	23.68
Karnataka	1812	10185	17.79
Kerala	867	6149	14.10
Tamil Nadu	2759	18309	15.07
Pondicherry	34	218	15.60
Lakshadweep	0	1	0.00
All India	**21565**	**174911**	**12.33**

Table XI-16 : State-wise Financial Assistance Sanctioned and Disbursed by All-India Financial Institutions* and IDBI

(Rs. crore)

Sr. No.	States/Union Territories	All-India Financial Institutions (AIFIs)								Industrial Development Bank of India (IDBI)							
		1989-90		1992-93		1993-94		Cumulative upto end-March 1994		1989-90		1992-93		1993-94		Cumulative upto end-March 1994	
		S	D	S	D	S	D	S	D	S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	Andhra Pradesh	943.4	665.8	1421.7	1141.8	2055.7	1121.0	12256.2	8735.3	554.7	415.9	781.3	612.7	1088.3	495.4	6294.3	4549.6
2	Arunachal Pradesh	1.4	0.9	1.4	1.1	0.6	1.1	21.6	19.1	1.0	0.9	0.4	0.7	-	0.2	14.6	12.8
3	Assam	222.9	59.5	95.6	90.4	86.7	88.7	978.3	729.0	118.9	40.5	13.0	50.8	30.7	16.0	503.7	415.4
4	Bihar	369.2	206.9	536.9	433.8	373.7	211.3	3568.6	2436.1	156.7	82.5	139.0	225.1	82.7	62.8	1594.7	1052.7
5	Goa	120.6	78.7	110.3	88.2	298.1	144.5	1305.8	897.3	73.8	48.6	40.7	27.7	88.1	46.2	657.8	480.7
6	Gujarat	1402.4	934.0	4023.7	2663.7	7345.9	2765.5	25689.2	15498.0	745.9	537.9	1464.6	1069.9	2495.0	937.2	9988.9	6582.8
7	Haryana	511.8	280.9	822.6	409.1	738.4	464.0	4459.7	2985.3	323.2	178.4	244.3	136.4	268.0	170.8	2048.6	1455.4
8	Himachal Pradesh	152.5	92.6	255.4	287.0	96.3	256.6	1722.3	1224.0	108.6	61.4	74.4	172.5	33.0	144.2	829.7	740.8
9	Jammu & Kashmir	53.0	44.6	10.4	11.9	5.4	2.7	549.6	453.9	47.6	41.8	3.7	4.0	2.7	-	376.9	316.6
10	Karnataka	535.5	414.2	1603.6	876.3	1935.4	1485.2	10028.5	7192.8	413.3	287.8	563.1	343.7	548.8	478.1	4345.7	3309.7
11	Kerala	226.8	178.4	417.1	288.4	430.7	348.0	3060.5	2319.5	185.9	140.4	172.7	113.5	197.2	152.0	1750.6	1347.6
12	Madhya Pradesh	623.4	437.4	1384.9	871.2	1853.1	1202.3	9153.9	6057.2	418.5	280.2	523.3	360.6	937.9	589.2	4369.4	3029.5
13	Maharashtra	3199.2	1785.4	7367.6	4760.7	8436.4	5767.8	40607.5	27630.2	1179.3	627.9	1881.6	1137.7	3318.5	1919.0	13332.8	8755.5
14	Manipur	12.2	8.8	1.5	1.4	1.1	1.1	43.4	37.2	11.1	6.1	-	-	-	-	32.3	25.9
15	Meghalaya	9.3	11.4	2.2	1.7	2.6	2.4	95.6	80.9	8.8	9.1	0.3	0.2	-	-	72.2	59.9
16	Mizoram	4.0	4.0	1.1	0.4	0.2	0.2	33.8	29.4	4.0	4.0	1.0	0.3	-	-	28.5	24.2
17	Nagaland	3.0	4.3	1.4	3.8	0.4	0.5	44.4	42.2	3.0	3.8	0.1	2.7	-	-	31.2	29.4
18	Orissa	352.2	175.1	465.0	289.8	386.0	479.9	3515.6	2773.4	203.8	117.4	229.2	145.2	202.9	344.9	1942.3	1692.3
19	Punjab	360.2	364.9	616.5	378.3	725.6	467.8	4549.0	3265.9	202.5	185.4	221.4	101.6	296.8	159.9	2179.3	1475.1
20	Rajasthan	571.5	302.0	1096.8	1012.0	1250.8	1010.5	7111.7	5087.4	264.4	174.2	588.7	508.0	545.6	453.4	3434.8	2511.3
21	Sikkim	8.0	2.5	1.4	1.2	0.4	0.4	34.8	30.5	8.0	2.5	-	-	-	-	24.7	20.9
22	Tamil Nadu	1244.1	877.7	2095.1	1418.3	2596.6	1707.0	15272.1	10815.7	699.1	522.2	759.4	554.0	876.1	727.2	6736.5	5105.3
23	Tripura	11.5	3.7	1.4	1.0	0.6	0.7	39.3	28.5	7.9	3.7	-	-	0.1	0.1	27.2	20.0
24	Uttar Pradesh	1063.4	717.1	1590.3	1065.7	2654.9	1172.1	14073.6	9297.4	598.5	415.1	663.7	432.1	1018.6	509.1	6761.1	4611.3
25	West Bengal	587.5	461.4	1163.2	621.2	1240.6	955.9	9003.5	5615.0	273.4	228.2	597.2	225.4	387.8	282.5	3783.3	2345.1
26	Delhi	155.7	121.4	943.6	601.6	1914.2	672.1	5304.9	3184.4	81.9	57.0	174.2	75.6	417.4	221.6	1386.5	963.0
27	Union Territories	94.7	56.2	131.4	105.2	166.5	109.0	1071.0	728.3	58.3	33.1	60.8	37.6	74.9	50.9	564.1	393.1
	Total	**12839.4**	**8289.8**	**31253.8**	**21173.3**	**40033.4**	**24373.8**	**184124.7@**	**124877.8+**	**6752.1**	**4506.0**	**9198.1**	**6338.0**	**12911.1**	**7760.7**	**73112.1****	**51326.2@@**

S = Sanctioned D = Disbursed

* The expression All-India Financial Institutions (AIFI) refer to All-India Development Banks (AIDBs) viz., IDBI, IFCI, ICICI, SIDBI, IRBI and SCICI, Specialised Financial Institutions viz., RCTC, TDICI, and TFCI and investment institutions viz., LIC, UTI and GIC.

@ Including assistance of Rs.0.4 crore sanctioned by IDBI to Bhutan, Rs.28 crore and Rs.27.6 crore sanctioned by ICICI to Malaysia and Saudi Arabia, respectively and Rs.10,474.3 crore sanctioned by UTI in respect of proposals, in more than one state and non-specific areas.

\+ Including assistance of Rs.0.3 crore disbursed by IDBI to Bhutan, Rs.1.71 crore disbursed by ICICI to Malaysia and Rs.7,681.9 crore disbursed by UTI in respect of proposals in more than one state and non-specific areas.

** Includes Rs.0.4 crore sanctioned to Bhutan

@@ Includes Rs.0.3 crore disbursed to Bhutan.

Source : IDBI Report on Development Banking in India, 1993-94.

Table XI-17 : State-wise Share of Financial Assistance Sanctioned and Disbursed by All-India Financial Institutions

(Per cent)

Sr. No.	States/Union Territories	1989-90		1992-93		1993-94		Cumulative upto end-March 1994	
		S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9	10
1	Andhra Pradesh	7.34	8.03	4.55	5.39	5.13	4.60	6.66	6.99
2	Arunachal Pradesh	0.01	0.01	0.01	0.01	–	0.01	0.01	0.02
3	Assam	1.74	0.72	0.31	0.43	0.22	0.36	0.53	0.58
4	Bihar	2.88	2.50	1.72	2.05	0.93	0.87	1.94	1.95
5	Goa	0.94	0.95	0.35	0.42	0.74	0.59	0.71	0.72
6	Gujarat	10.92	11.27	12.87	12.58	18.35	11.35	13.95	12.41
7	Haryana	3.99	3.39	2.63	1.93	1.84	1.90	2.42	2.39
8	Himachal Pradesh	1.19	1.12	0.82	1.36	0.24	1.05	0.94	0.98
9	Jammu & Kashmir	0.41	0.54	0.03	0.06	0.01	0.01	0.30	0.36
10	Karnataka	4.17	4.99	5.13	4.14	4.83	6.09	5.45	5.76
11	Kerala	1.77	2.15	1.33	1.36	1.08	1.43	1.66	1.86
12	Madhya Pradesh	4.86	5.28	4.43	4.11	4.63	4.93	4.97	4.85
13	Maharashtra	24.92	21.54	23.57	22.48	21.07	23.66	22.05	22.13
14	Manipur	0.10	0.11	0.01	0.01	-	0.01	0.02	0.03
15	Meghalaya	0.07	0.14	0.01	0.01	0.01	0.01	0.05	0.06
16	Mizoram	0.03	0.05	0.01	-	–	–	0.02	0.02
17	Nagaland	0.02	0.05	0.01	0.02	–	–	0.02	0.03
18	Orissa	2.74	2.11	1.49	1.37	0.96	1.97	1.91	2.22
19	Punjab	2.81	4.40	1.97	1.79	1.81	1.92	2.47	2.62
20	Rajasthan	4.45	3.64	3.51	4.78	3.12	4.15	3.86	4.07
21	Sikkim	0.06	0.03	0.01	0.01	–	–	0.02	0.02
22	Tamil Nadu	9.69	10.59	6.70	6.70	6.49	7.00	8.29	8.66
23	Tripura	0.09	0.04	0.01	0.01	–	–	0.02	0.02
24	Uttar Pradesh	8.28	8.65	5.09	5.03	6.63	4.81	7.64	7.45
25	West Bengal	4.58	5.57	3.72	2.93	3.10	3.92	4.89	4.50
26	Delhi	1.21	1.46	3.02	2.84	4.78	2.76	2.88	2.55
27	Union Territories	0.74	0.68	0.42	0.50	0.42	0.45	0.58	0.58

S = Sanctioned D = Disbursed

Table XI-18 : State-wise Share of Financial Assistance Sanctioned and Disbursed by IDBI

(Per cent)

Sr. No.	States/Union Territories	1989-90		1992-93		1993-94		Cumulative upto end-March 1994	
		S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9	10
1	Andhra Pradesh	8.22	9.22	8.49	9.67	8.43	6.38	8.61	8.86
2	Arunachal Pradesh	0.01	0.02	0.01	0.01	–	–	0.02	0.02
3	Assam	1.76	0.90	0.14	0.80	0.24	0.21	0.69	0.81
4	Bihar	2.32	1.83	1.51	3.55	0.64	0.81	2.18	2.05
5	Goa	1.09	1.08	0.44	0.44	0.68	0.60	0.90	0.94
6	Gujarat	11.05	11.94	15.92	16.88	19.32	12.08	13.66	12.83
7	Haryana	4.79	3.96	2.66	2.15	2.08	2.20	2.80	2.84
8	Himachal Pradesh	1.61	1.36	0.81	2.72	0.26	1.86	1.13	1.44
9	Jammu & Kashmir	0.70	0.93	0.04	0.06	0.02	–	0.52	0.62
10	Karnataka	6.12	6.39	6.12	5.42	4.25	6.16	5.94	6.45
11	Kerala	2.75	3.12	1.88	1.79	1.53	1.96	2.39	2.63
12	Madhya Pradesh	6.20	6.22	5.69	5.69	7.26	7.59	5.98	5.90
13	Maharashtra	17.47	13.93	20.46	17.95	25.70	24.73	18.24	17.06
14	Manipur	0.16	0.14	–	–	–	–	0.04	0.05
15	Meghalaya	0.13	0.20	–	–	–	–	1.00	0.12
16	Mizoram	0.06	0.09	0.01	0.01	–	–	0.04	0.05
17	Nagaland	0.04	0.08	–	0.04	–	–	0.04	0.06
18	Orissa	3.02	2.61	2.49	2.29	1.57	4.44	2.66	3.30
19	Punjab	3.00	4.11	2.41	1.60	2.30	2.06	2.98	2.87
20	Rajasthan	3.92	3.87	6.40	8.02	4.23	5.84	4.70	4.89
21	Sikkim	0.12	0.06	–	–	–	–	0.03	0.04
22	Tamil Nadu	10.35	11.59	8.26	8.74	6.79	9.37	9.21	9.95
23	Tripura	0.12	0.08	–	–	–	–	0.04	0.04
24	Uttar Pradesh	8.86	9.21	7.22	6.82	7.89	6.56	9.25	8.98
25	West Bengal	4.05	5.06	6.49	3.56	3.00	3.64	5.17	4.57
26	Delhi	1.21	1.26	1.89	1.19	3.23	2.86	1.90	1.88
27	Union Territories	0.86	0.73	0.66	0.59	0.58	0.66	0.77	0.77

S = Sanctioned D = Disbursed

Table XI-19 : State-wise Financial Assistance Sanctioned and Disbursed by State Financial Corporations

(Rs. crore)

Sr. No.	States/Union Territories	1989-90		1992-93		1993-94		Cumulative upto end-March 1994	
		S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9	10
1	Andhra Pradesh	193.3	128.3	189.0	126.2	94.1	79.9	1413.9	1285.7
2	Assam	12.3	9.3	8.8	8.9	5.4	4.7	99.9	87.8
3	Bihar	35.1	31.0	11.1	6.5	0.1	0.6	736.5	410.6
4	Gujarat	155.3	106.6	219.7	180.6	231.2	206.1	2003.1	1358.4
5	Haryana	53.9	33.7	110.0	91.8	102.5	115.2	615.1	505.7
6	Himachal Pradesh	15.2	23.0	11.6	14.1	11.4	12.3	175.1	163.7
7	Jammu & Kashmir	34.4	32.2	5.3	18.9	1.0	8.3	308.8	290.1
8	Karnataka	183.6	147.0	328.2	299.8	337.7	310.0	2023.6	1816.3
9	Kerala	69.1	56.4	90.9	65.1	81.6	68.4	670.0	522.3
10	Madhya Pradesh	61.6	44.5	52.3	45.5	52.9	43.0	583.9	490.2
11	Maharashtra	101.3	72.2	247.4	154.7	281.6	180.5	1851.0	1209.9
12	Orissa	58.4	56.1	55.2	49.3	50.9	45.9	656.7	608.1
13	Punjab	57.0	48.7	87.5	70.9	89.5	74.4	663.8	529.1
14	Rajasthan	109.7	65.4	164.5	107.5	162.5	106.3	1090.2	891.8
15	Tamil Nadu	112.7	93.5	205.8	130.1	318.5	198.4	1842.5	1290.5
16	Uttar Pradesh	180.3	152.8	159.2	127.6	42.8	75.3	1417.9	1330.4
17	West Bengal	60.6	42.1	41.3	31.6	32.1	22.9	470.8	381.7
18	Delhi	20.4	13.7	27.5	28.3	13.6	15.8	198.5	186.9
Total		**1514.2**	**1156.5**	**2015.3**	**1557.4**	**1909.4**	**1568.0**	**16821.3**	**13359.2**

S = Sanctioned D = Disbursed

Table XI-20 : Small Savings Collections

(Rs. crore)

Sr.	States/Union Territories	1991-92			1994-95		
		Target*	Gross Collections	Net Collections	Target*	Gross Collections	Net Collections
1	2	3	4	5	6	7	8
1	Andhra Pradesh	475.00	840.41	325.33	700.00	1991.48	920.52
2	Arunachal Pradesh	2.00	4.66	2.08	4.00	12.83	7.35
3	Assam	170.00	343.94	143.67	175.00	969.01	637.19
4	Bihar	425.00	1034.07	219.73	500.00	1934.43	659.41
5	Goa	30.00	43.58	15.26	30.00	78.09	21.06
6	Gujarat	800.00	1512.49	584.02	1000.00	2226.38	820.38
7	Haryana	225.00	541.93	177.51	300.00	1038.30	414.88
8	Himachal Pradesh	125.00	274.90	127.75	150.00	870.78	598.72
9	Jammu & Kashmir	50.00	140.53	53.66	200.00	304.72	152.64
10	Karnataka	330.00	772.48	312.76	500.00	2125.79	1244.49
11	Kerala	220.00	446.16	173.05	350.00	1198.77	633.36
12	Madhya Pradesh	300.00	601.03	187.85	420.00	1099.98	398.02
13	Maharashtra	850.00	2188.55	490.06	800.00	3395.14	606.15
14	Manipur	4.00	7.25	3.46	9.00	18.77	10.46
15	Meghalaya	10.00	19.14	8.23	20.00	40.27	18.43
16	Mizoram	1.50	6.38	3.77	3.00	13.74	8.10
17	Nagaland	2.25	5.13	1.48	3.00	8.03	3.13
18	Orissa	180.00	389.64	131.53	200.00	755.57	334.11
19	Punjab	350.00	689.49	230.95	500.00	1401.69	651.55
20	Rajasthan	400.00	725.06	349.25	500.00	1402.36	652.12
21	Sikkim	2.00	1.85	0.81	3.00	7.68	5.71
22	Tamil Nadu	375.00	1331.81	531.50	500.00	2650.38	710.00
23	Tripura	15.00	51.39	22.81	20.00	90.80	28.89
24	Uttar Pradesh	1300.00	2682.64	819.74	1200.00	5109.70	2235.23
25	West Bengal	930.00	1910.27	572.56	1200.00	4132.09	1976.01
26	Andaman & Nicobar Islands	1.00	4.54	1.66	3.00	9.77	4.77
27	Chandigarh	40.00	71.62	20.67	30.00	108.26	26.59
28	Daman & Diu	1.00	2.70	1.85	2.00	.	
29	Delhi	380.00	567.19	231.93	400.00	1328.48	683.56
30	Lakshadweep	0.25	0.24	0.03	1.00	0.28	0.04
31	Base@	–	32.27	7.78	–	51.14	-40.47
32	Pondicherry	6.00	7.77	2.58	5.00	13.13	3.24
Total		**8000.00**	**17233.91**	**5655.39**	**9728.00**	**34437.84**	**14425.64**

* : The targets relate to net collections.

@ : Base stands for collections through Army Post Offices.

Source : Office of the National Savings Commissioner, G.O.I. Ministry of Finance

Table XI-21 : Minor Irrigation Facilities

(Area : Lakh hectares)

Sr. No.	States/Union Territories	Total cropped area		Area covered by minor irrigation facilities		Precentage of column (5 to 3) (6 to 4)		Number of					
								Wells		Tube Wells		Canals	
		1987-88	1993-94	1987-88	1993-94	1987-88	1993-94	1987-88	1993-94	1987-88	1993-94	1987-88	1993-94
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Andhra Pradesh	121.55	126.88	22.00	28.00	18.10	22.10	1332575	1130279	115904	256676	77	93
2	Assam	32.97@	34.64	1.17@	2.95	3.55	8.52	N.A	214	N.A	84	N.A	N.A.
3	Bihar	103.27	N.A.	39.83	56.02	38.57	-	57679	127230	500649	937836	2248	3122
4	Goa	1.54 S	1.62	0.20 S	0.29	12.99	17.90	-	-	-	-	-	-
5	Gujarat	80.38	110.58@@	17.80	27.19@@	22.14	24.59	751592	789826@@	15454	19471@@	1660	1248@@
6	Karnataka	122.46	124.32	13.30	17.23	10.90	13.90	426658	470989	41942	164728	107	125
7	Kerala	28.99	31.70	2.18	2.01	7.50	6.30	39734	10185	484	286	223	412
8	Madhya Pradesh	226.94	249.44	18.62	35.16	8.20	14.10	1135139	1277446@@	27576	96665@@	2922	3377@@
9	Meghalaya	2.42@	2.38	0.24@	0.26	10.03	10.42	625@	625	5@	5	93@	102
10	Mizoram	0.66	1.10	0.01	0.08	1.52	7.27	N.A	N.A	N.A	N.A	N.A	69
11	Orissa	90.92	94.16@@	12.63	17.02@@	13.89	18.08	6913	27384@@	4447	4959@@	N.A	N.A.
12	Rajasthan	133.08	192.55	39.95	55.98	30.02	29.07	1134450	1292939	62499	101002	N.A	N.A.
13	Sikkim	-	1.09	0.01	0.01	-	0.92	-	-	-	-	49	11.
14	Tamil Nadu	67.29	70.67@@	21.01	23.00@@	31.22	32.55	1644723	1687026	82142	108342	2290	2229
15	Tripura	4.45	4.40	0.41	0.49@@	9.21	11.14@@	8844	10844@@	336	366@@	N.A	N.A.
16	Uttar Pradesh	244.30	256.81@@	151.90	175.40@@	62.20	65.40@@	726000	200000	830000	538000	69000	N.A.
17	West Bangal	74.43	79.04	23.59	28.04	31.69	35.46	1029	6681	5731	8997	3198	3297
18	Pondicherry	0.39	0.45	0.33	0.35	84.48	79.06	-	-	6326	5475	174	N.A.

@ : Data relates to 1988-89
@@ : Data relates to 1992-93
S : Data relates to 1991-92

Table XI-22 : Health Facilities Available

Sr. No.	States/Union Territories	No. of Hospitals		Population covered per Hospital		No. of Dispensaries		Population Covered per Dispensary		No. of Beds		Population covered per Bed	
		1987-88	1994-95	1987-88	1994-95	1987-88	1994-95	1987-88	1994-95	1987-88	1994-95	1987-88	1994-95
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Andhra Pradesh	344	340@	1825000	203941	3588	2730@	17497	25399	30318	33736@	2071	2055
2	Assam	118 *	152@	189549	155197	324 *	317@	64938	74416	11565 *	12603@	1819	1872
3	Bihar	209	310	391483	293387	1587	2488	51556	36555	24778	32070	3302	2836
4	Goa	N.A.	121	N.A.	10083	N.A	28	N.A	43571	N.A	4499	N.A	271
5	Gujarat	1424	2619@	27774	16453	4303	7349@	9191	5863	42354	71169@	934	605
6	Haryana	79 $	79@	195570	219494	230 $	232@	67174	74741	10631 $	11382@	1453	1523
7	Himachal Pradesh	69 $	69@	71594	78261	735 $	707@	6721	7638	7958 $	8663@	621	623
8	Karnataka	286	358@	150699	130363	1855	2178	23234	21428	40124	51883	1074	899
9	Kerala	141	147	199858	204558	188	51	149893	589608	27621	29105	1020	1033
10	Madhya Pradesh	326	396	190000	175277	365	256	1696[illegible]8	271132	26765	28754	2314	2414
11	Meghalaya	8	9@@	206250	207778	31	21@@	53226	89048	1391	2082@@	1186	898
12	Mizoram	10	11	64000	67273	27	38	23704	19474	480	1488	1333	497
13	Orissa	305	285@	98688	116000	246	192@	122358	172187	15206	17314@	1979	1909
14	Punjab	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	16094 *	14219@	1205	1478
15	Rajasthan	189	218	219577	212293	710	286	58451	161818	23714	35663	1750	1298
16	Sikkim	5	5	78000	88000	-	-	-	-	425	655	917	672
17	Tamil Nadu	258	273	208604	209487	251	281	214422	203523	34163	37578	1575	1522
18	Tripura	1 *	15	2540000	194000	353 *	548	7195	5310	1810 *	2107	1403	1381
19	Utter Pradesh	6015	8614	21835	16840	-	-	-	-	61531	72393	2134	2004
20	West Bengal	410	392@	156073	180791	551	551@	116134	128621	65476	67078@	977	1056
21	Lakshadweep	2	2	25000	25000	3	4	16666	12500	140	140	357	357
22	Pondicherry	8	8	92500	106250	57	59	12982	14407	1936	2087	382	407

* : Data relates to 1988-89
@ : Data relates to 1993-94
@@ : Data relates to 1992-93
$: Data relates to 1990-91

Table XI-23 : Educational Institutions and Students' Enrolment in Schools

Sr. No.	States/Union Territories	Number of Schools						Students' Enrolment in Schools						
		Primary		Middle		Secondary/Higher Secondary		Primary		Middle		Secondary/Higher Secondary		
		1987-88	1994-95	1987-88	1994-95	1987-88	1994-95	1987-88	1994-95	1987-88	1994-95	1987-88	1994-95	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1	Andhra Pradesh	46121	49153	5724	6851	6161	7607	5478000	5413000	1896000	1872000	2841000	3293000	
2	Assam	26670	28876@	5181	6729@	2745	3574@	2828747	2976837@	1184444	1280255@	907660	1354438	@
3	Bihar	52182	53029@	12535	13330@	3875	4061@	5636395	6062982@	3895613	4267776@	1637414	1734393	@
4	Goa	N.A	1278	N.A	457	N.A	428	N.A	99760	N.A	79937	N.A	91331	
5	Gujarat	12815	14277	16837	19050	4776	5639	1139952	1479459	5148016	5865920	1428835	2018700	
6	Haryana	5048	5659@	1222	1425@	2094	2639@	689551	911345@	430212	496019@	1477975	1851299	@
7	Himachal Pradesh	7074	7548@	1068	1067@	932	1154@	628196	698240@	117621	129180@	358251	501590	@
8	Jammu & Kashmir	7666	9784@	2276	2669@	1063	1278@	402237	455818@	397011	437613@	382916	430978	@
9	Karnataka	23106	24340	15725	17344	4727	6612	4449000	5718000	1939000	2597000	1117000	1690300	
10	Kerala	6817	6694	2886	2913	2438	2493	2637094	2251982	1805595	1839185	1345967	1626178	
11	Madhya Pradesh	65846	73847@	13361	17030@	3467	5621@	6975000	8462000	2312000	2603000	1265000	1707000	
12	Meghalaya	4132	4099@	713	816@	316	392@	233560	278120@	50470	73550@	61240	40120	@
13	Mizoram	1033	1146	477	663	162	289	90067	97993	40020	48080	18356	29716	
14	Orissa	38793	42104	9269	12096	4036	5231	3388000	3815000	908000	1125000	728000	840000	
15	Punjab	12322	12486@	1395	1430@	2730	2864@	1852749	1831813@	170333	199212@	1194821	1648375	@
16	Rajasthan	28915	34610	8355	11071	3068	4471	2937627	3420080@	2048855	2424331@	1207184	1853535	@
17	Sikkim	489	529	123	118	68	88	28786	33585	22674	30891	31987	48524	
18	Tamil Nadu	29319	30351	5749	5578	4529	5658	5272000	5737000	3017000	3208000	3378000	4794000	
19	Tripura	1989	2055	419	435	381	498	372721	415690@	117391	121197@	59133	79575	@
20	Uttar Pradesh	76240	75922@	17417	15546@	5927	6637	11140000	15719000	2528000	3783000	4440000	5469000	
21	West Bengal	51003	51021	3250	2794	6090	7276	8638000	N.A	3297000	N.A	1600000	N.A	
22	Chandigarh	41	59@	33	33@	64	91@	10590	30286@	10468	13080@	59421	91147	@
23	Lakshadweep	19	19	4	4	11	12	6799	7205@	3535	4634@	2595	3887	@
24	Pondicherry	355	336	103	119	87	125	51542	47934	49190	50295	64104	107239	
25	Delhi	1797	2072@	379	531@	981	1263@	617775	848659@	114151	140551@	905617	969080	@

@ : Data relates to 1993-94

Table XI-24 : Number of Villages Having Drinking Water Facilities

Sr. No.	States/Union Territories	Total No. of Villages		No. of Villages where drinking water is available	
		1987-88	1994-95	1987-88	1994-95
1	2	3	4	5	6
1	Andhra Pradesh	27379	27379	17188	25064
2	Assam	21995	24685@	17172	21561 @
3	Bihar	67566	67566	62595	67566
4	Goa	N.A.	383	N.A.	62
5	Gujarat	18114	18569	15527	18092
6	Haryana	6745	6745	5501	6745
7	Himachal Pradesh	16807	16807	14280	16807
8	Jammu & Kashmir	6477	6477	4858	6325
9	Karnataka	29386	29193	26483	27066
10	Kerala	1219	1384	1192	1341
11	Madhya Pradesh	71352	71526	64570	70322
12	Meghalaya	4902	5492	2374	5083
13	Mizoram	721	699	106	222
14	Orissa	42221	80387	36858	60197
15	Punjab	12342	12342	10746	12342
16	Rajasthan	34968	37889	28711	36905
17	Sikkim	N.A.	1679	207	422
18	Tamil Nadu	75780 *	66631	72380 *	65600
19	Uttar Pradesh	112566	112804	72500	N.A.
20	West Bengal	38024	37910	16102	37910
21	Lakshadweep	10	10	10	10
22	Pondicherry	292	264	292	264
23	Delhi	214	214	214	214

@ : Data relates to 1993-94

* : Data relates to 1988-89

N.A. : Not available

Table XI-25 : Rural Roads Length

Sr. No.	States/Union Territories	Total Road Length (Km)		Rural Road Length (Km)		Percentage of Col.5 to Col.3	Percentage of Col.6 to Col.4
		1987-88	1994-95	1987-88	1994-95		
1	2	3	4	5	6	7	8
1	Andhra Pradesh	124704	140999@	88546	95968@	71.04	68.06
2	Assam	28830	N.A.	N.A.	2899	-	-
3	Bihar	30281	35568	12516	16473	41.33	46.31
4	Goa	-	7543	-	-	-	-
5	Gujarat	62142	69959	27153	18175	43.70	25.98
6	Haryana	21023	22452	15638	17074	74.39	76.05
7	Karnataka	114255	121988@	83076	80457@	72.71	65.95
8	Kerala	118195	143002	90301	106920	76.40	74.77
9	Madhya Pradesh	83567	95702	53406	64707	63.91	67.61
10	Meghalaya	5399	6022	N.A.	N.A.	N.A.	N.A.
11	Mizoram	-	-	-	3593	-	-
12	Orissa	190326	208264	158935	173483	83.51	83.30
13	Rajasthan	53523	64588	25021	32377	46.75	50.13
14	Tamil Nadu	47030	55870	46142	54979	98.11	98.41
15	Tripura	5597	5705	N.A.	N.A.	N.A.	N.A.
16	West Bengal	14566	15039	8338	8754	57.24	58.21
17	Lakshadweep	5842	7000	5842	7000	100.00	100.00
18	Pondicherry	2247	2172	1493	1124	66.44	51.75
19	Sikkim	2	2336	2	1688	100.00	72.26
20	Uttar Pradesh	63084	81500@	11132	14580@	17.60	17.90

@ Data relates to 1993-94

Table XI-26 : Rural Electrification

Sr. No.	States/Union Territories	Total No. of Villages		No. of Villages Electrified		Percentage of Col. 5 to Col. 3	Percentage of Col. 6 to Col. 4
		1987-88	1994-95	1987-88	1994-95		
1	2	3	4	5	6	7	8
1	Andhra Pradesh	27379	27379	26038	27358	95.10	99.90
2	Assam	25590	25590@	17897	21495@	69.94	84.00
3	Bihar	77848	77848	40444	47127	51.95	60.54
4	Goa	N.A.	383	N.A.	360	-	94.00
5	Gujarat	18114	18114	17867	17985	98.64	99.29
6	Haryana	6745	6745	6745	6745	100.00	100.00
7	Himachal Pradesh	16916	16807	16778	16807	99.20	100.00
8	Jammu & Kashmir	6477	6477	6010	6231	92.78	96.20
9	Karnataka	27024	27066	26483	26483@	98.00	97.85
10	Kerala	1219	1384	1219	1384	100.00	100.00
11	Madhya Pradesh	71352	71352	51552	67238	72.25	94.23
12	Meghalaya	4902	5492@	1622	2407@	33.09	43.83
13	Mizoram	721	699	258	593	35.78	84.84
14	Orissa	46992	46992	27815	33131	59.19	70.50
15	Punjab	12342	12342	12342	12342	100.00	100.00
16	Rajasthan	34968	37889	22453	30654	64.21	80.90
17	Sikkim	405	414	298	414	73.58	100.00
18	Tamil Nadu	15831	15822	15809	15822	99.90	100.00
19	Tripura	4727	4727	2329	3578	49.27	75.69
20	Uttar Pradesh	112566	112804	75749	84906@	67.29	75.27
21	West Bengal	38024	38024	23193	29116	61.00	76.57
22	Chandigarh	24	24	24	24	100.00	100.00
23	Delhi	214	214	214	214	100.00	100.00
24	Lakshadweep	10	10	10	10	100.00	100.00
25	Pondicherry	292	264	292	264	100.00	100.00

@ :Data relates to 1993-94

Table XI-27 : Expenditure on Employment Schemes.

(Rs. Crore)

Sr. No.	States/Union Territories	Expenditure on Employment Schemes		Expenditure on Jawahar Rojgar Yojana	
		1987-88	1994-95	1989-90	1994-95
1	2	3	4	5	6
1	Andhra Pradesh	186.58	620.36	184.16	363.61
2	Assam	N.A.	N.A.	50.00@	103.87
3	Bihar	223.85	607.71	316.91	507.31
4	Gujarat	66.12	N.A.	80.76	106.33
5	Haryana	24.37	68.36	19.71	25.83
6	Himachal Pradesh	14.64	16.66	9.87	11.50
7	Jammu & Kashmir	27.71	66.58	17.71	38.13
8	Karnataka	69.52	N.A.	109.43	183.32
9	Kerala	71.09	115.38	50.27	72.35
10	Madhya Pradesh	212.04	817.32	205.63	514.71
11	Meghalaya	1.11	0.17	1.05	4.07
12	Mizoram	0.23	0.34	1.18	0.51
13	Orissa	112.98	448.65	104.45	187.40
14	Punjab	24.23	28.90	17.21	16.73
15	Rajasthan	77.71	307.85	106.49	139.52
16	Sikkim	1.97@	2.43	2.39	1.89
17	Tamil Nadu	-	-	201.63	296.43
18	Tripura	9.02	27.30	5.42	0.25
19	West Bengal	34.10	3.15	25.96	80.00
20	Delhi	1.05	0.23@	0.90	N.A.

@ : Data relates to 1991-92.

APPENDIX-I

IMPORTANT EXPORT CONTROL/PROMOTION ANNOUNCEMENTS (APRIL 1994 - MARCH 1995)

Sr. No.	Item/s	Month	Details
1	2	3	4
1.	Sunflower seeds	April 1994	It was decided to release a ceiling of 50,000 tonnes of sunflower seeds for export during the licensing period 1994-95 and placed it at the disposal of Indian Oil & Produce Exporters Association (IOPEA), who will notify the ceiling available for allotment to prospective exporters through a trade notice.
2.	Mustard seed & rapeseed	April 1994	It was decided to release a ceiling of 50,000 tonnes each for export of mustard seeds and rapeseeds during the licensing period 1994-95 and place it at the disposal of IOPEA.
3.	Superior wheat (Durum)	April 1994	It was decided to release the ceiling of 3 lakh metric tonnes for export of superior wheat (Durum) during licensing year 1994-95 subject to a minimum export price (MEP) of US $ 160 per MT (f.o.b.), and place it at the disposal of Agricultural & Processed Food Products Exports Development Authority (APEDA) who will issue Registration-cum-allocation certificate and also ensure that the ceiling shall not exceed the limit of 3 lakh tonnes under any circumstances.
4.	Manufactured articles / shavings of shed antlers of sambhar and chital	April 1994	It was decided to allow the export of manufactured articles, shavings of shed Antlers of Chital & Sambhar within the prescribed ceiling of 120 MT and 180 MT respectively for the licensing year 1994-95.The export licences granted ware valid upto 31.3.1995.
5.	Peacock tail feathers including handicrafts items and articles made thereof	April 1994	It was decided to allow export of Peacock Tail Feathers, including handicrafts/ articles made thereof within a limited ceiling of 20 lakh pieces during 1994-95.
6.	Powder milk (skimmed or full cream) / whole or infant milk food pure milk, ghee and butter	April 1994	It was decided to release a ceiling of 25,000 tonnes for export of powder milk (skimmed or full cream)/whole or infant milk food and 7,500 tonnes for export of Pure milk, Ghee and Butter for the licensing year 1994-95 and place the same at the disposal of APEDA who would allocate the ceiling as per the procedure to be specified by them.
7.	Vegetable oils	April 1994	The export of edible vegetable oils in consumer packs upto 5 kgs was permitted freely without any export licensing formalities. The exporters of these oils in consumer packs were required to submit post shipment returns of export on a monthly basis to the IOPEA.
8.	Brown seaweeds of Tamil Nadu coast origin in processed form	May 1994	It was decided to release a ceiling of 250 MT from Joint DGFT, Mumbai and 750 MT from Joint DGFT, Madras of brown sea weeds of Tamil Nadu coast origin in processed form, export of which was permitted subject to quantitative ceiling as may be notified by DGFT from time to time and also subject to production of a certificate of pre-shipment inspection before actual exports from the regional and sub-regional offices of Marine Production Export Development Authority for the licensing year 1994-95.
9.	Meat of Indian sheep	June 1994	It was decided to release a ceiling of 20,000 MT for the licensing year 1994-95 for export of meat of Indian sheep. The 30% of the total ceiling ear-marked for the licensing period was to be reserved for export of frozen meat. The ceiling was distributed among the three Associations at Mumbai, Jaipur & Cochin.

APPENDIX-I ***(Contd.)***

Sr. No.	Item/s	Month	Details
1	2	3	4
10.	Onion	July 1994	National Agriculture Cooperative Marketing Federation of India Ltd. (NAFED) will be the canalising agency for export of onion. The exporters were required to obtain no objection certificate from NAFED for each export consignment. The MEP was to be fixed by NAFED from time to time.
11.	Handmade carpets	August 1994	Export was allowed on the basis of documents against acceptance (DA basis) only if backed by Bank Guarantee.
12.	Superior wheat (Durum)	September 1994	It was decided to allow the export of durum wheat without any MEP which was fixed at US $ 160 MT vide an earlier notice.
13.	Export of tea to Russia	September 1994	Compulsory pre-shipment inspection through EIC or EIA was necessary for exports of tea to Russia under Rupee Debt Repayment mechanism unless the Russian buyer wanted inspection through the Russian inspection agency, SGS. Above Public Notice was amended to the effect that instead of inspection by SGS at the instance of Russian buyer, pre-shipment inspection by any reputed quality inspection agency designated by the buyer should suffice.
14.	Hand-made woollen/ synthetic/silk carpets etc.	September 1994	Earlier Public Notice dated 23.8.94 was amended in order to relax the Bank guarantee provision on exports by DA basis to enable exporters to honour their prior commitments made before 23.8.94. This relaxation was valid upto 22.11.94.
15.	Non-basmati rice	October 1994	The MEP on non-basmati rice which was US $200 per MT earlier was removed.
16.	Military Stores items	October 1994	Export in respect of Military Stores items of non- lethal and low-tech nature as specified by the DGFT was allowed without any 'no objection certificate' from the Ministry of Defence Production and Supplies.
17.	Grain & Flour	October 1994	Wheat products and hybrid jowar grown as kharif crop were excluded from the list of controlled export items namely Grain and Flour.
18.	Coffee	January 1995	It was decided to remove quantitative restrictions on exports of coffee and ban on export of certain grades of coffee from 1.1.1995.
19.	Imported sugar	January 1995	The imported sugar including sugar which was already landed and was pending clearance at the customs had been included in the list of restricted items which could be exported only against a licence.
20.	Ephedrine	January 1995	The export of ephedrine was permitted subject to a 'no objection certificate' from the Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilisers.
21.	Engineering products	March 1995	Following the withdrawal of International Price Reimbursement Scheme (IPRS) with effect from 1.4.1994, the Government announced an alternative scheme to enable the exporters of engineering goods to obtain their steel requirements at international prices from domestic producers.
22.	Finished leather (all kinds)	March 1995	The export of finished leather (all kinds) was to be registered with Council for Leather Exports.

APPENDIX-II

IMPORTANT ANNOUNCEMENTS WITH REGARD TO IMPORT CONTROL POLICY (APRIL 1994 - MARCH 1995)

Sr.No.	Item/s	Month	Details
1	2	3	4
1.	White crystal sugar/ refined sugar.	April 1994	The description of "Refined Sugar" has been amended to read as "Refined Crystal Sugar/Refined Sugar". Consequently, both white crystal sugar and refined sugar will be freely importable although they may be regarded as consumer goods.
2.	Imports/ exports from/to Nepal.	April 1994	Persons importing/exporting goods from/to Nepal provided the c.i.f. value of a single consignment does not exceed Rs.25,000 have been included in the categories of importers or exporters exempted from obtaining Importer-Exporter Code (IEC) number.
3.	Gold and silver imports.	April 1994	Gold and silver have been allowed to be imported at concessional rates of customs duty against Special Import Licences provided that the duty on such imports is paid in convertible foreign currency out of the Exchange Earners' Foreign Currency (EEFC) account of the importer. The concessional rates of duty will be Rs.220 per 10 grams on gold and Rs.500 per kg. on silver, respectively.
4.	Edible vegetable palmolien oil.	April 1994	Edible Vegetable palmolien oil has been deleted from the list of canalised items of imports and has been made freely importable although it may be regarded as a consumer good.
5.	Raw cotton.	April 1994	Import of raw cotton has been exempted from any duty and has been made freely importable.
6.	Raw sugar.	May 1994	Raw sugar has been added to the list of freely importable consumer goods. Consequently, import of raw sugar can be made freely without licence by any person for stock and sale. This liberalised import has been allowed in view of shortage in domestic production of sugar. The import will be duty-free.
7.	Second-hand capital goods.	June 1994	Import of all second-hand capital goods may be made by Actual Users (AUs) without a licence. For this purpose, the importer shall produce evidence of his being an Actual User (Industrial), viz., valid Letter of Intent of Industrial Approvals (Ministry of Industry) or acknowledgement received on filing of Memorandum with SIA or Certificate of Registration as an Actual User with the concerned authority, i.e., State Director of Industries, etc. This evidence shall be produced to the Customs at the time of clearance of goods.

APPENDIX- II *(Contd.)*

Sr.No.	Item/s	Month	Details
1	2	3	4
8.	Air-conditioned cars and coaches for promotion of tourism	July 1994	Import of air-conditioned cars of value not exceeding US $ 35,000 per vehicle and air-conditioned coaches for a value not exceeding US $ 1.0 Lakh per vehicle required for providing transport for tourists can be made without a licence by specific eligible importers on the recommendation of Director General of Tourism. The eligible importers are State Tourism Corporations, Tourist operators or Travel agencies approved by Director General of Tourism , Government of India.
9.	Import of items against Special Import Licences-list expanded.	July 1994	The list of permissible items allowed for imports against freely transferable Special Import Licence has been expanded by adding the following items to the list : (a) Colour TV sets- size 29" and above, (b) Integrated monocoque buses, air-conditioned luxury coaches (buses) and caravans (non-motorised), (c) Petroleum products, viz. aviation turbine, fuel, bitumen (asphalt)- paying grade and furnace oil, (d) wood products (in finished and semi-finished form), (e) equipments/gadgets based on solar energy, (f) multifunctional automated teller machines, (g) synthetic flavouring essences, (h) air purifiers/dehumidifiers/air cleaners, (i) Educational games and functional/technical/toys/models/kits, (j) synthetic perfumery compounds, (k) Lifts.
10.	Import of consumer goods of Bhutanese origin.	August 1994	All consumer goods of Bhutanese origin having Bhutanese content at of least 50 per cent of the sale/invoice value have been allowed to be freely imported without an import licence from Bhutan to India. However, beef and beef products and other items specifically listed in the Negative list of imports will not be allowed. The import of permissible items also will be subject to compliance with other applicable Laws for the time being in force. This step has been taken to further strengthen the friendly relationship between India and Bhutan.
11.	Import of second-hand cars.	September 1994	Import of second-hand car(s) which are not older than three years on the date of shipment reckoned from the date of registration of such imported second-hand car(s) shall be permitted against Special Import Licences obtained by Export/ Trading/ Star Trading/Super Star Trading Houses in their own name.
12.	Consumables.	September 1994	Consumables used in the manufacture of export product and which do not form part of the final product have been exempted from accountability as Sensitive items of import.

APPENDIX II *(Concld.)*

Sr.No.	Item/s	Month	Details
1	2	3	4
13.	Outboard motors.	December 1994	Import of outboard motors has been made freely importable by all persons. Earlier, this item was allowed without licence to Actual Users only. Simultaneously, this item has been deleted from the list of items allowed against Special Import Licence.
14.	Cloves, cinnamon and casia.	January 1995	To facilitate speedy clearance of cloves, cinnamon and casia imported in bulk against import licences, it has been laid down that the details of the import licence and the names of the import licence holders should be indicated in the Bill of Entry.
15.	Natural rubber.	January 1995	Import of natural rubber has been allowed against Special Import Licence in the face of steep rise in the domestic prices of natural rubber.
16.	Specified edible oils.	March 1995	Imports of specified edible oils, viz., groundnut oil, sun flower oil, soyabean oil, cotton seed oil have been allowed freely by all persons subject to payment of customs duty. Customs duty on these oils has also been reduced to 30 per cent. Consequently, these items have been decanalised.
17.	Natural rubber.	March 1995	Customs duty-free import of natural rubber has been allowed to Actual Users (Industrial) to the extent of 10,000 Metric Tonnes for meeting their part requirements. Such imports shall be strictly subject to Actual User condition and shall be required to be completed before 31st August, 1995.

Subject Index