

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 1996-97

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LIST OF SELECTED ABBREVIATIONS

A

ADs	Authorised Dealers
ADB	Asian Development Bank
ADF	Asian Development Fund
AGL	Aggregate Gap Limit
APEDA	Agricultural and Processed Food Products Exports Development Authority
APL	Above Poverty Line
ARDR	Agricultural and Rural Debt Relief Scheme
ARM	Additional Resource Mobilisation
ASBO	Average Ship Berth Output
ASEAN	Association of South East Asian Nations
ASI	Annual Survey of Industries
ASTA	Average Ship Turn Around
ATM	Automated Teller Machine
AU	Actual User

B

BCR	Balance from Current Revenue
BD	Budget Deficit
BE	Budget Estimates
BIFR	Board for Industrial and Financial Reconstruction

BIS	Bank for International Settlements
BOP	Balance of Payments
BOLT	Build-Own-Lease-Transfer
BOT	Build, Operate and Transfer
BPL	Below Poverty Line
BSR	Basic Statistical Returns

C

CAB	Cotton Advisory Board
CACP	Commission for Agricultural Costs and Prices
CAD	Current Account Deficit
CADP	Command Area Development Programme
CARE	Credit Analysis and Research Limited
CCB	Central Co-operative Bank
CCFF	Compensatory and Contingency Financing Facility
CCI	Cotton Corporation of India
CCIS	Comprehensive Crop Insurance Scheme
CD	Certificates of Deposit
CG	Capital Goods
CIF	Cost, Insurance and Freight
CIL	Coal India Limited

CIP	Central Issue Price	DGFT	Directorate General of Foreign Trade
CIS	Commonwealth of Independent States	DGTD	Directorate General of Trade and Development
CLDBs	Central Land Development Banks	DMCs	Developing Member Countries
CMNAP	Common Minimum National Action Plan	DOT	Department of Telecommunications
CMPDIL	Central Mines Planning and Design Institute Ltd	DPAP	Drought Prone Area Programme
CONCOR	Container Corporation of India	DRI	Differential Rate of Interest
CP	Commercial Paper	DTA	Domestic Tariff Area
CPI	Consumer Price Index	DVP	Delivery Versus Payments
CPI-IW	Consumer Price Index for Industrial Workers	E	
CRAR	Capital Risk to Assets Ratio	ECB	External Commercial Borrowing
CRISIL	The Credit Rating Information Services of India Limited	EEC	European Economic Community
CRR	Cash Reserve Ratio	EEFC	Exchange Earners' Foreign Currency
CSO	Central Statistical Organisation	EFF	Extended Fund Facility
CSS	Centrally Sponsored Scheme	EHTP	Electronic Hardware Technology Park
D		EOUs	Export Oriented Units
DAC	Development Assistant Committee	EPCGs	Export Promotion Capital Goods Scheme
DAP	Di Ammonium Phosphate	EPRS	Engineering Products (Replenishment of Iron and Steel Intermediates) Scheme
DDP	Desert Development Programme	EPZ	Export Processing Zone
DEL	Direct Exchange Lines	ERM	Exchange Rate Mechanism
DEPB	Duty Entitlement Pass Book	ESAF	Enhanced Structural Adjustment Facility
DES	Duty Exemption Scheme	EU	European Union
DFHI	Discount and Finance House of India Ltd	F	
DGCI&S	Directorate General of Commercial Intelligence and Statistics	FAO	Food and Agricultural Organisation

FC(B&O)D	Foreign Currency (Banks & Others) Deposit Scheme	GFMS	Gold Fields Mineral Services
FCCBs	Foreign Currency Convertible Bonds	GIC	General Insurance Corporation of India
FCI	Food Corporation of India	GNIE	Government Not Included Elsewhere
FCNR(A)	Foreign Currency (Non-Resident) Accounts	GNP	Gross National Product
FCNR(B)	Foreign Currency (Non-Resident) Accounts (Banks) Scheme	GPD	Gorss Primary Deficit
FC(O)NR	Foreign Currency (Ordinary) Non-Repatriable Deposit Scheme	GRA	General Resources Account
		GSBR	Government Sector Borrowing Requirements

H

FDI	Foreign Direct Investment	HD	Human Development
FEDAI	Foreign Exchange Dealers Association of India	HDFC	Housing Development Finance Corporation Ltd
FIs	Financial Institutions	HFCs	Housing Finance Companies
FIIIs	Foreign Institutional Investors	HHEC	Handicraft and Handloom Export Corporation
FIPB	Foreign Investment Promotion Board	HIPC	Heavily Indebted Poor Countries
FOB	Free on Board	HUDCO	Housing and Urban Development Corporation Ltd
FOR	Free on Rail	HYV	High Yielding Varieties
FSQ	Free Sale Quota	HYVP	High Yielding Varieties Programme
FSS	Farmers' Service Societies	HZL	Hindustan Zink Limited

G

GAB	General Arrangement to Borrow		
GATT	General Agreement on Tariffs and Trade		
GCI	General Capital Increase	IATA	International Air Transport Association
GDFC	Gross Domestic Capital Formation	IBRD	International Bank for Reconstruction and Development
GDP	Gross Domestic Product	ICDP	Intensive Cotton Development Programme
GDRs	Global Depository Receipts	ICICI	Industrial Credit and Investment Corporation of India Ltd
GDS	Gross Domestic Saving		
GFD	Gross Fiscal Deficit		

I

IDA	International Development Association	KWH	Kilo Watts Hour
IDB	Inter-American Development Bank	L	
IDBI	Industrial Development Bank of India	LAMPs	Large Sized Adivasi Multi-Purpose Societies
IDBs	India Development Bonds	LDPE	Low Density Polyethylene
IDFC	Infrastructure Development Finance Company	LDS	Loan Delivery System
IFAD	International Fund for Agricultural Development	LERMS	Liberalised Exchange Rate Management System
IFC	International Finance Corporation	LIBOR	London Inter-Bank Offered Rate
IFCI	Industrial Finance Corporation of India	LIG	Lower Income Group
IIBI	Industrial Investment Bank of India	LOI	Letter of Intent
IIP	Index of Industrial Production	LPG	Liquified Petroleum Gas
IL&FS	Infrastructure Leasing and Financial Services Ltd	M	
IMF	International Monetary Fund	M ₁	Narrow Money
IOC	Indian Oil Corporation	M ₃	Broad Money
IPAs	Investment Promotion Agencies	MFA	Multi-fibre Arrangements
IPRS	Intellectual Property Rights	MD	Monetised Deficit
IRBI	Industrial Reconstruction Bank of India	MGP	Minimum Guarantee Price
IRDPI	Integrated Rural Development Programme	MIGA	Multilateral Investment Guarantee Agency
ISQ	Internal Sale Quota	MMMFs	Money Market Mutual Funds
ITF	Interim Trust Fund	MMTC	Minerals and Metals Trading Corporation of India
J		MODVAT	Modified Value Added Tax
JCI	Jute Corporation of India	MOP	Muriate of Potash
K		MPA	Mono Ammonium Phosphate
KVIC	Khadi and Village Industries Commission	MPBF	Maximum Permissible Bank Finance

M RTP	Monopolies and Restrictive Trade Practices
MSCCGMF	Maharashtra State Co-operative Cotton Growers' Marketing Federation Ltd.
MSE	Mumbai Stock Exchange
MSP	Minimum Support Price
MTPA	Metric Tonne Per Annum
MTNL	Mahanagar Telephone Nigam Ltd

N

NAB	New Arrangement to Borrow
NABARD	National Bank for Agriculture and Rural Development
NAFED	National Agricultural Co-operative Marketing Federation
NBC	Non-Banking Company
NBFCs	Non-Banking Financial Companies
NBFIs	Non-Banking Financial Institutions
NCDC	National Co-operative Development Corporation
NDDB	National Dairy Development Board
NDP	Net Domestic Product
NEER	Nominal Effective Exchange Rate
NELP	New Exploration Licensing Policy
NFA	Net Foreign Assets
NFD	Net Fiscal Deficit
NFE	Net Foreign Exchange
NFEA	Net Foreign Exchange Assets
NGO	Non-governmental Organisation

NHB	National Housing Bank
NICs	Newly Industrialised Countries
NNP	Net National Product
NOF	Net Owned Funds
NPA	Non Performing Assets
NPD	Net Primary Deficit
NPDP	National Pulses Development Project
NPP	Nitrogen Phosphate Potash
NR(E)RA	Non-Resident (External) Rupee Account
NRI	Non-Resident Indian
NR(NR)RD	Non-Resident (Non-Repatriable) Rupee Deposit
NSDP	Net State Domestic Product
NSE	National Stock Exchange
NTP	National Telecom Policy

O

OCBs	Overseas Corporate Bodies
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OGL	Open General Licence
OIL	Oil India Ltd
OMO	Open Market Operations
ONGC	Oil and Natural Gas Corporation
OPEC	Organisation of Petroleum Exporting Countries
OTCEI	Over the Counter Exchange of India

OYWS Own-Your-Wagon-Scheme

S

P

PDS Public Distribution System

PDs Primary Dealers

PLF Plant Load Factor

PLR Prime Lending Rate

PMRY Prime Minister's Rojgar Yojana

PMV Present Market Value

POL Petroleum Oil and Lubricants

PSBR Public Sector Borrowing Requirements

PSCFC Post Shipment Export Credit in Foreign Currency

PSE Public Sector Enterprise

PSUs Public Sector Undertakings

PWCS Primary Weavers' Co-operative Societies

Q

QRs Quantitative Restrictions

R

RBI Reserve Bank of India

RCTC Risk Capital and Technology Finance Corporation Ltd

RD Revenue Deficit

RE Revised Estimates

REER Real Effective Exchange Rate

Repos Repurchase Obligations

RIDF Rural Infrastructure Development Fund

RRBs Regional Rural Banks

SAA Service Area Approach

SAARC South Asian Association for Regional Co-operation

SAF Structural Adjustment Facility

SAFAUNS Ships Acquired from Abroad Under New Scheme

SBI State Bank of India

SDF Sugar Development Fund

SDP State Domestic Product

SDRs Special Drawing Rights

SEBs State Electricity Boards

SEBI Securities and Exchange Board of India

SEEU 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

SIL Special Import Licence

SJDP Special Jute Development Programme

SLR Statutory Liquidity Ratio

SMP Statutory Minimum Price

SRTUs State Road Transport Undertakings

SSI	Small Scale Industry
SSP	Single Super Phosphate
STCI	Securities Trading Corporation of India
SUME	Scheme of Urban Micro Enterprises

T

TDICI	Technology Development and Investment Company of India Ltd
TFCI	Tourism Finance Corporation of India
TPDS	Targeted Public Distribution System
TRAI	Telecom Regulatory Authority of India

U

UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development

US	United States
UTs	Union Territories
UTI	Unit Trust of India

V

VABAL	Value-based Advance Licence
VAT	Value Added Tax

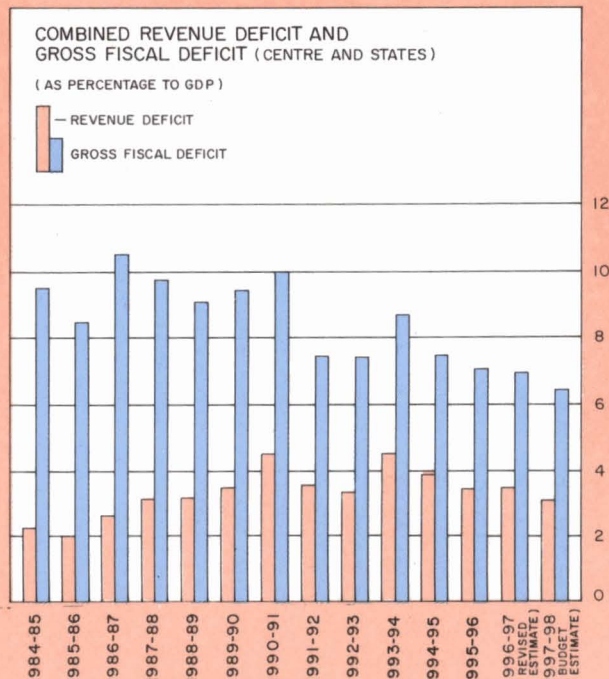
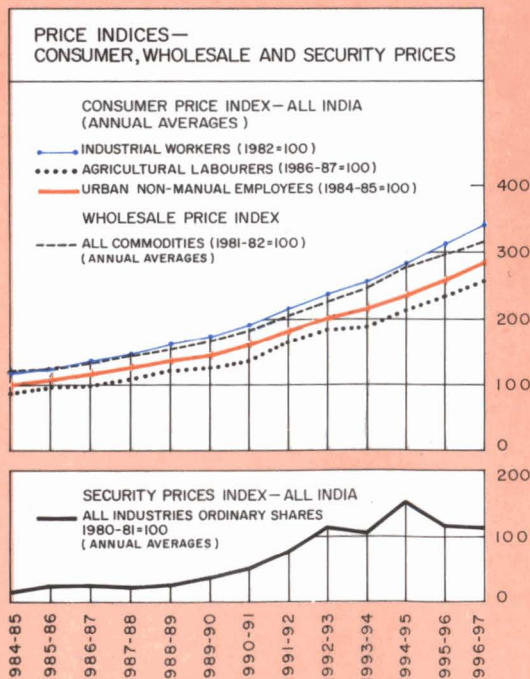
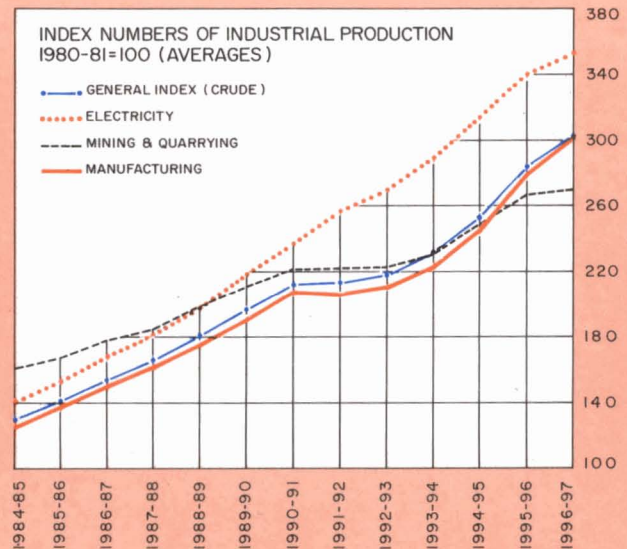
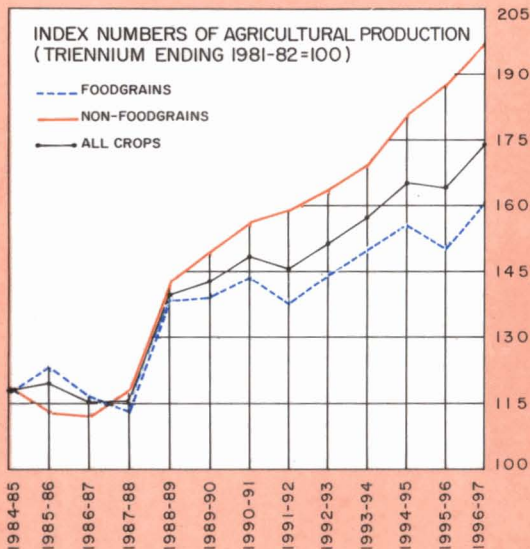
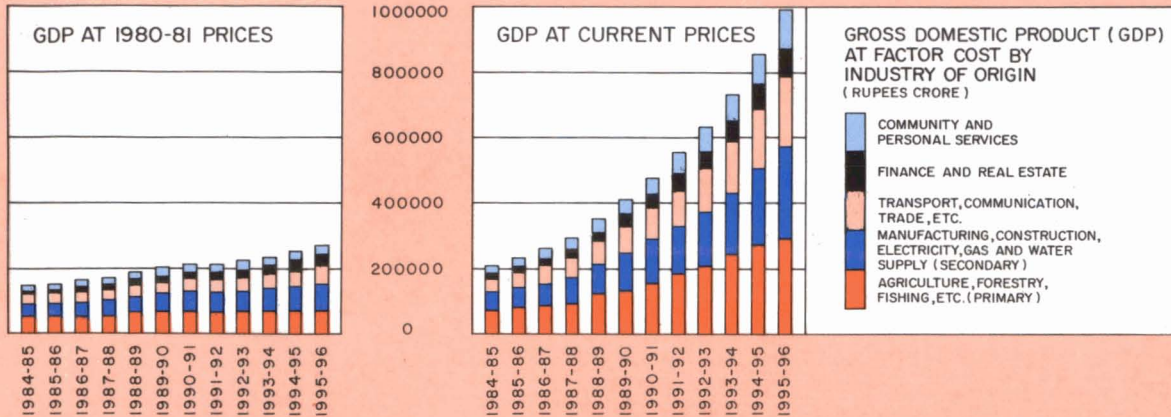
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WMA	Ways and Means Advances
WOs	Wholly-owned subsidiaries
WPI	Wholesale Price Index
WTO	World Trade Organisation

Y

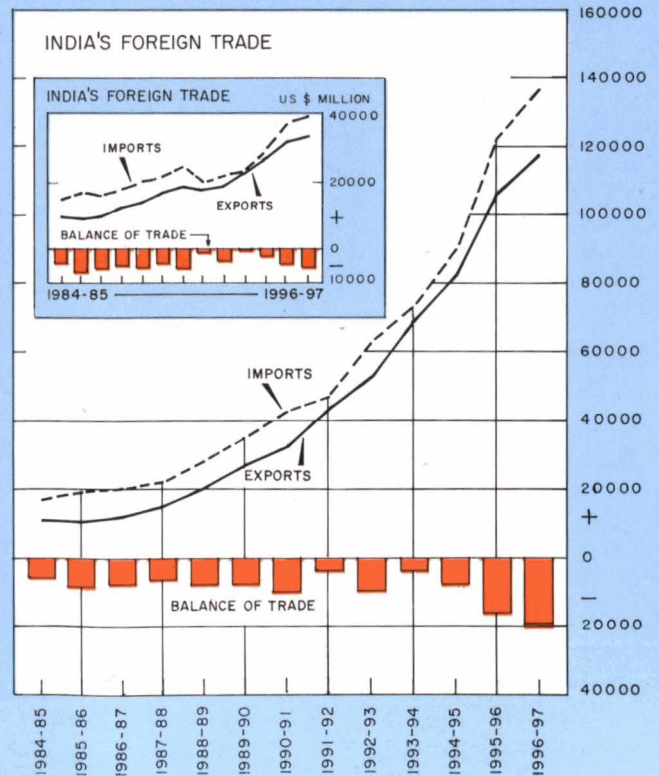
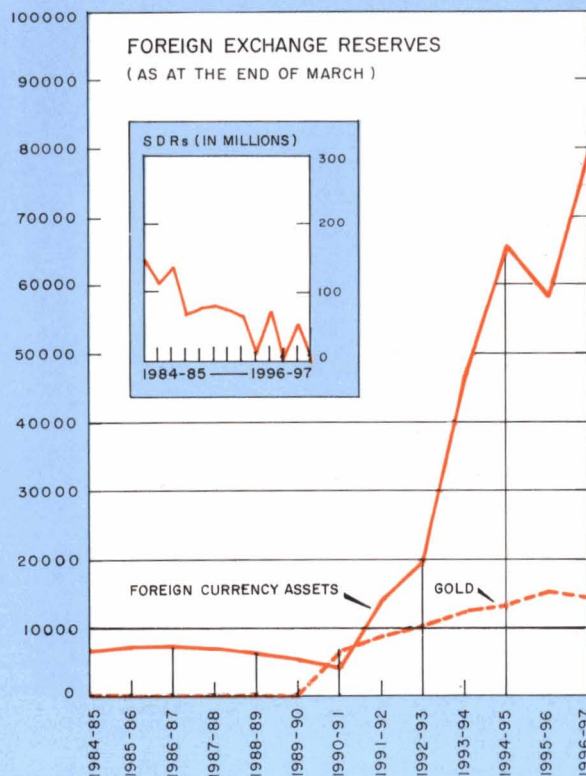
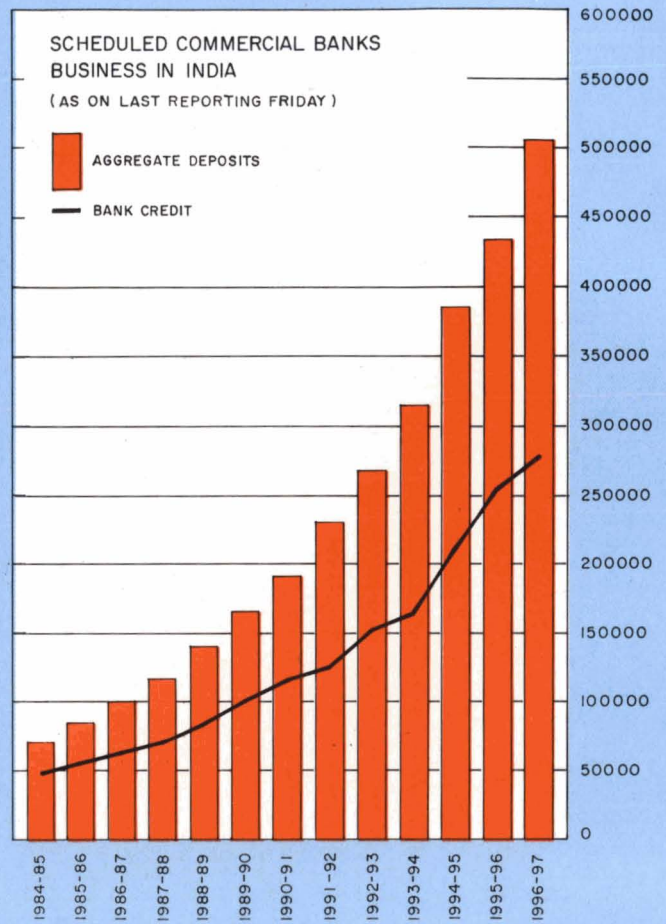
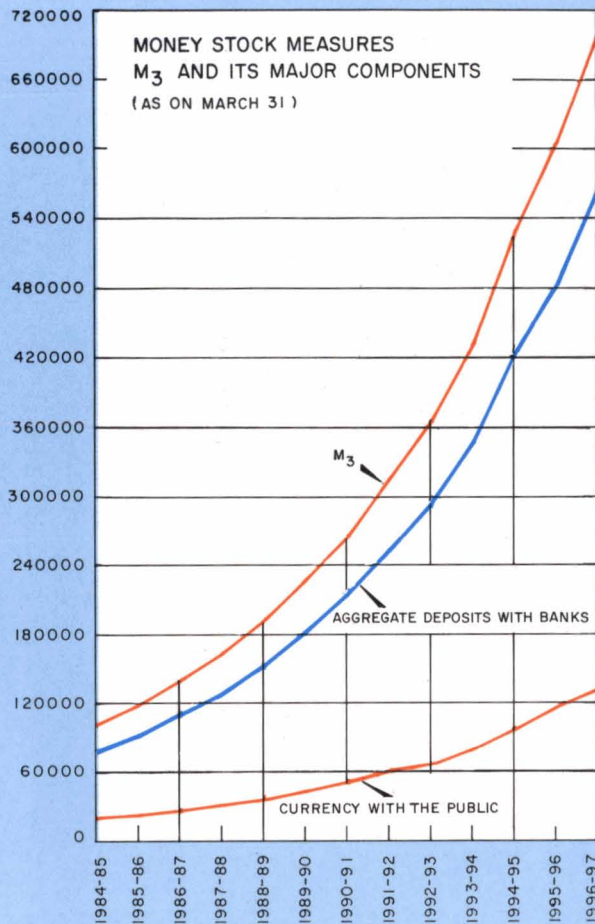
YTM	Yield To Maturity
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SELECTED ECONOMIC INDICATORS



SELECTED ECONOMIC INDICATORS

(RUPEES CRORE)



CHAPTER I

REVIEW OF DEVELOPMENTS *

Developments during 1996-97

The real **GDP** growth at 6.8 per cent in 1996-97 continued to be strong, *albeit*, a shade lower than the impressive growth rates recorded in the previous two years. It may be recalled that real growth in 1996-97 was facilitated by a sharp improvement in the output growth of 'agriculture and allied activities' which had largely counterbalanced the deceleration in both the 'industry' and 'services' sectors. While the 'agriculture and allied activities' witnessed an impressive recovery with a growth of 5.7 per cent from a nominal negative growth posted in the previous year, both the 'industry' and 'services' sectors suffered setbacks by registering a growth rate of 7.2 per cent each in 1996-97, as against 12.7 per cent and 8.5 per cent, respectively, in the preceding year.

The **agricultural sector** witnessed an impressive growth rate of 6.0 per cent in the production of all principal crops during 1996-97 in sharp contrast to the negative growth of 0.4 per cent in 1995-96. The production of foodgrains reached a record level of 199.9 million tonnes during 1996-97 up from 185.0 million tonnes in the preceding year. Similarly, the production of non-foodgrain crops such as oilseeds, cotton, jute and mesta, and tea also improved significantly. However, the production of sugarcane declined in 1996-97.

The performance of the **Industrial sector** was subdued during 1996-97 as compared with

the robust growth registered during the preceding two years. The Index Number of Industrial Production (IIP: Base 1980-81=100), decelerated to 7.4 per cent during 1996-97 from 12.1 per cent recorded in the preceding year. The slow down was reflected in the poor performance of 'mining and quarrying' and 'electricity generation' sectors and the decelerated growth of 'manufacturing sector'. In terms of use-based classification of industries i.e., basic goods, consumer durables, consumer non-durables, capital goods and intermediate goods, all the groups registered decelerated growth. The six infrastructure industries, *viz.*, coal, saleable steel, cement, electricity, petroleum crude and petroleum refinery products, also recorded a decelerated growth of 3.2 per cent in 1996-97 (7.9 per cent in 1995-96).

Both the primary and secondary segments of the **capital market** remained subdued. New capital issues by non-Government public limited companies and Government companies, public sector undertakings, banks and financial institutions aggregating to Rs. 18,854 crore during 1996-97, recorded a decline of 17.8 per cent over the year. The aggregate disbursements of all financial institutions at Rs. 42,322 crore were higher by 10.2 per cent as compared with the previous year. The aggregate sanctions of all financial institutions (net of inter-institutional flows) at Rs. 57,000 crore, registered a decline of 14.2 per cent over the preceding year. The annual average of RBI Ordinary Share Price Index (Base: 1980-81=100) at 1146.8 during 1996-97 recorded a decline of 3.6 per cent over the previous year.

The **gross fiscal deficit** in the revised estimates was placed at Rs. 63,131 crore; though

* The reference period of the Report is the financial year, April-March. This Chapter provides latest data and information available up to the time of going to the Press and therefore differs in the period coverage from the subsequent Chapters.

this turned out to be higher than the budget estimates of Rs. 62,266 crore, in terms of ratio to GDP, it remained at the targeted level of 5.0 per cent as envisaged in the budget estimates. Revenue deficit, on the other hand, showed a decline of Rs. 3,270 crore to Rs. 28,205 crore in the revised estimates from the budget estimates of Rs. 31,475 crore indicating some correction in the structural imbalances in the finances of the Central Government. The combined impact of the restriction of fiscal deficit and some moderation in the interest payment expenditure was reflected in the gross primary deficit which as a proportion of GDP declined to 0.4 per cent in 1996-97 from 0.9 per cent in 1995-96. On the other hand, the budget deficit, as conventionally defined (i.e., the difference between all receipts and expenditures (both revenue and capital) excluding the 91-day Treasury bills and cash balances) was higher than the budget estimate. The increased budget deficit did not, however, imply adverse monetary impact because of the favourable market conditions which facilitated open market operations by the Reserve Bank. This was reflected in the fact that net RBI credit to the Centre (monetised deficit) amounted to only Rs. 1,934 crore at end-March 1997 as against Rs. 19,855 crore at end-March 1996.

The **broad money expansion** was higher at 15.9 per cent during 1996-97 as compared with 13.7 per cent in 1995-96. Reduction in CRR, strong time deposit growth and increase in foreign exchange assets of the RBI were the features of the Indian monetary scene. Reserve money increased modestly by 2.9 per cent reflecting the reductions in reserve requirements. Initiatives were also taken to promote reductions in lending rates with the easing of the inflationary pressures.

The operations of **scheduled commercial banks** during 1996-97 were characterised by a strong growth in deposits alongside a deceleration in credit expansion. Aggregate deposits of scheduled commercial banks registered a higher growth rate of 16.5 per cent during 1996-97 as compared with 12.1 per cent during the previous year. The deposit growth in 1996-97 was to an extent a reflection of a strong rise in capital inflows. There was deceleration in the growth of bank credit to 9.6 per cent in

1996-97 from 20.1 per cent in 1995-96, but this was made good to some extent by increased investments by banks in non-approved securities issued by commercial entities.

Despite upward revisions in the prices of some of the administered items, the **price situation** during 1996-97 remained under control. The annual increase in the Wholesale Price Index (WPI) on a point-to-point basis, was placed at 6.9 per cent in 1996-97 as compared with 5.0 per cent in the previous year. On an average basis, however, the inflation rate declined to 6.4 per cent from 7.8 per cent in 1995-96.

According to the provisional data of the Directorate General of Commercial Intelligence and Statistics (DGCI&S), **exports** at US \$ 33,106 million during 1996-97 registered only a modest growth of 4.1 per cent as compared with the high growth rate of 20.1 per cent during 1995-96. The slowdown in export growth could be attributed, *inter alia*, to the decline in world trade coupled with sluggishness in the prices of manufactured goods in the global market, variations in cross-currency exchange rates and deceleration in domestic industrial activities. **Imports**, rose by 5.1 per cent to US \$ 38,548 million during 1996-97 as compared with the growth rate of 8.0 per cent during the previous year. Despite the sharp increase in imports of petroleum, oil and lubricants (POL), the growth of aggregate imports remained subdued during the year on account of an absolute decline in non-oil imports.

Balance of payments developments during the year 1996-97 were marked by resumption of capital flows which, coupled with the narrowing down of the current account deficit eventually helped in build up of international reserves. The consequential rise in the Reserve Bank's foreign currency assets from US \$ 21,687 million (Rs. 74,384 crore) at end-March 1996 to US \$ 26,423 million (Rs. 94,932 crore) was equivalent to an import cover of seven months. The **exchange rate** of the rupee remained reasonably stable during 1996-97. It moved in a narrow range of Rs. 35 to Rs. 36 per US dollar between May 1996 and June 1997. The viability in the balance of payments was reflected in the onset of stability

in the foreign exchange market during 1996-97 after the episode of volatility in the second half of 1995-96. Furthermore, a distinct sustainability in the country's external debt was evident in the downward movement of major debt indicators.

Developments during 1997-98

Agriculture

For the tenth year in succession, the country received normal rainfall during the South-West monsoon season 1997 (June-September). The rainfall was excess to normal in 32 meteorological sub-divisions covering 92 per cent area of the country while being deficient in 3 sub-divisions. The onset of the South-West monsoon was however, delayed in certain parts of the crop growing areas, resulting in decline in the total area under cultivation and consequent drop in *kharif* output, especially in respect of coarse cereals. The overall production of *kharif* foodgrains is likely to be around 103.5 million tonnes - lower than the *kharif* output of 1996-97, and two million tonnes short of the target for 1997-98. Nonetheless, the favourable performance of the South-West monsoon during the latter part of the season and the resultant comfortable reservoirs' position assuring adequate availability of irrigation water are expected to benefit the *rabi* crops.

As regards non-food crops, the present indications are that in the year 1997-98, output of sugarcane, cotton, jute and mesta, and oilseeds would register declines compared to the levels recorded in 1996-97 - 14.3 million tonnes (5.2 per cent) in respect of sugarcane, 0.9 million bales (6.1 per cent) in respect of cotton, 1.8 million bales (16.4 per cent) in respect of jute and mesta and 1.1 million tonnes (4.4 per cent) in the case of nine oilseeds. On the whole, the growth of overall agricultural output during 1997-98 over the preceding year may thus, at best be marginal.

Procurement of wheat during 1997-98 marketing season (April-March) up to November 17, 1997 aggregated 9.3 million tonnes which was higher than that in the 1996-97

marketing season (8.2 million tonnes). The procurement of rice during the current *kharif* marketing season 1997-98 (October-September) up to November 17, 1997 stood at 5.9 million tonnes which was 44.0 per cent higher than that during the corresponding period of 1996-97 (4.1 million tonnes). The off-take of rice and wheat under PDS, other welfare schemes, as also open market sales during April-September 1997 at 9.4 million tonnes was lower than that during the comparable period last year (11.6 million tonnes). The lower off-take was attributable to the lower quantity of rice and wheat sold in the open market as also lower off-take under Targeted Public Distribution System (TPDS). The total stocks of foodgrains with the public sector agencies at 15.3 million tonnes by end-September 1997 were lower than the level a year ago (19.9 million tonnes) as well as the norms prescribed for the date (16.6 million tonnes). The stocks of rice at the end of September 1997 stood at 7.04 million tonnes, which were lower by 2.3 million tonnes (24.6 per cent) than the level at the end of September 1996. The stocks of wheat were 8.3 million tonnes at the end of September 1997 - lower by 2.2 million tonnes (21.3 per cent) than the level attained a year ago.

Industry

According to the latest data on industrial production, the industrial sector registered a lower growth of 4.7 per cent during the period April-August 1997 as compared with 11.2 per cent in the corresponding period of the preceding year. 'Manufacturing sector', having a weight of 77.1 per cent in the IIP, showed a decelerated growth of 4.2 per cent in April-August 1997 which was less than one-third of that recorded in the corresponding period of the preceding year (14.3 per cent). On the other hand, 'mining and quarrying' and 'electricity generation' sectors recorded substantially higher growth rates of 6.1 per cent and 6.7 per cent, respectively, during April-August 1997 as compared with 0.9 per cent and 2.6 per cent, respectively, in the corresponding period of the previous year. Industrial production in the current year so far has thus, exhibited mixed trends.

Analysis in terms of use-based classification of industries suggests that all segments registered decelerated growth rates during April-August 1997. With a marginal growth of 1.0 per cent during April-August 1997, the performance of consumer goods industry was low as compared with 9.0 per cent in the corresponding period of the previous year. While consumer durables recorded a rise of 6.2 per cent¹ (14.9 per cent), the consumer non-durables registered a decline of 0.7 per cent as against growth of 7.3 per cent last year. The capital goods industry registered a sharply decelerated growth of 3.3 per cent during April-August 1997 (18.9 per cent) reflecting slackness in investment demand. Intermediate goods also registered a slow growth of 6.0 per cent during April-August 1997 (13.9 per cent). Basic goods segment, showed a fractionally lower growth of 6.8 per cent as compared with 7.7 per cent in the corresponding period of the preceding year.

The major infrastructure industries, *viz.*, electricity, coal, saleable steel, cement, petroleum crude and petroleum refinery products (with 28.7 per cent combined weight in IIP), registered an accelerated growth of 5.0 per cent during April-September 1997 – up from 3.6 per cent in the corresponding period of the preceding year. The improvement was mainly on account of the reasonably good performance of electricity generation and petroleum crude industries. After recording a continuous decline in production during 1996-97, petroleum crude staged a turnaround by registering a growth of 3.9 per cent in April-September 1997 as against a decline of 7.9 per cent in the corresponding period of the preceding year. On the other hand, the performance of saleable steel and cement industries remained lacklustre during the first half of 1997-98 because of the demand recession experienced by the user industries.

Capital Market

During the first six months of the financial year 1997-98, the primary segment of the capital

market was virtually dormant. New capital issues by the non-Government companies, Government companies and banks and financial institutions (in the public sector) taken together aggregated Rs.1,737 crore (provisional) during April-September 1997, which were 83.0 per cent lower than that during the corresponding period of 1996-97. Among them, the issues by the non-Government public limited companies (i.e., private corporate sector) at Rs.1,695 crore were lower by 76.5 per cent than that during the corresponding period of 1996-97. The amount raised by the corporates from abroad through Euro-issues at Rs. 2,228 crore was also lower than Rs. 2,348 crore raised in the corresponding period of the previous year. There was no new issue by banks and financial institutions during the current financial year so far as against Rs.1,200 crore raised by them during the comparable period of last year. Only one Government company accessed the market, and that too for only Rs. 43 crore – sharply lower than Rs.1,842 crore raised by the Government companies during the corresponding period of previous year.

The secondary segment of the capital market generally displayed a mixed trend. The monthly average of RBI Index of Ordinary Share Prices (Base: 1980-81=100), which stood at 1069.7 in March 1997, moved up to 1189.8 in August 1997, but declined moderately to 1115.5 in September 1997. According to provisional data, the index declined further to 1096.6 in October 1997. The Bombay Stock Exchange (BSE) Sensitive Index reflected, more or less, the same trend. While the positive mood in the stock market was influenced by the proposals in the Union Budget 1997-98, declining interest rates, normal monsoon, and higher net investments by the foreign institutional investors, the dull sentiment in the market has been attributed to lower industrial growth and political factors. Domestic mutual funds have mobilised Rs. 3,493 crore during April-September 1997 in contrast to a negative mobilisation (due to higher repurchases) of Rs. 991 crore in the corresponding period of the previous year.

The data pertaining to sanctions and disbursements made by the all-India financial

¹ Figures in brackets indicate growth rates during the corresponding period of the previous year.

institutions during the period April-September 1997 showed a divergent trend; sanctions at Rs. 32,237 crore registered a substantial rise of 40.9 per cent, while disbursements at Rs. 18,968 crore recorded a marginal decline of 3.5 per cent over the comparable period of last fiscal year.

Fiscal Developments

A high-point of the fiscal developments during 1997-98 has been the elimination of the practice of automatic monetisation of the budget deficit with effect from April 1, 1997. Following the signing of an Agreement on March 26, 1997 between the Government of India and Reserve Bank, the system of *ad hoc*s has been replaced by a new scheme of Ways and Means Advances (WMA). For the fiscal year 1997-98, the limit for WMA for the first six months (April-October) was fixed at Rs. 12,000 crore and for the subsequent six months (November-March) at Rs. 8,000 crore.

During the current financial year, the financial position of the Central Government has been marked by a significant deceleration in revenue growth concomitant with a sharp rise in expenditure commitments. During April-September 1997, revenue receipts rose by only 5.3 per cent as against the budget estimate of 17.1 per cent. Tax revenue i.e., both direct and indirect taxes, showed marked decline in absolute terms; tax revenue declined by 1.5 per cent as against 16.6 per cent growth envisaged in the Budget. On the other hand, aggregate expenditure growth accelerated to 15.3 per cent as compared with 12.4 per cent during the same period of the preceding year. Consequently, the revenue deficit during April-September 1997 at Rs. 13,880 crore was around 75 per cent higher than the amount for the corresponding period of the last year (Rs. 7,948 crore). Government had initially targeted mobilisation of Rs. 4,800 crore of revenue through disinvestment programme in the Budget which was subsequently revised to Rs. 7,000 crore. The slippage in revenue deficit together with non-realisation of disinvestment proceeds inevitably resulted in widening of the fiscal deficit, which during April - September 1997 at Rs. 38,937 crore constituted 60 per cent of the targeted fiscal

deficit for 1997-98 (i.e., Rs. 65,454 crore).

Notwithstanding the fiscal pressure, favourable market conditions and improved liquidity position contributed to raising the required amount of resources for the Central Government without placing much reliance on the Reserve Bank support. This is reflected in the fact that the Central Government hardly relied on WMA from RBI in the greater part of the fiscal year, so far. The net RBI credit to the Centre (both the WMA and market borrowing) was placed at Rs. 5,165 crore, on an average, during the first quarter, as against the budget estimate of Rs. 16,000 crore for the full fiscal year. During the second and third quarter, the net RBI credit remained negative at Rs. 3,088 crore and Rs. 3,500 crore (up to November 21, 1997), on an average, respectively. This was rendered possible by the Centre building up large cash surpluses, in anticipation of large expenditures such as, for example, pay hikes following the acceptance of the recommendations of the Fifth Pay Commission. The large cash surpluses so built were invested in marketable Government securities held in the RBI's own investment portfolio.

Given the difficult revenue situation, some of the post Budget developments on the expenditure front, such as, announcement of the scheme to finance the Oil Pool account deficit (August 1997) and the decision to give effect to the recommendations of the Fifth Pay Commission (August 1997) are expected to place further pressure on the finances of the Central Government. Responding to the increase in expenditure commitment, on September 16, 1997, the Government announced measures (both tax and non-tax) to mobilise additional resources. Even after making allowance for the additional resource mobilisation, the net impact of these developments on the fiscal deficit is expected to be adverse in 1997-98.

For the fiscal year 1997-98, the budget estimates of gross borrowings of the Central Government are placed at Rs. 52,963 crore (Rs. 33,820 crore, net) as against the gross borrowings of Rs. 36,152 crore (Rs. 26,356 crore,

net) in 1996-97. During the current fiscal year so far (up to November 27, 1997), the gross market borrowings of the Central Government amounted to Rs. 52,513 crore (i.e. 99 per cent of the budgeted amount) while the net draft of resources from the market amounted to Rs. 37,032 crore. Comfortable liquidity conditions in money and credit markets facilitated successful placement of the Government's borrowing programme in the market. In fact, the bulk of the borrowing programme was completed during the first half of the financial year. Of the gross borrowings raised so far (i.e., up to November 27, 1997), Rs. 36,686 crore were raised through fresh issues of dated securities while Rs. 15,827 crore were mobilised through 364-day Treasury bills. Around 78 per cent of the borrowings raised through dated securities were placed for medium-term maturities (i.e., 5 to 10 years). The market subscription of the RBI to primary issues of dated securities amounted to 19.1 per cent of the dated stocks issued, arising mainly on account of private placement of Rs. 5,000 crore with the Bank. Moreover, special securities with the Reserve Bank amounting to Rs. 20,000 crore were converted into marketable securities of varying yield and maturity and were placed with the Bank.

Reflecting the improved liquidity situation there was a sharp decline in interest rates across all maturities, leading to a further downward drift in the yield curve. The yield rate in primary auctions declined to 12.14 per cent for the shortest maturity of 3 year Government stock issued and to 13.05 per cent for the longest maturity of 10 year Government stock. The lowest coupon rate emerged so far is 10.85 per cent on 4 year Government stock. The secondary market experienced sharper reduction in interest rates as reflected in yield to maturity on 10 year Government stock settling in the range of 10.76 to 10.96 per cent by November 14, 1997.

The overall fiscal position of the State Governments for 1997-98 reveals a somewhat favourable outlook with some indications such as decline in their combined revenue deficit. The fiscal deficit, however, shows an increase of 8.8 per cent to Rs. 45,530 crore in 1997-98, due to the

increase in developmental capital outlay and higher net lending. In 1997-98, (as on November 27, 1997), eleven States resorted to WMA, of which, three had exhausted their limits of WMA and had resorted to overdrafts on their accounts. A few State Governments had cash surpluses, which they invested in the Central Government securities, especially Treasury bills.

Monetary and Banking Trends

During the current financial year so far (up to November 7, 1997), the expansion of broad money (M_3) was higher at Rs. 69,076 crore (9.9 per cent) than that of Rs. 49,659 crore (8.2 per cent) during the corresponding period of the previous year, emanating mainly from large accretions to net foreign exchange assets of the Reserve Bank. Currency with the public increased by Rs. 15,259 crore (11.5 per cent) while aggregate deposits continued to record a strong rise of Rs. 52,149 crore (9.2 per cent). On the sources side, net bank credit to the Government increased by Rs. 31,545 crore (10.9 per cent) during 1997-98 (up to November 7, 1997) as compared with that of Rs. 22,774 crore (8.8 per cent) in the corresponding period of the previous year. Banks' investments in Government securities increased sharply by Rs. 33,633 crore (20.4 per cent) as compared with Rs. 18,114 crore (13.3 per cent) during the comparable period of the previous year. Given the prevalence of easy liquidity conditions, debt market emerged as an important outlet for scheduled commercial banks for profitable deployment of their surplus funds. Thus, scheduled commercial banks' investments, besides those in Government securities and other approved securities, were substantial in commercial paper, bonds/shares/debentures issued by public sector undertakings and the private corporate sector during the current financial year so far. Bank credit to the commercial sector rose by Rs. 12,429 crore during the period under review as compared with an increase of Rs. 5,145 crore during the corresponding period of 1996-97.

Reserve money expanded by Rs. 6,092 crore (3.0 per cent) during the current year so far (up to November 21, 1997) as against a decline of

Rs. 3,584 crore (-1.8 per cent) during the comparable period of 1996-97 mainly on account of a substantial accretion of Rs.12,957 crore to net foreign exchange assets of the Reserve Bank. The net RBI credit to the Centre, however, recorded a surplus of Rs. 2,420 crore due mainly to the investment of the Centre's surplus of Rs.8,955 crore in dated securities. The WMA which came into being on April 1, 1997 in place of *ad hoc* Treasury bills stood at Rs. 5,174 crore as on April 18, 1997. Subsequently, the Centre had not resorted to such advances.

During the current financial year 1997-98 (up to November 7, 1997), aggregate deposits of scheduled commercial banks increased by Rs. 45,860 crore (9.1 per cent) as compared with a rise of Rs. 30,582 crore (7.0 per cent) in the corresponding period of the previous year. The increase was primarily attributable to time deposits which rose by Rs. 47,455 crore (11.4 per cent) during the same period. Bank credit expanded by Rs. 7,585 crore (2.7 per cent) as compared with an increase of Rs. 3,498 crore (1.4 per cent) recorded during the same period of the previous year. Of the total bank credit, the food credit registered a substantial rise of Rs. 3,145 crore (41.4 per cent) while the expansion in non-food credit was placed at Rs. 4,440 crore (1.6 per cent). The total flow of funds from scheduled commercial banks to commercial sector comprising loans and advances and investments, showed a substantially larger increase of Rs.14,421 crore during the period under review than that of Rs. 6,173 crore during the corresponding period of 1996-97. Scheduled commercial banks' investments in Government securities also showed a sharp increase of Rs.30,939 crore (19.5 per cent) in 1997-98 (up to November 7, 1997) as compared with an increase of Rs.17,232 crore (13.0 per cent) during the corresponding period of 1996-97.

Interest Rate Developments

The decline in interest rates witnessed in 1996-97 continued during 1997-98, in response to the various policy initiatives undertaken. This process was reinforced by the operationalisation of the Bank Rate in April 1997 as an instrument to

transmit signals of monetary policy and also as a reference rate for influencing interest rates in the economy. The sharp reductions in the CRR during 1996-97 and the large deposit growth led to a comfortable liquidity position in the system which, coupled with a low rate of inflation, facilitated a significant reduction in interest rates across all maturities and instruments. The cut-off yields on auctions of 91-day and 364-day Treasury bills were placed at 6.22 per cent and 7.98 per cent, respectively towards the third week of November 1997 compared with 7.96 per cent and 10.10 per cent at end-March 1997. Moreover, the cut-off yield on dated stock of 5 year maturity declined from 12.69 per cent in May 1997 to 11.15 per cent in September 1997. Many public sector banks progressively brought down their PLRs to 12.5 – 13.0 per cent by November 1997 from 16.5 per cent in March 1996. The monetary and credit policy for the second half of 1997-98 effected, *inter alia*, a further reduction in the interest rates.

Monetary Policy Announcements

Monetary and Credit Policy for the second half of 1997-98, announced on October 21, 1997, initiated a number of measures which included, among others, reduction of Bank Rate by one percentage point to 9.0 per cent, and reduction of interest rates on all advances from the Reserve Bank which are specifically linked to the Bank Rate, reduction of CRR by two percentage points to 8 per cent (in eight equal phases), rationalisation of SLR to be at 25 per cent, provision of uniform interest rate on eligible CRR balances, deregulation of domestic term deposits of 30 days and over, a ceiling (as against the fixed rate) in respect of scheduled commercial banks' lending rates for credit limits over Rs. 25,000 and up to Rs. 2 lakh and permission to banks to announce separate Prime Term Lending Rates (PTLR) in regard to term loans of three years and above, reduction of interest rate on pre-shipment rupee export credit, provision of bridge loans against equity issues, permission for ready forward in PSU bonds and debt securities and a series of measures to activate the financial markets and forex markets. Reflecting the impact of these initiatives, many banks announced a further reduction in their PLRs

to 12.5-13.0 per cent in early November 1997.

In the light of the continued high liquidity situation, and in the context of the developments in the financial markets, in particular the foreign exchange market, the Reserve Bank announced towards the end of November 1997 two measures. First, the interest rate on post-shipment rupee export credit in respect of usance bills valid for the period above 90 days to six months was increased: this is expected to improve realisation of export proceeds. Secondly, the scheduled CRR reduction was deferred by little over a month. Keeping in view the developments in the foreign exchange markets, the Reserve Bank announced on December 2, 1997 four further measures. The CRR was raised by 0.5 percentage points and the schedule of CRR reductions was held in abeyance from the fortnight beginning December 6, 1997. The 10 per cent incremental CRR on non-resident rupee deposits under Non-Resident (External) Rupee and Non-Resident Non-Repatriable Rupee Deposit Schemes was eliminated effective December 6, 1997. The interest rate on fixed rate repos was increased to 5.0 per cent from 4.5 per cent. Finally, the facility granted to Authorised Dealers to offer forward contracts based on past performance and declaration of an exposure was suspended on a temporary basis, but banks could enter into forward contracts based on documents evidencing exposure.

Price Situation

During 1997-98, there has been a sharp moderation in the inflation rate especially since July 1997. As measured by the variations in the Wholesale Price Index (WPI), the inflation rate was placed lower at 3.20 per cent, on a point-to-point basis, up to November 8, 1997 as compared with 6.50 per cent recorded during the comparable period of the previous year. The overall cumulative increase in the WPI (up to November 1, 1997) was shared by all the commodity groups i.e., the 'Manufactured Products' group (1.3 per cent), the 'Primary Articles' group (0.9 per cent) and the 'Fuel, Power, Light and Lubricants' group (0.8 per cent).

The Consumer Price Index for Industrial Workers (CPI-IW) increased, on a point-to-point basis, by 2.8 per cent during March – September 1997 which was also much lower than the increase of 7.8 per cent recorded during the corresponding period of the previous year.

External Sector

According to the provisional data available from DGCI & S, India's exports at US \$ 19,885 million during the first seven months of the current financial year registered a moderate growth rate of 5.2 per cent as compared with 9.9 per cent during the corresponding period of the preceding year. The deceleration in exports was mainly due to decline in growth rate of exports of primary products. Besides, there was a major slow down in the world exports during 1996. During April-October 1997, imports at US \$ 22,562 million recorded a growth rate of 6.5 per cent – marginally up from the growth of 6.4 per cent during the corresponding period of the previous year, attributable mainly to substantial rise in non-oil imports. Consequently, the trade deficit widened to US \$ 2,677 million during April-October 1997, from US \$ 2,276 million in the corresponding period of the previous year. The export-import ratio, which is an indicator of the extent to which exports can finance imports, witnessed a marginal decline from 89.3 per cent during April-October 1996 to 88.1 per cent during April-October 1997. In terms of SDR, exports and imports registered growth rates of 11.0 per cent and 12.4 per cent, respectively, during the first seven months of 1997-98.

Capital flows (net) are expected to be positive and significant during 1997-98. During the first seven months of 1997-98 (April-October) foreign direct investment flows were considerably higher at US \$ 2,055 million as compared with US \$ 1,277 million in the corresponding period of 1996-97, while portfolio investment flows at US \$ 1,825 million were marginally lower than those in the corresponding period of the previous year. Inflows under non-resident deposits declined from US \$ 2,141 million during 1996-97 (April-October) to US \$ 784 million during

1997-98 (April- October); the decline can be attributed to the outflow under the discontinued FCNR (A) scheme as also lower inflows under NR(NR)RD scheme.

During the current fiscal year (up to November 28, 1997) India's foreign exchange reserves comprising foreign currency assets of the RBI, SDRs and gold moved up by US \$ 1,696 million to a level of US \$ 28,119 million mainly on account of purchases made by the RBI through large market interventions, notwithstanding the outflows by way of withdrawals under the FCNR(A) scheme. During the same period, foreign currency assets of the RBI increased by US \$ 2,016 million. On the other hand, the value of the stock of gold held by the Reserve Bank declined from US \$ 4,054 million at end-March 1997 to US \$ 3,735 million as on November 28, 1997, due almost entirely to valuation loss resulting from movements in gold prices.

The exchange rate of the rupee depreciated gradually from Rs. 35.8139 per US dollar in April 1997 to Rs. 38.9900 per US dollar as on December 4, 1997 reflective of a correction of the cumulative real appreciation of the rupee. The trade based real effective exchange rate of the rupee which had appreciated by 9.6 per cent by March 1997 over March 1993, rose further by 3.1 per cent during April-August 1997. In the face of large capital inflows and subdued demand conditions creating surplus conditions in the foreign exchange market during April-August 1997, the conduct of the exchange rate policy was guided by the need to maintain a delicate balance between the considerations of external competitiveness and price stability. RBI's net intervention purchases during this period were substantial. During the month of September, however, the exchange rate depreciated by 1.5 per cent and the speed of depreciation was moderated by intervention sales by the RBI. The intervention sales dampened volatility and helped to restore orderly conditions in the market. With increasing integration of different segments of the Indian financial market and greater market orientation of each segment of the market, exchange rate movements also reflect developments in the money market and the

stock market. In the forward segment of the market, the swap premia for all maturities declined gradually in the first four months of 1997-98. As a result of the depreciation of the exchange rate in the spot segment of the market during August and September, the shift in perception about the future exchange rate of the rupee led to considerable increase in demand in the forward market. The premia in the forward foreign exchange market rose during August and September 1997 despite considerable intervention by the RBI in the forward segment of the market during September 1997. The six month swap premia rose from 3.63 per cent in July to 5.50 per cent in August and further to 5.52 per cent in October 1997. In the month of November alone, however, there was a considerable downward correction and with a view to ensure an orderly condition in the market and to contain volatility, direct interventions by the Reserve Bank were supported by other measures. For ensuring speedier repatriation of export earnings that would improve the supply position in the market, interest rate on post-shipment credit of maturities above 90 days and up to six months was also raised from 13.0 per cent to 15.0 per cent.

Outlook

In 1997-98, slower than expected recovery of the industrial sector is not likely to be adequately compensated by the out-turn in the agricultural sector, given the higher agricultural production base of the previous year. As such, the economy may be expected to grow at around 6.0 per cent in 1997-98.

The favourable monsoon this year stabilises the agriculture sector's output prospects and the foodgrains production is likely to improve marginally. The performance of the industrial sector, has been a cause for some concern. However, the improvement in the performance of infrastructure industries and possible increases in export demand augur well for bringing about a rise in manufacturing production in the coming months. Interest rates, both short-term and long-term, have shown a noticeable decline. On the monetary and credit side, there has been a

substantial expansion in deposits in the recent period. The banking system, as a result, has sufficient lendable resources, and the financial sector is in a position to step up the flow of resources to enable productive activities to improve their output performance. Since early October 1997, there has been a sharp increase in the overall flow of resources (in the form of both conventional credit and investments in shares / bonds / debentures / commercial paper of commercial units) to the commercial sector compared with the position in the corresponding period of the previous year.

In the area of Government finances, developments on the expenditure front are expected to heighten pressures requiring the Government to

make efforts to reverse the deceleration in revenue growth and prioritise the expenditures. Reduction of subsidies is of critical importance in this context. Although the growth of exports is lower than anticipated and causing concern, the current account deficit is expected to be around 1.5 per cent of GDP and is well manageable. The net capital flows are expected to ensure a comfortable foreign exchange reserve position during 1997-98.

To sum up, the economic fundamentals continue to be strong, with growth impulses being nurtured by a positive policy framework. Price stability has been the main gain of the economic situation so far: this should help improve India's competitiveness, reduce economic hardships on the poor and promote growth.

CHAPTER II

NATIONAL INCOME, SAVING AND INVESTMENT *

The Indian economy continued to be at a high growth trajectory in 1996-97. As per the Revised Estimates (July 1997) of the Central Statistical Organisation (CSO), the growth rate of real GDP in 1996-97 was 6.8 per cent, only marginally lower than that in 1995-96 (7.1 per cent). Sector-wise, the growth rate for 'agriculture and allied activities' turned from a nominal negative to a healthy positive 5.7 per cent. The growth rate for industry however, decelerated from 12.7 per cent in 1995-96 to 7.2 per cent in 1996-97. Still the average growth rate for the post-reform period (1992-93 to 1996-97) at 6.5 per cent per annum was distinctly above the earlier trends.

The share of the household saving in financial form in GDP at current market prices had declined from 11.4 per cent in 1994-95 to 8.4 per cent in 1995-96; but a rise in the share of the household saving in physical form from 7.7 per cent in 1994-95 to 10.7 per cent in 1995-96 had compensated the decline. Consequently, the ratio of household saving to GDP had remained at 19.1 per cent both in 1994-95 and 1995-96. On the other hand, the ratios of both the public sector and the private corporate sector had improved from 1.8 per cent and 3.9 per cent, respectively in 1994-95 to 1.9 per cent and 4.1 per cent, respectively in 1995-96. Owing to these improvements, the rate of Gross Domestic Saving (GDS) in 1995-96 stood at 25.2 per cent as compared with 24.9 per cent in 1994-95. Available provisional data indicate that the household financial saving had registered a sharp rise from 8.4 per cent in 1995-96 to 10.6 per cent in 1996-97 due to a rise in household sector's deposits with banks and non-banks coupled with a fall in the financial liabilities of households.

* This chapter is based on data/information available upto August, 1997.

Trends in National Product

Performance during 1996-97

As per the Revised Estimates (July 1997) of CSO, the Gross Domestic Product at factor cost (at 1980-81 prices) for the year 1996-97 was Rs.2,92,818 crore which was higher by 6.8 per cent over the previous year (Table II-1). Sector-wise, 'agriculture and allied activities' surged with a growth rate of 5.7 per cent in 1996-97 as against a negative 0.1 per cent in 1995-96. The beneficial effect of this remarkable growth rate was moderated by the decelerated growth rates in both 'industry' and 'services' sectors. The growth rate for industry had decelerated from 12.7 per cent in 1995-96 to 7.2 per cent in 1996-97, while that of services slipped from 8.5 per cent to 7.2 per cent. All the three sub-sectors of the industrial sector, viz., 'mining and quarrying', 'manufacturing' and 'electricity, gas and water supply' registered growth rates of 1.0 per cent, 8.1 per cent and 3.8 per cent respectively, during 1996-97 as compared with 7.0 per cent, 13.6 per cent and 9.1 per cent respectively, in the previous year. Among the sub-sectors of the services sector, 'financing, insurance, real estate and business services' showed a high growth rate of 6.9 per cent in 1996-97 as compared with 4.0 per cent in 1995-96. 'Construction' also had shown a marginal improvement (by 0.2 percentage points) for the year 1996-97 as compared with the preceding year. All other sub-sectors, however, recorded lower growth rates during the current year as compared with the previous year.

According to the Advance Estimates, Gross National Product at factor cost (at 1980-81 prices) during 1996-97 was Rs.2,85,291 crore, registering a growth rate of 6.7 per cent over the previous

year – it was, however, relatively low by 0.3 percentage points as compared with the preceding year. The Net National Income (NNP at factor cost at 1980-81 prices) during 1996-97 was estimated at Rs.2,52,557 crore, registering a growth rate of 6.7 per cent. The per capita NNP (at 1980-81 prices), worked out to Rs.2,698 for 1996-97 as against Rs.2,573 for 1995-96.

As is evidenced from the time series profile of real GDP, during the first half of the 'nineties (from 1990-91 to 1994-95) the Indian economy experienced an average growth rate of 4.9 per cent as compared with a growth rate of 5.7 per cent experienced during the first-half of the 'eighties (from 1980-81 to 1984-85). This is, however, inclusive of the crisis year of 1991-92 when GDP rose by 0.8 per cent. If the crisis year is disregarded, the annual average rate of growth during the Eighth Five Year Plan (i.e., from 1992-93 to 1996-97), works out to 6.5 per cent per annum, which was higher than the targeted rate (5.6 per cent) envisaged for the plan period. The pace of recovery was set in during 1992-93 and 1993-94, and accelerated during 1994-95 to 1996-97.

Over the years there had been perceptible changes, *albeit* slowly, in the structural composition of national income by industry of origin. While there had been a decline in the share of value added by the 'agriculture and allied activities' from 37.2 per cent during the period 1980-81 to 1984-85 to 29.9 per cent during the period 1990-91 to 1994-95, both the industrial sector and services sector improved their shares in value added.

Sectoral Performance in Recent Years

Despite the rising trend of real GDP since 1992-93, sector-wise performance had not been uniform. The annual growth rate of agricultural sector in the first half of the 'nineties was only 3.2 per cent; this is much lower than the performance (4.5 per cent) during the 'eighties. It may also be noted that during the Eighth Plan period its growth rate at 4.0 per cent turned out to be not so impressive.

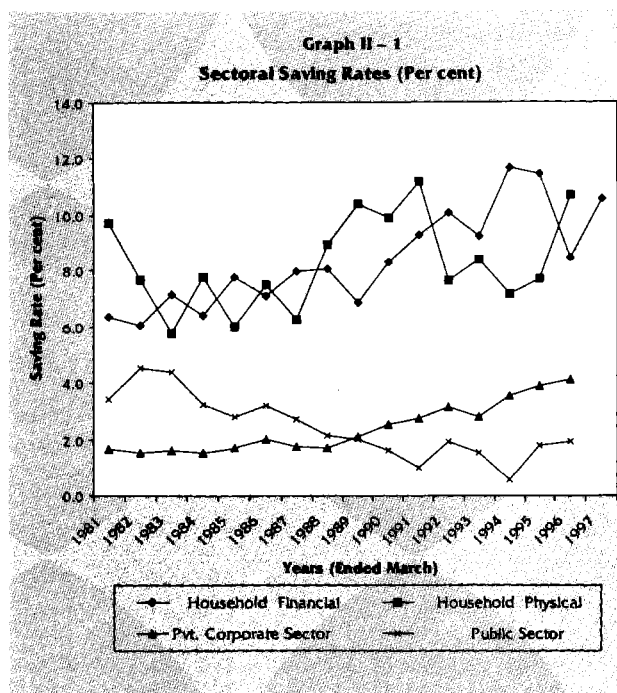
Industrial sector, on the other hand, had shown a mixed trend in its growth path. During the Eighth Five Year Plan period its growth rate was 8.4 per cent as against 6.5 per cent during the first half of the 'eighties. It could have registered a much higher growth during the Eighth Plan period had there not been steep deceleration in the growth rate in 1996-97. The services sector had marginally improved its growth rate, from 5.4 per cent during the first half of the 'eighties (1980-81 to 1984-85) to 6.0 per cent during the first half of the 'nineties (1990-91 to 1994-95). However, during the subsequent years this sector had been registering higher growth rates; for instance, during the period from 1992-93 to 1996-97 the average annual growth rate for this sector works out to 7.0 per cent.

Trends in Domestic Saving and Investment

Aggregate Saving and Investment, 1995-96

According to the Quick Estimates (January 1997) of the CSO, the Gross Domestic Saving (GDS) reached a new peak of 25.6 per cent of GDP at current market prices in 1995-96 which was an improvement over the previous peak of 24.9 per cent in 1994-95. Since the release of Quick Estimates (January 1997), the data on household financial saving were revised on account of which GDS rate would be 25.2 per cent in 1995-96. The aggregate investment rate would, accordingly, be 27.0 per cent in 1995-96 (Statement 12, Vol. II).

The achievement of the peak rate of GDS in 1995-96 had been made possible by the increased contributions of private corporate sector and public sector. The saving of the private corporate sector had been showing a steady increase; its ratio rising from 3.6 per cent in 1993-94 to 3.9 per cent in 1994-95 and further to 4.1 per cent in 1995-96. The ratio of the saving of the public sector had also increased from 0.6 per cent in 1993-94 to 1.8 per cent in 1994-95 and further to 1.9 per cent in 1995-96. As depicted in Graph II-1, since 1988-89, saving rate of the private corporate sector remained higher than that of the public sector.



The ratio of the saving of the household sector in GDP had improved from 18.9 per cent

in 1993-94 to 19.1 per cent in 1994-95 and remained at the same level in 1995-96. The ratio of saving in physical assets increased from 7.2 per cent in 1993-94 to 7.7 per cent in 1994-95 and then shot up to 10.7 per cent in 1995-96. Against this trend, the ratio of saving in financial assets showed a decline from 11.7 per cent in 1993-94 to 11.4 per cent in 1994-95 and further to 8.4 per cent in 1995-96. While the decline in the rate of household saving in financial assets in 1994-95 had been attributed to the rise in the financial liabilities of households, along with a reduction in the non-bank deposits and investment in units of Unit Trust of India (UTI), the drop in 1995-96 was explained by a fall in bank deposits of the households and lower investment in claims on Government and in shares and debentures (Statement 11, Vol. II).

The methodology of estimation of saving and investment in India has been a matter of concern for both policy makers and academics. The reform process, together with the increasing technological advancement and information systems necessitates

Box II-1

REPORT OF THE EXPERT GROUP ON SAVING AND CAPITAL FORMATION

An Expert Group on Saving and Capital Formation under the chairmanship of Professor V.M. Dandekar was set up on April 10, 1995 by the Government of India, Ministry of Planning and Programme Implementation, Department of Statistics, to review the existing methodology followed by Reserve Bank and Central Statistical Organisation (CSO) for estimation of saving and capital formation and recommend improvements in the methods and procedures of estimation of saving and capital formation. After the sudden demise of Professor V. M. Dandekar, Professor Raja J. Chelliah took over as chairman of the Group. The Report was submitted on December 31, 1996. The terms of reference for the Expert Group were:

- to undertake a critical review of the available estimates of saving and capital formation in the economy both of the aggregates and their components;
- to evaluate their interpretational significance;
- to recommend improvements in the methods and procedures of estimation with particular emphasis

on the household and private corporate sectors in particular to consider the desirability of continuing with the residual system of estimation;

- to recommend a system of conducting appropriate studies/surveys on a regular basis to determine important ratios and proportions used in the estimation of capital formation and saving;
- to spell out a system to verify the data from various sources to check that they correspond with the realities; and
- to review the existing methodology and suggest improvements in the estimates of capital formation at the regional level.

The major recommendations of the Group relating to saving and capital formation in respect of various sectors are:

Household Sector

- As large scale income and expenditure surveys have not been successful in India, the present system

of treating household as the residual in the estimation of saving and capital formation is to be continued.

Household Sector's Savings in Financial Assets

- The present time lag in the availability of flow of funds accounts needs to be reduced to streamline the household savings data.
- The flow of funds data should be used for estimating household saving in the form of currency. For the years for which flow of funds data are not available, average ratio for the past three years should be applied.
- Efforts should be made to capture the deposits by households with different Housing Boards, Mahanagar Telephone Nigam Limited in households' financial assets.
- The component of loans and advances of the private non-financial corporate sector to its employees needs to be included in the financial liabilities of households.
- The method of spreading the interest accrued on yearly basis on deep discount bonds and zero coupon bonds should be attempted.
- All new financial instruments such as warrants which are traded apart from the underlying securities to which they are linked should be taken into account in the estimation of saving as and when the relevant data become available.

Household Sector's Savings in Physical Assets

- Feasibility of conducting independent income expenditure surveys on a periodic basis should be considered for verifying the estimates of households' saving in physical assets.
- Enterprise surveys on the lines of All India Debt and Investment Survey (AIDIS) should be conducted periodically every five years.
- The items to be included in the basket of fixtures and fittings for the estimation of construction output need to be periodically reviewed.
- Bricks produced by rural households for own use need to be estimated and included in the physical assets in the form of construction in the household sector.
- The norms and proportions of gross value added to inventories in case of unregistered manufacturing, trade, etc. need to be rationalised.

Private Corporate Sector

- The Department of Company Affairs must collect the relevant information on the top 1500 companies and make it available to RBI. RBI would then prepare saving and capital formation estimates on the census basis for the top 1500 companies, and for the remaining companies, estimates may be built up on a sample basis. The Companies Act might be suitably amended to make the required information available to RBI by the companies in time.

Public Sector

- States need to make arrangements for consolidation of statistics from the annual statements of receipts and expenditure separately for different types of local bodies. Bigger local bodies, such as those of the metropolitan cities, municipal corporations and municipalities should be covered on complete enumeration basis. In the case of smaller local bodies the data may be collected through suitably designed sample surveys.

Treatment of Errors and Omissions

- RBI should follow the recommendations of *System of National Accounts, 1993* by treating 'Errors and Omissions' in balance of payment together with current account balance as reflective of net capital inflow from abroad.
- If there is large difference between the estimates of gross capital formation and gross domestic saving, such difference needs to be reconciled with the flow of funds data.

Recommendations Relating to Implementation of SNA 1993

- The *SNA 1993* recommends that the change in monetary gold owned by the monetary authorities as a component of International reserves may be treated as part of saving of the nation in the concerned financial year. The group, however, suggests that the increase/decrease in monetary gold held by the central bank does not affect saving/capital formation of the economy. The change in the non-monetary gold which may occur due to new production or imports may be treated as final consumption if the gold is converted into jewellery for customary use. Acquisition of gold by an institution as a store of value only should be treated as a "valuable" and included in acquisition of valuables and thus in gross capital formation of that institution.

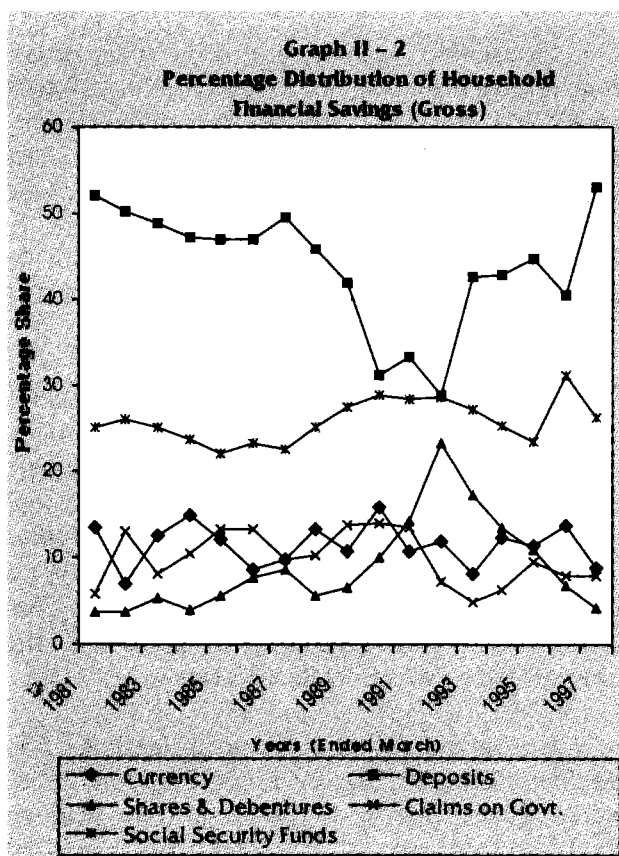
- The *SNA 1993* has recommended that trees that yield products continuously over time are to be taken as cultivated assets. While agreeing to it, the Group, realising the difficulty in capturing the requisite information, has suggested that agencies like National Sample Survey Organisation (NSSO) may be requested to include questions on such trees in the AIDIS Questionnaire.
- Capital work in progress should form part of inventories and accordingly no consumption of fixed capital (CFC) should be charged on it.
- Though the *SNA 1993* has recommended that small tools be treated as materials used for intermediate consumption, the group felt that if a small tool has service life of more than one year, it should be taken as part of gross fixed capital formation.
- Expenditures on mineral explorations should be taken to form part of fixed capital formation.
- Software and data base which are purchased from the market by the business enterprises should be treated as part of capital formation. However, the

increase in productivity of the existing software due to development of utilisation techniques should not be treated as part of capital formation.

- The originals of films/books/research/artistic work, identified by copy rights/patents, need to be taken as a part of capital formation. The research and development expenditure should not be capitalised; when research succeeds, it results in new copy rights/patents which in turn get included in capital formation.
- For households, information on associated cost of capital assets transfer from one hand to another needs to be collected by organising suitably designed sample surveys.
- Defence expenditure on capital equipment such as radar, satellite launching system and vehicles and on construction of buildings for offices, hospitals and schools etc. and on other construction works like roads, air fields, docks which are useable for civilian purposes may be considered as part of gross capital formation.

improvements in the methodology being followed in constructing data on saving and capital formation. It is in this context, the Government of

India, Ministry of Planning and Programme Implementation, Department of Statistics, had set up an Expert Group on Saving and Capital Formation. The main recommendations of which are given in Box II-1.



Household Savings in Financial Instruments - 1996-97

Provisional estimates of financial saving of households for 1996-97 indicate that the net financial assets of the households is set to register a sharp rise from 8.4 per cent in 1995-96 to 10.6 per cent in 1996-97. This rise is mainly attributable to sharp increase in both bank and non-bank deposits and a steep reduction in financial liabilities. In terms of households' preference for various financial assets, there had been no significant change in 1996-97, over the previous year (Graph II-2).

Financial Assets

Currency: The currency held by the households showed a decline from Rs.16, 525 crore in 1995-96 to Rs. 13, 553 crore in 1996-97. As a result, the share of currency in financial assets (gross), which had increased from 11.3 per

cent in 1994-95 to 13.8 per cent in 1995-96, declined to 8.9 per cent in 1996-97.

Bank Deposits: Households save a large portion of their savings in the form of deposits with commercial banks, co-operative credit and non-credit societies. This instrument garnered Rs.34,993 crore or 3.2 per cent of GDP in 1995-96 as compared with Rs.53,200 crore or 5.6 per cent of GDP in 1994-95. It was estimated at Rs.58,364 crore or 4.6 per cent of GDP in 1996-97. The share of bank deposits in gross financial assets, after showing a fall from 37.8 per cent in 1994-95 to 29.1 per cent in 1995-96, made a sharp recovery to 38.2 per cent in 1996-97.

Non-banking Deposits: Household deposits with non-banking financial and non-financial companies rose from Rs.11,547 crore in 1994-95 to Rs.13,198 crore in 1995-96 and jumped to Rs.22,377 crore in 1996-97. The share of non-banking deposits in financial assets had increased from 8.2 per cent in 1994-95 to 11.0 per cent in 1995-96 and further to 14.6 per cent in 1996-97. Attractive returns offered by non-banking companies coupled with their aggressive marketing strategy had reportedly contributed to the increasing share of non-banking deposits.

Social Security Funds: Contractual savings of the households constitute savings under provident funds (PF) schemes, pension and life insurance funds. Savings mobilised under these instruments had gone up from Rs.33,061 crore in 1994-95 to Rs.37,452 crore in 1995-96, which moved up further to Rs.40,065 crore in 1996-97. The share of social security funds in gross financial saving increased from 23.5 per cent in 1994-95 to 31.2 per cent in 1995-96, but declined to 26.2 per cent in 1996-97. However, as a percentage to GDP at current market prices, social security funds declined from 3.5 per cent in 1994-95 to 3.4 per cent in 1995-96 and further to 3.2 per cent in 1996-97.

Claims on Government: Households' claims on Government declined sharply from Rs.13,360 crore in 1994-95 to Rs.9,533 crore in 1995-96. However, it is estimated to increase to Rs.11,987 crore in 1996-97. The share of the claims in

households' gross financial saving had declined from 9.5 per cent in 1994-95 to 7.9 per cent in 1995-96 and then to 7.8 per cent in 1996-97. Small savings, which is the major instrument under 'claims on Government', garnered Rs.13,104 crore in 1994-95, Rs.9,034 crore in 1995-96 and Rs.11,229 crore in 1996-97.

Investment in Shares and Debentures including Units of UTI: There was a steady decline in the households' investment in shares and debentures including units of UTI since 1994-95. The amount raised by these instruments in 1994-95 was Rs.15,519 crore, which declined to Rs.8,057 crore in 1995-96 and further to Rs.6,305 crore in 1996-97. Apart from the fact that there was dearth of attractive new issues in the capital market, the typical risk-averse nature of the Indian investors who preferred safer instruments to deploy their savings marked the behaviour of the households during this period. As percentage to GDP at current market prices, the investment in shares and debentures steadily declined from 1.6 per cent in 1994-95 to 0.7 per cent in 1995-96 and further to 0.5 per cent in 1996-97.

Households' investment in the units of UTI registered a drop from Rs.3,908 crore in 1994-95 to Rs.262 crore in 1995-96, but subsequently improved to Rs.446 crore in 1996-97. The performance of other mutual funds showed continuous decline in the mobilisation of household funds from Rs.1,647 crore in 1994-95 to Rs.344 crore in 1995-96 and further to Rs.233 crore in 1996-97.

Direct investment by households in the shares and debentures of private corporate sector registered a steady decline from Rs.9,718 crore in 1994-95 to Rs.7,176 crore in 1995-96 and further to Rs.5,379 crore in 1996-97. Savings under public sector bonds, after experiencing a rise from Rs.105 crore in 1994-95 to Rs.163 crore in 1995-96, received a setback in 1996-97 as the amount raised was only Rs.134 crore.

Household sector's financial liabilities had declined from Rs.31,659 crore in 1994-95 to Rs.27,258 crore in 1995-96 and further to Rs.19,600 crore in 1996-97. In terms of

percentage to GDP at current market prices, financial liabilities registered a steady decline from 3.3 per cent in 1994-95 to 2.5 per cent in 1995-96 and to 1.6 per cent in 1996-97. Households owed their liability mostly to the banks in the form

of 'bank advances' during this period. The liability of households to banks continuously dropped from Rs.28, 508 crore in 1994-95 to Rs.24, 312 crore in 1995-96 and then Rs.16, 643 crore in 1996-97 (Statement 11, Vol. II).

Table II-1: Trends in Sectoral Growth Rates and Composition of Real GDP

(Per cent)

Item	Period I (1980-81 to 1984-85)	Period II (1985-86 to 1989-90)	Period III (1990-91 to 1994-95)	1992-93P	1993-94P	1994-95P	1995-96*	1996-97**	Period IV (1992-93 to 1996-97)
1	2	3	4	5	6	7	8	9	10
1. Agriculture and Allied Activities	5.7 (37.2)	3.4 (32.6)	3.2 (29.9)	6.1 (30.2)	3.6 (29.5)	4.6 (28.8)	-0.1 (26.9)	5.7 (26.6)	4.0 (28.4)
1.1 Agriculture	6.2 (34.0)	3.6 (30.1)	3.3 (27.8)	6.6 (28.1)	3.8 (27.5)	4.6 (26.8)	-0.3 (25.0)	-	-
2. Industry	6.5 (21.9)	8.0 (24.1)	5.3 (25.0)	4.3 (24.5)	7.8 (24.9)	9.9 (25.5)	12.7 (26.8)	7.2 (26.9)	8.4 (25.7)
2.1 Mining and Quarrying	8.2 (1.7)	9.0 (1.8)	5.1 (2.0)	1.1 (2.0)	2.0 (1.9)	8.1 (1.9)	7.0 (1.9)	1.0 (1.8)	3.8 (1.9)
2.2 Manufacturing	6.2 (18.5)	7.7 (20.2)	5.1 (20.5)	4.2 (20.0)	8.5 (20.4)	10.2 (21.0)	13.6 (22.3)	8.1 (22.6)	8.9 (21.3)
2.3 Electricity, Gas and Water Supply	7.9 (1.8)	9.5 (2.1)	8.0 (2.5)	8.4 (2.5)	7.1 (2.6)	8.6 (2.6)	9.1 (2.6)	3.8 (2.6)	7.4 (2.6)
3. Services	5.4 (40.9)	7.2 (43.3)	6.0 (45.1)	5.3 (45.3)	6.7 (45.6)	7.4 (45.7)	8.5 (46.3)	7.2 (46.5)	7.0 (45.9)
3.1 Trade, Hotels, Transport and Communication	5.7 (16.8)	7.1 (17.8)	6.3 (18.3)	6.3 (18.2)	7.5 (18.5)	10.0 (18.9)	13.3 (20.0)	8.7 (20.4)	9.2 (19.2)
3.2 Financing, Insurance, Real Estate and Business Services	5.3 (8.9)	8.3 (9.8)	7.8 (11.1)	4.6 (11.1)	10.5 (11.6)	7.1 (11.6)	4.0 (11.3)	6.9 (11.3)	6.6 (11.4)
3.3 Community, Social and Personal Services	5.2 (10.4)	7.3 (11.1)	4.2 (11.2)	5.0 (11.4)	3.9 (11.1)	3.8 (10.8)	6.2 (10.7)	5.3 (10.6)	4.8 (10.9)
3.4 Construction	5.0 (4.7)	5.2 (4.5)	5.1 (4.5)	3.4 (4.6)	1.3 (4.4)	6.9 (4.4)	5.3 (4.3)	5.5 (4.3)	4.5 (4.4)
4. Total Gross Domestic Product (1+2+3)	5.7 (100.0)	6.0 (100.0)	4.9 (100.0)	5.3 (100.0)	6.0 (100.0)	7.2 (100.0)	7.1 (100.0)	6.8 (100.0)	6.5 (100.0)

P Provisional. * Quick Estimates, January, 1997. ** Revised Estimates, July, 1997.

Note : Figures in brackets indicate the sectoral shares of Gross Domestic Product.**Source** : Central Statistical Organisation.

CHAPTER III

AGRICULTURE *

An Overview

Agricultural production staged a sharp recovery during 1996-97. This turnaround from the marginal decline in the previous year was facilitated primarily, by the satisfactory performance of the South-West monsoon and the overall favourable weather conditions and partly by better yield. Production of both foodgrains and non-foodgrains, except sugarcane and coffee, were higher in 1996-97. However, the procurement of foodgrains was lower during 1996-97 due, partly, to the lower production in the previous year. The year-end level of foodgrains stocks with public sector agencies were considerably lower despite that the offtake had declined by one million tonnes during the year. The stocks continued to deplete further and stood at 15.3 million tonnes by the end of September 1997, compared with 19.9 million tonnes a year before.

The overall growth rate of agricultural production during 1997-98 is anticipated to show only marginal improvement. Though the country had received normal rainfall during the South-West monsoon for the tenth consecutive year, the output of the *kharif* crops, with the exception of rice, is likely to be lower than that in 1996-97 on account of a decline in the area under cultivation which, in turn, is attributable to the delayed onset of monsoon rains and the deficient rainfall in certain parts of the country. The production of *rabi* crops may, however, turn out to be higher than that in 1996-97 following good precipitation received during the latter part of the South-West monsoon season 1997 and the attendant comfortable position at water reservoirs assuring adequate availability of irrigation water. The optimistic

prospects in regard to *rabi* crops are also based upon the expectation of timely and adequate precipitation during the North-East monsoon and the support of salubrious overall weather conditions. Besides, the timely and adequate availability of irrigation water, chemical fertilizers and other crucial farm inputs such as improved/HYV seeds, pesticides and credit support, are also expected to improve the output. The consequent rate of growth in the overall performance of agriculture may, however, be marginal in view of the high base recorded in 1996-97.

Trends in Production

Agricultural production posted an impressive growth rate of 6.0 per cent in 1996-97 with the overall index of production of all major crops (base : triennium ending 1981-82=100) rising to 174.1 from 164.3 in 1995-96. The primary contributor to the remarkable surge in the growth rate was the output of foodgrains; the index of foodgrains production moved up to 160.6 in 1996-97 from 150.4 in 1995-96, thus recording a growth of 6.7 per cent. The production index of non-foodgrains also rose to 197.2 in 1996-97 from 187.8 in 1995-96, exhibiting a rise of 5.0 per cent. However, the strong uptrend in agricultural production during 1996-97 should be viewed against the backdrop of the negative output growth in the preceding year; during 1995-96, the production index of all crops had declined by 0.4 per cent, with a 3.2 per cent fall in the index of foodgrains production.

Production of Foodgrains

The total production of foodgrains rose to a record level of 198.96 million tonnes in 1996-97, up by nearly 14 million tonnes from 185.0 million

* This Chapter is based on data/material available upto September, 1997.

tonnes in 1995-96 and also higher by 7.5 million tonnes than the previous peak of 191.5 million tonnes attained in 1994-95 (Table III-1). The higher production during 1996-97 was due mainly to the improvement in the yield and partly to the expansion in area under cultivation. The average yield per hectare of foodgrains rose appreciably by 7.0 per cent to 1,604 kgs. in 1996-97 from 1,499 kgs. in 1995-96. The area under foodgrains rose marginally by 0.5 per cent during the year. Season-wise, the *kharif* foodgrains output at 105.1 million tonnes was higher by 7.1 per cent, compared with the previous year's output of 98.2 million tonnes, and the *rabi* output at 93.8 million tonnes was 8.0 per cent above the previous year's level of 86.9 million tonnes. The yield of *rabi* foodgrains rose faster by 9.3 per cent as against 5.4 per cent in *kharif* foodgrains (Table III-3).

Production of Non-foodgrains

In line with the rising trend in the output of foodgrains, the production of almost all major non-foodgrain crops also increased considerably during 1996-97. The output of nine major oilseeds rose sharply by 12.2 per cent to a record level of 25.2 million tonnes in 1996-97. Among the fiber crops, the output of cotton increased by 8.9 per cent to 14.3 million bales and that of jute and mesta rose by 23.6 per cent to 11.0 million bales in 1996-97. The production of sugarcane, however, suffered a mild setback, down by 2.2 per cent, from the peak level of 283.0 million tonnes in 1995-96 to 276.8 million tonnes in 1996-97. Among the beverage crops, while the production of tea, which had stagnated during the last couple of years, increased appreciably by 3.5 per cent to 780.0 million kgs. in the calendar year 1996, that of coffee declined by 8.1 per cent to 205.0 million kgs. in 1996-97 (Table III-1).

Availability of Foodgrains

The net availability of foodgrains in the country during the calendar year 1996 remained at the level of 1995 (169.4 million tonnes) on account of larger depletion of stocks with the Government. However, with the increase in the population, the per capita per day availability of

foodgrains declined from 506.6 grams in 1995 to 498.0 grams in 1996, and was considerably lower than 510.1 grams in 1991 (Table III-6). The decline in the per capita availability from 41.6 grams in 1991 to 34.0 grams in 1996 in the case of pulses was much sharper, compared with that of the cereals which declined from 468.5 grams to 464.0 grams during the same period.

Minimum Support Prices

The Central Government fixes the Minimum Support Prices (MSP) of various agricultural commodities on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP) and also by taking into account the views of the State Governments and the concerned Central Ministries. Intended to induce the farmers to raise production, MSPs of various agricultural commodities were revised upwards during 1996-97 as indicated in Table III-7.

Public Distribution System

The Public Distribution System (PDS) constitutes an important instrument of food-management policy of the Government for moderating the fluctuations in open market prices of certain essential commodities and also for ensuring food security, particularly to the weaker sections of the society. Under PDS, the Central Government supplies six essential commodities *viz.*, wheat, rice, sugar, edible oils, kerosene, and soft coke to the States and Union Territories at uniform prices known as Central Issue Price (CIP), to be made available to the public through a network of fair price shops across the country. There were 4.4 lakh fair price shops at the end of March 1996. While CIP for foodgrains, which were fixed by the Central Government in February 1994 remained unaltered upto May 1997, a dual pricing structure with concessional prices for supply of a limited quantity of foodgrains (10 kgs. per month per family) to be sold at prices around half the CIP fixed for the consumers above poverty line to the consumers below poverty line was introduced under the Targeted Public Distribution System from June 1997 (Table-III.9; also refer to RBI Annual Report 1996-97: Box II.1, page 42).

Procurement

The total procurement of foodgrains, both rice and wheat, during 1996-97 amounted to 20.1 million tonnes, 9.5 per cent lower than that in 1995-96 (22.20 million tonnes). The procurement of rice was 11.9 million tonnes during 1996-97 as against 9.9 million tonnes in the previous year. Andhra Pradesh and Punjab, which are the main contributors to the central pool, made substantial contribution to rice procurement. The enhanced procurement of rice is attributable to the relaxation in certain stipulated quality norms in the cyclone-affected areas of Andhra Pradesh and the re-imposition of the levy requirement for the private millers in Punjab. The procurement of wheat, however, fell steeply to 8.2 million tonnes during 1996-97 from 12.3 million tonnes during 1995-96, showing a decline of 33.3 per cent. The decrease is attributable, largely, to the lower production in Punjab and other major wheat producing States during 1995-96 and the removal of restrictions on the inter-State movement of the commodity. During April-June 1997, total procurement of rice and wheat aggregated 11.1 million tonnes, showing a rise of 12.6 per cent over 9.9 million tonnes of procurement made during the corresponding period of the previous year. The increase in the procurement was observed mainly in the case of wheat. Almost the entire procurement of wheat for whole of the marketing season is completed in the April-June quarter itself. During April-June 1997, the procurement of wheat aggregated 9.2 million tonnes, higher by 1.1 million tonnes or 13.1 per cent as compared with 8.1 million tonnes during April-June 1996 (Table III-8). However, at this level, the procurement of wheat during April-June 1997 was considerably lower than 12.3 million tonnes of procurement made during April-June 1995, despite the higher production of 68.9 million tonnes in 1996-97 as against 65.8 million tonnes in 1994-95.

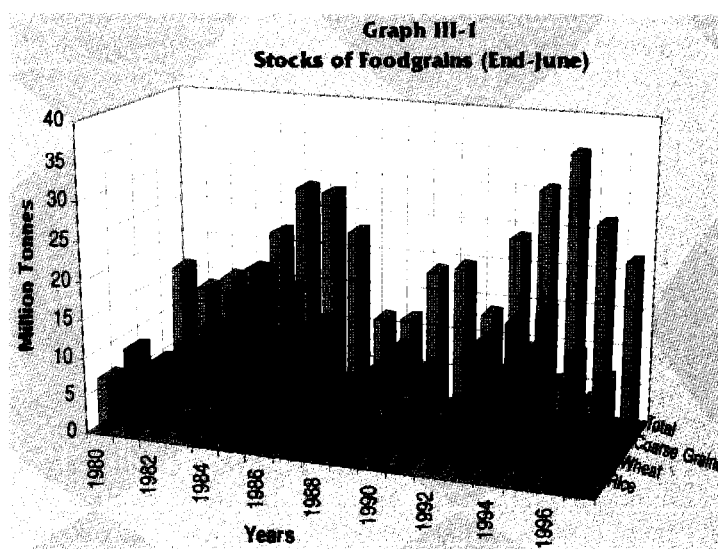
Off-take

The total off-take of foodgrains during 1996-97 was 25.8 million tonnes [including 1.44 million tonnes under the Jawahar Rozgar Yojana and other welfare schemes, and 4.65 million tonnes under

the open market sale scheme of the Food Corporation of India (FCI)]. This was 3.9 per cent lower than the off-take of 26.8 million tonnes in 1995-96. Commodity-wise, while the off-take of rice at 12.4 million tonnes was lower by 1.6 million tonnes, that of wheat at 13.3 million tonnes was higher by 0.5 million tonnes in comparison to their respective levels in the previous year. During April-June 1997, the total off-take of foodgrains at 5.1 million tonnes was marginally higher than the off-take of 5.0 million tonnes in the corresponding quarter of the previous year (Table III-10).

Stocks

The stocks of foodgrains with the public sector agencies declined considerably due, mainly, to the reduced procurement of foodgrains during 1996-97. Total stocks at the end of March 1997 stood at 16.4 million tonnes which were lower by 21.2 per cent compared with the stocks maintained a year ago (20.8 million tonnes). While the stocks of rice at 13.17 million tonnes were marginally higher than the level of 13.06 million tonnes a year ago and were above the prescribed norms (10.8 million tonnes), those of wheat fell sharply to 3.24 million tonnes. At this level, the wheat stocks were equivalent to less than half of the stock level at the end of March 1996 (7.76 million tonnes) and were below the minimum buffer stock norms of 3.7 million tonnes. At the end of June 1997, the total stocks of foodgrains stood at 22.4 million tonnes (comprising 11.0 million tonnes of rice and 11.4 million tonnes of



wheat). These were considerably lower as compared with 27.0 million tonnes (comprising 12.9 million tonnes of rice and 14.1 million tonnes of wheat) at the end of June 1996 (Table III-11 and Graph III-1).

Production of Major Crops

Foodgrains

Rice

Total production of rice in 1996-97 at 81.2 million tonnes was marginally higher than that in 1995-96 (79.6 million tonnes), but below the previous peak of 81.8 million tonnes attained in 1994-95. The output of *kharif* (autumn and winter) rice during 1996-97, placed at 71.5 million tonnes, was higher by 1.4 million tonnes over 70.1 million tonnes in 1995-96, but was lower by 1.1 million tonnes compared with the previous peak of 72.6 million tonnes attained in 1994-95. The output of *rabi* (summer) rice which accounts for roughly one-eighth of total rice output in a year and which is largely produced in the Southern States, placed at 9.7 million tonnes in 1996-97, was marginally higher than the previous year's output of 9.5 million tonnes. The increase in the production of rice during 1996-97 over 1995-96, both *kharif* and *rabi*, reflects essentially the rise in the yield levels (Table III-12). It is pertinent to emphasise that, over the past several years, the gross cropped area under rice has remained more or less stagnant at around 42.8 million hectares. Besides, there has not been any perceptible improvement in the yield over the level achieved in 1993-94 (1,888 kgs).

Wheat

Wheat recorded an impressive turnaround and the output rose by 6.2 million tonnes or nearly 10.0 per cent to 68.9 million tonnes during 1996-97 from 62.6 million tonnes in 1995-96 and it was also significantly higher than the previous peak of 65.8 million tonnes recorded in 1994-95. The increase in the production during 1996-97 reflected the combined effect of both an expansion in cultivated area and an improvement in the average yield rate. Assisted by the extremely favourable weather conditions, the yield improved

appreciably to 2,651 kgs. per hectare in 1996-97 from 2,493 kgs. in 1995-96, surpassing the previous high of 2,559 kgs. recorded in 1994-95. Nevertheless, the 3.4 per cent increase in the area under wheat during 1996-97 was also important. The steady expansion in the area under wheat cultivation, observed during the recent years, except in 1995-96, is suggestive of the farmers' response to the positive price movements following substantial increases in the procurement prices announced by the Government and the growing domestic demand. Over the years, the output of wheat has grown considerably, at a pace significantly faster than that of other cereals.

Coarse Cereals

The total output of coarse cereals (comprising of jowar, bajra, maize, ragi, small millets and barley) during 1996-97, placed at 34.4 million tonnes, was significantly higher by 16.0 per cent over 29.6 million tonnes in 1995-96. The output growth emanated both from the expansion of cultivated area by 2.0 per cent and the rise in the yield by 13.75 per cent. In view of the favourable South-West monsoon during 1996-97, the area under *kharif* coarse cereals expanded by 2.2 per cent to 25.0 million hectares, their average yield rose sharply by 17.8 per cent to 1,119 kgs, and the total production improved to 28.0 million tonnes, showing a quantum jump of 4.7 million tonnes or 20.4 per cent over 23.3 million tonnes in 1995-96. The output of *rabi* coarse cereals, however, remained unchanged at the previous year's level of 6.4 million tonnes. (Table III-14).

Pulses

The production of pulses during 1996-97 was estimated at 14.6 million tonnes, showing an increase of 1.4 million tonnes or 10.3 per cent over 13.2 million tonnes in 1995-96. The rise in production was due, primarily, to the sharp improvement in the average yield (Table III-5). Grown largely on the marginal and sub-marginal lands, mostly under rain-fed conditions, and highly susceptible to the attack of pests, the production of pulses has been fluctuating from year to year depending upon the overall behaviour of monsoon and other climatic conditions. In order to

accelerate the production of pulses, the National Pulses Development Project (NPDP), which envisages added emphasis on the expansion of area under pulses cultivation through multiple cropping and inter-cropping as also on improving the yield through application of modern methods of cultivation, was brought under the purview of the Technology Mission on Oilseeds in 1990.

Non-foodgrains

Oilseeds

Production

Among the nine major oilseed crops grown in the country, groundnut and rapeseed/mustard together account for nearly 62 per cent of total oilseed output. Soyabean and sunflower have emerged as the other major oilseed crops having substantial growth potential in recent years. After the setting up of the Technology Mission on Oilseeds in 1986, oilseeds output has recorded constant improvement. The output of nine major oilseeds witnessed a substantial rise from 22.4 million tonnes during 1995-96 to reach a record level of 25.2 million tonnes during 1996-97. The record output of oilseeds is mainly attributed to an improvement in the yield level roughly by 10.0 per cent. Area under oilseeds cultivation also increased by 2.3 per cent giving a fillip to output. The increase in production during 1996-97 was seen by both *kharif* and *rabi* oilseeds crops. During 1996 *kharif* season, the output at 14.6 million tonnes recorded an impressive increase of 14.9 per cent, while in the *rabi* season, the output at 10.5 million tonnes was higher by 8.7 per cent (Table III-15). The healthy impact of Oilseeds Production Programme (OPP) in 337 districts of 23 States accompanied by price support of the Government played an important role in raising the yield level and in the expansion of area under oilseeds.

Among the major oilseeds, the production of groundnut increased substantially to 9.2 million tonnes during 1996-97, recording a rise of 17.7 per cent over the previous year on account of significant increase in the yield. Besides groundnut, the overall increase of 12.2 per cent in the oilseeds production is also accounted for by higher output

of rapeseed/ mustard, sesame and castorseed, supplemented by small increases in soyabean, safflower, linseed and sunflower seeds. However, the production of nigerseed declined by 18.4 per cent due to the decline in area under cultivation and drop in the yield level (Table III-16).

Price Policy

The Government raised the Minimum Support Price (MSP) for groundnut (in shell), sunflower seed, soyabean yellow, soyabean black, sesame and nigerseed to Rs. 920, Rs.960, Rs. 700, Rs. 620, Rs. 870 and Rs. 720 , per quintal, respectively, in 1996-97 from Rs. 900, Rs. 950, Rs. 680, Rs. 600, Rs. 850 and Rs. 700, per quintal, respectively, in 1995-96 (Table III-7). The MSP of other oilseeds, namely rapeseed/mustard, and safflower were raised to Rs. 860 per quintal and Rs. 800 per quintal from Rs. 810 and Rs. 760 per quintal, respectively.

Marketing Operations

Of the various institutions, the National Agricultural Co-operative Marketing Federation of India Ltd. (NAFED) continued to be the nodal marketing agency to undertake price support operations. The National Dairy Development Board (NDDB) acts as a Market Intervention Agency for the procurement of oilseeds and oils for building up of buffer stocks. Through the network of Regional Oilseeds Growers Co-operative Unions and Federations in different States, the NDDB procured 39,193 tonnes of oilseeds during 1996-97, compared with 62,305 tonnes in 1995-96. However, since the Oil Projects were running in losses (the accumulated losses for the year 1995-96 stood at about Rs.228.05 crore), NDDB provided working capital assistance to the Unions and Federations, and also helped them with the issuance of additional share capital, reschedulement of loan repayments, interest waivers, rehabilitation grants and manpower support.

Foreign Trade in Edible Oils

In spite of the significant rise in the production of oilseeds and edible oils in the past

couple of years, the country had to import edible oil in order to make up the shortfall in the availability of edible oils. During 1996-97, 12.5 lakh tonnes of edible oil were imported.

Cotton

Production

Production of cotton continued to show an upward trend for the third consecutive year to reach a record level of 14.25 million bales in 1996-97, 8.9 per cent higher than that in the 1995-96 season (13.09 million bales). The increase was largely contributed by a smart recovery in the yield level, up by 7.6 per cent over the previous year. (Table III-17).

The Cotton Advisory Board (CAB) has placed the cotton output estimates for 1996-97 season at a record level of 17.15 million bales, higher by 4.5 per cent as compared with its own estimation of 16.42 million bales for the 1995-96 season. On the supply side, the total availability of cotton during 1996-97 at 20.29 million bales (comprising of an opening stock of 3.09 million bales, estimated production of 17.15 million bales and imports of 0.05 million bales) was higher by 7.8 per cent than 18.82 million bales in 1995-96. On the demand side, mill consumption in 1996-97 was placed at 14.90 million bales, which was higher by 7.7 per cent than the previous season's consumption of 13.83 million bales. Small spinners' consumption was placed higher at 0.70 million bales, whereas non-mill consumption remained unchanged at last year's level of 0.95 million bales. Exports during 1996-97 season increased significantly to 1.70 million bales from 0.80 million bales in the previous year. Thus, total off-take during 1996-97 was placed at 18.25 million bales, showing a rise of 12.5 per cent over that in the previous year (16.23 million bales). The closing stocks at the end of 1996-97 season at 2.5 million bales were lower as compared with 3.1 million bales last season (Table III-18).

Price Policy

During 1996-97 season, the Government raised the MSP 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) to Rs. 1,180 per quintal and Rs. 1,380 per quintal, respectively, from Rs. 1,150 per quintal and Rs. 1,350 per quintal in 1995-96 season (Table III-7).

Procurement Operations

During 1996-97 season, the Cotton Corporation of India (CCI) purchased 1.12 million bales of cotton, compared with 1.02 million bales during 1995-96. The purchases were made mainly in Punjab, Haryana, Rajasthan, Madhya Pradesh, Gujarat and Andhra Pradesh on commercial basis.

In Maharashtra, the State owned Maharashtra State Co-operative Cotton Growers' Marketing Federation (MSCCGMF) procured 3.11 million bales, compared with 2.77 million bales during 1995-96 season under the Monopoly Procurement Scheme extended for a period of one year upto June 30, 1997.

Intensive Cotton Development Programme (ICDP)

During 1996-97, ICDP, 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 1996-97 was Rs. 18.00 crore, compared with Rs. 14.29 crore during the previous year.

Raw Jute and Mesta

The production of raw jute and mesta during 1996-97 season (July-June) is estimated at an all time high of 11.0 million bales, showing a spectacular increase of 23.6 per cent over the previous season's output of 8.90 million bales (Table III-19).

According to the Office of the Jute Commissioner, Government of India, 10.55 million bales of jute and mesta (comprising an opening stock of 0.50 million bales, production of 9.95 million bales and imports of 0.10 million bales)

were available for distribution during 1996-97 season as against 9.88 million bales during 1995-96 season. The increase in the total availability during 1996-97 season is attributed to the higher production of 9.95 million bales during the 1996-97 season. Off-take for domestic consumption during 1996-97 is estimated at 8.95 million bales. There were no exports during 1996-97. The closing stocks at the end of June 1997 were placed at 1.60 million bales (Table III-20).

Price Policy

The MSP for the basic variety of raw jute, TD-5 grade in Assam was raised from Rs. 490 per quintal for the 1995-96 season to Rs. 510 for 1996-97 (Table III-7). The corresponding MSPs of all other grades of jute/mesta in different jute/mesta growing states, were notified by the Jute Commissioner.

Marketing Operations

In the background of marketing inefficiencies, the Jute Corporation of India was appointed in 1972-73 as the sole agency for maintaining the minimum support price and for undertaking the import and export of raw jute as and when required. It also undertook commercial purchases when the fibre prices ruled above the support level to meet the requirement of the mills of the NJMC.

During the 1996-97 season, as per available information, JCI procured only 0.5 thousand bales of jute for NJMC mills. The Jute Commissioner, in order to bring about stability in raw jute prices, monitors the purchases of fibres by the industry by fixing purchase quota. Owing to the high price of the commodity, the Corporation did not have any raw jute buffer stock policy during the season.

Special Jute Development Programme (SJDP)

In order to achieve the targeted raw jute production during 1996-97 season, the efforts of the State Governments were supplemented through the implementation of the Special Jute Development Programme (SJDP) with total Central assistance. The Programme continued to remain in operation during 1996-97 in eight jute/mesta

growing States, namely, Assam, Meghalaya, Orissa, Bihar, Tripura, Uttar Pradesh, West Bengal and Andhra Pradesh on the pattern of financial assistance provided during 1995-96. During 1996-97, under the Programme, 1,858 quintals of certified jute seeds, 48 quintals of quality mesta seeds and 316 quintals of sanhemp seeds were distributed. Technology demonstrations were laid out on 1,056 hectares of jute, 1,280 hectares of mesta and 406 hectares of sanhemp in SJDP area to convince the farmers about the production technology to achieve higher yields. Besides, 6,116 essential nutrient mini-kits containing NPK were also distributed. A total of 31,000 packets of cultured fungus were also distributed in the SJDP areas for improving the quality of barks of jute.

Sugarcane

Production

The production of sugarcane in 1996-97 had declined to 276.7 million tonnes from the record output level of 282.9 million tonnes in the preceding year. The fall in output essentially represented the outcome of decreased area under sugarcane cultivation in the major sugarcane growing States of Andhra Pradesh, Karnataka, Tamil Nadu, and Maharashtra in the wake of non-payment of sugarcane dues by sugar mills to the growers in 1995-96. The average crop productivity level also had declined to nearly 62 tonnes per hectare from about 68 tonnes per hectare in 1995-96. Although the Planning Commission has fixed the sugarcane production target at 280 million tonnes for 1997-98, the likely output for the year is estimated at 262.5 million tonnes (Table III-21).

Statutory Minimum Price (SMP)

The SMP of sugarcane fixed by the Government of India for 1996-97 crop was Rs. 45.90 per quintal, compared with Rs. 42.50 per quintal for 1995-96. It was raised further to Rs. 48.45 per quintal for 1997-98 crop, linked to a basic recovery rate of 8.5 per cent and Re. 0.57 for every 0.1 per cent increase in the recovery above that level (Table III-7). The obvious impact of the higher SMP for sugarcane crop over the years is reflected in the higher production of

sugarcane and correspondingly, in the increased output of white sugar. As a result, the share of sugarcane utilised for production of white sugar has moved up to nearly 62 per cent in 1995-96 from around 45 per cent in 1992-93. Reflecting this, the proportion of sugarcane crushed by gur and khandsari manufacturers has fallen from nearly 43 per cent in 1992-93 to about 27 per cent in 1995-96.

Sustainable Development of Sugarcane Based Cropping System

The Centrally Sponsored Scheme called "Sustainable Development of Sugarcane Based Cropping System" (SUBACS), initiated in 1995-96 in order to increase the production and productivity of sugarcane, continued to be implemented during 1996-97 in 191 identified districts of Andhra Pradesh, Assam, Bihar, Goa, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Mizoram, Nagaland, Orissa, Punjab, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh, West Bengal and Union Territory of Pondicherry. The main thrust of the scheme is on transfer of latest sugarcane farming technology to the farmers through field demonstrations, training of farmers and extension staff, incentives to farmers for purchase of farm implements, seed production, drip irrigation, and productivity awards.

Tea

Production

Production of tea during the calendar year 1996 touched an all time high of 780.0 million kgs., 3.5 per cent higher than the previous year output of 753.9 million kgs., contributed by both area and yield increases (Table III-22). The increase largely emanated from North India where output increased substantially to 599.6 million kgs. during 1996 from 568.0 million Kgs. in the previous year. The domestic consumption rose from 595.0 million kgs. during 1995 to 618.0 million kgs. during 1996.

The all-India output of tea between January and June 1997 was estimated higher at 277.2

million kgs., compared with 265.0 million kgs. in the comparable period of the last year. On account of favourable weather conditions, the production during January-June was higher in South India at 96.1 million kgs. compared with 84.8 million kgs. during the same period last year. However, the production in North India rose only marginally to 181.1 million kgs. from 180.3 million kgs. during the corresponding period of the previous year.

Policy Measures

The Tea Board has drawn up a perspective plan for achieving a production target of 1,000 million kgs. by the year 2000 AD. With a view to improving production, financial subsidy is being provided for re-plantation and/or replacement of old and uneconomic areas in the existing tea gardens for rejuvenation, pruning, in-filling/ inter-planting of the existing tea areas under the "Rejuvenation and Consolidation" scheme.

Coffee

Production

Coffee is cultivated mainly in three Southern States, namely, Karnataka, Kerala and Tamil Nadu. Production of coffee suffered a severe set-back after reaching the highest level at 223 million kgs. during 1995-96. The production during 1996-97 at 205 million kgs. was lower by 8.1 per cent (Table III-23). Variety-wise, the production of Arabica was placed lower at 92 million kgs. and Robusta at 113 million kgs. The lower production was attributed to the intermittent drought in Karnataka, the major coffee producing State, as coffee is extremely sensitive to changes in weather conditions.

Development Strategy

Karnataka continues to be the largest producer of coffee in the country. The coffee output in the country during 1996-97 formed 4.4 per cent of world output, and the country's share in world coffee exports hovered around 4 per cent. The Government of India intends to enhance coffee production in the traditional areas through a comprehensive coffee development scheme by

providing financial support for investment with special emphasis on re-plantation, water augmentation and quality up-gradation.

The Coffee Board, the apex institution which co-ordinates various production and marketing programmes/ activities relating to coffee, has drawn up various programmes/ strategies in order to achieve a production target of three lakh tonnes by 2000 AD through :

- a) production improvement through intensive as well as extensive cultivation, re-plantation and water augmentation;
- b) expansion of coffee in area of 7,000 hectares and consolidation of 10,000 hectares in the non-conventional coffee growing areas in the North-Eastern States, besides developing coffee as an inter-crop in 3,500 hectares of coconut gardens in the non-conventional areas; and
- c) operation of a comprehensive coffee development scheme by providing financial support with special emphasis on improving production and productivity.

With a view to developing the export market, the Government did not impose export duty during 1996 and 1997. Further, total deregulation of coffee trade by implementing 100 per cent free sale quota for coffee has given a boost to coffee export during the last two years. This resulted in coffee exports touching an all time high of 1.78 lakh tonnes during 1996-97.

Tobacco

Production

In spite of an increase in the area under cultivation, the production of tobacco during 1995-96 declined by 1.9 per cent to 576.2 million kgs. from 587.1 million kgs. in 1994-95 (Table III-24). The production of Virginia tobacco during 1995-96 was estimated at 127.8 million kgs., 4.2 per cent higher than in the previous year. The major part of the decline in production of tobacco was recorded mainly in Gujarat and Uttar Pradesh in

1995-96. For the 1996-97 season, the Tobacco Board has fixed the crop targets of 83.3 million kgs. and 29.5 million kgs. for Andhra Pradesh and Karnataka, respectively.

Price Policy

During 1996-97, the Minimum Support Price (MSP) for F2 Grade remained the same as in the previous year, while for L2 grade of VFC tobacco, it was increased by 2.3 per cent to Rs. 22.00 per kg. (Table III-7). The MSPs for other grades of tobacco were fixed by the Tobacco Board on the basis of the MSPs of F2 and L2 varieties.

The Tobacco Board introduced the concept of a Minimum Guarantee Prices (MGP) in 1989 under which the traders would indicate before plantation to the growers the price at which they would buy tobacco during the ensuing auction. The MGPs are applicable for a normal crop without any statutory backup. The traders and manufacturers had agreed to pay MGPs for 1996-97 season at Rs. 26.00, Rs. 28.50 and Rs. 32.50 per kg. for black cotton soil, southern light soil and northern light soil tobacco, respectively, in Andhra Pradesh and Rs. 26.00 per kg. in Karnataka. The prices realised were comparatively higher than those of last year.

Development Strategy

The measures initiated by the Government for the development of tobacco cultivation mainly include :

- (i) provision of technical guidance to State Governments and farmers; and
- (ii) necessary arrangements for adequate and timely supply of pure seeds and seedlings.

Additionally, the Tobacco Board has taken certain special measures to increase tobacco production, particularly in Andhra Pradesh and Karnataka. The Board arranged financial assistance to the growers through banks for raising VFC tobacco, purchasing fertiliser and coal and repairing barns, etc., to the tune of Rs. 88.68 crore during 1995-96 which helped the farmers to

procure inputs etc., in time. The Government of India have sanctioned an amount of Rs. 2.75 lakh for the year 1996-97 for implementing the Non-Plan Scheme for training of farmers in improved methods of cultivation.

Measures to Promote Production

The major policies and programmes presently being implemented for supporting and enhancing the strength and capabilities of the crop production system in the country are outlined in the following paragraphs; crop-specific measures were discussed earlier.

High Yielding Varieties Programme (HYVP)

The implementation of the High Yielding Varieties Programme (HYVP), which had revolutionised the Indian agricultural production system since its inception in 1966-67, continued to be the main plank of the strategy for increasing foodgrains production and agricultural development. The coverage of area under HYVP during 1996-97 was targeted higher at 787.47 lakh hectares, compared with the estimated area of 721.31 lakh hectares in 1995-96. Crop-wise details of area under HYV are given in Table III-25.

Seeds

Seed is a vital input for attaining sustained growth in agricultural production and productivity. The efficacy and efficiency of other agricultural inputs like water, fertilisers and pesticides are primarily dependent on the quality of seeds. Production of breeder seeds during 1996-97 was anticipated at 44.61 thousand quintals, same as during the previous year, whereas the anticipated production of foundation seeds was higher at 5.61 lakh quintals during 1996-97 as against 4.88 lakh quintals during 1995-96. The distribution of certified/quality seeds was anticipated at 70.0 lakh quintals in 1996-97 as against 68.80 lakh quintals during 1995-96 (Table III-27).

The centrally sponsored Integrated Seeds Development Scheme, launched in 1995-96, aims at increasing productivity by creating an awareness among the farmers about the superiority of

certified seeds and ensuring its availability at reasonable prices in time. During 1996-97, a provision of Rs. 2.32 crore was made for implementing the scheme.

Fertilisers

Optimum fertiliser application plays a key role in improving the productivity of crops. Fertiliser consumption, in nutrient terms, which stagnated at around 12.5 million tonnes during the four-year period (1991-1994), rose to 13.9 million tonnes in 1995-96 and further to 15.2 million tonnes in 1996-97 (Table III-26).

The fertiliser consumption mix [ratio of the three plant nutrients – Nitrogen (N), Phosphate (P) and Potash (K)] however, continued to be a cause for acute concern, following its deviation from the ideal NPK ratio of 4:2:1 to 8.5:2.5:1.0 in 1995-96. Consumption is biased in favour of the nitrogenous fertilisers, the prices of which are significantly lower compared with other fertilisers due to the distortion in the pricing policy adopted for different fertilisers.

At present, only urea continues to operate under a price control system entailing heavy subsidy for keeping the consumer price at a lower level. In sharp contrast, the prices of phosphatic and potassic fertilisers have shot up: these rose sharply from Rs. 4,680 to Rs. 10,000 per tonne and from Rs. 1,700 to Rs. 4,600 per tonne, respectively, during the period 1992-93 to 1995-96.

The centrally sponsored scheme for "Balanced and Integrated Use of Fertilisers", launched during 1991-92, continued to be implemented during 1996-97. The scheme promotes the balanced use of NPK fertilisers in conjunction with the organic manures, compost, green manures, and bio-fertilisers with added emphasis on the use of micro-nutrients in high fertiliser consuming, intensely cultivated regions.

The National Project on Development and Use of Bio-fertilisers continued to be implemented in 1996-97 with the aim of promoting, producing and distributing bio-fertilisers. During 1996-97, the

project was implemented by adopting the Mission Mode approach for boosting the production and organising large number of training camps and field demonstrations. The centrally sponsored scheme, titled 'National Project on Development of Fertiliser Use in Low Consumption Rain-fed Areas' being implemented since 1994-95, was continued during 1996-97. Under the scheme, assistance is provided to the States for: a) supply of fertiliser bags of small size to farmers, b) demonstration on integrated nutrient supply, c) assistance for production of green manure seeds and d) preparation of invention materials/video films etc. for educating the farmers.

Plant Protection and Pesticides

With the large-scale introduction of HYV crops, the problems related to pests became highly complex. In order to combat the menace of pests, the farmers have been largely depending on chemical pesticides. To alleviate the ill-effects of widespread, indiscriminate and injudicious use of toxic pesticides, the Integrated Pest Management (IPM) approach has been adopted as the main plank of the plant protection strategy. The IPM follows the ecological approach for pest control by employing all methods and techniques - cultural, mechanical, biological and chemical - to keep the pest population below the economic threshold levels. The current thrust in the IPM includes the establishment of Farmers' Field Schools, conduct of Season Long Training Programmes, and production and release of bio-control agents. The Locust Warning Organisation, under the Directorate of Plant protection, Quarantine and Storage, is responsible for surveillance, forecasting and control of locust population over 2.0 lakh sq. km of Scheduled Desert Area in parts of Rajasthan, Gujarat and Haryana.

Irrigation Schemes

Creation of additional irrigation potential and its optimum utilisation continues to receive high priority in agricultural development programmes. The irrigation potential created upto the end of the Seventh Five Year Plan (1985-90) was 76.52 million hectares, consisting of 29.92 million

hectares through major and medium irrigation projects and 46.60 million hectares through the minor irrigation schemes. By the end of 1995-96, total irrigation potential created was 89.4 million hectares consisting of the major and medium irrigation projects, and minor irrigation schemes at 32.9 million hectares, and 56.5 million hectares, respectively (Table III-28). Minor irrigation schemes covering both surface and ground water were given preference as they involve shorter gestation period and relatively lower investment. During the Eighth Five Year Plan (1992-97), the Eastern States were accorded special attention for development of minor irrigation works because of the comparatively more advantageous water table levels in the region (Table III-29).

With a view to ensuring early completion of the irrigation projects, the Government of India launched a programme called 'Accelerated Irrigation Benefit Scheme' during 1996-97, under which the Centre provides assistance by way of loans to States on a matching basis for early completion of selected irrigation and multi-purpose projects. Under-utilisation of irrigation potential, particularly in respect of the major and medium irrigation projects, continues to persist. The gap is essentially attributed to the delays involved in the development of on-farm activities such as land levelling and adoption of *warabandi* system of water distribution in project command areas, and also the time taken by the farmers in switching over from rain-fed farming to irrigated farming. To reduce the gap between irrigation potential created and utilised, the Command Area Development Programme (CADP) has been under implementation since 1974-75. During 1995-96, an amount of Rs. 122.45 crore was released to the States as central assistance under the programme.

Area Development Measures

Drought Prone Areas Programme (DPAP)

Since the inception of DPAP in 1973-74, a total amount of Rs 1,742 crore has been spent upto 1994-95. The physical achievements in terms of the treatment of area under the three core activities of DPAP viz., land development, water

resource development and afforestation put together has been 57.29 lakh hectares. During 1995-96, an amount of Rs. 250 crore was allocated for DPAP. Out of the total allocation, 4,611 watershed projects were targeted to be planned and developed during 1995-96 to 1998-99.

Desert Development Programme (DDP)

Since the inception of DDP in 1977-78 upto 1994-95, a total expenditure of Rs. 595.57 crore

has been incurred on the core activities viz., soil and moisture conservation, water resources development and afforestation and pasture development, and the ancillary activities like fisheries, horticulture, dairy etc. A total area of 5.52 lakh hectares has been treated under the above three core activities put together. During 1995-96, the allocation for the programme was Rs. 105.85 crore. Out of the total allocation, 1,629 watershed projects were targeted to be developed during 1995-96 to 1998-99.

Table III-1 : Production of Major Agricultural Commodities

Crops	Unit	1991-92	1992-93	1993-94	1994-95	1995-96 P	1996-97 P
1	2	3	4	5	6	7	8
I. All Crops (1+2)	Index (Triennium ending 1981-82=100)	145.5	151.6	157.3	165.0	164.3	174.1E
1. Foodgrains	-do-	137.6	144.3	150.2	155.3	150.4	160.6
2. Non-food	-do-	158.8	164.0	169.4	180.3	167.8	197.2
II. Foodgrains	Million tonnes	168.38	179.48	184.26	191.50	185.04	198.96
Season-wise							
Kharif	-do-	91.59	101.47	100.40	101.07	98.19	105.14
Rabi	-do-	76.79	78.01	83.86	90.43	86.85	93.82
Commodity Groupwise							
Cereals	-do-	156.36	166.66	170.95	177.46	171.85	184.41
Rice	-do-	74.68	72.86	80.30	81.81	79.62	81.20
Wheat	-do-	55.69	57.21	59.84	65.77	62.62	68.86
Coarsegrains	-do-	25.99	36.59	30.81	29.88	29.61	34.35
Pulses	-do-	12.02	12.82	13.31	14.04	13.19	14.55
III. Non-food							
Oilseeds	-do-	18.60	20.11	21.50	21.34	22.42	25.16
Kharif	-do-	9.31	12.03	12.35	11.95	12.72	14.62
Rabi	-do-	9.29	8.08	9.15	9.39	9.70	10.54
Sugarcane	-do-	254.00	228.03	229.66	275.54	282.95	276.75
Cotton	Million bales of 170 kg. each	9.71	11.40	10.74	11.89	13.09	14.25
Raw jute and Mesta	Million bales of 180 kg. each	10.29	8.59	8.42	9.08	8.89	11.00
Tobacco	Million Kg.	584.40	596.50	562.90	587.10	576.20	N.A.
Coffee	-do-	208.00	169.40	208.00	180.00	223.00	205.00
Tea	-do-	754.19	732.32	758.06	752.90	753.92	780.03

P Provisional.

E Estimated.

N.A. Not Available

Sources : 1. Ministry of Agriculture, Government of India.

2. Coffee Board.

3. Tea Board.

4. 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				
1991-92	99.33 (-3.72)	167.00 (3.41)	156.36 (-3.56)	1574 (0.17)
1992-93	100.79 (1.47)	168.50 (0.90)	166.66 (6.59)	1654 (5.04)
1993-94	100.50 (-0.29)	172.50 (2.37)	170.95 (2.57)	1701 (2.87)
1994-95	100.68 (0.18)	173.50 (0.58)	177.46 (3.81)	1763 (3.62)
1995-96	99.52 (-1.15)	176.50 (1.73)	171.85 (-3.16)	1727 (-2.03)
1996-97 L	100.71 (1.20)	178.50 (1.13)	184.41 (7.31)	1831 (6.04)
Pulses				
1991-92	22.54 (-8.60)	15.50 (3.33)	12.02 (-15.71)	533 (-7.78)
1992-93	22.36 (-0.80)	14.50 (-6.45)	12.82 (6.66)	573 (7.51)
1993-94	22.25 (-0.49)	15.50 (6.90)	13.31 (3.82)	598 (4.34)
1994-95	23.03 (3.51)	15.50 (0.00)	14.04 (5.48)	610 (1.91)
1995-96	23.92 (3.86)	15.50 (0.00)	13.19 (-6.05)	551 (-9.55)
1996-97 L	23.33 (-2.47)	15.00 (-3.23)	14.55 (10.31)	624 (13.10)
Total (Cereals + Pulses)				
1991-92	121.87 (-4.66)	182.50 (3.40)	168.38 (-4.54)	1382 (0.13)
1992-93	123.15 (1.05)	183.00 (0.27)	179.48 (6.59)	1457 (5.48)
1993-94	122.75 (-0.32)	188.00 (2.73)	184.26 (2.66)	1501 (3.00)
1994-95	123.71 (0.78)	189.00 (0.53)	191.50 (3.93)	1548 (3.12)
1995-96	123.44 (-0.22)	192.00 (1.59)	185.04 (-3.37)	1499 (-3.16)
1996-97 L	124.05 (0.49)	193.50 (0.78)	198.96 (7.52)	1604 (6.99)

L Likely.

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

Table III-3 : Foodgrains : 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				
1991-92	78.02	103.20	91.59	1174
	(-3.42)	(4.14)	(-7.89)	(-4.64)
1992-93	77.92	103.30	101.47	1302
	(-0.13)	(0.10)	(10.79)	(10.93)
1993-94	75.81	105.50	100.40	1324
	(-2.71)	(2.13)	(-1.05)	(1.70)
1994-95	75.04	106.33	101.07	1347
	(-1.02)	(0.79)	(0.67)	(1.70)
1995-96	74.47	107.50	98.19	1319
	(-0.76)	(1.10)	(-2.85)	(-2.11)
1996-97 L	75.66	104.00	105.14	1390
	(1.60)	(-3.26)	(7.08)	(5.39)
Rabi				
1991-92	43.85	79.30	76.79	1751
	(-6.80)	(2.45)	(-0.21)	(7.07)
1992-93	45.23	79.70	78.01	1725
	(3.15)	(0.50)	(1.59)	(-1.51)
1993-94	46.94	82.50	83.86	1787
	(3.78)	(3.51)	(7.50)	(3.58)
1994-95	48.67	82.67	90.43	1858
	(3.69)	(0.21)	(7.83)	(4.00)
1995-96	48.97	84.50	86.85	1774
	(0.62)	(2.21)	(-3.96)	(-4.55)
1996-97 L	48.38	89.50	93.82	1939
	(-1.20)	(5.92)	(8.03)	(9.34)
Total (Kharif + Rabi)				
1991-92	121.87	182.50	168.38	1382
	(-4.66)	(3.40)	(-4.54)	(0.13)
1992-93	123.15	183.00	179.48	1457
	(1.05)	(0.27)	(6.59)	(5.48)
1993-94	122.75	188.00	184.26	1501
	(-0.32)	(2.73)	(2.66)	(3.00)
1994-95	123.71	189.00	191.50	1548
	(0.78)	(0.53)	(3.93)	(3.12)
1995-96	123.44	192.00	185.04	1499
	(-0.22)	(1.59)	(-3.37)	(-3.16)
1996-97 L	124.05	193.50	198.96	1604
	(0.49)	(0.78)	(7.52)	(7.00)

L Likely.

Note : 1. Figures in brackets are percentage variations over the previous year.

2. Totals may not tally due to rounding off.

Source : Ministry of Agriculture, Government of India.

Table III-4 : 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				
1991-92	66.78	97.10	87.17	1305
	(-3.62)	(3.74)	(-7.30)	(-3.81)
1992-93	66.54	97.25	95.84	1440
	(-0.36)	(0.15)	(9.95)	(10.34)
1993-94	64.88	99.50	95.02	1465
	(-2.50)	(2.31)	(-0.86)	(1.68)
1994-95	64.53	100.33	96.41	1494
	(-0.53)	(0.83)	(1.46)	(2.01)
1995-96	63.95	101.50	93.36	1460
	(-0.90)	(1.17)	(-3.16)	(-2.28)
1996-97 L	64.49	98.00	99.52	1543
	(0.84)	(-3.45)	(6.60)	(5.71)
Rabi				
1991-92	32.55	69.90	69.19	2126
	(-3.95)	(2.95)	(1.60)	(5.78)
1992-93	34.25	71.25	70.82	2068
	(5.22)	(1.93)	(2.36)	(-2.72)
1993-94	35.62	73.00	75.93	2132
	(4.01)	(2.46)	(7.22)	(3.09)
1994-95	36.15	73.17	81.05	2242
	(1.48)	(0.23)	(6.74)	(5.19)
1995-96	35.57	75.00	78.49	2206
	(-1.59)	(2.50)	(-3.16)	(-1.59)
1996-97 L	36.41	80.50	84.89	2331
	(2.36)	(7.33)	(8.15)	(5.66)
Total (Kharif + Rabi)				
1991-92	99.33	167.00	156.36	1574
	(-3.72)	(3.41)	(-3.56)	(0.17)
1992-93	100.79	168.50	166.66	1654
	(1.47)	(0.90)	(6.59)	(5.04)
1993-94	100.50	172.50	170.95	1701
	(-0.29)	(2.37)	(2.57)	(2.87)
1994-95	100.68	173.50	177.46	1763
	(0.18)	(0.58)	(3.81)	(3.62)
1995-96	99.52	176.50	171.85	1727
	(-1.15)	(1.73)	(-3.16)	(-2.03)
1996-97 L	100.90	178.50	184.41	1828
	(1.38)	(1.13)	(7.31)	(5.84)

L Likely.

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

Table III-5 : Pulses : 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				
1991-92	11.24 (-2.18)	6.10 (10.91)	4.42 (-18.30)	393 (-16.48)
1992-93	11.38 (1.25)	6.00 (-1.64)	5.63 (27.38)	495 (25.81)
1993-94	10.93 (-3.95)	6.00 (0.00)	5.38 (-4.44)	492 (-0.51)
1994-95	10.51 (-3.84)	6.00 (0.00)	4.66 (-13.38)	443 (-9.92)
1995-96	10.52 (0.10)	6.00 (0.00)	4.83 (3.65)	459 (3.55)
1996-97 L	11.18 (6.27)	6.00 (0.00)	5.62 (16.36)	503 (9.49)
Rabi				
1991-92	11.30 (-14.20)	9.40 (-1.05)	7.60 (-14.12)	673 (0.09)
1992-93	10.98 (-2.83)	8.50 (-9.57)	7.19 (-5.39)	655 (-2.64)
1993-94	11.32 (3.10)	9.50 (11.76)	7.93 (10.29)	701 (6.98)
1994-95	12.52 (10.60)	9.50 (0.00)	9.38 (18.28)	749 (6.95)
1995-96	13.39 (6.95)	9.50 (0.00)	8.36 (-10.87)	624 (-16.67)
1996-97 L	12.16 (-9.19)	9.00 (-5.26)	8.93 (6.82)	734 (17.62)
Total (Kharif + Rabi)				
1991-92	22.54 (-8.60)	15.50 (3.33)	12.02 (-15.71)	533 (-7.78)
1992-93	22.36 (-0.80)	14.50 (-6.45)	12.82 (6.66)	573 (7.51)
1993-94	22.25 (-0.49)	15.50 (6.90)	13.31 (3.82)	598 (4.34)
1994-95	23.03 (3.51)	15.50 (0.00)	14.04 (5.48)	610 (1.91)
1995-96	23.92 (3.86)	15.50 (0.00)	13.19 (-6.05)	551 (-9.55)
1996-97 L	23.33 (-2.47)	15.00 (-3.23)	14.55 (10.31)	624 (13.10)

L. Likely.

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

Table III-6 : Availability of Foodgrains

(Million tonnes)

Year (January to December)	Gross Output	Net Output	Net Imports	Change in Govt. Stocks	Net Availability	Per Capita Net Availability Per Day (gm)		
						Cereals	Pulses	All Foodgrains
1	2	3	4	5	6	7	8	9
1985	145.5	127.4	-0.4	2.7	124.3	415.6	38.4	454.0
1990	171.0	149.7	1.3	6.2	144.8	435.3	41.1	476.4
1991	176.4	154.3	-0.1	-4.4	158.6	468.5	41.6	510.1
1992P	168.4	147.3	-0.4	-1.6	148.5	434.5	34.3	468.8
1993P	179.5	157.5	3.1	10.3	149.8	427.9	36.2	464.1
1994P	184.3	161.2	1.1	7.5	154.8	434.0	37.2	471.2
1995P	191.5	167.2	0.4	-1.8	169.4	468.5	38.1	506.6
1996P	185.0	161.9	-1.3	-8.9	169.4	464.0	34.0	498.0

P Provisional.

Note : 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 changes in stocks with traders and producers are not available. The estimates of net availability should not, therefore, be taken to be strictly equivalent to consumption.

Source : Economic Survey, 1996-97 and Ministry of Food, Government of India.

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

(Rupees per quintal)

Commodity	Season	Type	Variety	1993-94	1994-95	1995-96	1996-97	1997-98
1	2	3	4	5	6	7	8	9
Foodgrains								
1. Paddy	Oct.-Sept.	P	Common	310	340	360	380	415
2. Paddy	Oct.-Sept.	P	Fine	330	360	375	395	435
3. Paddy	Oct.-Sept.	P	Super Fine	350	380	395	415	455
4. Wheat	April-March	P	FAQ	330 \$	350	360	380	415
5. Jowar	Oct.-Sept.	P	FAQ	260	280	300	310	360
6. Bajra	Oct.-Sept.	P	FAQ	260	280	300	310	360
7. Maize	Oct.-Sept.	P	FAQ	265	290	310	320	370
8. Ragi	Oct.-Sept.	P	FAQ	260	280	300	310	360
9. Barley	April-March	M	FAQ	260	275	285	305	350
10. Gram	April-March	M	FAQ	600	640	670	700	740
11. Moong	Oct-Sept	M	FAQ	700	760	800	840	900
12. Urad	Oct-Sept	M	FAQ	700	760	800	840	900
13. Tur	April-March	M	FAQ	700	760	800	840	900
Non-foodgrains								
1. Groundnut (in shell)	Nov.-Oct.	M	FAQ	800	860	900	920	980
2. Soyabean	Nov.-Oct.	M	Black	525	570	600	620	670
3. Soyabean	Nov.-Oct.	M	Yellow	580	650	680	700	750
4. Sunflowerseed	Nov.-Oct.	M	FAQ	850	900	950	960	1000
5. Rapeseed/Mustard	April-March	M	FAQ	760	810	810	860	890
6. Toria	April-March	M	FAQ	725	780	800	825	855
7. Safflowerseed	April-March	M	FAQ	720	760	760	800	830
8. Copra	Jan.-Dec.	M	FAQ	2150	2350	2500	2500	2700
9. Cotton	Sept.-Aug.	M	F-414\H-777	900	1000	1150	1180	1330
10. Cotton	Sept.-Aug.	M	H-4	1050	1200	1350	1380	1530
11. Jute	July-June	S	TD-5	450	470	490	510	570
12. Sugarcane @	Oct-Sept.	S	FAQ	34.50	39.10	42.50	45.90	48.45 *
13. Tobacco	March-Feb.	M	VFC-F2	1800	1850	1900	1900	-
14. Tobacco	March-Feb.	M	L-2	2000	2100	2150	2200	-

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 premium of Rs. 0.57 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, Government of India.

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	6
1991-92	10.46 (-11.00)	7.75 (-29.99)	18.21 (-20.17)	14.01	14.06
1993-94	13.60 (15.35)	12.80 (100.63)	26.50 (45.84)	16.94	22.37
1994-95	13.10 (-3.68)	11.90 (-7.03)	25.00 (-5.66)	16.01	19.89
1995-96	9.90 (-24.43)	12.30 (3.36)	22.20 (-11.20)	12.43	18.70
1996-97 (P)	11.90 (20.20)	8.20 (-33.33)	20.10 (-9.46)	14.66	13.09
April-June 1996	1.72	8.14	9.86	-	-
April-June 1997	1.89 (9.88)	9.21 (13.14)	11.10 (12.58)	-	-

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, Government of India.**Table III-9 : Central Issue Prices of Foodgrains**

(Rupees 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 * (-)
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)
June 1, 1997 (a) Below Poverty Line (BPL)	350	350	-	250
(b) Above Poverty Line (APL)	-	650	750	450

* Effective May 1, 1990.

Note : Figures in brackets are percentage variations over the previous revision.**Source** : Ministry of Food, Government of India.

Table III-10 : Off-take of Foodgrains

(Million tonnes)

Year (April-March)	Rice	Wheat	Total
1	2	3	4
1991-92	10.26 (29.71)	10.48 (22.14)	20.74 (25.77)
1992-93	9.89 (-3.61)	8.06 (-23.09)	17.96 (-13.40)
1993-94	9.46 (-4.35)	9.14 (13.40)	18.61 (3.62)
1994-95	8.85 (-6.45)	10.59 (15.86)	19.44 (4.46)
1995-96	14.00 (58.19)	12.80 (20.87)	26.80 (37.86)
1996-97	12.44 (-11.14)	13.32 (4.06)	25.60 (-3.88)
1996 (April-June)	2.67	2.38	5.04
1997 (April-June)	3.13 (17.23)	2.01 (-15.55)	5.14 (1.98)

Note : 1. Totals may not tally due to rounding off.

2. Figures in brackets are percentage variations over the previous year/quarter.

Source : Ministry of Food, Government of India.

Table III-11 : Stocks of Foodgrains

(Million tonnes)

As at End-March	Rice	Wheat	Total*	As percentage of Norms		
				Rice	Wheat	Total
1	2	3	4	5	6	7
1992	8.86 (-13.15)	2.21 (-60.53)	11.07 (-29.96)	82.04	59.73	76.34
1993	9.93 (12.08)	2.74 (23.98)	12.67 (14.45)	91.94	74.05	87.38
1994	13.55 (36.46)	7.00 (155.47)	20.54 (62.12)	125.46	189.19	141.66
1995	18.08 (33.43)	8.72 (24.57)	26.80 (30.48)	167.41	235.68	184.83
1996	13.06 (-27.77)	7.76 (-11.01)	20.82 (-22.31)	120.93	209.73	143.59
1997 P	13.17 (0.84)	3.24 (-58.25)	16.41 (-21.18)	121.94	87.57	113.17
June 1996	12.88	14.13	27.01	140.00	107.86	121.12
June 1997 P	10.95 (-14.98)	11.42 (-19.18)	22.37 (-17.18)	119.02	87.18	100.31

Norms Of Stocks

As on	Rice	Wheat	Total
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 coarsegrains.

Note : Figures in parentheses are percentage variations over the previous year.**Source** : Ministry of Food, Government of India.

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				
1991-92	39.59 (-0.28)	68.50 (4.26)	66.37 (0.08)	1676 (0.35)
1992-93	38.90 (-1.74)	68.75 (0.36)	65.24 (-1.70)	1677 (0.04)
1993-94	39.14 (0.61)	69.50 (1.09)	70.72 (8.40)	1807 (7.74)
1994-95	39.44 (0.77)	70.00 (0.72)	72.60 (2.66)	1841 (1.87)
1995-96	39.46 (0.05)	71.00 (1.43)	70.10 (-3.45)	1776 (-3.50)
1996-97 L	39.46 (0.01)	71.50 (0.70)	71.52 (2.03)	1812 (2.02)
Rabi				
1991-92	3.06 (2.34)	8.00 (0.00)	8.31 (4.27)	2716 (1.88)
1992-93	2.87 (-6.21)	8.50 (6.25)	7.62 (-8.30)	2655 (-2.23)
1993-94	3.40 (18.47)	8.50 (0.00)	9.58 (25.72)	2818 (6.12)
1994-95	3.37 (-0.79)	8.50 (0.00)	9.21 (-3.85)	2731 (-3.08)
1995-96	3.45 (2.22)	9.00 (5.88)	9.52 (3.35)	2761 (1.11)
1996-97 L	3.35 (-2.93)	9.50 (5.56)	9.68 (1.68)	2892 (4.75)
Total (Kharif + Rabi)				
1991-92	42.65 (-0.09)	76.50 (3.80)	74.68 (0.52)	1751 (0.62)
1992-93	41.78 (-2.04)	77.25 (0.98)	72.86 (-2.44)	1744 (-0.41)
1993-94	42.54 (1.82)	78.00 (0.97)	80.30 (10.21)	1888 (8.24)
1994-95	42.81 (0.64)	78.50 (0.64)	81.81 (1.89)	1911 (1.24)
1995-96	42.91 (0.23)	80.00 (1.91)	79.62 (-2.68)	1855 (-2.90)
1996-97 L	42.81 (-0.23)	81.00 (1.25)	81.20 (1.99)	1897 (2.22)

L Likely.

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

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
1991-92	23.26 (-3.76)	55.00 (0.92)	55.69 (1.00)	2394 (4.95)
1992-93	24.59 (5.72)	57.00 (3.64)	57.21 (2.73)	2327 (-2.83)
1993-94	25.15 (2.27)	58.50 (2.63)	59.84 (4.60)	2380 (2.28)
1994-95	25.70 (2.20)	58.50 (0.00)	65.77 (9.90)	2559 (7.54)
1995-96	25.12 (-2.25)	60.00 (2.56)	62.62 (-4.79)	2493 (-2.59)
1996-97 L	25.97 (3.40)	65.00 (8.33)	68.86 (9.96)	2651 (6.35)

L Likely.

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

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				
1991-92	27.19	28.55	20.80	765
	(-8.11)	(2.33)	(-24.94)	(-18.31)
1992-93	27.64	28.50	30.60	1107
	(1.66)	(-0.18)	(47.12)	(44.72)
1993-94	25.742	30.00	24.30	944
	(-6.87)	(5.26)	(-20.59)	(-14.73)
1994-95	25.09	30.33	23.81	949
	(-2.52)	(1.10)	(-2.02)	(0.51)
1995-96	24.48	30.50	23.26	950
	(-2.43)	(0.56)	(-2.30)	(0.13)
1996-97 L	25.02	26.50	28.00	1119
	(2.20)	(-13.11)	(20.37)	(17.78)
Rabi				
1991-92	6.23	5.45	5.19	833
	(-7.43)	(0.93)	(4.01)	(12.36)
1992-93	6.78	5.75	5.99	883
	(8.83)	(5.50)	(15.41)	(6.05)
1993-94	7.074	6.00	6.51	920
	(4.34)	(4.35)	(8.68)	(4.16)
1994-95	7.08	6.17	6.07	858
	(0.04)	(2.83)	(-6.76)	(-6.80)
1995-96	7.00	6.00	6.35	907
	(-1.06)	(-2.76)	(4.68)	(5.80)
1996-97 L	7.09	6.00	6.35	896
	(1.26)	(0.00)	(-0.06)	(-1.30)
Total (Kharif + Rabi)				
1991-92	33.42	34.00	25.99	778
	(-7.98)	(2.10)	(-20.52)	(-13.62)
1992-93	34.43	34.25	36.59	1063
	(3.02)	(0.74)	(40.78)	(36.66)
1993-94	32.82	36.00	30.81	939
	(-4.68)	(5.11)	(-15.80)	(-11.66)
1994-95	32.17	36.50	29.88	929
	(-1.97)	(1.39)	(-3.03)	(-1.09)
1995-96	31.49	36.50	29.61	940
	(-2.13)	(0.00)	(-0.89)	(1.26)
1996-97 L	32.11	32.50	34.35	1070
	(1.98)	(-10.96)	(16.01)	(13.75)

L Likely.

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

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

Year	Area under cultivation (lakh hectares)	Production target (lakh tonnes)	Production (lakh tonnes)	Yield per hectare (Kg.)
1	2	3	4	5
Kharif				
1991-92	154.06 (9.73)	101.00 (1.00)	93.12 (-4.94)	604 (-13.37)
1992-93	149.54 (-2.93)	100.00 (-0.99)	120.25 (29.13)	804 (33.04)
1993-94	162.65 (8.77)	115.00 (15.00)	123.49 (2.69)	759 (-5.58)
1994-95	149.89 (-7.85)	125.00 (8.70)	119.50 (-3.23)	797 (5.01)
1995-96	156.44 (4.37)	129.00 (3.20)	127.28 (6.51)	814 (2.05)
1996-97 P	160.28 (2.45)	134.00 (3.88)	146.20 (14.86)	912 (12.11)
Rabi				
1991-92	104.80 (3.68)	84.00 (5.00)	92.88 (5.39)	886 (1.65)
1992-93	102.82 (-1.89)	90.00 (7.14)	80.81 (-13.00)	786 (-11.32)
1993-94	106.32 (3.40)	95.00 (5.56)	91.47 (13.19)	860 (9.47)
1994-95	103.15 (-2.98)	95.00 (0.00)	93.87 (2.62)	910 (5.78)
1995-96 P	107.10 (3.83)	96.00 (1.05)	97.00 (3.33)	906 (-0.48)
1996-97 P	109.18 (1.94)	96.00 (0.00)	105.40 (8.66)	965 (6.59)
Total Kharif+Rabi				
1991-92	258.86 (7.20)	185.00 (2.78)	186.00 (-0.05)	719 (-6.76)
1992-93	252.36 (-2.51)	190.00 (2.70)	201.07 (8.10)	797 (10.89)
1993-94	268.97 (6.58)	210.00 (10.53)	214.96 (6.91)	799 (0.31)
1994-95	253.04 (-5.92)	220.00 (4.76)	213.37 (-0.74)	843 (5.51)
1995-96 P	263.54 (4.15)	225.00 (2.27)	224.28 (5.11)	851 (0.93)
1996-97 P	269.46 (2.25)	230.00 (2.22)	251.60 (12.18)	934 (9.72)

P Provisional.

Note : Figures in brackets are percentage variations over the year.**Source** : Ministry of Agriculture, Government of India.

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

Year	Area under cultivation (lakh hectares)	Production target (lakh tonnes)	Production (lakh tonnes)	Yield per hectare (Kg.)
1	2	3	4	5
Groundnut (in shell)				
1991-92	86.58 (4.32)	82.00 (-7.34)	70.95 (-5.59)	819 (-9.50)
1992-93	81.66 (-5.79)	80.00 (-2.44)	85.65 (20.72)	1049 (28.14)
1993-94	83.22 (1.91)	82.00 (2.50)	78.29 (-8.59)	941 (-10.31)
1994-95	78.49 (-5.68)	83.00 (1.22)	80.62 (2.98)	1027 (9.18)
1995-96	77.05 (-1.83)	84.00 (1.20)	78.14 (-3.08)	1014 (-1.26)
1996-97 P	78.36 (1.70)	80.00 (-4.76)	92.00 (17.74)	1174 (15.77)
Rapeseed/Mustard				
1991-92	65.53 (13.33)	50.00 (13.64)	58.63 (12.12)	895 (-1.07)
1992-93	61.93 (-5.49)	56.00 (12.00)	48.03 (-18.08)	776 (-13.32)
1993-94	62.89 (1.55)	57.00 (1.79)	53.28 (10.93)	847 (9.24)
1994-95	60.60 (-3.64)	57.00 (0.00)	57.58 (8.07)	950 (12.15)
1995-96	66.59 (9.88)	57.00 (0.00)	60.71 (5.44)	912 (-4.05)
1996-97 P	68.13 (2.31)	61.00 (7.02)	69.60 (14.64)	1022 (12.05)
Soyabean				
1991-92	31.85 (24.22)	23.00 (27.78)	24.92 (-4.23)	782 (-22.90)
1992-93	37.89 (18.96)	24.00 (4.35)	33.87 (35.91)	894 (14.25)
1993-94	43.71 (15.36)	31.00 (29.17)	47.45 (40.09)	1086 (21.44)
1994-95	43.18 (-1.21)	40.00 (29.03)	39.31 (-17.15)	910 (-16.14)
1995-96	48.87 (13.18)	43.00 (7.50)	49.93 (27.02)	1022 (12.23)
1996-97 P	52.33 (7.08)	50.00 (16.28)	52.09 (4.33)	995 (-2.57)
Sunflower seed				
1991-92	21.14 (29.45)	7.50 (19.05)	11.94 (36.77)	565 (5.65)
1992-93	20.85 (-1.37)	8.00 (6.67)	11.82 (-1.01)	567 (0.37)
1993-94	26.68 (27.96)	14.00 (75.00)	13.48 (14.04)	505 (-10.88)
1994-95	19.98 (-25.11)	14.00 (0.00)	12.18 (-9.64)	610 (20.66)
1995-96	21.58 (8.01)	15.00 (7.14)	13.24 (8.70)	614 (0.64)
1996-97 P	20.90 (-3.15)	14.00 (16.67)	13.37 (0.98)	640 (4.27)

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

Year	Area under cultivation (lakh hectares)	Production target (lakh tonnes)	Production (lakh tonnes)	Yield per hectare (Kg.)
1	2	3	4	5
Sesamum				
1991-92	26.27 (4.41)	7.00 (22.81)	7.06 (-15.45)	269 (-19.02)
1992-93	21.29 (-18.96)	7.00 (0.00)	7.58 (7.37)	356 (32.48)
1993-94	22.17 (4.13)	9.00 (28.57)	5.64 (-25.59)	254 (-28.55)
1994-95	19.71 (-11.10)	9.00 (0.00)	5.87 (4.08)	298 (17.07)
1995-96	19.16 (-2.79)	9.00 (0.00)	5.52 (-5.96)	288 (-3.26)
1996-97 P	20.45 (6.73)	8.00 (-11.11)	6.50 (17.75)	318 (10.33)
Castorseed				
1991-92	7.11 (-12.22)	5.50 (0.00)	5.78 (-19.27)	813 (-8.03)
1992-93	6.60 (-7.17)	6.00 (9.09)	6.23 (7.79)	944 (16.11)
1993-94	6.85 (3.79)	7.00 (16.67)	6.34 (1.77)	926 (-1.95)
1994-95	7.79 (13.72)	7.00 (0.00)	8.45 (33.28)	1085 (17.20)
1995-96	8.07 (3.59)	7.00 (0.00)	7.81 (-7.57)	968 (-10.78)
1996-97 P	7.76 (-3.84)	8.00 (14.29)	8.90 (13.96)	1147 (18.51)
Safflowerseed				
1991-92	5.01 (-39.13)	4.00 (-27.27)	2.03 (-36.56)	405 (4.21)
1992-93	7.34 (46.51)	4.00 (0.00)	3.48 (71.43)	474 (17.01)
1993-94	7.93 (8.04)	4.00 (0.00)	5.22 (50.00)	658 (38.84)
1994-95	7.91 (-0.25)	4.00 (0.00)	4.23 (-18.97)	535 (-18.76)
1995-96	6.84 (-13.53)	4.00 (0.00)	3.96 (-6.38)	579 (8.26)
1996-97 P	7.04 (2.92)	4.00 (0.00)	4.30 (8.59)	611 (5.50)
Linseed				
1991-92	8.86 (-19.38)	4.00 (-11.11)	2.92 (-12.05)	330 (9.10)
1992-93	8.95 (1.02)	3.00 (-25.00)	2.78 (-4.79)	311 (-5.75)
1993-94	9.53 (6.48)	4.00 (33.33)	3.30 (18.71)	346 (11.48)
1994-95	9.48 (-0.52)	4.00 (0.00)	3.23 (-2.12)	341 (-1.60)
1995-96	9.40 (-0.84)	3.50 (-12.50)	3.08 (-4.64)	328 (-3.83)
1996-97 P	8.94 (-4.89)	3.00 (-14.29)	3.20 (3.90)	358 (9.24)

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

Year	Area under cultivation (lakh hectares)	Production target (lakh tonnes)	Production (lakh tonnes)	Yield per hectare (Kg.)
1	2	3	4	5
Nigerseed				
1991-92	6.40 (4.75)	2.00 (0.00)	1.80 (-3.23)	281 (-7.61)
1992-93	5.85 (-8.59)	2.00 (0.00)	1.62 (-10.00)	277 (-1.54)
1993-94	5.99 (2.39)	2.00 (0.00)	1.96 (20.99)	327 (18.16)
1994-95	5.92 (-1.17)	2.00 (0.00)	1.90 (-3.06)	321 (-1.91)
1995-96	5.98 (1.01)	2.00 (0.00)	1.90 (0.00)	318 (-1.00)
1996-97 P	5.55 (-7.19)	2.00 (0.00)	1.55 (-18.42)	279 (-12.10)

P Provisional.

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

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

Year	Area under Cultivation (Million hectares)	Target (Million bales of 170 kg. each)	Production (Million bales of 170 kg. each)	Yield per hectare (Kg.)
1	2	3	4	5
1990-91	7.44	11.50	9.84	225
1991-92	7.66 (2.96)	12.00	9.71 (-1.32)	215 (-4.22)
1992-93	7.54 (-1.57)	12.00	11.40 (17.40)	257 (19.27)
1993-94	7.32 (-2.92)	12.50	10.74 (-5.79)	249 (-2.96)
1994-95	7.87 (7.51)	12.50	11.89 (10.71)	257 (2.97)
1995-96	9.06 (15.12)	13.00	13.09 (10.09)	246 (-4.37)
1996-97 P	9.17 (1.21)	13.00	14.25 (8.86)	264 (7.56)

P Provisional.

Note : Figures in brackets are percentage variations over the year.**Source** : Ministry of Agriculture, Government of India.

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

(Million bales of 170 kgs. each)

Items	(October - September)		
	1994-95\$	1995-96	1996-97
1	2	3	4
I. Supply (1+2+3)	17.12	18.82	20.79
	(8.56)	(9.93)	(10.47)
1. Opening Stock	2.68	2.35	3.09
	(-19.28)	(-12.31)	(31.49)
2. Crop Production	13.85	16.42	17.15
	(13.99)	(18.56)	(4.45)
3. Imports	0.59	0.05	0.05
	(96.67)	(-91.53)	(0.00)
II. Demand (7+8)	13.62	16.23	18.25
	(4.05)	(19.16)	(12.45)
4. Mill Consumption	11.94	13.83	14.90
	(4.74)	(15.83)	(7.74)
5. Small Spinners' Consumption	0.62	0.65	0.70
	(24.00)	(4.84)	(7.69)
6. Ex-factory Consumption@	0.95	0.95	0.95
	(18.75)	(0.00)	(0.00)
7. Total Domestic Consumption (4+5+6)	13.51	15.43	16.55
	(6.38)	(14.21)	(7.26)
8. Exports	0.11	0.80	1.70
	(-71.79)	(627.27)	(112.50)
III. Closing Stock (I-II)	3.50	3.09 *	2.54
	(30.60)	(-11.7)	(-17.8)

\$ The figures relate to the period September-August.

* Including 0.5 million bales of loose cotton not accounted for in the production figures.

@ Including Ambar Charkha, Dressing Factories and Waste Spinning Units.

Note : Figures in brackets are percentage variations over the previous year.**Source** : Cotton Advisory Board.

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

Year	Area under cultivation (million hect.)	Production target (million bales of 180 kg. each)	Production (million bales of 180 kg. each)	Yield per hectare (Kg.)
1	2	3	4	5
1991-92	1.11 (8.82)	9.10	10.29 (11.48)	1669 (2.47)
1992-93	0.93 (-16.22)	9.20	8.59 (-16.52)	1663 (-0.36)
1993-94	0.89 (-4.30)	9.30	8.43 (-1.86)	1705 (2.55)
1994-95	0.93 (4.49)	9.30	9.08 (7.71)	1757 (3.08)
1995-96	0.92 (-1.08)	9.30	8.90 (-1.98)	1741 (-0.92)
1996-97	1.08 (17.39)	9.00	11.00 (23.60)	1833 (5.29)

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

Source : Ministry of Agriculture, Government of India.

Table III-20 : Supply-Demand Position of Raw Jute and Mesta

(Million bales of 180 kgs. each)

Items	1993-94	1994-95	1995-96	1996-97(E)
1	2	3	4	5
I. Supply (1+2+3)	10.88 (-9.11)	11.21 (3.03)	9.88 (-11.86)	10.55 (6.78)
1. Opening Stock	2.20 (-22.26)	1.43 (-35.00)	0.90 (-37.06)	0.50 (-44.44)
2. Crop Production	8.48 (-5.67)	9.45 (11.44)	8.81 (-6.77)	9.95 (12.94)
3. Imports	0.20 (33.33)	0.33 (65.00)	0.17 (-48.48)	0.10 (-41.18)
II. Demand (6+7)	8.75 (2.46)	8.58 (-1.94)	8.68 (1.17)	8.95 (3.11)
4. Mill Consumption	8.15 (2.64)	7.98 (-2.09)	8.08 (1.25)	8.30 (2.72)
5. Other Domestic Consumption	0.60 (20.00)	0.60 (0.00)	0.60 (0.00)	0.65 (8.33)
6. Total Domestic Consumption (4+5)	8.75 (3.67)	8.58 (-1.94)	8.68 (1.17)	8.95 (3.11)
7. Exports	Neg.	Neg.	Neg.	Neg.
III. Closing Stock (I-II)	2.13 (-37.90)	2.63 (23.47)	1.20 (-54.37)	1.60 (33.33)

E Estimated.

Neg. Negligible.

Note : Figures in brackets are percentage variations over the previous year.**Source** : Office of the Jute Commissioner.

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

Year	Area under Cultivation (million hect.)	Production target (million tonnes)	Production (million tonnes)	Yield per hectare (tonnes)
1	2	3	4	5
1991-92	3.84 (4.18)	230.00 (4.55)	254.00 (5.37)	66.15 (1.15)
1992-93	3.57 (-7.03)	243.00 (5.65)	228.03 (-10.22)	63.87 (-3.43)
1993-94	3.42 (-4.20)	250.00 (2.88)	229.66 (0.71)	67.15 (5.13)
1994-95	3.87 (13.16)	250.00 (0.00)	275.54 (19.98)	71.20 (6.03)
1995-96	4.14 (6.98)	255.00 (2.00)	282.95 (2.69)	68.35 (-4.01)
1996-97 P	4.49 (8.45)	270.00 (5.88)	276.75 (-2.19)	61.64 (-9.82)

P Provisional.

Note : Figures in brackets are percentage variations over the year.**Source** : Ministry of Agriculture, Government of India.

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

Year	Area under cultivation (lakh hectares)	Production target (million kgs.)	Production (million kgs.)	Yield per hectare (kgs.)
1	2	3	4	5
1991	4.19 (0.48)	735.00 (2.08)	754.19 (4.70)	1800 (4.20)
1992	4.23 (0.95)	750.00 (2.04)	703.93 (-6.66)	1664 (-7.55)
1993	4.18 (-1.18)	750.00 (0.00)	760.83 (8.08)	1796 (7.94)
1994	4.26 (1.91)	770.00 (2.67)	752.90 (-1.04)	1767 (-1.61)
1995	4.28 (0.47)	780.00 (1.30)	753.92 (0.14)	1761 (-0.33)
1996	4.34 (1.40)	790.00 (1.28)	780.03 (3.46)	1797 (2.03)

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

Source : Tea Board.

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

Year	Area under cultivation (lakh hectares)	Production target (million kgs.)	Production (million kgs.)	Yield @ per hectare (kgs.)
1	2	3	4	5
1991-92	2.79 (24.55)	210.00 (21.39)	208.00 (22.55)	746 (-1.61)
1992-93	2.91 (4.30)	185.50 (-11.67)	169.40 (-18.56)	582 (-21.92)
1993-94	2.92 (0.34)	191.00 (2.96)	208.00 (22.79)	712 (22.37)
1994-95	2.93 (0.34)	210.00 (9.95)	180.00 (-13.46)	614 (-13.76)
1995-96	3.05 (4.10)	225.00 (7.14)	223.00 (23.89)	731 (19.01)
1996-97	N.A. (7.56)	242.00 (-8.07)	205.00	-

@ Based on bearing area only.

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

Source : Coffee Board.

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

Year	Area (lakh hectares)	Production (million kgs.)	Yield per hectare (kgs.)
1	2	3	4
1991-92	4.27 (3.89)	584.40 (5.13)	1369 (1.19)
1992-93	4.19 (-1.87)	596.50 (2.07)	1424 (4.02)
1993-94	3.85 (-8.11)	562.90 (-5.63)	1462 (2.70)
1994-95	3.91 (1.56)	587.10 (4.30)	1502 (2.70)
1995-96 P	4.06 (3.84)	576.20 (-1.86)	1419 (-5.48)

P Provisional.

Note : Figures in brackets are percentage variations over the year.**Source** : Tobacco Board.**Table III-25 : Area Under High Yielding Varieties (HYV)**

(Million hectares)

Crops	1991-92		1992-93		1993-94		1994-95		1995-96P		1996-97 (Target)
	Area under HYV	percent- age of HYV area to total cropped area	Area under HYV	Percent- age of HYV area to total cropped area	Area under HYV	Percent- age of HYV area to total cropped area	Area under HYV	Percent- age of HYV area to total cropped area	Area under HYV	Percent- age of HYV area to total cropped area	
1	2	3	4	5	6	7	8	9	10	11	12
Paddy	28.0 (2.2)	65.7	27.5 (-1.8)	65.9	28.9 (5.1)	68.8	31.0 (7.3)	74.6	33.2 (0.6)	72.9	32.0
Wheat	20.5 (-2.4)	88.1	21.7 (5.9)	88.2	22.0 (1.4)	88.4	23.3 (5.9)	90.7	23.2 (0.0)	89.6	22.5
Jowar	6.8 (-4.2)	55.0	6.9 (1.5)	53.1	6.8 (-1.4)	52.7	7.1 (4.4)	60.2	9.0 (26.8)	77.6	9.0
Bajra	5.4 (-5.3)	53.8	5.6 (3.7)	52.8	5.1 (-8.9)	53.7	5.4 (5.9)	53.4	6.9 (27.8)	69.0	7.0
Malze	2.8 (7.7)	47.8	2.6 (-7.1)	43.6	2.7 (3.8)	45.1	3.4 (25.9)	54.9	3.5 (2.9)	57.4	3.5
Ragi	1.2 (0.0)	56.3	1.1 (-8.3)	57.6	1.2 (9.1)	62.8	1.1 (-8.3)	58.4	1.2 (0.0)	61.1	1.0
Total	64.7 (-0.5)		65.4 (1.1)		66.7 (2.0)		71.3 (6.9)		75.0 (5.2)		75.0

P Provisional.

Note : Figures in brackets are percentage variations over the previous year.**Source** : Economic Survey, Government of India.

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
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	8.8 (4.76)	2.7 (-6.90)	0.9 (0.00)	12.4 (1.64)
1994-95	9.5 (7.95)	2.9 (7.41)	1.1 (22.22)	13.5 (8.87)
1995-96 P	9.8 (3.16)	2.9 (0.00)	1.2 (9.09)	13.9 (2.96)
1996-97 E	10.7 (9.18)	3.2 (10.34)	1.2 (0.00)	15.2 (9.35)

P Provisional.. E Estimated.

Note : Figures in brackets represent percentage variation over the previous year.**Source** : Economic Survey, Government of India.**Table III-27 : Trends in Consumption of Selected Agricultural Inputs**

Items	Unit	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97 Target
1	2	3	4	5	6	7	8	9
A. Production/distribution of seeds								
i) Production of breeder seeds	Thousand quintal	33.89	33.90	35.98	36.28	40.11	44.61	44.61
ii) Foundation seed production	Lakh quintal	3.35	3.74	3.93	4.06	4.73	4.88	5.61
iii) Production of certified seeds	Lakh quintal	-	-	-	-	-	-	-
iv) Distribution of certified/ quality seeds	Lakh quintal	57.10	57.50	60.33	61.00	65.00	68.80	70.00
B. Consumption of Pesticides (Technical Grade Material)	Thousand tonnes	82.00	72.10	75.00	-	-	73.65	-

- Not Available.

Source : Ministry of Agriculture, Government of India.

Table III-28 : Development of Irrigation Potential

(Million hectares)

Items	Ultimate irrigation potential	Created upto VII Plan 1985-90	Cumulative achievement upto end of 1990-92	Achievement during Annual Plan 1992-93	Achievement during Annual Plan 1993-94	Anticipated achievement during 1994-95	Cumulative achievement upto end of 1995-96 (Anticipated)
1	2	3	4	5	6	7	8
A. Major and medium irrigation	58.50	29.92	30.74	0.36	0.47	0.68	32.96
B. Minor irrigation	55.00	46.60	50.35	1.52	1.35	1.57	56.45
a) Surface water	15.00	10.98	11.46	0.16	0.16	0.15	N.A.
b) Ground water	40.00	35.62	38.89	1.37	1.24	1.36	N.A.
Total (A+B)	113.50	76.52	81.09	1.88	1.82	2.25	89.41

Source : Ministry of Water Resources, Government of India.

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

(Rupees crore)

Items	VII Plan (1985-90)	1990-92	1992-93	1993-94	1994-95 A	1995-96 (Outlay)
1	2	3	4	5	6	7
A. Major and Medium Irrigation	11107.29	5459.15	3047.32	3715.40	3597.58	5045.98
B. Minor Irrigation	6179.30	3030.07	1806.09	1923.93	2082.40	2720.15
i) Government Sector	3118.35	1680.48	994.59	1048.31	1078.83	1520.15
ii) Institutional Sector	3060.95	1349.59	811.50	875.62	1003.57	1200.00
Total (A+B)	17286.59	8489.22	4853.41	5639.33	5679.98	7766.13

A Anticipated.

Source : Ministry of Water Resources, Government of India.

Table III-30 : Achievements under Command Area Development Programme

(Million hectares)

Item	VII Plan (1985-86 - 1989-90)		Cumulative achievement up to 1995-96	1996-97 (Targets)	Targets for VIII Five Year Plan
	Targets	Achievements			
1	2	3	4	5	6
1. Construction of field channels	4.99	3.17	13.58	0.4	1.53
2. Land levelling	0.81	0.38	0.75	0.04	3.30
3. Warabandi	6.19	3.74	8.23	0.64	0.40
4. Field drains	0.15	0.42	2.09	0.05	0.30

Source : Ministry of Water Resources, Government of India.

CHAPTER IV

INDUSTRY *

The process of liberalisation of the industrial sector which was introduced in July 1991 was carried further during 1996-97 and the subsequent period. Measures aimed at structural changes were introduced in sectors such as hydro-carbons, small-scale industries, public sector undertakings, infrastructure and foreign direct investment. As per performance, the industrial production during 1996-97 was subdued after registering robust growth during the preceding two years. The deceleration for 1996-97 was spread over all the major groups.

Major Policy Developments

Industrial Licensing

The Government of India have been reviewing its industrial licensing policy from time to time. During December 1996, entertainment electronics (including Video Cassette Recorders, Colour Televisions, Compact Disk Players and Tape Recorders) was delicensed. Further, in July 1997, the Government delicensed the following five categories of industries, thereby reducing the total number of industries requiring licenses to nine.

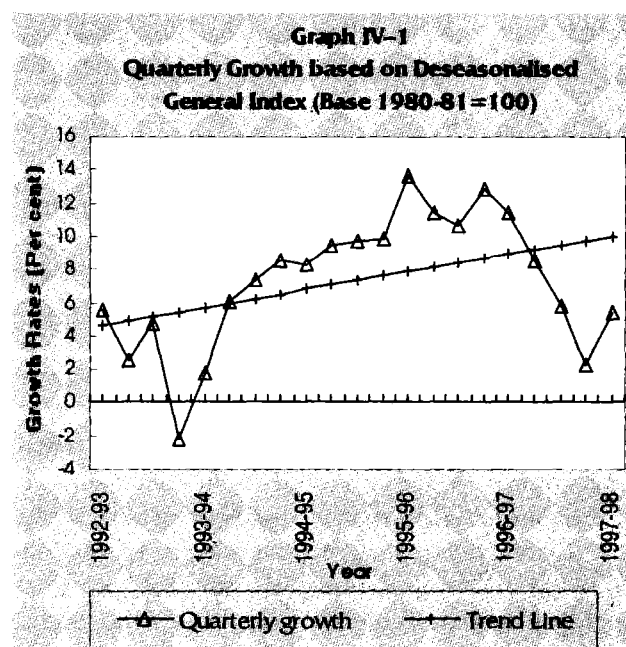
1. Animal fats and oils;
2. Tanned or dressed fur skins, chamois leather;
3. Asbestos and asbestos-based products;
4. Plywood, veneers of all types and other wood based products such as particle board, medium density fibre board/block board; and
5. Paper and newsprint except bagasse based units.

* This chapter is based on data/information available upto end-September 1997.

Licensing procedures for sugar industry were liberalised and incentive schemes for the new and for the expansion of the existing units were reintroduced. The scope of MODVAT was extended to cover the textile sector. Prices and distribution of D grade of non-coking coal, soft and hard coke were deregulated with effect from February 11, 1997; and the Coal Mines (Nationalisation) Act, 1973 would be amended to allow any Indian company to mine coal and lignite without any restrictions.

Infrastructure

With a view to developing a strong base of infrastructure, many policy measures were initiated in the sector during the year under review. Telecommunication, oil explorations and industrial parks were added to the list of industries qualifying as infrastructure. It was proposed in the Union Budget 1997-98 that supply of goods to oil, gas and power projects would be given the benefit of



deemed exports if the supplies are made under the procedure of international bidding. The Asian Development Bank has provided a loan of \$ 300 million for the Public Sector Infrastructure Facility (PSIF) in order to support private sector infrastructure projects through the development of the long-term debt market. Further, the State Governments have initiated several policy reform in the area of power, ports and roads development. The Government also announced a new exploration policy for the oil sector and devised a new pricing policy for oil and petroleum products as discussed subsequently.

Hydrocarbon Sector

Far-reaching reform measures were introduced in this sector based mainly on the recommendations of the Strategic Planning Group on Restructuring of the Industry (R-Group) (Chairman: Dr. V.L. Kelkar).

The New Exploration Licensing policy (NELP) for oil was announced in March 1997. It has the following major components. Companies, including national oil companies/NOCs (ONGC and OIL) would be paid the international price of oil for new discoveries made under NELP. Royalty payments would be fixed on an ad-valorem basis instead of the current system of specific rates. Royalty payments for exploration in deep waters would be charged at half the rate for offshore areas for the first seven years after commencement of commercial production. Tax holiday for seven years will be extended after commencement of commercial production for blocks in the North-Eastern region. ONGC and OIL will get the same duty concessions on import of capital goods under NELP as private production-sharing contracts. Cess levied under the Oil Industry Development Act, 1974 will be abolished for the new exploration blocks. A separate petroleum tax code will be put in place to facilitate new investments. Subsequently, in September 1997, the Government of India had announced a package of measures which marked a departure from the administered price regime. These measures put in place a new pricing policy for oil and petroleum products with the following basic ingredients:

- I. The subsidy on high speed diesel (HSD) was scrapped and a blue print was drawn to dismantle the administered price mechanism (APM) over two years.
- II. The prices of petroleum products used in industries such as fuel oil, low sulphur high stock (LSHS), naphtha and bitumen, and diesel prices would henceforth move in tandem with their import parity prices. While international prices would vary on a daily basis, the government has decided to raise the prices on a monthly basis.
- III. The Government will extend a loan of Rs.18,000 crore to oil companies. This is equivalent to the cumulative outstandings of the oil companies as on June 30, 1997. This loan would be utilised by the oil companies to buy special bonds to be issued by the government for the same amount. Immediate liquidity to the oil companies would be provided by making Rs.5,000 crore of these bonds as collateral for loans.

Foreign Direct Investment

Emphasising the role of foreign direct investment (FDI) as a means to support domestic investment for achieving a high level of economic development, the Government has liberalised further the policy measures relating to foreign direct investment (FDI) in the industrial sector during 1996-97. Foreign Investment Promotion Council (FIPC) was constituted to prepare project reports in selected thrust areas and thereby to facilitate the flow of foreign investment in the country. Foreign Investment Promotion Board (FIPB) was revamped for making rules and regulations pertaining to foreign investment more transparent.

Until December 1996 only 35 industries as mentioned in the Annexure III of the New Industrial Policy Statement of July 1991 were eligible for automatic approval of FDI up to 51 per cent of total equity. In December 1996, Government allowed automatic approval of FDI up to 74 per cent by the Reserve Bank of India in nine categories

of industries, including electricity generation and transmission, non-conventional energy generation and distribution, construction and maintenance of roads, bridges, ports, harbours, runways, waterways, tunnels, pipelines, industrial and power plants, pipeline transport except for POL and gas, water transport, cold storage and warehousing for agricultural products, mining services except for gold, silver and precious stones and exploration and production of POL and gas, manufacture of iron ore pellets, pig iron, semi-finished iron and steel and manufacture of navigational, meteorological, geophysical, oceanographic, hydrological and ultrasonic sounding instruments and items based on solar energy.

The list of items for automatic approvals of foreign equity by the RBI was expanded by including three industries relating to mining activity for foreign equity upto 50 per cent and 13 additional industries for foreign equity upto 51 per cent. These 13 industries include a wide range of industrial activities in the capital goods and metallurgical industries, entertainment electronics, food processing, and the services sectors having significant export potential. These industries specifically include manufacture of food products like dairy products, canning and preservation of fruits and vegetables, grain milling, salt, cocoa products and sugar confectionery etc.; cotton spinning, weaving and processing in integrated mills; wool, silk and man-made fibre textiles; paints and varnishes; coke oven products; fabricated metal products; refrigerators, air-conditioners, fire fighting appliances, primary batteries and cells; support services to land transport like operation of highway bridges, toll roads and tunnels; support services to water transport; cargo handling for land, water and air transport; renting and leasing of transport, computer and industrial equipment without operators; technical testing, research and development services, and health and medical services.

The government also announced in January 1997 the first ever guidelines for foreign direct investment (FDI) for expeditious approval of foreign investment in areas not covered under automatic approval. Priority areas for FDI proposals as mentioned in the guidelines include

infrastructure, items with export potential, large scale employment potential particularly for rural areas, items with linkages with the farm sector, social sector projects like hospitals, health care and medicines, and proposals that lead to induction of technology and infusion of capital. FDI approvals will, however, be subjected to sectoral caps; 100 per cent in power, roads, ports, tourism and venture capital funds; 49 per cent (not to be offset against the FDI in an investment/holding company where there is cap of 49 per cent) in telecommunications (basic, cellular mobile and paging services); 40 per cent (100 per cent for NRIs) in domestic air-taxi operations/airlines; 24 per cent in small scale industries, 51 per cent in drugs/pharma industry for bulk drugs; 100 per cent in petroleum; and 50 per cent in mining except for gold, silver, diamonds and precious stones.

The FIPB will allow 100 per cent foreign equity in those cases where the foreign company has expressed inability to find a suitable Indian joint venture partner, subject to the condition that the foreign investor will divest at least 26 per cent of its equity in favour of Indian parties within three to five years. The new guidelines also allow foreign companies to set up 100 per cent companies on the basis of the following criteria: (a) where only holding operation is involved and all downstream investments to be carried out need prior approval; (b) where proprietary technology is sought to be protected or sophisticated technology is proposed to be brought in; (c) where at least 50 per cent of production is exported; (d) consultancy proposals; and (e) projects in power, roads, ports and industrial towns and estates. The FIPB will also allow proposals for 100 per cent trading firms for exports, bulk imports, cash-and-carry wholesale trading and other import of goods and services provided at least 75 per cent is for procurement and sale of goods and services among group firms.

Public Sector Undertakings

Various policy measures have been enunciated for restructuring of the Public Sector Undertakings (PSUs). A major step in this regard was setting up of the Disinvestment Commission in August 1996 for working out the terms and

conditions as well as modalities pertaining to disinvestment of Government holding in PSUs. The Government has identified nine well-performing PSUs called the Navaratnas for providing them with higher managerial and commercial autonomy. These are IOC, ONGC, HPCL, BPCL, IPCL, BHEL, SAIL, NTPC and VSNL. Further, in October 1997, the Government envisaged a package of financial and operational autonomy for an additional 97 PSUs (Mini Ratnas) other than the Navaratnas. So far revenue from disinvestment in PSUs is concerned, the Government has decided to utilise the same for two vital areas of health and education, particularly in the backward districts of the country. A part of the revenue from disinvestment will also be earmarked to create an Investment Fund which will be utilised to strengthen other PSUs. The PSUs have been performing better over the last few years in view of the several policy measures.

Small-Scale Industries

Several policy measures were initiated in respect of the small scale industries (SSIs) for making the sector dynamic and vibrant. Investment ceilings in plant and machineries for SSIs were enhanced from Rs.60 lakh and Rs.75 lakh to Rs.3 crore and that for tiny sector was raised from Rs.5 lakh to Rs.25 lakh. Export obligation for non-SSI units manufacturing reserved items was reduced from 75 per cent to 50 per cent. In terms of the proposal in the Union Budget 1997-98, 14 items hitherto reserved for manufacture in the SSI sector were dereserved. The dereserved items include ice cream, biscuits, synthetic syrups, a variety of automobile parts, corrugated paper and boards, vinegar, poultry feed, rice milling, dal milling, etc. Further, the scheme of excise concession to the SSI sector was made simpler.

Performance of Industrial sector during 1996-97 : Overall

The performance of the industrial sector was subdued during 1996-97 as compared with the robust growth registered during the preceding two years. The overall industrial growth, measured in terms of the index number of industrial production (IIP: Base 1980-81 = 100), decelerated to 6.8 per

cent during 1996-97 as compared with 12.1 per cent in the preceding year. The deceleration was largely on account of the poor performance of 'mining and quarrying' and 'electricity generation' (Table IV-1). 'Mining and quarrying' registered a marginal growth of 0.9 per cent as compared with a substantially higher growth of 7.4 per cent during the preceding year. Electricity generation registered a decelerated growth of 3.8 per cent during 1996-97, which was less than one-half of that in the preceding year (8.1 per cent). Manufacturing sector, which was the mainstay of overall industrial growth in the preceding two years, showed signs of tapering off and registered a decelerated growth of 8.2 per cent as compared with 13.6 per cent in the preceding year.

Manufacturing Sector

Disaggregated analysis of the manufacturing sector at the two-digit level indicates slackness in activities among most of the industry groups. Of the seventeen sub-groups, fifteen categories with combined weight of 63.97 per cent registered either deceleration or decline in growth rates. A number of capital goods industries like electrical machinery and machinery, machine tools and parts, which performed well in the preceding two years, experienced substantial slowdown during 1996-97. Two sub-groups, viz., wood and wood products and other manufacturing industries recorded decline in production during 1996-97 whereas no sub-group had registered decline during 1995-96. Only two sub-groups (11.8 per cent weight in IIP) registered accelerated growth rates during 1996-97. They were basic metal and alloys industries (33.8 per cent) and jute, hemp and mesta textiles (2.4 per cent) (Table IV-2).

Use-Based Classification

The use-based classification of industries provides deeper insights into demand and production structure and the linkages among different segments within the industrial sector. All the use-based groups registered decelerated growth during 1996-97 (Table IV-3). The deceleration was marginal in 'basic goods' 8.2 per cent in 1996-97 as compared with 8.3 per cent in the preceding year. This was mainly on account of

the poor performance of 'mining and quarrying' and 'electricity generation', which registered substantial deceleration during 1996-97. The production of 'mining and quarrying' was adversely affected by the continuous decline in the production of crude oil. Intermediate goods segment registered a substantially decelerated growth of 6.3 per cent during 1996-97 as compared with 11.8 per cent in the preceding year. The consumer durables segment displayed markedly lower growth of 4.7 per cent compared with 36.1 per cent during the previous year. The deceleration in consumer non-durables was equally pronounced i.e., 2.6 per cent in 1996-97 as compared with 8.8 per cent in 1995-96. Capital goods sector experienced substantial deceleration during 1996-97 after registering high growth rates during the preceding two years. The growth rate decelerated to 8.4 per cent in 1996-97, which was less than one-half of that recorded in 1995-96 (17.9 per cent). Capital goods industries, such as, diesel engines, commercial vehicles, auto ancillary and parts, electric generators, motor starters and contactors, textile and sugar machineries and power pumps recorded lower growth.

In terms of relative contribution, the basic goods group contributed higher share of 48.3 per cent during 1996-97 (28.7 per cent in 1995-96) to the overall industrial growth *vis-a-vis* its weight of 39.42 per cent in IIP. The share of Capital goods came down from 30.6 per cent in 1995-96 to 26.7 per cent in 1996-97 *vis-a-vis* its weight of 16.43 per cent. Intermediate goods and consumer non-durables contributed much less to the growth of IIP *vis-a-vis* their weights in IIP.

Infrastructure Industries

The combined performance of selected infrastructure industries, *viz.*, coal, saleable steel, cement, electricity, petroleum crude and petroleum refinery products, was subdued during 1996-97. The composite index (28.77 per cent weight in IIP) of the above six infrastructure industries decelerated to 3.2 per cent which was less than one-half of that recorded in 1995-96 (7.9 per cent). All the industries with the sole exception of petroleum refinery products registered decelerated growth rates (Table IV-4). Electricity

generation registered a decelerated growth of 3.8 per cent during 1996-97 as compared with 8.3 per cent in the previous year. This was mainly on account of the poor performance of the hydro segment. As a result of this, the overall power deficit increased to 11.5 per cent in 1996-97 from 9.2 per cent in 1995-96. Coal registered a marginally lower growth of 5.8 per cent as compared with 6.5 per cent in the preceding year. Saleable steel registered substantial deceleration recording a low growth of 1.6 per cent as compared with 8.9 per cent in 1995-96. Cement registered a growth of 9.5 per cent in 1996-97 as compared with 11.5 per cent in the preceding year. The production of saleable steel and cement was affected by demand recession. The production of petroleum crude declined by 8.6 per cent in 1996-97 as compared with a 7.1 per cent growth in the preceding year. This was mainly on account of frequent power shut downs and water cuts at ONGC oilfields.

Infrastructure Services

Availability of quality infrastructure is essential for rapid economic growth. Realising the need for according special attention to improving India's infrastructure – power, roads, ports, airports and telecommunications for higher and sustained rates of growth, the Government has taken several policy initiatives. In order to improve infrastructure facilities, especially through private sector initiatives, the Government constituted an Expert Group under the Chairmanship of Dr. Rakesh Mohan to study issues relating to infrastructure development and its commercialisation. The recommendations of the Expert Group have far reaching implications which include greater public-private partnership through adoption of venture-capital route by the Government. The Group also recommended reforms in capital, debt and foreign exchange markets to facilitate resource mobilisation and private participation. The Group recommended granting fiscal incentives such as tax relief for long gestation projects. There were many sector-specific recommendations pertaining to individual infrastructure service like cost-based pricing for consumer segments and establishment of Central Electricity Regulatory Commission in the case of power sector. As regards Telecom sector,

the Expert Group recommended corporatisation of Department of Telecommunications (DOT) and privatisation of Mahanagar Telephone Nigam Limited (MTNL). Similarly, privatisation with concepts, such as, 'User Pays' was recommended for road highway and port development. As a follow-up of the report, the Infrastructure Development Finance Company (IDFC) was set up to promote investment in infrastructure projects with the Central Government and Reserve Bank as main contributors to its share capital. As regards power, a Conference of Chief Ministers of States was held which resulted in the formulation of a Common Minimum National Action Plan for Power (CMNAP) in December 1996. The CMNAP envisages establishment of independent power regulatory agencies at the State level and gradual elimination of power subsidies.

Telecommunications

The liberalisation of economy since July 1991 has transformed telecom sector completely. The entire telecom equipment manufacturing industry has been delicensed and dereserved with automatic approval of equity holding upto 51 per cent by foreign investors in the manufacture of all telecom equipments. With a network of 128.3 lakh telephone connections and 21425 telephone exchanges till November 1996, India operates one of the largest telecom networks in Asia, which is poised to take giant strides in order to meet the challenges of the growing economy. During 1996-97, the additional switching capacity of 31.15 lakh lines was added, which was higher by 19.7 per cent than that achieved in the preceding year. Correspondingly, the new telephone connections (net) recorded an increase of 17.5 per cent during 1996-97 which surpassed the target by 4.7 per cent. Provision of new village public telephone connections registered a very high growth of 74.1 per cent. The target for new connections during 1997-98 has been fixed at 29 lakh lines. During April-July 1997, 4.1 lakh new connections have been provided, representing a growth of 3.6 per cent over the corresponding period of the previous year.

The National Telecom Policy (NTP) paved the way for private sector participation to help achieve

the objective of universal coverage at affordable prices to the customers. As per the terms of licence agreement, private operating companies are to provide a minimum of 10 per cent Direct Exchange Lines (DELs) as Village Telephone (VPTs). Letter of Intent (LOI) has already been awarded to eight selected bidders in twelve Telecom Circles for providing Basic Telephone Service. In the case of Cellular Mobile Services in Circles, 33 licences for 18 Territorial Telecom Circles have been issued to 13 companies since December 1995. Services are likely to start in some of the Circles by March 1997. Radio Paging Service is available in all the 27 major cities by one or more operators, and it is expected to be available in most of the cities throughout the country by 1997. Value added services such as E-Mail, Voice-Mail/Audio-tex, 64 Kbps Domestic Data Service using VSAT, Videotex, Video-conferencing and Credit Card Authorisation have been opened to the private sector. These services have become operational in many parts of the country by DOT and VSNL. The Government has set up a statutory Telecom Regulatory Authority of India (TRAI) to protect the interest of consumers, regulate telecom tariffs, settle disputes between service providers, and to take care of other matters relating to efficient functioning of the telecom sector.

Roads

India has a road network of 2.7 million Kms which makes it the third largest road network in the World. The National Highways have a network of 34,298 Kms. The share of national highway has come down to less than two per cent of the total road network but carries nearly 40 per cent of the total road traffic. Road traffic, which accounts for over 80 per cent of the passenger and over 60 per cent of goods traffic, needs substantial upgradation in terms of quality and capacity to cope with the increasing passenger as well as goods traffic as a result of rapid economic growth. The National Highways Act was amended in 1995 to encourage private sector participation in road projects. Two projects of bypasses (Thane-Bhiwandi in Maharashtra and Udaipur in Rajasthan) and one project of Road Over Bridge (at Chalthan in Gujarat) involving an investment of Rs.42 crore have already been awarded on BOT basis. The

provisions relating to foreign investment in the road sector have been considerably liberalised and automatic approval for foreign equity participation upto 74 per cent in the construction of roads and bridges would be accorded. Automatic approval would also be given for majority equity participation upto 51 per cent in support services to land transport, like operation of highway bridges, toll roads and vehicles. The Government of India has activated the National Highway Authority which has been entrusted with the Asian Development Bank projects costing about Rs.800 crores in five States *viz.*, Haryana, Rajasthan, Bihar, West Bengal and Andhra Pradesh.

Railways

The Indian Railways have a vast network spread over 62,915 Kms., out of which, 12,306 Kms (19.6 per cent) have been electrified. The major revenue earning freight traffic consists of commodities, such as, coal, raw materials for steel plants, pig iron and finished steel for steel plants, iron ore for exports, cement, foodgrains, fertilisers, POL etc. During 1996-97, freight traffic at 408.76 MT fell short of the target marginally by 0.3 per cent. The growth of freight traffic decelerated to 4.6 per cent during 1996-97 as compared with 7.0 per cent in the preceding year. The slowdown in industrial production during 1996-97 to some extent affected the freight demand for Railways.

The thrust areas identified for the Eighth Five Year Plan included modernisation and replacement of overaged assets, gauge conversion, electrification and augmentation of terminal and rolling stock capacities. In view of numerous instances of train mishaps in the recent period, the issue of modernisation and replacement of old assets has acquired paramount importance. The sharp decline in the budgetary support to the Railways has forced the railways to reprioritize ongoing projects of line expansion, renewals, gauge conversion and electrification. It is essential to increase investment in these activities to enhance efficiency and safety. The Railways are trying to devise new strategies to cope with the challenge of diminishing budgetary support. This includes devising new marketing strategies to

attract freight traffic like setting up of Container Corporation of India (CONCOR) for providing door-to-door service for domestic users, bulk transportation, etc. Alternative sources of funding based on market borrowing are being devised. Private sector participation through Build-Own-Lease-Transfer (BOLT) and Own-Your-Wagon-Scheme (OYWS) are resorted to.

Ports

India has 11 major ports and 139 minor ports along a coastline of 5560 Kms. Cargo handled at major ports aggregated 2271.34 lakh tonnes during 1996-97. This was higher by 5.5 per cent than that in the preceding year and exceeded the target of 2150 lakh tonnes by 5.6 per cent. However, a shortfall was experienced in the case of ports at Calcutta (4.4 per cent) and Mormugao (7.6 per cent). The cumulative coastal shipment of coal registered a robust growth of 18.8 per cent during 1996-97 as compared with the preceding year surpassing the target by 12.0 per cent.

During 1997-98, the target of cargo handling at major ports is fixed at 2370 lakh tonnes. The productivity of ports in terms of Average Ship Turn Around (ASTA) and Average Ship Berth Output (ASBO) has been encouraging in recent years. However, labour and equipment productivity levels are still low by international standards on account of surplus work force at ports, outdated equipments and operational constraints. It is essential to improve productivity of labour and equipments and augment cargo handling capacity which is overstretched. In order to bridge the yawning gap between demand and availability of port capacity which is leading to port congestion and is hampering trade, private sector investment in ports is being encouraged and clear and transparent guidelines have been issued for the purpose. The Government has given clearance to the Jawaharlal Nehru Port, Navi Mumbai to award the licence for the construction, management and maintenance of a two-berth container terminal for a period of twenty years on a BOT basis to the P&O Ports, Australia led consortium. This is the first large project in the port sector through private investment in the country.

Civil Aviation

Domestic and passenger air traffic have made rapid strides over the years. The performance of Indian Airlines Ltd. during 1995-96 was relatively better than in the last few years. The company carried 7.7 million passengers and performed 722.8 Revenue Tonne Kilometers in 1995-96. The performance of Air India Ltd., on the other hand, was poor during 1995-96. Air India's overall load factor at 62 per cent is low compared to other international airlines. In 1995, Air India's market share of international traffic originating from India improved marginally to 22 per cent. In addition to four B-747-400 aircrafts which were acquired recently by Air India, two more B-747-400 aircrafts were acquired in December 1996.

Far reaching changes have taken place in the civil aviation sector in the last few years. The repealing of the Air Corporation Act 1953, on March 1, 1994 ended the monopoly of Indian Airlines, Air India and Vayudoot over scheduled air transport services. The entry of private operators in this sector has improved competitiveness and efficiency. Seven private operators, who were hitherto operating as air taxis, have been granted the status of scheduled airlines and 21 air taxi operators have been given permit for chartered/non-scheduled air transport services. As a result of these developments, by March 1996, 41.1 per cent of the domestic air transport was being catered to by private air services. The number of passengers carried by air taxi operators was 48.9 lakh during 1995. In order to cater to the increase in air traffic, airport infrastructure would need to be enhanced. Keeping in view the resource constraint for such infrastructure development, private participation from both domestic as well as foreign investors is being solicited. A new policy for private investment in civil aviation has been announced which includes allowing 40 per cent foreign equity in domestic airlines.

Industrial Performance during 1997-98

The performance of the industrial sector continued to remain subdued during the first quarter of 1997-98 (April-June) (Table IV-1). The manufacturing sector with a weight of 77.11 per cent in IIP performed poorly during April-June

1997-98 registering a low growth of 4.8 per cent which was less than one-third of that recorded in the corresponding quarter of the previous year (15.0 per cent). Mining and quarrying, and electricity generation sectors, however, recorded improved performance. Mining & quarrying sector registered an accelerated growth of 7.1 per cent in April-June 1997-98 as compared with 2.5 per cent in the corresponding period of the preceding year. Electricity generation sector also registered a markedly improved performance by registering an accelerated growth of 5.4 per cent in the first quarter of 1997-98 as compared with 2.2 per cent in the corresponding period of the previous year.

According to the use-based classification, all the groups registered decelerated growth rates during the first quarter of 1997-98 in relation to the rates registered in the corresponding period of 1996-97. Consumer goods segment registered a marginal decline in production. However, the composite index of six infrastructure industries for the first four months of 1997-98 (April-July) showed a marginally higher growth of 4.4 per cent as compared with 4.0 per cent in the corresponding period of the previous year.

Industrial Restructuring

The industrial sector of India has been undergoing restructuring in a substantive way. The corporates are taking strategic decisions as regards product-mix and diversifying their product bases and resorting to marketing campaigns for improving their brand images. They have been strengthening their quality control systems and adopting ISO-9000 for gaining international acceptance. The corporates are stepping up their research and development efforts and adopting foreign technologies through tie-ups and strategic alliances with foreign partners. Further, the corporate units have increasingly resorted to mergers and acquisitions as they entail significant gains in terms of synergy, economies of scale, better financial and marketing advantages, diversification and reduction of earning-volatility, improved inventory management, increase in domestic market share, enhancement in production capacity and above all, capturing the fast growing markets abroad (Box IV-1).

Box IV-1

MERGERS AND ACQUISITIONS

Mergers and acquisitions are the responses of the corporate sector to the forces of competition unleashed by the process of economic reforms. Merger or amalgamation denotes the merging of one company into another or two companies getting merged into one another to form a new corporate entity. In this method, there is a change in the ownership. Acquisition or takeover denotes a corporate acquiring controlling stake in another company to manage the latter through control over Board of Directors of that company. In this method, only control over the company is changed. Mergers and acquisitions (M&A) may be divided broadly into three categories: (I) Horizontal M&A: In this, two corporates operating and/or competing in same kind of product or market come together. This method is generally resorted to for gaining economies of scale, increasing competitiveness and to reduce competition. (II) Vertical M&A: Under this, two corporates which are vertically linked to each other, either forward or backward, come together. This method is generally resorted to for achieving operating efficiencies through reliability of imports, better material control, gaining competitive power through controlling input prices and to create entry barrier in terms of scale, market and technology. (III) Conglomerate M&A: This takes place when two firms operating in unrelated markets or products come together. This is intended to gain competitive and cost advantage through synergies. Diversification into unrelated business helps reduce the overall corporate risk.

Associated with M&A transactions under corporate restructuring are the range of divestitures where the corporates "demerge" to sharpen the focus of the business so as to ultimately enhance corporate value. Divestitures involve selling of assets/product lines/divisions/subsidiaries for cash/stock or both. They are aimed at focussing on core areas, raise funds to pay off other prior commitments, greater strategic focus and disposing off saturated or declining business. Such divestitures could be in the form of spin offs, split offs, split ups, equity carve outs, etc. Spin off denotes spinning off of subsidiary from the parent's fold into an independent entity. In split off transactions, a group of shareholders receive subsidiary's shares subject to the conditions they would relinquish their shares in parent company. In split up transactions, the parent spins off all the existing divisions and subsidiaries to its shareholders and ceases to exist. In post split up period, several divisions and subsidiaries would be independent entities. In equity carve out, only part of subsidiary's

equity owned by parent is offered to public in exchange for cash or debt without losing control.

Private corporates in India have been restructuring their operations in a substantive way, particularly since the announcement of the new industrial policy in 1991. The reason was that in the pre-reform era, splitting of capacities was encouraged due to overriding licensing system, even at the cost of economies of scale and other related benefits. While MRTP Act discouraged building of big capacities, FERA disallowed majority holding by the foreign companies. Company law also vested the power to restrict transfer of corporate control with Board of Directors. All these factors contributed to inefficiencies, dis-economies and distorted corporate governance. The liberalisation process has gradually removed the ceiling on the size of the units, reduced the procedural formalities, and initiated amendments to evolve healthy corporate governance. Globalisation has opened up the Indian corporate sector to global market and exposed its vulnerability in terms of size, technology and marketability. More and more corporates have started "re-inventing" themselves before the corporate governance forces them to do so. They have turned to mergers and acquisitions as a well planned strategy for harnessing the potential benefits. The basic economic objectives of the firms for resorting to mergers and acquisitions can be categorised into the following :

1. Diversification of activities (Instead of setting up new projects).
2. Reaping the benefits of economies of scale, both internal and external and cutting costs.
3. Optimising the use of scarce management resources.
4. Improving market share and gaining competitiveness in the market.
5. Reaping the advantages of backward and forward linkages on similar synergetic operations.
6. Establishing well developed network of distribution outlets.
7. Utilising surplus funds (retained earnings).
8. Capturing the fast growing markets abroad.
9. Saving on taxes and duties.

However, mergers and acquisitions are not unmixed blessings. They may lead to industry concentration and enhance market power of few large companies. They may create problems for surplus labour force, identified after the merger process. They may also result in great deal of speculation and insider trading in the absence of a well regulated market. Hostile take-over bids will threaten the existence of small firms without the existence of strong defence mechanism.

The regulatory mechanism for the merger and take-over activities in India has been streamlined over the years. The SEBI had issued the Regulations on Substantial Acquisition of Shares and Take-overs in November 1994. However, the process of merger and take-over has become complex as a fall-out of the changing corporate scenario due to economic reforms. Hence, SEBI felt the need to address the issues involved and make the regulatory framework more comprehensive. A Committee was set up by SEBI under the Chairmanship of Justice P.N. Bhagwati in November 1995 to examine the deficiencies in SEBI's regulation of 1994 and to make them more fair, transparent and unambiguous and to protect the interests of investors and all parties concerned in the

acquisition process. The Committee submitted its Report in August 1996. After discussions on the comments on the Report and Draft Regulations framed by the Committee, the SEBI (Substantial Acquisitions of Shares and Take-overs) Regulations 1997 were notified in February 1997 which aim at greater transparency, fairness and equity of treatment to all investors, timeliness and accuracy of disclosure of information, prevention of frivolous offers and enforcement against violations.

The need for a transparent and well regulated market for corporate control is well established. However, there are some crucial issues which need to be addressed. The M&A activities involve large amount of financial resources and the methods and instruments for raising such massive funds need to be identified. Managements of well run corporates should not be destabilised by frequent corporate threats. For this purpose, a suitable code of corporate governance should be evolved. Simultaneously, the corporates should develop proper defence mechanism against hostile take-over bids and make themselves truly competitive. Regulatory authorities on their part should curb insider trading and excessive speculative activities relating mergers and acquisitions.

Performance of Public Sector Enterprises in India

In terms of net value added, the public sector enterprises constitute a sizeable share among all the major industry groups. From five enterprises with investment of Rs.29 crore in 1950-51, the public sector expanded in size and stature to 243 enterprises (excluding 8 companies with Central Government investment but without direct responsibility for management, 6 insurance companies and 2 financial institutions) with investment of Rs.1,78,628 crore in 1995-96. However, after the initial concentration of public sector investment in key infrastructure areas, public enterprises began to spread into all areas of the economy. This has resulted in a poor general overall performance of the public sector, which manifested itself in low and negative returns on investment. In order to improve the performance of public sector, the Government had constituted in 1985 a 'Committee to Review the Policy for Public Enterprises' (Chairman: Arjun Sengupta). Following the recommendations of the Committee, the Government had introduced the concept of Memorandum of Understanding (MOU) in 1988.

The main objective of MOU is to reduce the quantity of control and increase the quality of accountability. The emphasis is on achieving the negotiated and agreed objective rather than interfering in the day-to-day affairs. Over the years, the MOU system has grown at a steady rate, from 4 MOUs in 1987-88 to 114 MOUs in 1996-97. Besides, the Government of India announced on July 24, 1991 as a part of the 'Statement on Industrial Policy' following reform measures:

- (i) Portfolio of public sector investments will be reviewed with a view to focus the public sector on strategic, high-tech and essential infrastructure. Whereas some reservation for the public sector is being retained, there would be no bar for area of exclusivity to be opened to the private sector selectively. Similarly, the public sector will also be allowed entry in areas not reserved for it.
- (ii) Public enterprises, which are chronically sick and which are unlikely to be turned around will, for the formulation of revival/rehabilitation schemes, be

referred to the Board for Industrial and Financial Reconstruction (BIFR), or other similar high level institutions created for the purpose. A social security mechanism will be created to protect the interests of workers likely to be affected by such rehabilitation packages.

- (iii) In order to raise resources and encourage wider public participation, a part of the Government's share-holding in the public sector would be offered to mutual funds, financial institutions, general public and workers.
- (iv) Boards of public sector companies would be made more professional and given greater powers.
- (v) There will be a greater thrust on performance improvement through the Memorandum of Understanding (MOU) system through which managements would be granted greater autonomy and would be held accountable. Technical expertise on the part of the Government would be upgraded to make the MOU negotiations and implementation more effective.

In pursuance of the liberalisation measures, the number of industries exclusively reserved for the public sector has been gradually reduced to six. On July 4, 1997, the Government of India, had devised an autonomy package for the "Navaratnas" – the nine major public sector undertakings – granting them full financial and managerial autonomy. The autonomy package allows the nine PSUs the freedom, *inter alia*, (i) to incur all capital expenditure without any monetary ceiling; (ii) to raise debt from the domestic or international market; (iii) to enter into technology joint ventures and wholly owned subsidiaries with equity investment upto Rs.200 crore; (iv) to restructure the boards by the induction of eminent non-official part-time directors who would be selected by a high power search committee; (v) to effect organisational restructuring including establishment of profit centres, opening of offices in India and abroad and (vi) to structure and

implement schemes relating to human resources management and personnel. Further in October 1997, the Government of India had announced a package of financial and operational autonomy for 97 profit making public enterprises (called Mini-Ratnas) other than the Navaratnas.

Following the system of MOU and reform measures introduced in 1991, the performance of public sector improved considerably during the recent years. According to the Public Enterprises Surveys, the value added (value of production less cost of direct materials consumed) of PSEs increased significantly from Rs.31,922 crore in 1990-91 to Rs.57,774 crore in 1995-96. Similarly, the net profit recorded quantum jump of more than four times from Rs.2,272 crore in 1990-91 to Rs.9,878 crore in 1995-96 (Table IV-A). Consequently, the rate of return as measured by the ratio of net profits to capital employed had increased from 2.23 per cent in 1990-91 to 5.68 per cent in 1995-96. While the number of profit earning PSEs increased from 123 (with profits of Rs.5,393 crore) in 1990-91 to 134 (with profits of Rs.14,704 crore) in 1995-96, the number of loss making enterprises decreased from 111 (with loss of Rs.3,121 crore) in 1990-91 to 101 units (with loss of Rs.4,826 crore) in 1995-96. As a result, the ratio of losses of loss-making units to the profits of profit-making units as a measure of overall improvement, recorded a sharp decline from 57.9 per cent in 1990-91 to 32.8 per cent in 1995-96. As a measure of the return of investment, the ratio of gross margin (excess of income over expenditure) to capital employed improved markedly from 17.94 per cent in 1990-91 to 23.31 per cent in 1995-96.

Against the backdrop of the improvement of the working of PSEs, it is noteworthy to mention that PSEs' reliance on budgetary resources declined while their net internal resources increased substantially. In 1990-91, the budgetary resources constituted 24.4 per cent (Rs.4,474 crore) of gross resources available to PSEs (i.e., budgetary resources, extra-budgetary resources and net internal resources), but plummeted to 11.8 per cent in 1995-96. On the other hand, the share of net internal resources recorded quantum jump from 33.9 per cent (Rs.6,181 crore) in 1990-91

to 50.2 per cent (Rs.16,727 crore) in 1995-96. Accordingly, PSEs' contribution to exchequer improved markedly from Rs.19,520 crore in 1990-91 to Rs.32,096 crore in 1995-96.

The improvement in the working and functions of PSEs could also be gauged from the evaluation of PSEs who signed MOUs with the Government. For the year 1995-96, out of 104 PSEs, signing MOUs, half of them were rated 'excellent', while 31 PSEs were evaluated as 'very good', 7 PSEs good, 12 PSEs 'fair' and 2 PSEs

'poor'. This analysis reveals that in 1995-96, almost 80 per cent (75 per cent in 1993-94) of the PSEs signing MOUs were rated very good and excellent.

As regards the State Level Public Sector Enterprises (SLPSEs), no firm data base is available. The information available is set out in Table IV-B below. It may be observed from the Table that there has been improvement in profitability during 1994-95 and 1995-96 as compared with 1993-94 in respect of SLPSEs of most of the States covered.

Table IV-A : Performance of Central Public Sector Enterprises

(Amount in Rupees Crore)

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
1	2	3	4	5	6	7
No. of Enterprises	246	246	245	246	245	243
Investment	113896	135445	147587	164960	173292	178628
Value added	31922	35213	38509	41486	47986	57774
Net profit	2272	2337	3238	4473	7187	9878
No. of profit making PSEs	123	133	131	120	130	134
No. of loss making PSEs	111	102	106	117	109	101
Contribution to exchequer	19520	19951	22449	22988	24742	32096
Budgetary resources	4474	3617	3444	4068	4380	3919
Extra budgetary resources	7697	7988	11001	14744	13446	12674
Net internal resources	6181	7293	10082	9862	14932	16727
Ratio of gross margin to capital	17.94	18.83	18.01	17.33	20.55	23.31
Ratio of net profit / loss to capital	2.23	2.0	2.33	2.84	4.42	5.68

Table IV-B : Performance of State Level Public Sector Enterprises

	Rupees (In crore)			No. of Units		
	1993-94	1994-95	1995-96	1993-94	1994-95	1995-96
I	2	3	4	5	6	7
I. Kerala						
(a) Profit Making	113.79	173.84	230.67	47	43	45
(b) Loss Making	163.80	164.24	223.16	43	46	42
Total	-50.01	9.60	7.51	90	89	87
II. Karnataka						
(a) Profit Making	110.17	207.58	225.34	36	38	40
(b) Loss Making	167.14	142.18	141.22	35	38	29
Total	-56.97	65.40	84.12	71	76	69
III. West Bengal						
(a) Profit Making	43.96	51.88	26.11	13	15	11
(b) Loss Making	160.24	183.21	179.42	39	39	42
Total	-116.28	-131.33	-153.31	52	54	53
IV. Madhya Pradesh						
(a) Profit Making	17.84	18.18	16.41	15	20	24
(b) Loss Making	15.94	9.88	11.61	11	7	3
Total	1.90	8.30	4.80	26	27	27
V. Rajasthan						
(a) Profit Making	129.60	117.67	167.71	21	22	12
(b) Loss Making	24.62	36.67	28.56	16	12	11
Total	105.06	81.00	139.15	37	34	33
VI. Tamil Nadu						
(a) Profit Making	135.86	113.34		35	39	
(b) Loss Making	81.62	89.72		29	28	
Total	54.24	23.62		64	67	
VII. Assam						
(a) Profit Making	5.25	11.03		9	7	
(b) Loss Making	238.71	241.83		35	28	
Total	-233.46	-230.80		44	35	
VIII. Haryana						
(a) Profit Making	96.57	143.81	147.89	28	31	28
(b) Loss Making	442.19	31.42	50.23	14	10	13
Total	-345.62	112.39	97.66	42	41	41

Employment in Organised Sector

The Eighth Five-Year Plan aimed at bringing employment into sharper focus in order to achieve the goal of reducing unemployment sharply by 2002 AD. Expansion of employment opportunities has thus continued to be an important objective of development planning in India in addition to augmentation of existing

employment opportunities.

Estimate of employment in the organised sector (i.e. all Public Sector Establishments and the Private Non-Agricultural Establishments employing 10 or more workers) of the economy shows that employment during 1995-96 increased by 1.5 per cent to 279.4 lakhs as compared with 0.5 per cent growth recorded during 1994-95 (Table IV-5).

Employment in Public Sector experienced a marginal decline of 0.2 per cent during 1995-96 as against a marginal growth rate of 0.1 per cent during 1994-95. As against this, the private sector employment recorded an accelerated growth rate of 5.6 per cent during 1995-96 as compared with growth rate of 1.6 per cent during 1994-95. As per quick estimates, employment in the organised sector was 277.5 lakhs as on December 31, 1996. The contribution of Public Sector and Private Sector was to the tune of 69.0 per cent and 31.0 per cent, respectively.

The labour force is projected to increase by about 35 million during 1992-97 and further by 36 million during 1997-2002. The total number of persons requiring employment will be 94 million over the ten-year period, *i.e.*, 1992-2002. As against the growth rate of 2.2 per cent per annum during 1971-91, an average employment growth rate of 3.0 per cent during 1992-2002 can bring the economy to near full employment situation by 2002 A.D.

Small Scale Sector

The small scale sector plays an important role in the industrial development of the country, contributing nearly 40 per cent to the gross turnover in the manufacturing sector, 45 per cent of manufacturing exports and 34 per cent of total exports. During the year 1996-97, the production of small scale sector (modern segment excluding power looms) registered robust but decelerated growth of 17.6 per cent as against a growth of 21.2 per cent in the previous year (Table IV-6). The sector provided employment to 16 million people and accounted for exports of Rs.40,355 crore during 1996-97. Considering the importance of the small scale sector, the government has been endeavouring to provide a conducive policy framework and implement several schemes for providing extension and technology support service, infrastructure facilities and adequate and timely supply of credit and other inputs for the SSI units. During 1996-97, besides fine tuning existing policies, several new initiatives were undertaken. The government has decided to raise an investment ceiling in plant and machinery for SSI from Rs.60 lakhs to Rs.3 crore and for tiny

units from Rs.5 lakh to Rs.25 lakh to make them more competitive. Further, it was decided to reduce export obligation in the non-SSI units manufacturing items reserved for SSI sector from 75 per cent to 50 per cent. In terms of proposal in the Union Budget 1997-98, 14 items reserved for SSI sector were dereserved. A scheme for setting up mini tool-rooms in association with state government and non-government organisations was introduced. To bring about simplifications in the schemes and excise duty concessions applicable to SSI, it was decided in terms of proposal in the Union Budget 1997-98 that SSI not availing of any MODVAT credit on duty paid inputs should pay a flat rate of duty at 3 per cent ad-valorem on clearance between Rs.30 lakh and Rs.50 lakh, and at 5 percent ad-valorem on clearance between Rs.50 lakh and Rs.100 lakh.

Provision of adequate and timely credit for the small scale industries is a crucial matter. As of end-March 1997, 353 specialised SSI bank branches were in operation. The outstanding advances from the public sector banks to the SSI sector increased from Rs.29,482 crore at end-March 1996 to Rs.31,542 crore at end-March 1997. The share of such advances to net bank credit increased from 16 per cent to 16.6 per cent over the year. With a view to enhancing flow of credit to SSI sector several schemes have been initiated as below:

(i) In terms of the credit policy for the first half of 1997-98, the banks were advised by RBI in April 1997 that out of the funds available for the SSIs, 40 per cent should be made available for units with investment in plant and machinery upto Rs.5 lakh, 20 per cent for units with investment between Rs.5 lakh and Rs.25 lakh and the remaining 40 per cent for other SSI units. The simplified procedure of assessing the working capital needs of village, tiny and other SSI units on the basis of 20 per cent of the projected turnover has been extended to borrowers having working capital limit upto Rs.2 crore from the banking system from the prevailing level of Rs.1 crore.

(ii) Technology Development and Modernisation Fund Scheme of SIDBI and

Government Scheme for promoting assistance to SSI units to obtain ISO 9000 quality standard have been revised to make them more attractive to SSI units.

(iii) A new scheme of direct assistance of financing activities relating to marketing of SSI products was launched by SIDBI in the year 1996-97.

(iv) SIDBI has also increased loan limit for the Single Window Scheme from Rs.50 lakh to Rs.100 lakh in the year 1996-97.

(v) SIDBI has been empowered to participate in venture capital fund set up by public sector institutions as well as private sector companies upto 50 per cent of their total corpus provided such funds were dedicated for financing of SSIs.

An Expert Committee was set up under the chairmanship of Dr. Abid Hussain to examine, inter alia, the policies and direct assistance programmes for small industry development, assess their impact and efficiency and to suggest appropriate changes for creating an efficient, viable and dynamic small enterprises sector. The Committee submitted its Report in January 1997¹. The Government has already acted upon some of the recommendations of the Committee and other recommendations are under consideration. The Ninth Plan Approach Paper has drawn up a well-knit strategy for the promotion of Village and Small Industries Sector focusing on the benefits of economies of scale, upgradation of technology, creating of employment opportunities and strengthening of export capabilities. The paper has laid renewed emphasis on augmentation of credit flow to the sector by motivating financial institutions to offer factoring services in addition to the present system of discounting of bills. Special attention is to be paid to technology development for traditional industries such as handlooms, powerlooms, coir, wool, handicrafts, etc.

¹ The recommendations of the committee were summarised in Annual Report, 1996-97 of the Reserve Bank (Box II.3, Page 48).

Industrial Sickness

Taking serious note of adverse impact of industrial sickness on industrial production and employment, the Government of India and the Reserve Bank have been constantly endeavouring to bring down the incidence of sickness in industry. As per the latest data, the number of sick/weak units, both SSI and non-SSI, declined by 2.4 per cent from 2,71,206 as at end-March 1995 to 2,64,750 as at end-March 1996. However, the amount outstanding increased marginally by Rs.9.3 crore during 1995-96 to Rs.13,748 crore. Though the SSI sector accounted for 99.1 per cent of total sick/weak units, its share in total bank credit outstanding was only about 27 per cent. The main reasons for industrial sickness in non-SSI sick/weak units as reported by the banks, were internal factors such as deficiencies in project management (46.5 per cent of the cases), shortcoming in project appraisal in (7.2 per cent of the cases), external factors such as non-availability of raw materials, power shortage, transport bottlenecks, financial bottlenecks and fall in demand which were beyond the control of promoters/managers of the units, in respect of the remaining 46.6 per cent of the cases.

Non-SSI Sick Units

The number of non-SSI sick units increased from 1,915 as at end-March 1995 to 1,956 as at end-March 1996. The outstanding bank credit to these units rose from Rs.8,740 crore as at end-March 1995 to Rs.8,823 crore as at end March 1996. (Statement 28, Volume II).

Region-wise, the Western Region had the largest number of non-SSI sick units at 621 which accounted for 31.7 per cent of the total number of non-SSI sick units and 30.6 per cent of the total outstanding bank credit as at end-March 1996.

Among the States, Maharashtra continued to have the largest number of non-SSI sick units followed by Andhra Pradesh, West Bengal, Uttar Pradesh, Tamil Nadu and Gujarat. These six states together accounted for about 62.0 per cent of the total number of non-SSI sick units and 70.6 per cent of the total outstanding bank credit as at end-

March 1996. Industry-wise, the maximum outstanding bank credit was accounted for by textiles (Rs.1,673 crore or 19.0 per cent of the total outstanding bank credit) followed by Engineering (Rs.1,073 crore or 12.2 per cent), electrical (Rs.825 crore or 9.3 per cent), Iron & Steel (Rs.709 crore or 8.0 per cent), Chemicals (Rs.696 crore or 7.9 per cent).

Non-SSI Weak Units

The number of non-SSI weak units progressively declined from 476 as at end-March 1995 to 418 as at end-March 1996. The bank credit outstanding against these units also decreased from Rs.1,452 crore as at end-March 1995 to Rs.1,203 crore as at end-March 1996 (Statement 27, Vol II). The major reduction in outstanding was in respect of Chemicals, Textiles, Engineering, Sugar, Vehicles and Metal & Metal Products.

Sick SSI Units

The number of sick-SSI units decreased from 2,68,815 at end-March 1995 to 2,62,376 as at end-March 1996 (Table IV-7). The outstanding bank credit locked up in these units, however, increased from Rs.3,547 crore as at end-March 1995 to Rs.3,722 crore as at end-March 1996.

Region-wise, the majority of sick SSI units (41.47 per cent) were located in the Eastern Region, followed by the Northern Region (26.40 per cent), Southern Region (16.57 per cent) and Western Region (15.26 per cent). However, in terms of the outstanding bank credit, the Western Region ranked first (31.25 per cent), followed by the Southern Region (27.99 per cent), Northern Region (23.92 per cent) and Eastern Region (16.84 per cent). Of the 2,62,376 sick SSI units, banks have conducted viability studies in respect of 2,56,592 units and have identified 16,424 units as potentially viable. Of the viable units, 11,026 units with outstanding of Rs.421.92 crores were put under nursing programme by the banks.

The Reserve Bank attaches great importance to the detection of sickness at the incipient stage and on timely formulation of rehabilitation

packages in respect of those sick/weak non-SSI units which are found to be potentially and commercially viable. For early detection of sickness, the RBI has been advising banks to set up Cells, strengthen infrastructure arrangements and review the adequacy of the information system. The RBI advised the banks to introduce accountability at branch level. The Reserve Bank guides commercial banks in the matter of rehabilitation of sick/weak units and various related aspects for proper co-ordination between commercial banks and term-lending institutions in formulation and implementation of rehabilitation programmes. Also certain broad parameters have been evolved for grant of relief/concession by banks as a part of package in such cases where it is absolutely necessary. The Reserve Bank has constituted a Standing Co-ordination Committee to consider issues relating to co-ordination among the banks, financial institutions and State/Central Governments. The Sick Industrial Companies Act is being modified for expediting the rehabilitation process of sick industries by granting greater flexibility to the Board for Industrial and Financial Reconstruction (BIFR) and bringing the entire process of revival of sick industries within a particular time-frame.

Selected Industries

Coal

As of January 1, 1997 the coal resources of India have been estimated at 2,04,653 million tonnes. Lignite deposits have been estimated at 27,450 million tonnes. As against a production target of 288.7 million tonnes, the total production of coal (except lignite) during 1996-97 at 286.1 million tonnes registered a decelerated growth rate of 4.6 per cent as compared with 6.1 per cent during 1995-96 (Table IV-8). Production of lignite went up marginally by 1.8 per cent during 1996-97 as compared with a very high growth rate of 15.0 per cent during 1995-96. The production of coking coal showed a positive growth of 1.5 per cent compared with the decline of 5.0 per cent during 1995-96. The import of coking coal during 1996-97 at 9.4 million tonnes was marginally higher than that during 1995-96. Despatches of both coking and non-coking coal

were higher during 1996-97 as compared with those during 1995-96. A continuous increase in internal despatch of coal led to a reduction in year-end pit-head stock to 42.0 million tonnes at end-March 1997 from the level of 45.6 million tonnes at end-March 1996. A notable improvement in the industrial relations was also noticed during the year as production loss on account of strikes and lock outs by CIL declined from 5,31,334 metric tonnes in 1992-93 to 3,66,337 metric tonnes in 1995-96 and to 1,60,283 metric tonnes during April-December 1996.

At the time of the formulation of the Eighth Five-year plan, Planning Commission had assessed the country's raw coal demand in 1996-97 at 311 million tonnes. The growth rate of coal consumption in the first three years of Eighth Plan was only 4.4 per cent. But due to sharp and unanticipated increase in demand for coal from the major consumers in power, steel, cement and fertilizer segments during 1995-96 and 1996-97, the supply-demand gap in the country increased to 25.35 mt. in 1996-97. In view of increased demand for coal, Central Mines Planning and Design Institute Ltd (CMPDIL) continued its exploration and production support drilling facilities. During the year 1996-97 upto December 1996, a total of 1,74,617 meters of drilling was carried out for exploration.

The Government decided on February 11, 1997 to deregulate the price and distribution of 'D' Grade of non-coking coal, hard coal and soft coal and to allow Coal India Ltd. (CIL) and Singareni Collieries Company Ltd. (SCCL) to fix the prices of 'E', 'F', and 'G' grades of non-coking coal once in every six months by updating the escalation formula contained in the 1987 report of the Bureau of Industrial Costs and Prices till January 1, 2000. After January 1, 2000 the prices of 'E', 'F' and 'G' grades of non-coking coal would be fixed by CIL and SCCL in relation with market prices. The Government of India also announced its willingness to consider foreign collaboration proposals with a view to bringing in new technologies in underground and opencast mining sector. A joint Working Group on coal has been set up with Australia, Canada, China, France, Germany, Russia and UK to identify projects for

bilateral co-operation.

Iron Ore

Total production of iron ore at 66.7 million tonnes declined by 1.0 per cent during 1996-97 as compared with growth of 4.5 per cent during 1995-96. The despatches for internal consumption registered a marginal growth rate of 0.8 per cent during 1996-97 as against 11.4 per cent during 1995-96 (Table IV-9). The despatches for exports declined by 19.6 per cent during 1996-97 as against 21.5 per cent growth during 1995-96. The year-end stock went down from 4.8 million tonnes in March 1996 to 4.2 million tonnes in March 1997. Among the States, Madhya Pradesh contributed the largest quantity of iron ore accounting for 25.0 per cent of total production followed by Goa 21.0 per cent, Bihar and Karnataka 19.0 per cent each and Orissa 16.0 per cent. Nominal production of Iron ore was reported by Andhra Pradesh, Maharashtra, Rajasthan and Haryana.

Cement

The cement industry witnessed deceleration in the growth rates of installed capacity, production and despatches during the year under review (Table IV-10). While the installed capacity in 1996-97 at 105.3 million tonnes grew by 8.9 per cent in comparison with a record growth of 15.4 per cent in 1995-96, the production of cement at 76.2 million tonnes recorded a lower growth of 9.5 per cent as compared with 11.5 per cent in 1995-96. Much of the production accrued due to higher output of the private sector as the public sector registered decline in terms of production. The lower growth of production was occasioned by slackness in demand as reflected in the decelerated growth of cement despatch of 9.3 per cent in 1996-97 in comparison with 11.7 per cent in 1995-96. Exports amounted to 1.7 million tonnes during 1996-97 and the year-end stock stood at 1.0 million tonnes. The two lines of IBRD credit of US\$ 500 million extended to the cement industry helped in modernisation and sustained growth of the industry. A capacity of 9 million tonnes is expected to be added during the year 1997-98. The production target for cement for

1997-98 has been fixed at 81 million tonnes.

The major problems faced by the industry during the year were inadequate and erratic supply of coal mainly due to poor availability of rail wagons, increase in coal prices following partial deregulation, poor quality of coal and frequent power cuts in major cement producing States like Rajasthan, Andhra Pradesh, Karnataka, Madhya Pradesh, Gujarat and Kerala. The Government is encouraging the setting up of coal washeries and captive power plants to solve the problems of poor quality of coal and power shortage. A pilot project for transportation of bulk cement is being set up at Kalamboli, New Bombay in order to switch over gradually from the traditional movement of cement in bags to modern and efficient mode of transportation and distribution in bulk.

Iron and Steel

The total production of saleable steel both by major and mini steel plants during 1996-97 at 18.5 million tonnes witnessed a marginal growth of 0.2 per cent compared with the growth of 13.3 per cent during 1995-96 (Table IV-11). The production of major steel plants also registered a marginal growth of 0.7 per cent during the year 1996-97, as compared with the growth of 8.2 per cent in the previous year. The mini steel plants recorded a decline of 1.5 per cent during the year 1996-97 (33.2 per cent during 1995-96). During the year 1996-97, export of saleable steel registered a growth of 15.4 per cent (1.9 millions tonnes) compared with a growth of 31.0 per cent (1.7 million tonnes) during 1995-96. While domestic sales registered a decline of 3.6 per cent as compared with a growth rate of 7.4 per cent during 1995-96, the import of saleable steel recorded an accelerated growth of 6.3 per cent during 1996-97, compared with a negative growth rate of 5.3 per cent during 1995-96. However, the year-end stock showed an increase to 1.4 million at end-March 1997 compared with 0.97 million tonnes at end-March 1996. Total production of pig iron witnessed an accelerated growth rate of 14.5 per cent during the year 1996-97 on account of impressive performance by the secondary producers.

Electricity

Despite an increase in the installed capacity by 3.2 per cent in 1996-97 in comparison with 2.6 per cent in 1995-96, the overall generation of electricity during 1996-97 at 394.8 billion kilowatt hours fell short of the target by 1.9 per cent and recorded decelerated growth of 3.9 per cent as compared with 8.3 per cent during 1995-96, mainly due to poor performance of the hydel sector which recorded a decline of 5.4 per cent in 1996-97 on top of decline of 12.1 per cent in 1995-96 (Table IV-12 and Table IV-13). Eventhough the demand for power increased by 6.1 percent during 1996-97 as compared with 10.6 per cent during 1995-96, this lower order of increase in power generation aggravated the problem of power shortage which increased to 11.5 per cent during 1996-97 as compared with 9.2 per cent during 1995-96 (Table IV-14). The Southern Region was the worst affected with a deficit of 20.6 per cent followed by North-Eastern Region (12.6 per cent). Only in case of Eastern Region, the power deficit declined from 10.1 percent during 1995-96 to 8.3 percent during 1996-97.

Various measures have been initiated to increase power generation through (a) improving the plant load factor (PLF), (b) emphasizing better managerial practices and improving liquidity of State Electricity Boards and Central Public Sector Undertakings as well as better coordination of fuel supply, (c) better load management through establishment of inter-regional grids to allow for optional exchange of power, (d) demand side management including rationalizing energy prices, reducing consumption in energy intensive industries through R&D efforts (e) creation of new capacity, (f) restructuring of SEBs by unbundling of power industry by separating generation, transmission and distribution, bring in competitiveness by allowing private participation in generation and distribution and development of regulatory framework. In this connection, it is pertinent to note the important initiatives taken by the Government of Orissa for restructuring its SEB and replacing it by three separate corporations namely Grid Corporation of Orissa, Orissa Hydro Power Corporation and Orissa Power Generation Corporation to look after the functions of

distribution, generation and transmission of electricity.

Crude Oil and Petroleum Refinery Products

Production of crude oil during 1996-97 at 32.90 million tonnes registered a negative growth rate of 6.4 per cent as against a growth of 9.1 per cent during 1995-96 (Table IV-15). The decline in production could be attributed to unexpected reservoir behaviour in Bombay High and Neelam Oil Fields, frequent power shut downs in Eastern and Western Region affecting artificial lift operations, constraints in operating conditions in the North Eastern region and stoppage of work in Nagaland. However, the Petroleum refinery products recorded a higher growth of 7.1 per cent during 1996-97 as compared with 4.1 per cent in the previous year. Capacity utilisation of the refinery units during April to December 1996 remained at 103.0 per cent against 103.9 per cent during 1995-96. Due to decline in production, gross import of crude oil went up by 24.0 per cent during 1996-97. (i.e. 33.9 million tonnes). On the contrary, the import of refinery products registered a negative growth rate of 0.3 per cent during 1996-97, as compared with growth rate of 45.8 per cent during 1995-96. The import of kerosene increased by 42.5 per cent during 1996-97, compared with a negative growth rate of 29.2 per cent during 1995-96. The import of high speed diesel recorded decelerated growth of 5.9 per cent during 1996-97 as compared with 48.8 per cent during 1995-96.

In order to meet the rising demand of petroleum products, the Government initiated a number of short-term and long-term measures to augment the production of crude oil in the country. While short-term measures include early production systems, deepening of existing wells and adoption of improved technology, the long-term measures include development of new oil fields, participation of the private capital in oil exploration, change in the oil exploration policy and additional development of the existing fields, etc. In the Union Budget for 1997-98, the finance minister announced a new exploration licensing policy (NELP) for the oil sector. Some important aspects of NELP are (a) Companies including

ONGC (Oil and Natural Gas Commission) and OIL (Oil India Ltd) would be paid the international price for new discoveries, (b) Freedom for marketing crude oil and gas in the domestic market, (c) Tax holiday for seven years after commencement of commercial production for blocks in North-East region, (d) Some duty concession to ONGC and OIL on import of capital goods as private production sharing contracts, etc.

Engineering Industries

The output of engineering industries (comprising electrical machinery, basic metals, metal products, transport equipments and machinery, machine tools and parts that account for 30.5 per cent weight in the IIP) recorded a decelerated growth of 13.6 per cent in 1996-97 as compared with 17.1 per cent during 1995-96. The overall exports of engineering goods & services (including prime steel but excluding electronics and software) amounted to Rs.14,879 crore in 1996-97 indicating a growth of 16.8 per cent as compared with 27.1 per cent growth during 1995-96. However, export earnings of capital goods and non-ferrous metals and products thereof recorded remarkably high growth rates of 30.1 and 33.2 per cent, respectively, during 1996-97 as compared with 20.8 per cent and 4.0 per cent, respectively, during 1995-96. On the other hand, the export performance of primary iron, steel and products thereof and consumer durables recorded decelerated growth rates of 8.1 per cent, and 7.9 per cent, respectively, during 1996-97 as compared with high growth rate of 37.6 per cent and 35.6 per cent, respectively, during 1995-96.

Heavy Mechanical Engineering Industries

The performance of automobile industry was relatively subdued during 1996-97 as compared with the robust growth registered in the previous year (Table IV-16). The production of the three main segments of automobile industry, viz. passenger cars, commercial vehicles and jeeps recorded impressive though decelerated growth rates of 16.5 per cent, 16.9 per cent and 19.4 per cent, respectively, during 1996-97 on top of remarkably high growth rates of 32.0 per cent, 32.9 per cent and 33.5 per cent, respectively, in

the preceding year. The two-wheeler segment registered a decelerated growth rate of 12.3 per cent in 1996-97 as compared with 21.1 per cent during 1995-96. The slowdown in the growth of automobile sector during 1996-97 was mainly on account of demand recession especially in the case of commercial vehicles and mid-size car segments leading to inventory accumulation which in turn forced the manufacturers to effect downward revisions in their production targets.

Railway wagons registered a high growth rate of 23.7 per cent during the year 1996-97, over and above a high growth rate of 29.3 per cent during 1995-96. However, diesel engines registered a negative growth rate of 1.8 per cent, as compared with a high growth rate of 26.0 per cent during 1995-96. Tractors recorded a decelerated growth rate of 20.7 per cent during 1996-97 as compared with the growth rate of 28.5 per cent during the previous year. Steel castings recorded an accelerated growth at 12.5 per cent during 1996-97 in comparison with a low growth of 2.3 per cent during 1995-96. However, lifts experienced a decline in production by 2.3 per cent during 1996-97.

Light Mechanical Engineering Industries

During the year 1996-97, the performance of light mechanical engineering Industries was not satisfactory. Of the selected items, only bicycles and razor blades recorded positive growth rates of 9.4 per cent and 6.0 per cent, respectively, during the year 1996-97 as compared with the higher growth rates of 11.5 per cent and 10.7 per cent, respectively, during the previous year (Table IV-17). Typewriters, sewing machines and wrist watches registered negative growth rates of 17.9 per cent, 15.4 per cent and 22.7 per cent, respectively, during 1996-97 as compared with high growth rates of 18.4 per cent, 29.2 per cent and 48.6 per cent, respectively, during 1995-96.

Electrical Engineering Industries

In the light electrical engineering segment, electrical lamps of fluorescent varieties and dry cells recorded decelerated growth rates of 16.4

per cent and 9.4 per cent, respectively, during 1996-97 as compared with growth of 26.7 per cent and 12.3 per cent, respectively, during 1995-96 (Table IV-18). Production of electrical fans recorded an increase of 12.9 per cent during 1996-97 as compared with a decline of 32.0 per cent in the previous year. Radio receivers, storage batteries and domestic refrigerators recorded decline in production during 1996-97.

In the heavy electrical engineering segment, power transformers recorded a decline in production by 13.4 per cent, electric motors recorded an accelerated growth of 10.8 per cent and power driven pumps registered a decelerated growth of 2.3 per cent, respectively, as compared with -8.2 per cent, -1.5 per cent and 29.0 per cent growth rates, respectively, during 1995-96.

Metallurgical Industries (Other than Iron and Steel)

The total value of mineral production (excluding atomic minerals) during 1996-97 is estimated at Rs.33,395 crore as compared with Rs.33,020 crore during 1995-96 indicating a marginal rise of 1.1 per cent over the year.

Aluminium

The production of aluminium during 1996-97 registered a decelerated growth of 1.2 per cent as compared with that of 8.0 per cent during 1995-96 (Table IV-19).

Copper

The production of refined copper decreased to 38.3 thousand tonnes in 1996-97 from 40.9 thousand tonnes during the previous year. Copper production by Hindustan Copper Ltd (HCL) meets about a quarter of the copper demand in the country and the remaining requirement is met through imports and from secondary sources. The demand for refined copper was estimated at 2,00,000 tonnes by 1996-97. As against this, the demand for copper in the country by 1996-97 is likely to be 3,35,000 tonnes assuming 8 per cent growth in actual consumption from the year 1994-95.

The liberalisation of the Indian economy and the resulting surge in the demand for copper has prompted a number of companies to establish greenfield smelter/refinery projects in the country based on imported concentrates. However, due to strategic importance of this metal, it is essential to continue mining of copper ore in the country to meet at least part of the demand of copper from indigenous sources. Hence, fresh investment in exploration/mining of new copper deposits is indispensable.

Zinc and Lead

Production of zinc and lead stood lower at 135.6 thousand tonnes and 31.0 thousand tonnes, respectively, during 1996-97 registering a decline of 4.2 per cent and 11.7 per cent, respectively, as compared with those in the previous year. Hindustan Zinc Ltd. (HZL) is the major producer of zinc and lead in the country. During the year, zinc and lead production by HZL are estimated at 1,13,000 tonnes and 30,000 tonnes respectively, which are 85.0 per cent and 81.0 per cent of the respective annual targets. The present melting capacity of zinc and lead metal in the country are 1,79,000 MT and 89,000 MT per annum, respectively. According to the Planning Commission, the demand for zinc is expected to grow at an annual rate of between 4.5 per cent and 6 per cent and for lead between 6 per cent and 7 per cent during the Ninth Plan.

In order to attract private investment-both domestic and foreign-in mineral sector and to ensure prospecting of larger areas by aerial surveys, Government of India, Ministry of Mines had issued guidelines to all State Governments in October 1996 regarding the grant of prospecting licences over large area. The new policy initiatives have generated keen interest and investment proposals from the private sector, both domestic and foreign. Direct investment of over Rs.1,700 crore in the mining sector, mainly for exploration and mining of minerals like gold, diamond and base metals has been approved by the end of 1996.

Jute Textiles

During 1996-97, the demand for jute

remained subdued as evidenced by a higher negative growth of 2.2 per cent for consumption in comparison with a lower negative growth rate of 0.91 per cent during 1995-96. Keeping in tandem with the fall in consumption, the overall production of jute textiles also declined by 2.2 per cent during 1996-97 to 14 lakh tonnes as compared with a growth of 4.3 per cent during 1995-96 (Table IV-20). The production of major categories of jute, such as, hessian, sacking and carpet backing registered negative growth rates of 10.9, 1.4, and 17.4 per cent, respectively, during 1996-97 as compared with 24.1, -1.9, and -6.2, per cent, respectively, for the year 1995-96. However, other items i.e., jute, handloom and handicrafts, jute rigid packings, non-woven and industrial applications, geo-textile, etc. registered an accelerated growth rate of 9 per cent during 1996-97 as compared with a negative growth of 2 per cent during 1995-96. On the export front, hessian, sacking and carpet backing recorded negative growth rates of 22.7 per cent, 47.2 per cent, and 17.7 per cent, respectively, as compared with growth rates of 7.5, 12.5 and -8.0 per cent, respectively, during 1995-96. Other items however registered an accelerated growth of 58.3 per cent during 1996-97 compared with a negative growth of 10.1 per cent during 1995-96.

On account of bumper crop in 1996-97, the price of raw jute reached minimum support price fixed for raw jute. The jute industry is constrained by competition from synthetic substitutes both in domestic as well as international markets, competition from competing producer countries, and technological obsolescence. The Government initiated a series of measures towards diversification of jute industry so as to ensure a structural change in the present production range. Measures have been initiated for strengthening the supply base for traditional production for domestic as well as export market. Concerted efforts have been made to diversify into newer use like jute handlooms and handicrafts, jute packing, non-woven and industrial applications, geo-textiles etc. Besides, the government enacted Jute Packing Materials (compulsory use in packing commodities) Act 1997, to protect the interests of the jute sector. Government also allowed 'nil' rate of excise duty on all jute products, applicable

from financial year 1997-98 and also provided assistance under the External Market Assistance Scheme. The multifibre policy of the Government allowed use of jute by other industries thereby broadening the scope of jute usage.

Rubber and Rubber Products

The total production of rubber (natural, synthetic and reclaimed) at 681 thousand tonnes during 1996-97 recorded a marginally lower growth of 6.2 per cent during 1996-97 as compared with 6.5 per cent during 1995-96 (Table IV-21). The production of natural rubber during 1996-97 increased by 8.3 per cent due to favourable weather conditions and productivity enhancement scheme implemented by the Rubber Board. The consumption of rubber during 1996-97 at 771 thousand tonnes recorded a decelerated growth of 6.3 per cent as compared with 7.7 per cent during 1995-96. As a result, the import of rubber declined by 21.0 per cent as against a rise of 51.2 per cent during 1995-96. The sharpest decline in imports took place in natural rubber by 65.4 per cent. Consequently, the share of imports as a percentage of consumption decreased to 12.7 per cent during 1996-97 from 17.1 per cent during 1995-96. However, in case of synthetic rubber where the import dependence is relatively high imports increased by 11.1 per cent during 1996-97. As a result, 55.8 per cent of total synthetic rubber consumption was imported during 1996-97 as against 53.5 per cent during 1995-96. The year-end stocks of natural, synthetic and reclaimed rubber rose in the range of 4.8 to 5.3 per cent, during 1996-97.

Price of natural rubber recorded a downward trend during the year in the local market as well as in the international market. The average price of RSS IV grade rubber during 1996-97 was Rs. 4901 per quintal as against Rs. 5204 in the previous year. The estimated shortfall of domestic supply from demand for natural rubber is likely to touch around 6000 tonnes by the end of the Ninth Plan.

The production of automobile tyres showed an increase of 2.7 per cent during 1996-97 as compared with a decline of 13.6 per cent in the

preceding year. Production of giant tyres and bicycle tyres remained stagnant during 1996-97. The production of rubber footwear registered a growth of 1.8 per cent during 1996-97 as compared with a decline of 17.0 per cent in the previous year (Table IV-22).

Chemicals and Chemical Products

Fertilisers

During 1996-97, the estimated production of nitrogenous fertilisers at 86.1 lakh tonnes registered a negative growth rate of 1.9 per cent and phosphatic fertilisers at 25.7 lakh tonnes recorded a marginal growth rate of 0.6 per cent over the previous year (Table IV-23). The production target for 1996-97 was fixed at 90.2 lakh tonnes of nitrogenous and 26.8 lakh tonnes of phosphatic fertilizers. In both the cases, the industry failed to achieve the production target during 1996-97. The consumption of both nitrogenous and phosphatic fertilisers during 1996-97 was 107.40 lakh tonnes and 32.20 lakh tonnes, respectively, as compared with 98.23 lakh tonnes, and 28.96 lakh tonnes respectively during 1995-96. The excess of demand over domestic supply was met through imports.

The total installed capacity at end December, 1996 was 94.43 lakh tonnes for nitrogenous and 29.05 lakh tonnes for phosphatic fertilisers. A number of fertiliser projects involving an estimated capital cost of Rs. 5,771.03 crore are under implementation in the country. When commissioned, they are expected to produce an additional 32.23 lakh MTPA of Urea, 5.54 lakh MTPA of NPK and 2.27 lakh MTPA of DAP fertilisers.

Inorganic Chemicals and Allied Products.

Among the major inorganic chemicals, the production of caustic soda recorded a growth of 7.5 per cent during 1996-97 over the previous year. Production of soda ash recorded a rise of 1.4 per cent as compared to a marginal growth of 0.7 per cent during 1995-96. Production of major chemical products such as paints and varnishes, soaps, recorded a negative growth rates of 7.4

per cent and 16.0 per cent, respectively, during 1996-97, as compared with the accelerated growth rates of 28.4 per cent and 22.9 per cent, respectively, during 1995-96. Production of synthetic detergents also recorded a decelerated growth rate of 13.4 per cent during 1996-97 as compared with an impressive growth rate of 27.1 per cent during 1995-96.

Petrochemicals

Among the major petrochemicals output, PVC resins and DMT/PTA recorded growth of 8.2 per cent and 6.3 per cent, respectively, during 1996-97 over the preceding year. However, the output of caprolactum at 111.8 thousand tonnes declined by 1.9 per cent as against phenomenal increase of 44.3 per cent recorded last year. LDPE (Low Density Polyethylene) also recorded a negative growth rate of 2.1 per cent during the year 1996-97. The Government has sanctioned several Naphtha/Gas based mega petro-chemical projects, in order to meet the growing demand for petrochemicals. As a part of the liberalisation policy of the Government, tariff structure of various petrochemicals was rationalised and customs duties on various products were reduced in the Union Budget for 1996-97.

Pharmaceuticals

The drug and pharmaceuticals sectors continued to maintain steady growth in terms of production as well as range of products in 1995-96. The estimated production of bulk drugs and formulations was valued at Rs.1,822.00 crore and Rs.9,125 crore respectively, in 1995-96 which together showed a growth rate of 15.8 per cent over the previous year. The export of pharmaceuticals went up to Rs.2,337 crore in 1995-96 from Rs.2,184.7 crore in 1994-95. A new programme for promoting R&D in the pharmaceutical industry was initiated by the Department of Science and Technology (Government of India). The Planning Commission has made a special allocation of Rs.10 crore in 1994-95 for the years 1995-96 and 1996-97.

The Government has been supporting modernisation of the chemical industry so as to

improve its efficiency by lowering operating costs, since technology obsolescence is one of the prominent features of the chemicals sector. In keeping with the liberalised industrial policy, industrial licensing has been done away with for all chemical industries except for a small list of hazardous chemicals. It is expected that the closely held technologies for various chemicals would now be available.

Sugar Production

The output of sugar during the 1995-96 sugar season (October-September) reached the level of 16.45 million tonnes, surpassing the previous peak of 14.64 million tonnes achieved in 1994-95 (Table IV-24). With an opening stock of 5.60 million tonnes, the total availability of sugar during the season increased substantially to 22.05 million tonnes. The total off-take of sugar in 1995-96 season was 14.15 million tonnes, comprising of 13.13 million tonnes for internal consumption and 1.02 million tonnes for exports. Thus, the closing stocks for the season stood at 7.90 million tonnes. The remarkable expansion in sugar production could be attributed largely to substantial increase in sugarcane output resulting from the remunerative cane prices, and partly to the lesser diversion of sugarcane for the manufacture of gur and khandsari.

The sugar output during the 1996-97 sugar season up to June 1997, placed at 12.80 million tonnes, was 20.4 per cent lower than that in the corresponding period of the previous year (16.07 million tonnes). The steep decline in the production of sugar during the current season could be attributed to the decline in sugarcane output following reduction in area under sugarcane cultivation particularly in Southern States, diversion of sugarcane for gur and khandsari manufacturing, and delayed start of the crushing season, particularly in Uttar Pradesh. The total availability of sugar during 1996-97 up to June 1997, taking into account a carryover stock of 7.90 million tonnes from the previous season, aggregated 20.70 million tonnes, which was lower by 0.97 million tonnes or 4.5 per cent compared with 21.67 million tonnes in the corresponding period of the previous season. The total off-take

of sugar during this period amounted to 10.88 million tonnes (comprising of 10.51 million tonnes for internal consumption and 0.38 million tonnes for exports) which was higher by 0.31 million tonnes or 3.0 per cent than 10.57 million tonnes during the corresponding period of the previous season. The closing stocks of sugar at end-June 1997 were 9.82 million tonnes, 11.5 per cent lower than the stock level at the end of June 1996 (11.10 million tonnes).

The total releases of sugar during 1996-97 (October-September) was higher at 13.67 million tonnes (comprising of 4.62 million tonnes of levy sugar and 9.05 million tonnes of freesale sugar) as compared with 13.03 million tonnes (comprising of 4.52 million tonnes of levy sugar and 8.51 million tonnes of free-sale sugar) during the 1995-96 season (Table IV-25).

Policy Measures

The Government had raised the Statutory Minimum Price (SMP) of sugarcane of 1996-97 to Rs. 45.90 per quintal from Rs. 42.50 per quintal in 1995-96, linked to a basic recovery of 8.5 per cent subject to a premium of Re. 0.57 for every 0.1 percentage point increase in the recovery above that level. For 1997-98, SMP has been raised to Rs. 48.45 per quintal, linked to a basic recovery of 8.5 per cent subject to a premium of Re. 0.57 for every 0.1 per cent increase in the recovery above that level. During 1996-97, the actual prices paid by the sugar factories were much higher than the prices notified for the factories in several States. With a view to increasing the output of sugar, various incentive schemes have been formulated from time to time. The "Sugar Incentive Scheme of 1993" was formulated by the Union Government to provide incentives to projects licensed/to be licensed by enabling the sugar units to utilise the surplus funds generated through higher free-sale quota for repayment of term loans advanced by the all-India financial institutions and Sugar Development Fund.

In the wake of bumper sugar production during 1994-95 and 1995-96 and the surplus sugar stocks, a buffer stock of 5 lakh tonnes of sugar was created with effect from January 10,

1996 for a period of one year. The period of this buffer stock was extended for another year. An additional buffer stock of 5.0 lakh tonnes was created for a period of one year beginning December 1, 1996. With a view to safeguard against the possible deterioration in the quality of the buffer stock, the sugar factories were asked to replenish the buffer stock, maintained out of the 1995-96 season, with the sugar of 1996-97 season. The sugar factories shall be reimbursed suitable interest, storage and insurance charges from the Sugar Development Fund. Though there are no price controls on free-sale sugar, market supplies are regulated by the Government by fixing monthly release of quotas to maintain price stability. The free-sale quota has been raised from 60 per cent to 72 per cent for the period from October 1, 1997 to November 15, 1997 with a view to maximise the sugar output and also to safeguard the interests of growers through early crushing of sugarcane by the factories.

Sugar Development Fund (SDF)

Under the Sugar Cess Act 1982, a cess of Rs.14.00 per quintal is being collected on sugar produced by all sugar factories in India. The Sugar Development Fund Act 1982 provides that an amount equivalent to the proceeds of the excise duty, levied and collected under the Sugar Cess Act 1982, less by the cost of collection as determined by the Central Government, be credited to the Fund. Since 1982 uptill November 1996, an amount of Rs. 1,920.78 crore has been collected, and as on December 31, 1996, an amount of Rs. 1,786.00 crore has been transferred to SDF. Out of this, Rs. 459.28 crore for sugarcane development, and Rs. 542.21 crore for modernisation/rehabilitation of sugar factories have been sanctioned upto December 1996.

Levy Sugar Price Equalization Fund

The Levy Sugar Price Equalization Fund Act 1976 has been in force since April 1976. During 1996-97, an amount of Rs. 0.29 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. 21.08 crore.

Cotton and Synthetic Textiles

Production of cotton/blended yarn at 2794 million kgs. recorded a marginally decelerated growth rate of 12.4 per cent during 1996-97 (13.0 per cent during 1995-96) with the capacity utilisation remaining stagnant at 86.0 per cent (Table IV-26). The production of cotton yarn recorded an accelerated growth rate of 13.4 per cent during 1996-97 as compared with 11.7 per cent recorded during the previous year. On the export front, cotton yarn recorded impressive growth both in terms of volume and value. During 1996-97, the export of cotton yarn recorded a substantially accelerated growth of 75.6 per cent in quantity terms and 58.6 per cent in value terms. The year-end stock of this industry declined to 90 million kgs. at end-March 1997 from 97 million kgs. a year ago.

Production of cotton and man-made textile during 1996-97 at 34,813 million square metres registered a decelerated growth rate of 9.2 per cent (11.5 per cent during 1995-96). The installed capacity declined from 1,32,000 looms during 1995-96 to 1,24,000 looms during 1996-97. However, the overall capacity utilisation had remained constant at 52.0 per cent during the last three years, i.e., between 1994-95 and 1996-97 (Table IV-27). While production by mill sector declined by 3.1 per cent, that of decentralised sector recorded an impressive, though decelerated growth of 10.0 per cent during 1996-97 (13.4 per cent during 1995-96). Exports of cotton fabrics (in value terms) during 1996-97 at Rs.30,148 crore, recorded a growth of 13.4 per cent over the preceding year. The year-end stocks of all

cloths increased substantially to 82 million square meters as at end-March 1997 from 61 million square meters a year ago.

Paper, Paper Boards and News Print

The total production of paper and paper boards aggregated 32.0 lakh metric tonnes (M.T.) during 1996-97 registering a lower growth rate of 10.3 per cent (15.5 per cent during 1995-96). The capacity utilisation improved to 76.2 per cent from 72.5 per cent in 1995-96 (Table IV-28). Out of the total installed capacity of 42 lakh M.T., 8 lakh M.T. capacity is inoperative due to various reasons resulting in an effective capacity utilisation of 94 per cent. The slowdown in the paper industry in 1996-97 was due to larger imports of 1.8 lakh M.T. (1.0 lakh M.T. during 1995-96) following the sharp reduction in import duty on paper from 65 per cent to 20 per cent and the crash in the international market price from US\$ 1200 to US\$ 650 per M.T. In addition, it is estimated that about 2 lakh M.T. of printing and writing paper were imported as newsprint, which affected the paper market adversely. The total exports of this industry also dropped to about 60,000 M.T. during 1996-97 from 1 lakh M.T. during 1995-96. As a result, the paper mills in general reported poor performance during 1996-97.

The news print segment of the industry during 1996-97 registered a decline in production by 20.0 per cent on account of high import of 5.5 lakh M.T. during the year. As the installed capacity remained stagnant at 6.5 lakh M.T., the capacity utilisation had declined from 69.2 per cent during 1995-96 to 55.4 per cent during 1996-97.

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

Sector	Weight	April - June		April-March					
		1997(P)	1996(P)	1996-97(P)		1995-96		1994-95	
		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	267.3 (7.1)	249.6 (2.5)	269.7 (0.9)	1.43	267.3 (7.4)	6.88	248.8 (7.5)	9.17
Manufacturing	77.11	300.7 (4.8)	286.8 (15.0)	301.7 (8.2)	91.02	278.8 (13.6)	83.65	245.4 (9.8)	77.91
Electricity	11.43	363.1 (5.4)	344.5 (2.2)	352.9 (3.8)	7.51	340.1 (8.1)	9.48	314.6 (8.5)	12.96
General Index (Crude)	100.00	304.0 (5.2)	289.1 (11.8)	303.9 (6.8)	100.00	284.5 (12.1)	100.00	253.7 (9.4)	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.

Source : Central Statistical Organisation, Government of India.

TABLE IV-2 : Growth in Index of Seventeen Major Groups of Manufacturing Sector
(Base : 1980-81 = 100)

Industry Group	Weight	Index April-June		Relative Contribution (in Per cent)		Index (End March)		Relative Contribution (in Per cent)	
		1997-98(P)	1996-97(P)	1997-98(P)	1996-97(P)	1996-97(P)	1995-96	1996-97(P)	1995-96
1	2	3	4	5	6	7	8	9	10
I. ACCELERATION (During 1996-97)									
1. Basic Metal and Alloys Industries	9.80	297.9 (0.4)	296.7 (40.5)	1.1	29.0	301.9 (33.8)	225.7 (5.2)	42.3	4.3
2. Jute, Hemp and Mesta Textiles	2.00	92.6 (7.0)	86.6 (0.9)	1.1	0.1	95.8 (2.4)	93.6 (2.3)	0.3	0.2
II. Deceleration (During 1996-97)									
3. Transport Equipment & Parts	6.39	330.4 (7.6)	307.1 (23.6)	13.9	13.0	355.4 (19.2)	298.1 (24.6)	20.7	14.6
4. Beverages, Tobacco and Tobacco Products	1.57	203.0 (10.4)	183.9 (10.0)	2.8	0.9	183.1 (13.8)	160.9 (19.4)	2.0	1.6
5. Paper and Paper Products & Printing Publishing & Allied Industries	3.24	312.7 (5.2)	297.2 (6.9)	4.7	2.2	311.1 (8.6)	286.6 (11.0)	4.5	3.6
6. Non-Metallic Mineral Products	3.00	318.0 (17.8)	269.9 (5.2)	13.5	1.4	285.6 (8.0)	264.5 (12.1)	3.6	3.3
7. Electrical Machinery, Apparatus Appliances & Supplier Parts	5.78	757.0 (8.5)	697.8 (20.3)	32.0	23.5	775.9 (6.4)	729.0 (19.5)	15.3	26.8
8. Textile Products (including Wearing Apparel) Other than Footwear	0.82	90.7 (4.3)	87.0 (3.9)	0.3	0.1	94.9 (5.8)	89.7 (14.1)	0.2	0.4
9. Rubber, Plastic, Petroleum & Coal Products	4.00	206.2 (1.8)	202.5 (7.3)	1.4	1.9	207.2 (5.3)	196.8 (8.1)	2.3	2.3
10. Food Products	5.33	179.6 (-22.9)	232.9 (28.0)	-26.5	9.4	214.1 (3.4)	207.0 (13.9)	2.1	5.2
11. Metal Products & Parts (except Machinery Transport Equipment)	2.29	179.0 (3.3)	173.3 (7.3)	1.2	0.9	178.1 (2.5)	173.8 (16.9)	0.6	2.2
12. Chemicals and Chemical Products (except Products of Petroleum & Coal)	12.51	372.6 (4.9)	355.2 (6.5)	20.3	9.4	364.9 (2.4)	356.5 (9.3)	5.9	14.7
13. Leather and Leather & Fur Products (except Repairs)	0.49	218.3 (-5.9)	231.9 (1.9)	0.6	0.1	232.0 (2.0)	227.5 (7.3)	0.1	0.3
14. Cotton Textiles	12.31	191.0 (14.9)	166.2 (1.6)	28.5	1.1	174.1 (0.6)	173.1 (11.1)	0.7	8.3
15. Machinery, Machine Tools and Parts (except Electrical Machinery)	6.24	248.1 (2.5)	242.0 (16.0)	3.5	7.2	251.7 (0.6)	250.3 (21.0)	0.5	10.5
III. NEGATIVE (During 1996-97)									
16. Other Manufacturing Industries	0.91	293.0 (13.9)	257.2 (-6.1)	3.0	-0.5	283.4 (-5.7)	300.6 (11.5)	-0.9	1.1
17. Wood and Wood Products, Furniture and Fixtures	0.45	247.8 (-1.2)	250.9 (9.2)	-0.1	0.3	232.7 (-3.4)	240.8 (17.2)	-0.2	0.6
MANUFACTURING	77.11	300.7 (4.8)	286.8 (15.0)	100.0	100.0	301.7 (8.2)	278.8 (13.6)	100.0	100.0

P : Provisional.

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

Source : Central Statistical Organisation, Government of India.

Table IV-3 : Use-based Classification of Industrial Production

(Percentage)

Industry Groups	Weight	Growth Rate April-June		Growth Rate April-March		
		1997-98	1996-97	1996-97	1995-96	1994-95
1	2	3	4	5	6	7
Basic Goods	39.42	6.6 (53.0)	9.0 (32.5)	8.2 (48.3)	8.3 (28.7)	5.6 (25.7)
Capital Goods	16.43	6.3 (25.4)	21.0 (34.2)	8.4 (26.7)	17.9 (30.6)	24.8 (48.0)
Intermediate Goods	20.51	7.4 (24.6)	11.2 (16.5)	6.3 (15.6)	11.8 (16.6)	3.7 (7.1)
Consumer Goods of which :	23.65	-0.7 (-3.0)	9.3 (16.8)	3.1 (9.4)	14.3 (24.1)	8.7 (19.1)
Consumer Durables	2.55	6.5 (6.0)	13.0 (5.2)	4.7 (3.4)	36.1 (12.2)	10.2 (4.4)
Consumer Non-Durable	21.10	-2.9 (-9.1)	8.2 (11.6)	2.6 (6.0)	8.8 (11.9)	8.3 (14.7)
General	100.0	5.2	11.8	6.8	12.1	9.4

P Provisional.

Note : Figures in brackets indicate relative contribution of the segments to overall growth.**Source** : Central Statistical Organisation, Government of India.

Table IV-4 : Trends in Production of Infrastructure Industries

Industry	Weight	Unit	April - July		April-March		
			1997-98(P)	1996-97	1996-97(P)	1995-96	1994-95
1	2	3	4	5	6	7	8
Electricity	11.43	Billion Units	135.9 (+6.2)	128.0 (+2.5)	394.5 (+3.8)	380.1 (+8.3)	351.0 (+8.5)
Coal	6.61	Million Tonnes	86.7 (+5.6)	82.1 (+10.2)	285.7 (+5.8)	270.1 (+6.5)	253.7 (+3.1)
Saleable Steel *	5.21	-"	4.3 (-3.9)	4.5 (+5.5)	14.2 (+1.6)	14.0 (+8.9)	12.8 (+8.3)
Cement	1.60	-"	26.9 (+5.2)	25.6 (+13.6)	76.2 (+9.5)	69.6 (+11.5)	62.4 (+7.6)
Petroleum Crude	2.41	-"	11.3 (+3.2)	10.9 (-7.9)	31.5 (-8.6)	34.5 (+7.1)	32.2 (+19.3)
Petroleum Refinery Products @	1.52	-"	20.4 (+7.4)	19.0 (+5.4)	58.4 (+6.9)	54.6 (+3.9)	52.6 (+4.1)
Composit Index of Infrastructure Industries #	28.77		300.7 (+4.4)	288.0 (+4.0)	300.8 (+3.2)	291.4 (+7.9)	269.9 (+8.1)

* Data on Production of Secondary producers not included.

@ Represents 93 per cent of the refinery throughout.

(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 IV-5 : Employment in Organised Sector

At the end of	Public Sector					Private Sector	Total (6 and 7)
	Central Govt.	State Govt.	Quasi Govt.	Local Bodies	Total (2 to 5)		
1	2	3	4	5	6	7	8
March 1994	33.92 (+0.3)	73.37 (+0.6)	65.14 (+0.4)	22.02 (+1.9)	194.45 (+0.6)	79.30 (+1.0)	273.75 (+0.7)
March 1995	33.95 (+0.1)	73.55 (+0.2)	65.20 (+0.1)	21.96 (-0.3)	194.66 (+0.1)	80.59 (+1.6)	275.25 (+0.5)
March 1996	33.66 (-0.9)	74.14 (+0.8)	64.58 (-1.0)	21.91 (-0.2)	194.29 (-0.2)	85.12 (+5.6)	279.41 (+1.5)

Source : Ministry of Labour, Government of India.

Table IV-6 : Small Scale Sector

Item	April-March		
	1994-95	1995-96	1996-97(P)
1	2	3	4
1. Number of units (Lakh Nos)	25.71 (+7.8)	27.24 (+6.0)	28.57 (+4.9)
2. Production (Rupees crore at 1990-91 prices)			
Target	1,96,118.00	2,13,965.00	2,33,436.00
Achievement	1,99,427.00 (+10.1)	2,22,162.00 (+11.4)	2,51,043.00 (+13.0)
3. Production (Rupees crore at current prices)	2,93,990.00 (+21.7)	3,56,213.00 (+21.2)	4,18,863.00 (+17.6)
4. Employment (Lakh persons)			
Target	138.60	144.40	150.50
Achievement	146.56 (+5.2)	152.61 (+4.1)	160.00 (+4.8)
5. Exports (Rupees crore)	29,068.00 (+14.9)	36,470.00 (+25.5)	40,355.00* (+10.7)

P Provisional.

* Anticipated.

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

2. Data pertain to modern SSI sector inclusive of powerloom and traditional industries.

Sources : 1. Office of the Development Commissioner, Small Scale Industries, Ministry of Industry, Government of India.

2. Small Industries Development Bank of India (SIDBI).

Table IV-7 : State-wise Classification of Sick Small Scale Industrial Units and Outstanding Bank Credit at the End of March 1996

(Amount in Rupees crore)

States/Union Territories	Total Sick Units	
	No. of Units	Amount o/s
1	2	3
Eastern Region		
Assam	19831	51.85
Meghalaya	4985	15.80
Mizoram	62	1.81
Bihar	16695	97.54
Arunachal Pradesh	104	0.96
West Bengal	56214	388.26
Nagaland	1445	11.39
Manipur	913	8.06
Orissa	7826	47.57
Sikkim	116	0.58
Tripura	1356	2.73
Andaman and Nicobar Islands	41	0.18
Total	109588	626.73
(%)		
(Eastern Region)	41.77	16.84
Northern Region		
Uttar Pradesh	38349	340.72
Delhi	6045	247.46
Punjab	2362	64.16
Haryana	2332	97.76
Chandigarh	205	12.51
Jammu and Kashmir	3728	25.62
Himachal Pradesh	567	18.01
Rajasthan	15668	84.11
Total	69256	890.35
(%)		
(Northern Region)	26.40	23.92
Western Region		
Gujarat	7476	228.37
Maharashtra	20100	744.14
Daman and Diu	5	1.88
Goa	717	15.39
Dadara and Nagar Haveli	1	0.90
Madhya Pradesh	11748	172.30
Total	40047	1162.98
(%)		
(Western Region)	15.26	31.25
Southern Region		
Andhra Pradesh	14794	296.41
Karnataka	11196	247.24
Lakshadweep	0	0.00
Tamil Nadu	8293	326.97
Kerala	8984	163.50
Pondicherry	218	7.78
Total	43485	1041.90
(%)		
(Southern Region)	16.57	27.99
Total (All India)	262376	3721.94

Note : 1. A small scale industrial unit is considered 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.

2. Figures in brackets indicate percentage share to the total.

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

Table IV-8 : Performance of Coal Industry

(Million tonnes)

Item	April-March		
	1994-95	1995-96	1996-97(P)
1	2	3	4
1. Production			
(a) Coal (i+ii)	257.8 (+3.7)	273.4 (+6.1)	286.1 (+4.6)
(i) Coking Coal	42.0 (-6.0)	39.9 (-5.0)	40.5 (+1.5)
(ii) Non-coking Coal	215.8 (+5.8)	233.5 (+8.2)	245.6 (+5.2)
(b) Lignite	19.3 (+6.6)	22.2 (+15.0)	22.6 (+1.8)
2. Imports (Coking Coal)	8.3 (+16.9)	8.9 (+7.2)	9.4 (+5.6)
3. Despatches (I+II)	253.4 (+3.4)	270.6 (+6.8)	283.7 (+4.8)
(i) Coking Coal	42.3 (-5.2)	39.8 (-5.9)	40.5 (+1.8)
(ii) Non-coking Coal	211.1 (+5.3)	230.8 (+9.3)	243.2 (+5.4)
4. Exports	0.1 (0.0)	0.1 (0.0)	0.1 (0.0)
5. Year-end Pit-head Stocks (I+II)	47.5 (-6.5)	45.6 (-4.0)	42.0 (-7.9)
(i) Coking Coal	10.3 (-30.4)	8.7 (-15.5)	9.8 (+12.6)
(ii) Non-coking Coal	37.2 (+3.3)	36.9 (-0.8)	32.2 (-12.7)

P Provisional.

Note : Figures in brackets represent percentage variations over the previous year.**Source** : Ministry of Coal, Government of India.**Table IV-9 : Performance of Iron Ore Industry**

(Million tonnes)

Item	April-March		
	1994-95	1995-96	1996-97(P)
1	2	3	4
1. Production	64.5 (+8.2)	67.4 (+4.5)	66.7 (-1.0)
2. Despatches for internal consumption	33.4 (+16.8)	37.2 (+11.4)	37.5 (+0.8)
3. Despatches for exports	26.1 (-3.0)	31.7 (+21.5)	25.5 (-19.6)
4. Year-end stocks	4.7 (+6.8)	4.8 (+2.1)	4.2 (-12.5)

P Provisional.

Note : Figures in brackets represent percentage variations over the previous year.**Source** : Indian Bureau of Mines, Government of India.

Table IV-10 : Performance of Cement Industry

(Million tonnes)

Item	April-March		
	1994-95	1995-96	1996-97(P)
1	2	3	4
1. Installed Capacity	83.8 (+9.0)	95.8 (+14.3)	105.3 (+9.9)
2. Production	62.4	69.6	76.2
<i>of which</i>	(+7.6)	(+11.5)	(+9.5)
i) Public Sector	4.5 (-18.2)	4.2 (-6.7)	3.7 (-11.9)
a) Cement Corpn.of India	2.2 (-21.4)	2.0 (-9.1)	1.7 (-15.0)
b) Others	2.3 (-14.8)	2.2 (-4.3)	2.0 (-9.1)
ii) Private Sector	53.8 (+10.7)	60.3 (+12.1)	66.3 (+10.0)
iii) Mini and White Cement Plants	4.0 (+2.6)	5.1 (+27.5)	6.2 (+21.6)
3. Despatches(Large and Mini)	62.3 (+7.2)	69.6 (+11.7)	76.1 (+9.3)
4. Average Capacity Utilisation (per cent)	74.5 (-1.2)	71.0 (-4.7)	70.0 (-1.4)
5. Imports	NIL	NIL	NIL
6. Exports	1.6 (+23.1)	1.5 (-6.3)	1.7 (+13.3)
7. Year-end stocks	0.8 (+14.3)	0.8 (0.0)	1.0 (+25.0)

P Provisional.

Note : Figures in brackets represent percentage variations over the previous year.**Source** : Cement Manufacturers' Association.

Table IV-11 : Production of Iron and Steel

(Thousand tonnes)

Item	Pig Iron				Saleable Steel			
	1993-94	1994-95	1995-96	1996-97(P)	1993-94	1994-95	1995-96	1996-97(P)
I	2	3	4	5	6	7	8	9
A. Production								
1. Rourkela	48.0 (+60.0)	38.0 (-20.8)	14.0 (-63.2)	31.0 (+121.4)	1,130.0 (-4.2)	1,196.0 (+5.8)	1,148.0 (-4.0)	1,182.0 (+3.0)
2. Bhilai	300.0 (+122.2)	278.0 (-7.3)	272.0 (-2.2)	224.0 (-17.6)	3,335.0 (+7.0)	3,407.0 (+2.2)	3,495.0 (+2.6)	3,582.0 (+2.5)
3. Durgapur	35.0 (+105.9)	182.0 (+420.0)	103.0 (-43.4)	114.0 (+10.7)	642.0 (+0.2)	853.0 (+32.9)	909.0 (+6.6)	1,031.0 (+13.4)
4. Bokaro	203.0 (+31.8)	256.0 (+26.6)	155.0 (-39.5)	260.0 (+67.7)	3,205.0 (+6.9)	3,169.0 (-1.1)	3,330.0 (+5.1)	3,044.0 (-8.6)
5. VISL	-	-	78.0 (-)	52.0 (-33.3)	-	-	-	-
Total (SAIL)	586.0 (+74.4)	754.0 (+28.7)	622.0 (-17.5)	681.0 (+9.5)	8,312.0 (+4.7)	8,625.0 (+3.8)	8,882.0 (+3.0)	8,839.0 (-0.5)
6. IISCO	406.0 (-5.6)	403.0 (-0.7)	420.0 (+4.2)	352.0 (-16.2)	333.0 (-16.3)	332.0 (-0.3)	302.0 (-9.0)	339.0 (+12.3)
7. TISCO	-	-	-	-	2,154.0 (+1.4)	2,446.0 (+13.6)	2,701.0 (+10.4)	2,819.0 (+4.4)
8. VSP	985.0 (+7.8)	848.0 (-13.9)	771.0 (-9.9)	700.0 (-9.2)	1,184.0 (+34.7)	1,555.0 (+31.3)	2,136.0 (+37.4)	2,121.0 (-0.7)
Total (1 to 8)	1,977.0 (+17.7)	2,005.0 (+1.4)	1,813.0 (-9.6)	1,733.0 (-4.4)	11,983.0 (+5.7)	12,958.0 (+8.1)	14,021.0 (+8.2)	14,118.0 (+0.7)
9. Secondary Producers	273.0 (+65.5)	780.0 (+185.7)	1,060.0 (+35.9)	1,557.0 (+46.9)	2,700.0 (-20.0)	3,345.0 (+23.9)	4,456.0 (+33.2)	4,390.0 (-1.5)
Total (A)	2,250.0 (+22.0)	2,785.0 (+23.8)	2,873.0 (+3.2)	3,290.0 (+14.5)	14,683.0 (-0.2)	16,303.0 (+11.0)	18,477.0 (+13.3)	18,508.0 (+0.2)
B. Sales								
1. Sales (Domestic)	1,248.0 (-12.3)	1,203.0 (-3.6)	916.0 (-23.9)	851.0 (-7.1)	9,190.0 (+9.8)	10,431.0 (+13.5)	11,200.0 (+7.4)	10,618.0 (-5.2)
2. Imports	21.0 (-71.2)	1.0 (-95.2)	8.0 (+700.0)	15.0 (+87.5)	1,155.0 (+6.5)	1,936.0 (+67.6)	1,834.0 (-5.3)	1,950.0 (+6.3)
Total Consumption (1 and 2)	1,269.0 (-15.2)	1,204.0 (-5.1)	924.0 (-23.3)	866.0 (-6.3)	10,345.0 (+9.4)	12,367.0 (+19.5)	13,034.0 (+5.4)	12,568.0 (-3.6)
C. Exports	620.0 @	466.0 (-24.8)	503.0 (+7.9)	451.0 (-10.3)	1,559.0 (+74.2)	1,272.0 (-18.4)	1,666.0 (+31.0)	1,922.0 (+15.4)
D. Year-end stocks	202.0 (-31.5)	154.0 (-23.8)	171.0 (+11.0)	276.0 (+61.4)	812.0 (-20.5)	669.0 (-17.6)	972.0 (+45.3)	1,410.0 (+45.1)

P Provisional.

@ Shows a very large variation.

Note : Figures in brackets indicate percentage variations over the previous year.**Source** : Joint Plant Committee and Steel Authority of India Ltd.

Table IV-12 : Installed Plant Capacity

(Mega watt)

As at the end of March	Thermal	Hydel	Nuclear	Non-con- ventional	Total
1	2	3	4	5	6
1994-95	58,074 (+6.9)	20,833 (+2.3)	2,225 (+11.0)	39 (+21.9)	81,171 (+5.8)
1995-96	60,043 (+3.4)	20,986 (+0.7)	2,225 (+0.0)	40 (+2.6)	83,294 (+2.6)
1996-97 (P)	61,157 (+1.9)	21,658 (+3.2)	2,225 (+0.0)	900 (+2150.0)@	85,940 (+3.2)

P Provisional.

@ Shows a very large variation.

Note : Figures in brackets represent percentage variations over the previous year.**Source** : Central Electricity Authority.**Table IV-13 : Source-wise Targets, Generation and Achievement of Electric Power**

(Billion KWH)

Source	April-March					
	1994-95		1995-96		1996-97(P)	
	Target	Genera- tion	Target	Genera- tion	Target	Genera- tion
1	2	3	4	5	6	7
1. Thermal	274.7	262.9 (+6.1) (-4.3)	297.0	299.6 (+14.0) (+0.9)	317.0	317.2 (+5.9) (+0.1)
2. Hydel	69.0	82.5 (+17.4) (+19.6)	72.3	72.5 (-12.1) (+0.3)	75.1	68.6 (-5.4) (-8.7)
3. Nuclear	8.3	5.6 (+3.7) (-32.5)	7.9	8.0 (+42.9) (+1.3)	7.9	9.0 (+12.5) (+13.9)
4. Total	352.0	351.0 (+8.5) (-0.3)	377.2	380.1 (+8.3) (+0.8)	400.0	394.8 (+3.9) (-1.9)

P Provisional.

Note : Figures in brackets in upper rows represent percentage variations over the previous year and figures in the bracket in the lower rows represent percentage variations over the target of the same year.**Source** : Central Electricity Authority.

Table IV-14 : All India/Region-wise Demand and Supply of Electricity and Deficit

(Billion KWH)

Region	April - March								
	1994-95			1995-96			1996-97 (P)		
	Requi- rement	Availability	Deficit (Percentage)	Requi- rement	Availability	Deficit (Percentage)	Requi- rement	Availability	Deficit (Percentage)
I	2	3	4	5	6	7	8	9	10
Northern Region	104.7	97.1	7.3	112.0	105.0	6.2	119.2	109.5	8.1
Western Region	110.3	106.0	3.9	125.0	118.7	4.9	132.7	122.3	7.9
Southern Region	93.0	85.6	8.0	105.6	87.9	16.7	112.7	89.5	20.6
Eastern Region	40.3	35.1	12.9	42.8	38.4	10.1	44.0	40.4	8.3
North-Eastern Region	3.9	3.5	9.6	4.5	3.9	12.6	4.9	4.2	12.6
All India	352.3	327.3	7.1	389.7	354.0	9.2	413.5	365.9	11.5

P Provisional.

Source : Central Electricity Authority.

Table IV-15 : Crude Oil and Petroleum Refinery Products

(Thousand tonnes)

Item	April-March		
	1994-95	1995-96	1996-97(P)
I	2	3	4
A) Crude Oil			
a) Production (i+ii)	32,239	35,167	32,900
	(+19.3)	(+9.1)	(-6.4)
(i) On-shore	12,013	12,502	12,717
	(+3.1)	(+4.1)	(+1.7)
(ii) Off-shore	20,236	22,665	20,183
	(+31.6)	(+12.0)	(-11.0)
b) Imports (Gross)	27,349	27,342	33,906
	(-11.3)	(-0.0)	(+24.0)
B) Petroleum Refinery Products			
a) Production	52,927	55,081	59,005
of which :	(+3.6)	(+4.1)	(+7.1)
(i) Naphtha	5,662	5,975	6,123
	(+21.4)	(+5.5)	(+2.5)
(ii) Kerosene	5,261	5,267	6,236
	(-0.1)	(+0.1)	(+18.4)
(iii) High Speed Diesel Oil	19,593	20,661	22,202
	(+4.2)	(+5.5)	(+7.5)
b) Imports (Gross)	13,951	20,335	20,265
of which :	(+15.5)	(+45.8)	(-0.3)
(i) Naphtha	NIL	NIL	NIL
(ii) Kerosene	4,240	3,001	4,279
	(+7.5)	(-29.2)	(+42.6)
(iii) High Speed Diesel Oil	8,637	12,852	13,608
	(+14.3)	(+48.8)	(+5.9)

P Provisional.

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

Source : Ministry of Petroleum and Natural Gas, Government of India.

Table IV-16 : Output of Selected Heavy Mechanical Industries

Item	Unit	April - March		
		1994-95	1995-96	1996-97(P)
1	2	3	4	5
1. Automobiles				
i) Passenger cars	'000 Nos.	261.9 (+24.8)	345.8 (+32.0)	402.8 (+16.5)
ii) Commercial vehicles	---	195.0 (+34.2)	259.1 (+32.9)	303.0 (+16.9)
iii) Jeeps	---	48.6 (+1.3)	64.9 (+33.5)	77.5 (+19.4)
2. Scooters, motor cycles and mopeds	---	2,191.3 (+24.7)	2,653.9 (+21.1)	2,979.1 (+12.3)
3. Structurals	'000 Tonne	149.0 (-1.3)	157.2 (+5.5)	173.4 (+10.3)
4. Steel castings**	---	383.2 (+6.2)	392.1 (+2.3)	441.3 (+12.5)
5. Diesel engines**	'000 Nos.	1,621.3 (-3.1)	2,042.5 (+26.0)	2,006.6 (-1.8)
6. Railway wagons (in terms of four wheelers)	---	14.7 (-23.8)	19.0 (+29.3)	23.5 (+23.7)
7. Road rollers	Nos.	200.0 (+277.4)	219.0 (+9.5)	321.0 (+46.6)
8. Lifts	---	3,426.0 (-7.3)	2,436.0 (-28.9)	2,379.0 (-2.5)
9. Tractors	'000 Nos.	157.8 (+13.8)	202.8 (+28.5)	244.8 (+20.7)

P Provisional.

** Includes production from small-scale sector.

Note : Figures in brackets represent percentage variations over the previous year.**Source** : Ministry of Industry, Government of India.**Table IV-17 : Output of Selected Light Mechanical Engineering Industries**

Item	Unit	April - March		
		1994-95	1995-96	1996-97(P)
1	2	3	4	5
Typewriters	'000 Nos	86.0 (+9.0)	101.8 (+18.4)	83.6 (-17.9)
Bicycles	---	8,901.9 (+14.5)	9,926.0 (+11.5)	10,861.6 (+9.4)
Sewing Machines	---	99.3 (-11.2)	128.3 (+29.2)	108.5 (-15.4)
Razor Blades	Mill. Nos.	3,328.8 (-3.4)	3,685.0 (+10.7)	3,904.9 (+6.0)
Wrist Watches	---	7.4 (-11.9)	11.0 (+48.6)	8.5 (-22.7)

P Provisional.

Note : Figures in brackets represent percentage variations over the previous year.**Source** : Ministry of Industry, Government of India.

Table IV-18 : Output of Selected Electrical Engineering Industries

Item	Unit	April - March		
		1994-95	1995-96	1996-97(P)
1	2	3	4	5
A. Light Electrical Engineering				
1. Electrical Lamps				
i) Incandescent	Mill. Nos.	373.9 (+14.8)	382.9 (+2.4)	395.1 (+3.2)
ii) Fluorescent	—	92.4 (+21.1)	117.1 (+26.7)	136.3 (+16.4)
2. Electrical Fans**	—	10.3 (+68.9)	7.0 (-32.0)	7.9 (+12.9)
3. Radio Receivers	'000 Nos.	209.8 (+38.1)	153.3 (-26.9)	47.5 (-69.0)
4. Storage Batteries	—	3,079.6 (+7.3)	3,393.2 (+10.2)	3,371.7 (-0.6)
5. Dry Cells	Mill. Nos.	1,283.9 (-0.1)	1,441.6 (+12.3)	1,577.3 (+9.4)
6. Domestic Refrigerators	'000 Nos.	1,641.3 (+27.3)	1,913.2 (+16.6)	1,705.0 (-10.9)
B. Heavy Electrical Engineering				
1. Power Transformers	Mill. KVA.	41.5 (+24.3)	38.1 (-8.2)	33.0 (-13.4)
2. Electric Motors	Mill. H.P.	6.6 (+8.2)	6.5 (-1.5)	7.2 (+10.8)
3. Power Driven Pumps	'000 Nos.	514.4 (+9.2)	663.4 (+29.0)	678.4 (+2.3)

P Provisional.

** Includes production from Small-Scale sector.

Note : Figures in brackets represent percentage variations over the previous year.**Source** : Ministry of Industry, Government of India.

Table IV-19 : Production of Non-Ferrous Metals

(Thousand tonnes)

Item	April-March		
	1994-95	1995-96	1996-97(P)
I	2	3	4
Virgin Metals			
1. Aluminium	479.8 (+4.1)	518.0 (+8.0)	524.1 (+1.2)
2. Copper	45.6 (-12.3)	40.9 (-10.3)	38.3 (-6.4)
3. Zinc	149.1 (+5.4)	141.6 (-5.0)	135.6 (-4.2)
4. Lead	43.8 (+56.4)	35.1 (-19.9)	31.0 (-11.7)
Semi-Manufactures			
1. Aluminium			
a) Sheets and circles rolled products	114.1 (+13.1)	116.3 (+1.9)	99.2 (-14.7)
b) Wire rods for aluminium conductors steel reinforced (ACSR)/(AAC)	28.0 (+2.9)	32.7 (+16.8)	38.7 (+18.3)
2. Copper/Brass sheets and circles products	40.9 (+12.1)	44.8 (+9.5)	45.5 (+1.6)

P Provisional.

Note : Figures in brackets represent percentage variations over the previous year.**Source** : Ministry of Industry, Government of India.

Table IV-20 : Jute Textiles

(Thousand tonnes)

Item	Year (Apr - Mar)	Hesslan	Sacking	Carpet Backing	Others	Total
1	2	3	4	5	6	7
Production	1994-95	333.5	689.6	32.5	318.6	1,374.2
		(-2.4)	(-12.1)	(+38.9)	(+6.7)	(-5.1)
	1995-96	413.9	676.3	30.5	312.3	1,433.0
		(+24.1)	(-1.9)	(-6.2)	(-2.0)	(+4.3)
Consumption	1996-97(P)	368.7	666.6	25.2	340.4	1,400.9
		(-10.9)	(-1.4)	(-17.4)	(+9.0)	(-2.2)
	1994-95	245.7	679.9	2.2	244.2	1,172.0
		(+1.4)	(-9.6)	(+29.4)	(+0.5)	(-5.4)
Export	1995-96	266.9	665.5	2.3	266.6	1,161.3
		(+8.6)	(-2.1)	(+4.5)	(+9.2)	(-0.9)
	1996-97(P)	259.8	650.0	1.7	222.5	1,136.0
		(-2.7)	(-2.3)	(-26.1)	(-16.5)	(-2.2)
Year-end Stocks	1994-95	116.2	6.4	27.3	71.5	221.4
		(+11.4)	(-73.2)	(+27.6)	(+57.1)	(+13.5)
	1995-96(P)	124.5	7.2	23.1	64.3	219.1
		(+7.1)	(+12.5)	(-15.4)	(-10.1)	(-1.0)
	1996-97(P)	96.3	3.8	19.0	101.8	220.9
		(-22.7)	(-47.2)	(-17.7)	(+58.3)	(+0.8)
	1994-95	27.8	19.1	1.2	15.2	63.3
		(+6.5)	(-17.3)	(-63.6)	(-8.4)	(-8.4)
	1995-96	39.9	16.6	3.1	17.5	77.1
		(+43.5)	(-13.1)	(+158.3)	(+15.1)	(+21.8)
	1996-97(P)	23.4	17.4	2.5	15.7	59.0
		(-41.4)	(+4.8)	(-19.4)	(-10.3)	(-23.5)

P Provisional.

Note : Figures in brackets represent percentage variations over the previous year.**Source** : Jute Manufacturers Development Council, Calcutta.

Table IV-21 : Production, Import, Consumption and Stock of Rubber

(Thousand tonnes)

Item	April-March		
	1994-95	1995-96	1996-97(P)
1	2	3	4
Production	602	641	681
	(+9.9)	(+6.5)	(+6.2)
Natural	472	507	549
	(+8.5)	(+7.4)	(+8.3)
Synthetic	64	68	65
	(+28.0)	(+6.3)	(-4.4)
Reclaimed	66	66	67
	(+4.8)	(0.0)	(+1.5)
Imports	82	124	98
	(-3.5)	(+51.2)	(-21.0)
Natural	8	52	18
	(-61.9)	(+550.0)	(-65.4)
Synthetic	74	72	80
	(+15.6)	(-2.7)	(+11.1)
Consumption	673	725	771
	(+7.3)	(+7.7)	(+6.3)
Natural	486	525	562
	(+7.8)	(+8.0)	(+7.0)
Synthetic	123	134	143
	(+8.8)	(+8.9)	(+6.7)
Reclaimed	64	66	66
	(+1.6)	(+3.1)	(0.0)
Imports as a Percentage of Consumption	12.2	17.1	12.7
Natural	1.7	9.8	3.2
Synthetic	60.2	53.5	55.8
Year-end Stocks	89	124	130
	(-5.3)	(+39.3)	(+4.8)
Natural	70	103	108
	(-9.1)	(+47.1)	(+4.9)
Synthetic	17	19	20
	(+13.3)	(+11.8)	(+5.3)
Reclaimed	2	2	2
	(0.0)	(0.0)	(0.0)

P Provisional.

Note : Figures in brackets in upper rows represent percentage variations over the previous year and figures in the bracket in the lower rows represent percentage variations over the target of the same year.

Source : Rubber Board, Government of India.

Table IV-22 : Production of Tyres, Tubes and Footwear

(Million numbers)

Year (April-March)	Automobile Tyres		Bicycle Tyres	Rubber Footwear
	Total	<i>of which</i> Giant Tyres		
1	2	3	4	5
1993-94	18.9 (+14.5)	7.0 (+6.1)	12.2 (-36.8)	35.4 (+24.6)
1994-95	21.3 (+12.7)	7.3 (+4.3)	9.7 (-20.5)	33.5 (-5.4)
1995-96(P)	18.4 (-13.6)	8.8 (+20.5)	10.4 (+7.2)	27.8 (-17.0)
1996-97(P)	18.9 (+2.7)	8.8 (0.0)	10.4 (0.0)	28.3 (+1.8)

P Provisional.

Note : Figures in brackets represent percentage variations over the previous year.**Source** : Central Statistical Organisation, Government of India.

Table No.IV-23 : Production of Major Chemicals and Chemical Products

(Thousand tonnes)

Item	April-March		
	1994-95	1995-96	1996-97(P)
1	2	3	4
1. Fertilizers			
a. Nitrogenous Fertilisers (N content)	7,950.7 (+7.7)	8,770.9 (+10.3)	8,607.6 (-1.9)
b. Phosphatic Fertilisers (P ₂ O ₅)	2,459.1 (+33.1)	2,552.3 (+3.8)	2,567.0 (+0.6)
2. Inorganic Chemicals			
a. Caustic Soda	1,118.5 (+0.8)	1,356.8 (+21.3)	1,459.3 (+7.6)
b. Soda Ash	1,454.9 (-5.8)	1,464.3 (+0.6)	1,485.3 (+1.4)
3. Paints and Varnishes*	405.0 (+31.3)	519.9 (+28.4)	481.4 (-7.4)
4. Soaps*	1,480.4 (+1.3)	1,819.6 (+22.9)	1,529.2 (-16.0)
5. Synthetic Detergents	355.8 (+15.6)	452.3 (+27.1)	513.1 (+13.4)
6. Drugs & Pharmaceuticals (Rs.crore)			
i) Bulk Drugs	1,450.0 (+9.8)	N.A.	N.A.
ii) Formulations	7,300.0 (+5.8)	N.A.	N.A.
7. Petrochemicals			
i) Low Density Polyethylene (LDPE)	256.1 (+51.8)	223.7 (-12.7)	218.1 (-2.5)
ii) PVC Resins	324.1 (+2.7)	392.5 (+21.1)	424.8 (+8.2)
iii) DMT/PTA	146.6 (+29.5)	212.9 (+45.2)	226.3 (+6.3)
iv) Caprolactum	79.0 (+7.8)	114.0 (+44.3)	111.8 (-1.9)

P Provisional. N.A. Not Available.

* Includes production in Small-Scale Sector.

Note : Figures in brackets represent percentage variations over the corresponding period of the previous year.**Sources** : 1. Ministry of Industry, Government of India.

2. Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilisers.

**TABLE IV-24 : Balance Sheet of Sugar
(October-September)**

(Lakh tonnes)

Items	1994-95	1995-96 (Oct- June)	1995-96 (Oct- June)	1996-97
1	2	3	4	5
1. Opening Stock (-4.25)	30.88 (81.28)	55.98 (81.28)	55.98 (41.16)	79.02
2. Production	146.43 (48.92)	164.52 (12.35)	160.68 (13.25)	127.96 (-20.36)
3. Import	2.00	—	—	—
4. Total Supply (1+2+3)	179.31 (19.08)	220.50 (22.97)	216.66 (25.41)	206.98 (-4.47)
5. Internal Consumption	122.70 (2.59)	131.27 (6.98)	97.67 (6.88)	105.05 (7.56)
6. Exports	0.63 (530.00)	10.21 (1520.63)	8.00	3.75
7. Total off-take (5+6)	123.33 (3.03)	141.48 (14.72)	105.67 (15.35)	108.80 (2.96)
8. Closing Stock (4-7)	55.98 (81.28)	79.02 (41.16)	110.99 (36.77)	98.18 (-11.54)

Note : Figures in brackets are percentage variation over the previous year/period.

Source : Indian Sugar Mills' Association.

Table IV-25 : Sugar Releases during 1994-95, 1995-96 and 1996-97 Seasons

(Lakh tonnes)

Month	1994-95			1995-96			1996-97		
	Levy	Free-sale	Total	Levy	Free-sale	Total	Levy	Free-sale	Total
1	2	3	4	5	6	7	8	9	10
October	3.80	7.00	10.80	4.03	8.30	12.33	4.25	8.50	12.75
November	3.49	7.00	10.49	3.60	7.50	11.10	4.06	8.00	12.06
December	3.37	6.10	9.47	3.49	6.80	10.29	4.13	8.00	12.13
January	3.78	5.75	9.53	3.69	6.50	10.19	4.11	6.50	10.61
February	3.88	5.75	9.63	3.70	6.25	9.95	3.77	7.00	10.77
March	3.65	6.15	9.80	3.72	6.25	9.97	3.70	7.00	10.70
April	3.37	6.30	9.67	3.70	6.60	10.30	3.70	7.00	10.70
May	3.36	6.70	10.06	3.71	7.25	10.96	3.68	8.00	11.68
June	3.27	7.00	10.27	3.73	7.90	11.63	3.68	8.00	11.68
July	3.41	6.90	10.31	3.73	7.25	10.98	3.74	7.50	11.24
August	3.51	6.70	10.21	3.75	7.25	11.00	3.69	7.50	11.19
September	3.72	6.70	10.42	4.31	7.25	11.56	3.69	7.50	11.19
Total	42.61	78.05	120.66	45.16	85.10	130.26	46.20	90.50	136.70
Monthly Averages	3.55	6.50	10.06	3.76	7.09	10.86	3.85	7.54	11.39

Source : Indian Sugar Mills' Association.

Table IV-26 : Production, Consumption and Stock Position of Yarn

(Million Kgs.)

Item	April - March		
	1994-95	1995-96	1996-97(P)
1	2	3	4
Installed Capacity (In Millions) (Spindles)	30.7	31.8	33.2
Capacity Utilisation (%) (Spindles)	81	86	86
A. Production (I+II+III)	2,200	2,485	2,794
	(+2.7)	(+13.0)	(+12.4)
i) Cotton Yarn	1,696	1,894	2,148
	(0.0)	(+11.7)	(+13.4)
ii) Blended/Mixed Yarn	346	395	484
	(+13.4)	(+14.2)	(+22.5)
iii) 100 per cent Man-made Fibre Spun Yarn	158	196	162
	(+12.9)	(+24.1)	(-17.3)
B. Domestic Consumption (all yarn) (I+II)	1,803	2,031	2,136
	(+21.6)	(+12.6)	(+5.2)
i) Mill Sector and other ones	171	173	163
	(+8.2)	(+1.2)	(-5.8)
ii) Decentralised Sector +	1,632	1,858	1,973
	(+18.2)	(+13.8)	(+6.2)
C. Exports (Cotton Yarn)			
i) Quantity	228.4	262.6	461
	(+27.5)	(+15.0)	(+75.6)
ii) Value (Rupees crore)	2,608.5	3,357.2	5,323.8
	(+62.1)	(+28.7)	(+58.6)
D. Year-end Stocks (Unsold) (Cotton yarn)			
	93	97	90
	(+138.5)	(+4.3)	(-7.2)

P Provisional.

+ Relates to consumption for production of cloth only.

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-27 : Production, Consumption and Stock Position
of Cotton and Man-made Textiles**

(Million square metres)

Item	April - March		
	1994-95	1995-96	1996-97(P)
1	2	3	4
Installed Capacity ('000s) (Looms)	139	132	124
	(-7.3)	(-5.0)	(-6.1)
Capacity Utilisation (%) (Looms)	52	52	52
	(-3.7)	(0.0)	(0.0)
A. Production (I+II)	28,606	31,891	34,813
	(+2.5)	(+11.5)	(+9.2)
i) Mill Sector (a+b+c)	2,271	2,019	1,957
	(+14.1)	(-11.1)	(-3.1)
a) Cotton Fabrics	1,262	1,159	1,222
	(-6.9)	(-8.2)	(+5.4)
b) Blended/Mixed Fabrics	746	602	488
	(+29.7)	(-19.3)	(-18.9)
c) 100 per cent Man-made Fibre Fabrics	263	258	247
	(+345.8)	(-1.9)	(-4.3)
ii) Decentralised Sector (a+b+c+d)	26,335	29,872	32,856
	(+1.6)	(+13.4)	(+10.0)
a) Cotton Fabrics	15,757	17,741	18,619
	(-4.1)	(+12.6)	(+4.9)
b) Blended/Mixed Fabrics	2,915	3,423	4,400
	(+13.0)	(+17.4)	(+28.5)
c) 100 per cent Man-made Fibre Fabrics	7,232	8,277	9,322
	(+11.8)	(+14.4)	(+12.6)
d) Khadi Wool Silk	431	431	515
	(+1.2)	(0.0)	(+19.5)
B. Domestic Consumption (all cloth) +	23,382	25,639	27,754
	(+1.8)	(+9.7)	(+8.2)
C. Year-end Stocks (unsold) ++	76	61	82
(all cloth)	(-10.6)	(-19.7)	(+34.4)
D. Exports of Cotton Fabrics (mills/ powerlooms, made up, handloom)	23,985	26,592	30,148
(Rs. crore)	(+22.5)	(+10.9)	(+13.4)

P Provisional.

+ Relates to total availability.

++ Relates to mill sector only.

Note : Figures in brackets indicates percentage variations over the previous year.**Source** : Office of the Textile Commissioner, Ministry of Textiles, Government of India.

**Table IV-28 : Paper, Paper Boards and Newsprint
(Production and Capacity in lakh metric tonnes)**

	Year (April-March)	Installed Capacity	Production	Capacity Utilisation Ratio (per cent)
1	2	3	4	5
A) Paper and Paper Boards	1993-94	37.9 (+9.9)	22.7 (+6.6)	59.9
	1994-95	38.4 (+1.3)	25.1 (+10.6)	65.4
	1995-96	40.0 (+4.2)	29.0 (+15.5)	72.5
	1996-97(P)	42.0 (+5.0)	32.0 (+10.3)	76.2
B) Newsprint	1993-94	5.4 (+45.9)	3.6 (+5.9)	66.6
	1994-95	5.6 (+3.7)	4.0 (+11.1)	71.4
	1995-96	6.5 (+16.1)	4.5 (+12.5)	69.2
	1996-97	6.5 (0.0)	3.6 (-20.0)	55.4
P Provisional.				

Note : Figures in brackets indicate percent variations over the corresponding period of the previous year.

Source : Indian Paper Mills Association.

CHAPTER V

MONETARY AND BANKING DEVELOPMENTS *

Monetary Conditions

The monetary policy pursued during 1996-97 reflected a blended response to short-term and long-term concerns. There was an immediate need to reduce the high level of interest rates prevailing in 1995-96 so as to facilitate credit offtake during 1996-97. In this direction, the Reserve Bank initiated a host of measures which included, *inter alia*, sharp reductions in cash reserve ratio (CRR) in phases by four percentage points thereby releasing about Rs.17,850 crore during the course of 1996-97. This, coupled with a remarkable turnaround in capital inflows and strong deposit growth, resulted in a significant improvement in overall liquidity. Consequently, the year witnessed a marked softening of interest rates, particularly at the shorter end of the maturity spectrum. The prime lending rates (PLRs) of commercial banks also declined by 2.0-2.5 percentage points following reductions in the deposit rates as well as the refinance rates during the year. In fact, the pressure of surplus liquidity was so strong during the second half of 1996-97 that repo operations were resumed in November 1996.

The long-term concerns centred around building up of an appropriate environment to enable the Reserve Bank to pursue the principal objective of monetary policy *i.e.*, ensuring a low and stable order of inflation. One of the most fundamental building blocks towards this end has been the phasing out of automatic monetisation of Government deficit through net issue of *ad hoc* and tap 91-day Treasury Bills since April 1, 1997 following the Agreement reached between the Government and the Reserve Bank on March 26,

1997. This would have far reaching implications in respect of the debt management policy of the Government, the Reserve Bank's efforts at strengthening its indirect monetary policy instruments as also facilitating the emergence of an active debt market in India. The most significant policy initiative underlining the efforts towards strengthening the interest rate channel of monetary policy instruments was by way of reactivating the Bank Rate and broadbasing the refinance policy, and facilitating larger arbitrage opportunities among money market, Government securities market and foreign exchange market so as to forge larger integration among them such that liquidity management in the economy by the Reserve Bank becomes more smooth.

On the whole, the year 1996-97 ended with several positive features: the growth of broad money (M_3) remained within the target of 15.5-16.0 per cent stipulated for the year, and the price situation was relatively comfortable.

Behaviour of Money Supply

Broad Money (M_3)

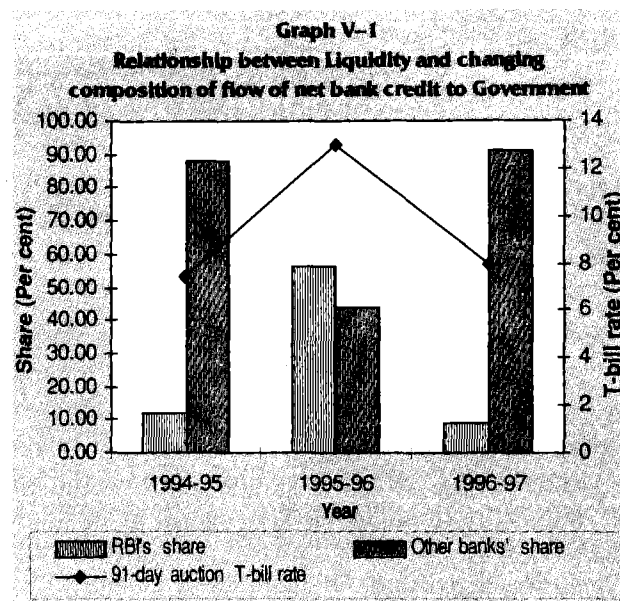
The expansion in broad money (M_3) by Rs.96,176 crore (15.9 per cent) in 1996-97 was higher as compared with that of Rs.72,581 crore (13.7 per cent) recorded in 1995-96 (Table I and Statements 36 and 37, Volume-II). However, the lower expansion in monetary aggregates during 1995-96 needs to be viewed in the context of the unusually high base of March 31, 1995 which was not only the last reporting Friday of the year but was also the balance sheet date for banks. Taking a slightly longer time horizon for reflecting the lags with which monetary policy impacts economic activity, M_3 expansion over the last three years at

* This Chapter contains data upto October 10, 1997.

17.3 per cent was close to the long-term annual average.

The increase in broad money was driven by marked increase in aggregate deposits and modest increase in currency with the public. Of aggregate deposits, time deposits recorded an accretion of Rs.70,415 crore (18.1 per cent) as compared with the increase of Rs.50,003 crore (14.7 per cent) in 1995-96, reflecting, *inter alia*, the sharp increase in inflows under non-resident deposits as domestic interest rates ruled higher than the international interest rates of corresponding tenor. The expansion of currency with the public decelerated to Rs.14,175 crore (12.0 per cent) in 1996-97 from that of Rs.17,577 crore (17.5 per cent) in 1995-96. As a result, the increase in narrow money was contained at Rs.25,761 crore (12.0 per cent) which was only marginally higher than that of Rs.22,578 crore (11.7 per cent) recorded in the previous year.

Source-wise, net bank credit to Government increased by Rs.31,038 crore (12.0 per cent) in 1996-97 as compared with that of Rs.35,359 crore (15.9 per cent) in the previous year. The net RBI credit to Government recorded a modest increase of Rs.2,832 crore (2.3 per cent) as compared with a substantial expansion of Rs. 19,871 crore (19.6 per cent) in 1995-96. As against this, other banks' (commercial and co-operative banks) investments in Government securities increased sharply by Rs.28,206 crore (20.7 per cent) in 1996-97 as compared with Rs.15,488 crore (12.8 per cent) as the bulk of surplus funds with banks found their outlet in Government papers. As a result, incremental investments by scheduled commercial banks in government paper increased sharply from 41.1 per cent of the increase in total net bank credit to Government in 1995-96 to 85.9 per cent in 1996-97 (Graph V-1 and Table V-2). Interestingly enough, scheduled commercial banks' accommodation to Government in 1996-97, in incremental terms, was almost comparable to their advances to the commercial sector, whereas in the preceding two years, the former was less than a third of advances. Bank credit to commercial sector recorded an increase of Rs.30,706 crore (8.9 per cent) as compared with that of Rs.51,925 crore (17.7 per cent) in 1995-96. Of this, the non-

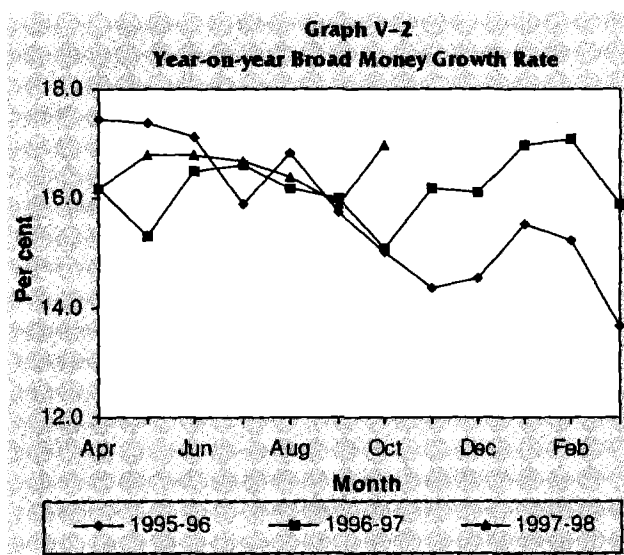


food credit extended by scheduled commercial banks recorded a modest growth of Rs.26,581 crore (10.9 per cent) as compared with that of Rs.44,938 crore (22.5 per cent) during the preceding year. However, their investments in commercial paper and in corporate shares and debentures of commercial sector increased by as much as Rs.8,075 crore in 1996-97 as against a decline of Rs.163 crore in 1995-96. In addition to resources accessed from the banking system, the commercial sector also received funds from such other sources as capital issues, global depository receipts (GDRs) and foreign currency convertible bonds (FCCBs), bills rediscounted by commercial banks with financial institutions and borrowings from the financial institutions amounting to Rs.56,707 crore in 1996-97 which was comparable to that of Rs.55,178 crore in 1995-96 (Table V-3). This shows that banking sector is no longer the dominant source of supply of funds to the commercial sector. This would imply that commercial banks will have to compete with alternate sources of finance for retaining their share in the credit market.

Net foreign exchange assets of the banking sector recorded a substantial rise of Rs.20,773 crore (25.3 per cent) as compared with the increase of Rs.3,108 crore (3.9 per cent) in the previous year, reflecting the growing strength of the external sector. Net non-monetary liabilities of the banking sector recorded a sharp decline of

Rs.13,228 crore (15.9 per cent) in contrast to the increase of Rs.17,936 crore (27.5 per cent) in 1995-96.

The year-on-year (M_3) broad money growth rate varied, on a month-end basis, in the narrow range of 15.1-17.1 per cent in 1996-97 (13.7-17.4 per cent in 1995-96) driven by a steady accretion to time deposits. The year-on-year M_3 growth rate dipped from 16.2 per cent in April 1996 to 15.1 per cent in October 1996 and thereafter rose sharply to 17.1 per cent in February 1997, reflecting the expansionary effects of CRR cuts before ending the year at 15.9 per cent as at end-March 1997 (Graph V-2).



Reserve Money (RM)

The increase in broad money was not driven by a corresponding increase in reserve money which rose rather modestly by Rs.5,588 crore (2.9 per cent) in 1996-97 as compared with an expansion of Rs.25,175 crore (14.9 per cent) in 1995-96 (Table V-1 and Statements 39 and 40, Vol. II). This was the third time since 1970-71 that the reserve money growth fell below the five per cent mark, the other occasions being 1974-75 and 1975-76. It may be appreciated that in a regime of frequent changes in reserve requirements, as was the case in 1996-97, it would be appropriate to consider reserve money adjusted for fluctuations in reserve requirements. This approach would help stabilise the money multiplier, and thereby facilitate tracking of the expected path of

broad money in a monetary targeting framework.

On the components' side, the principal reason accounting for sluggish growth in reserve money was the sharp decline in bankers' deposits with the Reserve Bank by Rs.8,970 crore for the first time since 1982-83 following cuts in the CRR.

On the sources' side, the net Reserve Bank credit to Government recorded an increase of Rs.2,832 crore as compared with that of Rs.19,871 crore in 1995-96. Of these, the net Reserve Bank credit to the Centre recorded a much smaller increase of Rs.1,934 crore (1.6 per cent) as compared with the substantial increase of Rs.19,855 crore (20.1 per cent) in 1995-96. On a fortnightly average basis too, the monetised deficit stood lower at Rs.8,328 crore than the corresponding increase of Rs.15,572 crore recorded in 1995-96. The net issue of *ad hoc* Treasury bills also remained within the intra-year limit of Rs.9,000 crore from mid-August 1996. The Reserve Bank's limited accommodation to the Centre reflected the overall increase in liquidity in the banking system which resulted in enhanced market absorption of government paper, particularly in the second half of 1996-97. This, in turn, reduced the monetised deficit in two ways: directly through lower devolvement of auctioned Treasury Bills and dated securities, and indirectly by enabling sales of government stock (including repos) and lower net issue of *ad hoc* Treasury bills. Although the Reserve Bank's holdings of discounted Treasury Bills increased by Rs.7,126 crore, the increase in net Reserve Bank credit to the Centre was modest mainly on account of a lower net issue of *ad hoc* Treasury Bills at Rs.4,631 crore coupled with reductions in its holdings of auctioned 91-day Treasury Bills by Rs.1,671 crore and dated securities by Rs.8,607 crore. It is important to note that net sales of Government securities by the Reserve Bank amounted to Rs.10,435 crore during 1996-97 as compared with Rs.583 crore in 1995-96, essentially on account of its open market operations conducted mainly to sterilize the surplus resources available in the economy during the year (Table V-2).

The Reserve Bank's claims on banks and the commercial sector declined sharply by Rs.15,557

crore mirroring principally the drastic fall in refinances availed of by scheduled commercial banks by Rs.14,755 crore consequent upon the easy money market conditions that prevailed throughout the course of the year. The Reserve Bank's net foreign exchange assets recorded an impressive increase of Rs.20,773 crore (28.0 per cent) as against a marginal decline of Rs.628 crore in 1995-96, notwithstanding the drawdown of reserves on account of (i) redemption of India Development Bonds (Rs.3,111 crore), (ii) withdrawal of FCNR(A) deposits (Rs.5,795 crore) and (iii) depreciation in the value of gold (Rs.1,101 crore) due to bearishness in the London gold market.

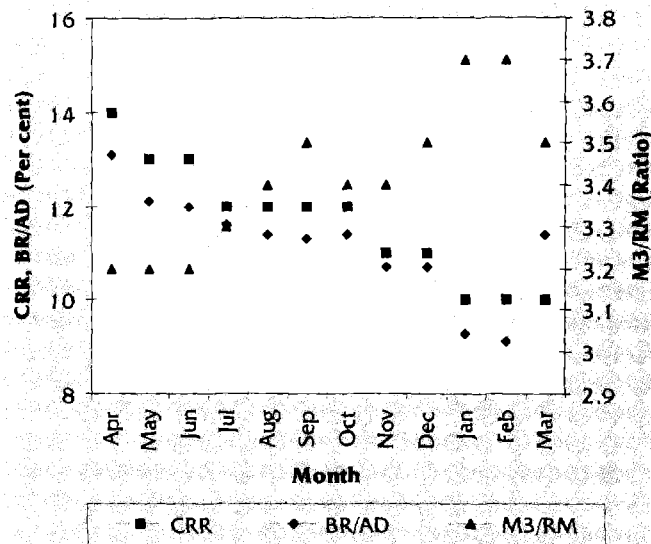
The strong accretion to foreign currency assets of the Reserve Bank was accommodated by a corresponding reduction in its domestic investments through the outright sale of dated securities as well as repurchase agreements of shorter durations. As a result, the Reserve Bank's net domestic assets declined by Rs.15,185 crore (12.6 per cent) in 1996-97 in sharp contrast to an expansion of Rs.25,803 crore (27.3 per cent) in 1995-96.

The increasing interface between the money market and the foreign exchange market has posed challenges in the conduct of monetary policy, since this entailed a necessity to assess, on a continuous basis, the liquidity situation in the system. Proper management of excess liquidity requires availability of adequate information on the rates and turnovers of the markets as also on the economic behaviour of entities with respect to changes in the policy parameters. Yet, as market segmentation gets reduced, it is expected that entities would become increasingly interest-sensitive. This recognition is reflected in the reactivation of the Bank Rate, coupled with implementation of institutional measures in early 1997-98 aimed at bringing about larger alignments among various segments of the financial market.

Monetary Relationships

The broad money multiplier followed an uptrend throughout 1996-97 from 3.11 as at the end of March 1996 to 3.50 as at end-March, 1997

Chart V-3
Monetary Ratios



principally on account of the decline in the ratios of currency to aggregate deposits and bank reserves to aggregate deposits, the latter mainly reflecting the sharp CRR cuts during the year by as much as 4 percentage points (Statement 41, Volume-II and Graph V-3). In fact, the M_3 multiplier hit the 25-year peak at 3.69 by end-February 1997. However, in a monetary targeting framework, the apparent short run volatility in the money multiplier can be obviated if reserve money is adjusted for changes in reserve requirements so that the money multiplier is relatively stable. In view of the limited currency growth and strong capital inflows, the ratio of currency in circulation to net foreign assets edged up to 69.1 per cent by end-March 1997 from 60.4 per cent as at end-March 1996.

Income velocity of broad money, defined as the ratio of GDP at current market prices to broad money (M_3), continued to witness a secular decline and it stood at 1.95 on an average for the year 1996-97 (Statement 41, Volume-II). The secular decline in income velocity may not pose any significant problem in the exercise of monetary targeting so long as it behaves in a stable manner and, therefore, is amenable to prediction.

Trends in 1997-98 (up to October 10, 1997)

During the first half of 1997-98 (up to October 10, 1997), broad money (M_3) exhibited

strong growth of Rs. 53,409 crore (7.6 per cent) as compared with Rs.40,998 crore (6.8 per cent) during the corresponding period of 1996-97 mainly on account of the lagged effects of substantial reductions in CRR in 1996-97 and continued increase in capital inflows during the period. On an annualised basis, the M_3 growth rate was, however, higher at 16.8 per cent as on October 10, 1997 than that of 15.9 per cent during the corresponding period ended October 11, 1996 partly reflecting the sustained reductions in reserve requirements. Currency with the public increased by Rs.8,496 crore (6.4 per cent) while aggregate deposits continued to record a high growth of Rs.44,353 crore (7.9 per cent). The net bank credit to the Government remained buoyant at Rs.21,809 crore (7.6 per cent) as compared with Rs.19,007 crore (7.4 per cent) recorded during the corresponding period of 1996-97. The continued large order of accommodation by banks to the Government reflected the persistence of easy liquidity *vis-a-vis* sluggishness in the growth of non-food credit in the economy. Reflecting this, other banks' investments in Government securities increased by Rs.30,755 crore over this period with the scheduled commercial banks' incremental investments in government paper accounting for as much as 129.0 per cent of the increase in total net bank credit to the Government during the first half of 1997-98 (up to October 10); their incremental investment stood at only 72.8 per cent during the corresponding period of 1996-97. Bank credit to the commercial sector recorded an increase of Rs.9,060 crore as against that of Rs.933 crore during the corresponding period of last year (Table V-1, 2 and Statements 36 and 37, Volume-II).

Reserve money registered a growth of Rs.5,369 crore (2.7 per cent) during 1997-98 (up to October 10) in sharp contrast to the decline of Rs.6,951 crore (3.6 per cent) during the corresponding period of 1996-97 mainly on account of continued increase in capital inflows. Accordingly, the Reserve Bank's net foreign exchange assets increased sharply by Rs.13,289 crore (14.0 per cent) as compared with an increase of Rs.8,528 crore (11.5 per cent) during the similar period of 1996-97 reflecting the Reserve Bank's sustained purchase of US dollars amounting to

Rs.16,852 crore during 1997-98 (up to October 10). The net Reserve Bank credit to the Centre recorded a surplus at Rs.5,964 crore as against the increase of Rs.6,486 crore recorded during the corresponding period of 1996-97 (Statements 39 and 40, Volume-II). Notwithstanding the Reserve Bank's subscriptions to fresh dated securities worth Rs. 7,028 crore (face value) and the funding of the Rs.7,143 crore (face value) of tap Treasury Bills held outside the Reserve Bank into special securities, the surplus in the monetised deficit was essentially the result of the Centre's investment of its surplus cash balances in dated securities held by the Reserve Bank to the tune of Rs.14,595 crore (Table V-2). Incidentally, the monetised deficit recorded a peak level of surplus at Rs.10,255 crore on August 29, 1997.

Currency and Coinage

During 1996-97, the composition of currency in circulation remained mostly unchanged compared with that of the previous years. The share of notes in circulation to currency in circulation which has been rising in the 'nineties increased marginally from 97.7 per cent as on March 31, 1996 to 97.9 per cent as on March 31, 1997.

Denomination-wise, the share of notes of Rs.50 and higher denominations has been in line with long-term trends. The share of notes denominated as Rs.500 has increased from 17.4 per cent in 1995-96 to 18.1 per cent in 1996-97. The shares of all other denominations declined except Rs.10 which rose marginally.

Issue of Coins and Notes

The following commemorative coins were issued for general circulation during 1996-1997

(a) Coins of Rs.2 with the following themes
(i) the birth anniversary of Sardar Vallabhabhai Patel in November 1996 and (ii) the Subhash Chandra Bose Centenary in March 1997.

(b) Coins of Rs.5 with the themes of
(i) "Towards Ever Green Revolution" on the occasion of "2nd International Crop Science

Congress" in December 1996 and (ii) "Men and Women Partnership in Politics" on the occasion of Inter Parliamentary Conference in March 1997.

The following notes were issued in the new series (Mahatma Gandhi design) bearing the signature of the Governor, Dr.C.Rangarajan.

(a) Rs.10/- with capital letter 'R' and 'L' inset in numbering panels in December 1996 and February, 1997, respectively.

(b) Rs.50/- notes without inset in numbering panels in March 1997.

(c) Rs.100/- notes with capital letter 'L' inset in numbering panels in January 1997.

Lost, Destroyed and Mutilated Notes

During the year 1996-97, claims numbering 1.13 lakh (2.65 lakh claims in 1995-96) were received from various offices of the Reserve Bank with respect to mutilated notes involving 316.8 lakh pieces (425.6 lakh pieces last year) valued at Rs.21.1 crore (Rs.36.2 crore last year). Claims approved for payment amounted to Rs.32.6 crore which was lower than the approved claims of Rs.46.5 crore in 1994-95.

The aggregate value of claims received at all banks comprising the Reserve Bank, the State Bank of India and its Associates and other public sector banks amounted to Rs.59.5 crore (Rs.115.8 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 proportion of claims received by the Reserve Bank rose from 31.3 per cent in 1995-96 to 35.5 per cent in 1996-97. The share of claims received by the State Bank of India fell from 29.0 per cent in 1995-96 to 22.7 per cent in 1996-97 while that of other public sector banks increased marginally to 41.8 per cent. The State Bank of India and other public sector banks together accounted for 72.5 per cent of the amount approved for payment.

Note Forgeries

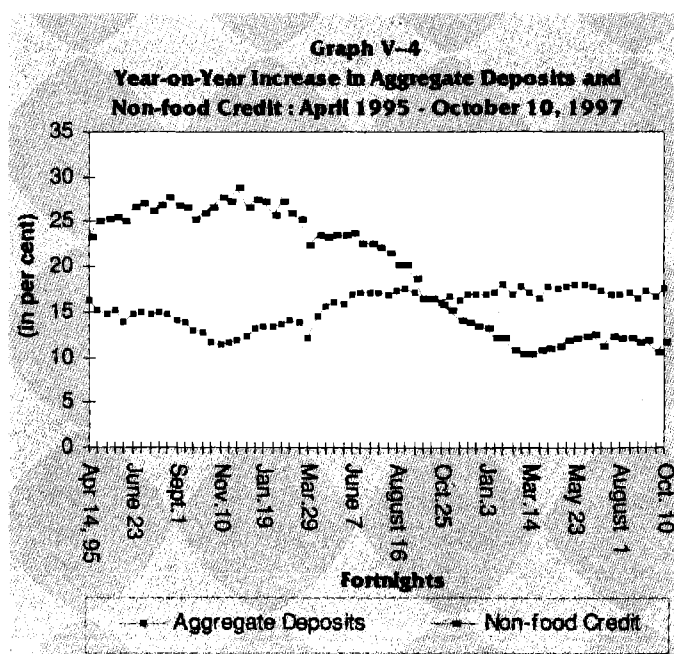
According to information received from

National Crime Records Bureau, New Delhi and compiled within the RBI, the volume of forged/counterfeit notes in circulation has decreased in 1996-97. The total number of forged/counterfeit notes in circulation came down from 10,644 pieces in 1995-96 to 7,967 pieces in 1996-97. The value of forged notes detected fell from Rs.7.07 lakh in 1995-96 to Rs.6.33 lakh in 1996-97.

Banking Developments

All Scheduled Commercial Banks

The operations of scheduled commercial banks during 1996-97 were characterised by a strong growth in deposits, sharp improvement in investments and somewhat sluggish credit expansion (Graph V-4). The aggregate deposits of scheduled commercial banks expanded by Rs.71,780 crore (16.5 per cent) during 1996-97 which was not only higher than the increase of Rs.46,961 crore (12.1 per cent) during the previous year, but also exceeded the targeted expansion of Rs.68,000 crore (15.7 per cent). The deposit growth in 1996-97 was spearheaded by a sharp increase in time deposits reflecting the favourable impact of deregulation of term deposit rates of over one year, and sharp rise in non-resident Indian (NRI) deposits following the relatively favourable interest rate differentials (Table V-4).



Bank Credit

The expansion in bank credit decelerated sharply from Rs.42,455 crore (20.1 per cent) in 1995-96 to Rs.24,386 crore (9.6 per cent) in 1996-97. While the growth in non-food credit declined from Rs.44,938 crore (22.5 per cent) in 1995-96 to Rs.26,581 crore (10.9 per cent) in 1996-97, food credit decreased further by Rs.2,194 crore (22.4 per cent) on top of a decline of Rs.2,484 crore (20.2 per cent) during the previous year. As a result, the incremental credit-deposit ratio declined from 90.4 per cent in 1995-96 to 34.0 per cent during 1996-97 with the incremental non-food credit-deposit ratio declining sharply from 95.7 per cent to 37.0 per cent. After two successive years of substantial expansion, the lower order of increase in credit during 1996-97 reflected not merely the situation in the real economy but also the need for banks, particularly the weaker banks, to give considerations to the increase in NPAs that may arise on account of adverse selection. In addition, the inability of corporates to raise the requisite equity from the subdued capital market in order to achieve the desired debt-equity ratio, coupled with the high interest rates prevailing in the first half of 1996-97 would have dampened the demand for bank credit.

Investments

A rapid expansion in aggregate deposits together with a poor pick-up in bank credit prompted a significant spurt in banks' investments during 1996-97. The expansion in scheduled commercial banks' investments in Government and other approved securities by Rs.25,731 crore (15.6 per cent) was thus substantially higher than that of Rs.15,528 crore (10.4 per cent) during 1995-96. Banks' investments in Government securities enlarged by Rs.26,662 crore (20.2 per cent) as compared with a rise of Rs.14,542 crore (12.4 per cent) during the previous year. Investments in other approved securities, however, declined by Rs.931 crore (2.9 per cent) in contrast to an increase of Rs.987 crore (3.1 per cent) in the previous year. Although the investment-deposit ratio declined marginally from 38.0 per cent as at the end of March 1996 to 37.7 per cent as at the end of

March 1997, the incremental ratio of 35.8 per cent indicated that the banks continued to hold SLR securities far in excess of their statutory requirements (25 per cent in incremental terms).

Disaggregated Bank Group-wise Analysis

Banking operations at the disaggregated level during 1996-97 were marked by a significant increase in the share of Indian private banks in the total variations in deposit mobilisation, credit disbursement and investments in Government securities *vis-a-vis* the SBI Group and the nationalised banks. The share of Indian private banks in deposit expansion increased significantly by 6 percentage points to 15.9 per cent in 1996-97 while that of nationalised banks increased by 3.3 percentage points to 49.4 per cent. The share of foreign banks increased from 5.9 per cent to 8.3 per cent over the year. The SBI group's share in aggregate deposit growth declined significantly by 11.4 percentage points over that of the previous year to 21.4 per cent in 1996-97. The share of RRBs too declined marginally from 5.4 per cent to 5.0 per cent (Table V-5). On the credit side, the share of Indian private banks spurted from 13.7 per cent in 1995-96 to 22.0 per cent in 1996-97. The shares of foreign banks and RRBs increased from 15.8 per cent and 2.6 per cent to 17.9 per cent and 5.2 per cent, respectively. The shares of the SBI Group and nationalised banks, however, declined by 9.7 percentage points and 3.3 percentage points to 23.8 per cent and 31.2 per cent, respectively, during 1996-97.

As regards investments in Government securities, the share of the Indian private sector banks increased substantially by 6.6 percentage points to 15.8 per cent during 1996-97. Similarly, the SBI Group and foreign banks increased their respective shares from 21.8 per cent and 4.9 per cent to 24.9 per cent and 7.7 per cent. The shares of nationalised banks and RRBs, however, declined from 61.5 per cent and 2.6 per cent, respectively, to 52.1 per cent and (-)0.4 per cent.

Trends during 1997-98 (upto October 10, 1997)

Continuing with the trend for 1996-97, aggregate deposits expanded substantially by

Rs.38,028 crore (7.5 per cent) during 1997-98 (upto October 10, 1997) as compared with a rise of Rs.28,131 crore (6.5 per cent) during the comparable period of the previous year. Bank credit increased by Rs.4,955 crore (1.8 per cent) as against a fall of Rs.137 crore (0.1 per cent) during the previous year. Non-food credit exhibited a higher order of increase of Rs.3,500 crore (1.3 per cent) as compared with that of Rs.1,278 crore (0.5 per cent) in the previous year. Significantly, there was a pick up of food credit by Rs.1,455 crore (19.2 per cent) as against a decline of Rs.1,414 crore (14.4 per cent) during the comparable period of the previous year.

Sectoral and Industry-wise Deployment of Credit

The data on sectoral deployment of gross bank credit by 47 scheduled commercial banks (27 public sector banks and 20 major private sector banks, excluding RRBs) account for 90-95 per cent of bank credit of all scheduled commercial banks (Statement 69, Vol-II).

There was a significant deceleration in gross bank credit to industries from Rs.22,627 crore in 1995-96 to Rs.9,201 crore in 1996-97. While credit to medium and large industries declined from Rs.18,381 crore during 1995-96 to Rs.6,972 crore during 1996-97, that of small scale industries declined from Rs.4,246 crore to Rs.2,229 crore. Industry-wise, the deceleration was wide spread (except for coal, iron and steel, 'other metal and metal products', other textiles, vegetable oils, construction, petroleum and 'other industries'). Furthermore, an absolute decline in credit was experienced by engineering, electronics, cotton textiles, jute textiles, sugar, tea, tobacco and tobacco products, chemicals, dyes and paints, leather and leather products, gems and jewellery and SAFAUNS (Statement 71, Vol-II). Reflecting these trends, the share of medium and large industries in non-food gross bank credit declined from 49.2 per cent in 1995-96 to 35.3 per cent in 1996-97.

Advances to Priority Sector

Public Sector Banks

Credit extended to priority sector by public

sector banks witnessed a quantum jump during 1996-97. These advances increased by Rs.9,522 crore from Rs.69,609 crore as at end-March 1996 to Rs.79,131 crore as at end-March 1997. As a ratio of net bank credit, it increased from 37.8 per cent as at end-March 1996 to 41.7 per cent at end-March 1997 surpassing the stipulated level of 40 per cent (Table V-6). The advances to agricultural sector which increased from 14.3 per cent as at end-March 1996 to 16.4 per cent as at end-March 1997, however, fell short of the stipulated priority sector lending sub-target of 18 per cent by 1.6 percentage points. The priority sector advances to the weaker sections at 8.7 per cent as at end-March 1997 also fell short of the target of 10 per cent.

Private sector banks

The old private sector banks exceeded their priority sector lending target of 40 per cent for the year 1996-97, while the new private sector banks could not achieve this target. For the old private sector banks it increased from Rs.5,060 crore in end-March 1996 (35.0 per cent of net bank credit) to Rs.6,074 crore in end-March 1997 (42.5 per cent of net bank credit). The priority sector advances of new private banks increased from Rs.1,223 crore (27.8 per cent of net bank credit) to Rs.2,623 crore (38.3 per cent of net bank credit). The priority sector advances of foreign banks stood considerably higher at 37.4 per cent of net bank credit as at end-March 1997 (39.0 per cent in March 1996) as against the stipulated minimum of 32 per cent.

Composition of Priority Sector advances

The composition of priority sector advances by public and private sector banks underwent some change during 1996-97. While the share of agriculture in total priority sector advances increased in respect of both public sector banks and private sector banks, that of small-scale industries declined for both these categories of banks (Statement 72, Vol-II).

Export Credit

Export credit extended by scheduled

commercial banks declined from Rs.31,758 crore (12.6 per cent of net bank credit) at end-March 1996 to Rs.30,112 crore (10.9 per cent of net bank credit) at end-March 1997; the target of 12 per cent set for 1996-97 could not be realised owing to the sluggish export growth during the year. Export credit stood at Rs. 23,323 crore as on the last reporting Friday of September 1997.

Consequent upon the rationalisation of export credit refinance, export credit refinance limits of banks declined sharply by Rs.7,488 crore from Rs.14,142 crore (54.0 per cent of export credit eligible for refinance) as at end-March 1996 to Rs.6,654 crore (26.1 per cent of export credit eligible for refinance) as at end-March 1997 and further to Rs.2,074 crore (8.9 per cent of export credit eligible for refinance) as at end-September 1997 (Table V-7). Owing to the easy liquidity conditions, banks' dependence on the Reserve Bank's refinance window, however, was considerably low throughout 1996-97 and 1997-98 so far; the refinance utilised by the scheduled commercial banks declined significantly from Rs.4,691 crore in March 1996 to Rs.560 crore in March 1997 and further to Rs.306 crore in September 1997.

Details of monetary and credit policy measures formulated during 1996-97 and 1997-98 (up to the end of September 1997), are set out in Annexure I.

Special Programmes

The various social sector schemes for employment generation and poverty alleviation have continued to be an essential feature of the country's development strategy. The achievements under these schemes during 1995-96 and 1996-97 are presented in Annexure II.

Indian Banks Abroad

The total number of foreign branches of Indian banks (eight public sector and one private sector bank) increased from 97 to 98 during 1996-97 with the opening up of a new branch by the State Bank of India while the number of representative offices remained unchanged at 14.

As at the end of March 1997, the number of wholly owned subsidiaries (including three deposit taking companies) remained at eleven and the number of joint venture/banks/affiliates remained at seven.

Foreign Banks Operating in India

During the year 1996-97 (July-June), the number of foreign banks operating in India increased from 31 to 41 and the branches from 161 to 180. With the opening of five representative offices and the closure of four, the number of representative offices of foreign banks increased from 26 to 27.

Regional Rural Banks

The number of RRBs remained unchanged at 196 during 1996-97. The aggregate deposits of RRBs increased by Rs.3,601 crore (26.9 per cent) during 1996-97 as compared with an increase of Rs.2,522 crore (23.2 per cent) during the previous year. The advances of RRBs registered an increase of Rs.1,255 crore (17.2 per cent) as compared with that of Rs.1,088 crore (17.5 per cent) during 1995-96 (Statement 73, Vol-II).

Primary (Urban) Co-operative Banks

Progress

The Primary (Urban) Co-operative Banks (PCBs) cater primarily to the needs of lower and middle income strata of society. The number of PCBs at the end of March 1997 stood higher at 1,653 as against 1,501 a year ago. Of the 1,653 banks, nearly 75 per cent are located in four states viz., Gujarat, Karnataka, Maharashtra and Tamil Nadu. The number of licensed PCBs rose to 1,393 from 1,180 during this period. The number of offices of PCBs moved upto 4,964 from 4,537 at the end of March 1996. Deposits of PCBs aggregated Rs.29,167 crore at the end of March 1997, rising by 22.3 per cent over the year, and their outstanding advances were of the order of Rs.20,500 crore, recording an increase of 16.0 per cent over the year. The above-mentioned four states account for 85 per cent of the deposits and advances of PCBs. While there are only 45 PCBs which have deposit base of Rs.100 crore and

above, 863 banks have deposits less than Rs.10 crore (Table V-8).

Refinance Facilities

The Reserve Bank of India continued to extend refinance facilities at the Bank Rate to the eligible PCBs against their advances to tiny/cottage industrial units. During 1996-97, short-term credit limits aggregating Rs.5.0 crore were sanctioned to the State Co-operative Banks on behalf of 8 PCBs. At the end of March 1997, the amount outstanding against the limits sanctioned stood at Rs.3.5 crore.

Priority Sector Lending

The PCBs are required to lend 60 per cent of their total advances to priority sector activities and of this, at least 25 per cent is to be allocated to weaker sections. At the end of March 1996, of the 831 reporting PCBs, 694 had achieved the target.

Weak and Non-viable Banks

The number of weak and non-viable PCBs stood at 222 at the end of March 1996, as against 216 at the end of March 1995 on account of erosion of capital base and part of deposits, unsustainable level of non-performing assets, accumulated losses and non-attainment of viability standards. There were 22 PCBs which were issued directions under Section 35A of Banking Regulation Act, 1949, at the end of March 1997.

Loan System for Delivery of Bank Credit

The PCBs were advised that in the case of borrowers enjoying working capital limit of Rs.20 crore and above, the 'Cash Credit' component would be 20 per cent and the balance 80 per cent would be in the form of 'Loan' component. In the case of borrowers enjoying working capital limit of Rs.10 crore but less than Rs.20 crore, loan component has been fixed at 75 per cent.

Interest Rate Revision

Lending Rates

With effect from June 21, 1995, interest rates on advances of PCBs were deregulated, subject

to the prescription of a minimum lending rate of 13.0 per cent per annum, except in respect of export credit. In respect of export credit, effective April 16, 1997, the rate of interest on post-shipment rupee credit upto 90 days has changed from the existing 13.0 per cent per annum to 'not exceeding 13.0 per cent per annum'. The freedom given to the PCBs to determine the rate of interest on post-shipment rupee export credit for the period beyond 90 days and upto six months was withdrawn. Effective April 16, 1996, the rate of interest on the above advance was fixed at 15 per cent per annum. Effective July 5, 1996, PCBs were given freedom to fix the interest rate on post-shipment export credit for any period beyond 180 days.

Deposit Rates

With a view to providing banks greater flexibility in determining their term deposit rates, effective July 2, 1996, the PCBs were given freedom to fix their own interest rates on domestic term deposits of over one year. Effective October 21, 1996 the interest rate on domestic term deposits of 30 days and upto one year has been reduced from 'not exceeding 11.0 per cent per annum' to 'not exceeding 10 per cent per annum'. Subsequently, effective April 16, 1997, the interest rates on domestic term deposits of maturity of 30 days and upto one year were changed to 'not exceeding Bank Rate minus two percentage points'. The revised domestic term deposit rates would apply only to fresh deposits and on renewals of matured deposits. The revised deposit rates are set out below:

Domestic Deposit Rates (excluding Non-Resident Deposits) of PCBs (Effective April 16, 1997)

(Per cent per annum)

i)	Current account	Not exceeding 0.5
ii)	Saving account	4.5
iii)	Term deposits	Not exceeding
	a) 30 days and upto 1 year	Bank Rate minus two percentage points
	b) Over 1 year	Banks are free to decide the rate of interest

Effective April 16, 1997, the interest rates on Non-Resident External (NRE) term deposits of over one year were freed. The new structure of interest rates of NRE term deposits is given below:

**Interest Rates on Deposits under
Non-Resident (External) Rupee Accounts
(Effective April 16, 1997)**

(Per cent per annum)

i) 6 months and upto one year	Not exceeding Bank Rate minus 2 percentage points
ii) Over one year	Free

Maximum Limit on Advances

Advances sanctioned/renewed to the borrowers by Primary Co-operative Banks are subject to prudential exposure norms as applicable to commercial banks with a maximum limit on unsecured advances. In this regard the following changes were made during the period under review:

a) It was decided to do away with purpose-wise categories and enhance the maximum limit on unsecured advances. Further, instead of erstwhile three categories of Primary Co-operative Banks, the banks were put into two categories only. Accordingly, the unsecured advances to a single party/connected group or to relatives of the directors should not exceed Rs.25,000/- in case of banks with Time and Demand Liabilities (TDL) less than Rs.10 crore and Rs.50,000/- in case of banks with TDL of Rs.10 crore and above.

b) It was decided that loans and advances granted against the security of bank's own term deposits may be excluded from the purview of "exposure ceiling."

c) Ceiling of advances to a single party against the security of shares/debentures of joint stocks companies was revised upwards to Rs.10 lakhs.

Selective Credit Controls

Selective credit controls have, over the years, helped as an adjunct to the monetary and credit policy of the Reserve Bank in controlling the

spiralling rise in prices of sensitive agricultural commodities. As these are basically short-term measures, which have of late been made more responsive to commodity balances and prices, the year 1996-97 witnessed sweeping relaxations in the control measures in the context of favourable supply-price situation of the commodities covered thereunder.

In continuation of the across-the-board relaxation in the minimum margin and level of credit ceiling stipulations effected on April 4, 1996 in respect of all the commodities covered under the selective credit control and again on advances against sugar, gur and khandsari and cotton and kapas, effected from July 2, 1996, all the commodities which were subject to the control stipulations were taken out of the purview of selective credit controls, effective October 21, 1996, except buffer stock and unreleased stocks of sugar. The banks are thus free to fix prudential margins on advances against sensitive commodities. In respect of the unreleased stocks of sugar with the sugar mills, the minimum margin was lowered by 5 percentage points to 15 per cent, effective October 21, 1996, from 20 per cent margin prevailing prior to that date. With this relaxation, the valuation of sugar stocks was reverted to the method that existed prior to July 1, 1996. In the case of buffer stock of sugar, the zero per cent margin continued as earlier.

Effective April 8, 1997, bank advances against wheat, which were kept outside the selective credit control purview from October 12, 1993, were brought back under selective controls for a limited period of three months, i.e, upto July 7, 1997, by setting the minimum margins at 45 per cent for mills/processing units and against warehouse receipts and 60 per cent to 'others' (mainly trade) and the level of credit ceiling stipulated at 100 per cent of the peak level of credit maintained by the party in any of the three years ended 1995-96 (November-October). These measures ceased to be operative from July 8, 1997.

The structure of minimum margins and level of credit ceiling as it existed on July 2, 1996 and October 21, 1996 is presented in Table V-9. Scheduled commercial banks' outstanding

advances against agro-based sensitive 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 directive on selective credit control in respect of sugar as applicable on October 21, 1996 and in respect of wheat as applicable for a limited period of 3 months, i.e. from April 8, 1997 to July 7, 1997, are furnished in Annexure III.

Rural Credit

Institutional Finance for Agriculture and Allied Activities

Direct Finance

Total direct institutional loans for agriculture and allied activities issued by the 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)], Scheduled Commercial Banks, RRBs and State Governments, during 1995-96, registered a substantial rise of Rs.4,369.2 crore (23.3 per cent) to Rs.23,142.3 crore from Rs.18,773.1 crore during the previous year. As regards outstanding loans of these institutions, the amount went up to Rs.45,985.4 crore at the end of March 1996 from Rs.40,738.4 crore a year ago, thereby recording a rise of 12.9 per cent over the year (Table V-12).

Co-operatives accounted for a preponderant share of 51.6 per cent of the total institutional credit disbursed for agriculture and allied activities during 1995-96. These advances grew by Rs.2,057.9 crore (20.8 per cent) to Rs. 11,933.4 crore in 1995-96 from Rs.9,875.5 crore in 1994-95 mainly on account of the rise in short-term loans. While the short-term loans disbursed by the PACS rose by as much as Rs.2,087.8 crore (29.8 per cent) to Rs.9,084.0 crore, the medium and long-term loans issued by the PACS and CLDBs, in striking contrast, recorded a marginal decline of Rs.29.9 crore (1 per cent) to Rs.2,849.4 crore in 1995-96. The outstanding loans of the Co-

operatives aggregated Rs.19,091.7 crore at the end of March 1996, compared with Rs.16,809.5 crore a year ago, thus recording a growth of 13.6 per cent over the year (Table V-12).

There was a remarkable rise in the loans issued by the Scheduled Commercial Banks during 1995-96, which account for 40.1 per cent of total institutional finance for agriculture and allied activities. The total loans (both short-term and long-term) issued aggregated Rs.9,274.0 crore, showing a rise of 25.2 per cent over the year. The short-term loans amounting to Rs.4,627.5 crore posted a rise of Rs.785.9 crore (20.5 per cent) over the year. The term loans increased by as much as Rs.1,080.2 crore (30.3 per cent) during 1995-96 to reach a level of Rs.4,646.5 crore during 1995-96. The outstanding advances of Scheduled Commercial Banks on June 30, 1996 stood at Rs.23,427.1 crore, recording an accretion of Rs.2,507.1 crore (12.0 per cent) over Rs.20,920.0 crore a year ago (Table V-12).

The loans issued by the RRBs during 1995-96 also increased appreciably by 27.5 per cent from Rs.1,083.0 crore to Rs.1,381.1 crore. The relative share of RRBs in the total loans issued by all the credit agencies improved to 6.0 per cent from 5.8 per cent in 1994-95. The outstanding loans aggregated Rs.3,466.6 crore at the end of March 1996, compared with Rs. 3,008.9 crore at the end of March 1995, showing a rise of 15.2 per cent over the year (Table V-12).

The loans disbursed by the State Governments, whose relative share remains very nominal in total institutional loans (2.4 per cent), increased by Rs. 147.1 crore (36.2 per cent) from Rs.406.7 crore in 1994-95 to Rs.553.8 crore in 1995-96 (Table V-12).

Indirect Finance

The outstanding indirect institutional loans of Scheduled Commercial Banks for promotion and development of agriculture and allied activities amounted to Rs. 2,865.5 crore at the end of June 1995 thereby recording a remarkable rise of 36.5 per cent over the year. The indirect loans extended by RRBs was a paltry Rs.0.8 crore during 1995-

96. Similarly, their outstanding loans were Rs.34.5 crore at the end of March 1996. The outstanding amount of loans provided by the Rural Electrification Corporation of India stood at Rs.7,167.5 crore at the end of March 1996 as against Rs.6,191.9 crore at the end of March 1995, thereby recording a considerable increase of 15.8 per cent (Table V-13).

Scheduled Commercial Banks

Scheduled Commercial Banks have been playing an increasingly significant role in the financing of developmental needs of agriculture and kindred activities over the years. A brief analysis of total disbursement of direct loans of Scheduled Commercial Banks classified according to bank group, purpose and region is sought to be provided in the following paragraphs.

Bank Group-wise Disbursements

Amongst all the Scheduled Commercial Banks, State Bank of India (SBI) group showed by far the most impressive growth performance in their credit disbursements in 1995-96. The disbursement over the year by SBI group increased spectacularly by 37.3 per cent to reach a level of Rs.3,296 crore. Consequently, their proportionate share in total agricultural credit of all the Scheduled Commercial Banks improved to as high as 35.6 per cent in 1995-96; it was 32.4 per cent during the previous year. The disbursements of credit by Nationalised Banks as a group rose at a relatively lower rate of 19.5 per cent to Rs.5,529 crore during 1995-96. Consequently, their share in total credit disbursed by the all Scheduled Commercial Banks declined from 62.5 per cent in 1994-95 to 59.6 per cent in 1995-96. The credit disbursed by Indian Private Sector Banks and Foreign Banks together rose by Rs.66 crore (17.9 per cent) to Rs.449 crore during 1995-96 (Table V-14).

Purpose-wise Disbursements

The term loans disbursed by the Scheduled Commercial banks recorded a significantly higher growth of 30.3 per cent during 1995-96, as against 20.5 per cent growth in the case of short-term loans. An analysis of term loans reveals that of

the total term loans amounting to Rs.4,646.5 crore, nearly two-thirds was provided for financing the agricultural activities alone while the remainder one-third was extended for funding allied activities such as dairying, poultry, fishery, etc. Among agricultural purposes, the loans given for tractors, agricultural implements and machinery, which accounted for 35.4 per cent of total term loans, increased by 31.6 per cent to Rs.1,646.7 crore during 1995-96. The loans disbursed for reclamation and land development schemes also increased significantly by as high as 36.3 per cent. Unlike in the previous years, the loans disbursed for minor irrigation works and plantations development increased significantly by 30.8 per cent and 32.3 per cent, respectively. The loans disbursed for financing of off-farm activities such as dairying, poultry, fishery, etc., recorded a relatively slower growth of 27.2 per cent during the year. Dairying, among these activities, claimed the largest amount (Rs.546.8 crore); the growth of the same at 42.3 per cent was relatively higher than that against other activities. While the credit disbursements rose by 32.3 per cent for poultry, piggery and bee-keeping, it declined by 9.2 per cent for fisheries (Table V-15).

Region-wise Disbursements

The impressive growth seen in total credit disbursements during 1995-96 was not evenly shared by all the six regions in the country. While the growth of credit disbursement in the Central Region (61.7 per cent), Northern Region (29.1 per cent) and Eastern Region (25.3 per cent) was higher than the overall growth of 25.2 per cent for all the regions taken together, it was relatively lower in Western Region (22.4 per cent), Southern Region (16.4 per cent) and North-Eastern Region (11.5 per cent). Although the Southern Region continued to account for a major chunk of the total credit disbursed in all the regions during 1995-96 (67.6 per cent of the short term loans and 28.5 per cent of the term loans), its relative share declined from 51.6 per cent in 1994-95 to 48.0 per cent in 1995-96. The relative share of the Central Region improved to 16.4 per cent from 12.7 per cent in the previous year. The share of the Northern Region also improved to 11.6 per cent from 11.3 per cent in the previous year.

During 1995-96, while the share of the Eastern Region remained unchanged at 6.4 per cent, the Western and North-Eastern Regions experienced a marginal fall in their relative shares (Table V-16).

Priority Sector Advances of Public Sector Banks

The outstanding advances of Public Sector Banks for the priority sector activities at end-March 1997 stood at Rs.79,131 crore which marked an impressive rise of 13.7 per cent over Rs.69,609 crore a year ago. The relative share of priority sector advances in the total outstanding advances of the Public Sector banks at 41.7 per cent not only exceeded the stipulated target of 40.0 per cent in 1997 but it also took a quantum jump from 37.8 per cent at the end of March 1996. The aggregate outstanding advances extended to agriculture, both direct and indirect, recorded a still higher growth rate of 17.7 per cent from Rs.26,351 crore at end-March 1996 to Rs.31,012 crore at the end of March 1997. Although, the proportion of advances to agriculture in Net Bank Credit improved from 14.3 per cent to 16.4 per cent during this period, it fell short of the stipulated target of 18 per cent (Table V-17).

National Bank for Agriculture and Rural Development (NABARD)

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 operations are set out in Table V-18. A brief account of NABARD's refinance operations is presented in the following paragraphs.

Short-term Credit

A major chunk of NABARD's short-term credit support is disbursed for financing Seasonal Agricultural Operations (SAO). The credit limits sanctioned by NABARD to the State Co-operative Banks for financing SAO aggregated Rs.5,165 crore during 1996-97. Short-term credit limits for SAO

sanctioned to the RRBs during 1996-97 stood at Rs.967 crore. Among the short-term credit for other purposes, credit limit sanctioned to the State Co-operative Banks for production and marketing activities of Co-operative Weavers' Societies rose by 8.3 per cent to Rs.759 crore during 1996-97 (Table V-18).

Medium-term Credit

The medium-term credit limits sanctioned by NABARD for approved agricultural purposes to the State Co-operative Banks during the calendar year 1996 declined to Rs.2.0 crore from Rs.6.0 crore in 1995. Credit for converting short-term agricultural loans into medium-term loans declined to Rs.105 crore during 1996-97 from Rs.109 crore in the previous year. The credit limits sanctioned to the RRBs for non-schematic purpose during 1996-97 were of the order of Rs.24 crore, which was lower by Rs.25 crore than those sanctioned during 1995-96 (Table V-18).

Long-term Credit to State Government

During the financial year 1996-97, NABARD sanctioned long-term credit limits amounting to Rs.10 crore as against Rs.100 crore sanctioned during the previous year to the State Governments for enabling them to contribute to the share capital of co-operative credit institutions (Table V-18).

Schematic/Investment Credit

During 1996-97, the total amount of refinance disbursements made by NABARD under its various schematic lending operations stood at Rs.3,523 crore, recording a robust growth of 15.0 per cent over Rs.3,064 crore during 1995-96. Agency-wise, purpose-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 pattern.

The agency-wise break-up of the data on disbursement of refinance during 1996-97 shows that the State Co-operative and Agricultural Rural Development Banks (SCARDBs) accounted for the largest (54.0 per cent) share in the total refinance of Rs.3,523 crore, followed by Regional Rural

Banks (19.0 per cent) and Scheduled Commercial Banks (17.1 per cent). While the disbursement of refinance to SCARDBs, RRBs and State Co-operative Banks increased by 30.6 per cent, 32.9 per cent and 33.2 per cent, respectively, that to the Scheduled Commercial Banks declined by 28.5 per cent. While allocating the refinance among various agencies, prioritisation was in tune with the expected increase in the absorption capacity of Co-operatives and RRBs. After allocating the refinance to the above agencies, the balance was provided to the commercial banks mainly for project based lending (Table V-19).

The purpose-wise analysis of the data on disbursements reveals that farm mechanisation operations accounted for the largest share of nearly 24.7 per cent in total refinance disbursements during 1996-97. The amount moved up from Rs.701 crore in 1995-96 to Rs.871 crore in 1996-97, recording an impressive rise of 24.3 per cent as against a paltry increase of 2.3 per cent in 1995-96. Minor irrigation projects accounted for the second highest share (16.8 per cent) in the disbursements amounting to Rs.592 crore, which was marginally lower than Rs.607 crore during 1995-96. Land Development/Command Area Development activities though claiming a relatively smaller amount, recorded the highest growth in disbursements, which were up by 51.7 per cent from Rs.29 crore in 1995-96 to Rs.44 crore in 1996-97. Disbursement of refinance for dairy development activities posted impressive growth of 31.7 per cent. In contrast, refinance for fisheries and storage/market yards declined by 61.7 per cent and 33.3 per cent, respectively, during 1996-97 (Table V-20).

A close look at the regional pattern of distribution of refinance extended by NABARD reveals that the Southern Region accounted for by far the highest share of 31.6 per cent in total disbursement of Rs.3,523 crore in 1996-97, followed by the Northern Region (20.4 per cent), the Central Region (18.0 per cent), the Western Region (16.0 per cent), the Eastern Region (10.9 per cent) and the North-Eastern Region (3.1 per cent). In terms of annual growth rate, the North-Eastern Region recorded an impressive rise of 59.9 per cent followed by the Eastern Region (34.5 per

cent), the Northern Region (26.8 per cent), the Southern Region (14.1 per cent) and the Western Region (5.3 per cent). The Central Region recorded a dismal growth rate of less than 1.0 per cent over past two years (Table V-21).

Refinance under IRDP

There was a turnaround in the trend in NABARD's refinance for IRDP during 1996-97. Refinance assistance during 1996-97 under IRDP schemes increased by 11.3 per cent in striking contrast to a decline of 25.6 per cent in 1995-96 from Rs.461 crore in 1995-96 to Rs.513 crore in 1996-97. The rise was experienced across all the purposes except livestock against which the disbursement declined dramatically by 44.7 per cent from Rs.47 crore in 1995-96 to Rs.26 crore in 1996-97. The disbursements for 'industries, services and business' rose to as high as Rs.246 crore, accounting for 48.0 per cent of total refinance under IRDP. Among the other purposes, dairy development got 18.0 per cent and minor irrigation 11.0 per cent (Table V-22).

Interest Rates

With effect from October 18, 1994, the rate of interest on ultimate beneficiaries to be charged by State Co-operative Banks and SCARDBs was freed for all the three loan slabs subject to a minimum of 12.0 per cent. In respect of commercial banks and RRBs, the rate of interest on ultimate beneficiaries was fixed at 12.0 per cent for loans upto Rs.25,000 and 13.5 per cent for loans above Rs.25,000 and upto Rs.2 lakh. For loans above Rs.2 lakhs, commercial banks and RRBs were free to determine the interest rate. Subsequently, with effect from August 26, 1996, the rate of interest on ultimate beneficiaries charged by the RRBs has been totally freed (Table V-23).

With effect from August 1, 1995, the NABARD's rate of interest on refinance to State Co-operative Banks, SCARDBs and RRBs was 6.5 per cent for loans upto Rs.25,000; 9.5 per cent for loans above Rs.25,000 and upto Rs.2 lakh; and 12.0 per cent for loans above Rs.2 lakh. For commercial banks, the corresponding refinance

rate has been fixed at 8.5 per cent and 10.5 per cent for the first two slabs. For loans above Rs.2 lakh, the refinance rate was 3.0 per cent less than the rate of interest charged to ultimate beneficiaries by the commercial banks (Table V-23).

Rural Infrastructural Development Fund (RIDF)

During 1996-97, considerable progress was made in sanctions as well as disbursements of funds under the RIDF-I, and RIDF-II. The total sanctions by the NABARD under the RIDF-I created in 1995-96, amounted to Rs.2,010 crore, which marginally exceeded the initial target of Rs.2,000 crore. Contribution by the State Governments was to the tune of Rs.493.7 crore. Five states, viz., Uttar Pradesh, Andhra Pradesh, Maharashtra, Madhya Pradesh and Bihar taken together accounted for about 55 per cent of the total sanctioned amount. The cumulative disbursements from the Fund aggregated Rs.1,183 crore at the end of March 1997. The loans extended from RIDF-I were mainly for purposes such as minor, medium and major irrigation projects, watershed management and soil conservation. These loans were expected to help completion of 4,530 on-going projects and revive the sunk investment of Rs.3,746 crore. The projects sanctioned under RIDF-I were expected to increase irrigation potential by 22.5 lakh hectares and create an additional 7.26 lakh jobs. By March 1997, 2,765 projects, forming 61.0 per cent of sanctioned projects, have been completed (Table V-24).

RIDF-II was set up in 1996-97 with a corpus of Rs.2,500 crore. As of March 1997, an amount of Rs.2,646.88 crore has been sanctioned from this Fund to 16 States, exceeding the target of Rs.2,500 crore. Five States, namely, Uttar Pradesh, Andhra Pradesh, Tamil Nadu, Maharashtra and Madhya Pradesh accounted for nearly 58.0 per cent of total sanctions. The actual disbursements by the NABARD under this Fund, however, amounted to only Rs.291.6 crore at the end of March 1997. Loans from RIDF-II were made available for development of rural roads and bridges, integrated market yards, integrated cold chains etc. These were in addition to the purposes for which the loans were sanctioned under RIDF-I.

New projects were also eligible for assistance under RIDF-II along with the on-going projects. The loan assistance under RIDF-II is expected to increase irrigation potential by 9.19 lakh hectares and creation of 2.21 lakh additional jobs (Table V-25).

Purpose-wise sanctions under RIDF-I and II show that the relative share of irrigation sector (major, medium and minor) has declined from 94 per cent of sanctions under RIDF-I, to 48 per cent under RIDF-II. Under RIDF-II, the sanctions accorded for roads and bridges accounted for 48 per cent (Table V-26).

The Union Budget 1997-98 has proposed the setting up of RIDF-III in 1997-98 with a corpus of Rs.2,500 crore. All public sector banks are required to contribute to the Fund the amounts equivalent to the shortfall in their achievement of the overall target of 40 per cent of net bank credit to priority sector as at the end of March 1997. As on August 31, 1997, NABARD has sanctioned Rs.869.2 crore to 15 states.

National Co-operative Development Corporation (NCDC)

The financial assistance extended by the Corporation to the co-operatives was largely to develop common facilities such as godowns, processing units and other income generating assets as also for equipping them with equity and margin money for raising bank credit. Of late, the Corporation is experiencing resource crunch because of lesser budgetary support from the Government for central schemes, curbs on SLR related market borrowing and increasing defaults in repayments by the State Governments/co-operative institutions. As a consequence, the financial assistance provided by the NCDC has declined during the last two years by 6.0 per cent and 20.3 per cent, respectively. The drastic decline in disbursement under the Central schemes from Rs.250.6 crore in 1994-95 to Rs.31.8 crore is quite noticeable. During 1996-97, while the financial assistance provided by the Corporation for the Central schemes declined by 47.9 per cent to Rs.89.1 crore, that for the Corporation sponsored schemes rose marginally by 4.2 per cent to

Rs.200.1 crore (Table-27). Maharashtra, Andhra Pradesh and Kerala accounted for the bulk of the total financial assistance. The cumulative assistance disbursed by the Corporation from its formative year in 1962-63 through 1996-97 rose to Rs.3,963.0 crore.

In order to accelerate the pace of development of co-operatives in the North-Eastern region, and Sikkim, the Corporation has categorised these States as co-operatively least developed States, which are provided assistance upto 95 per cent of the project cost. By the end of 1996-97, the Corporation has disbursed assistance of Rs.815.90 crore to the co-operatively under-developed and least developed States which works out to about 21 per cent of the assistance disbursed to all States. Apart from this, special attention is also being paid to programmes to benefit weaker sections of the society. By the end of March 31, 1997, the Corporation has disbursed a total assistance of Rs.445.38 crore for weaker sections programmes.

A bill to amend the NCDC Act in order to expand its activities to cover horticulture, animal husbandry, forestry, poultry farming, pisciculture, other allied activities, industrial goods of industrial co-operatives, cottage, village and allied industries and rural crafts, livestock and certain notified services has been introduced by the Government

in the Parliament. After the Act is amended, the NCDC will be entitled to provide funds to the co-operatives directly on selective basis without insistence of State Government guarantee. This will enable the NCDC to exercise better choice in project selection and funding. During the Ninth Five Year Plan, the NCDC will play an enhanced role in providing financial assistance in the co-operative sector in view of its strategic importance in stepping up agricultural productivity, employment generation and better income to small and marginal farmers and weaker sections of the community.

Comprehensive Crop Insurance Scheme

During *Rabi* 1996-97, 16 States implemented the Comprehensive Crop Insurance Scheme (CCIS), covering an area of 13.99 lakh hectares involving an insured sum of Rs.493.18 crore. The total insurance charges paid amounted to Rs.8.93 crore. As for *Kharif* 1996, 17 States implemented the Scheme, covering an area of 80.65 lakh hectares, up from 77.97 lakh hectares in the previous *kharif* season. The sum assured aggregated Rs.1,975.7 crore which was 10.7 per cent higher than Rs.1,784.2 crore in the previous *kharif* season. The total insurance charges amounted to Rs.30.5 crore, compared with Rs.27.4 crore in the previous *kharif* season (Table V-28).

Annexure I**Monetary and Credit Policy (April 1996-September 1997)**

Effective date	Measures Introduced
1	2
1. Cash Reserve Ratio (CRR)	
Fortnight beginning April 27, 1996 and Fortnight beginning May 11, 1996	With a view to augmenting the lendable resources of banks to enable them to meet the genuine productive requirements of credit, without generating monetary expansion, CRR to be maintained by scheduled commercial banks was reduced by one percentage point in two phases of 0.5 percentage point each; i.e. from 14.0 per cent to 13.5 per cent effective fortnight beginning from April 27, 1996 and further to 13.0 per cent effective fortnight beginning from May 11, 1996.
2. Deposits under Non-Resident (External) Rupee (NRE) Accounts	
The following measures were undertaken to bolster the growth of deposits under the NRE deposit scheme.	
(i) Relaxation of the CRR on NRE Deposits	
Fortnight beginning April 13, 1996	With effect from the fortnight beginning April 13, 1996, liabilities under the NRE Accounts Scheme were subjected to a zero CRR prescription from the existing 10.0 per cent upto the level of October 27, 1995. This change was in line with the changes that were already made in respect of Foreign Currency Non-Resident (Banks) scheme and Non-Resident (Non-Repatriable) Rupee deposit scheme.
(ii) Statutory Liquidity Ratio (SLR) on NRE Deposits	
Fortnight beginning April 13, 1996	With a view to rationalising the overall SLR prescription, with effect from the fortnight beginning April 13, 1996, the SLR on outstanding liabilities under the NRE Accounts Scheme was reduced from the existing 30.0 per cent to 25.0 per cent.
(iii) Interest Rates on NRE Term Deposits	
April 4, 1996	With a view to bringing about an alignment of the maturity structure of NRE term deposits with that on domestic term deposits, effective April 4, 1996, interest rates on NRE term deposits of over two years were freed.
3. Export Credit Refinance	
Fortnight beginning April 13, 1996	With effect from the fortnight beginning April 13, 1996, scheduled commercial banks were provided export credit refinance to the extent of 45 per cent of the total outstanding export credit eligible for refinance (Rupee Credit and PSCFC taken together) as on February 16, 1996 plus 100 per cent refinance on the increase in such export credit over the outstanding level as on February 16, 1996; the rate of interest on such export credit refinance was retained unchanged at 11 per cent per annum.

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	4. Loan System for Delivery of Bank Credit
April 18, 1996	In the case of borrowers with assessed Maximum Permissible Bank Finance (MPBF) of Rs.20 crore or more, the 'cash credit component' was reduced to 40 per cent of the MPBF and the balance 60 per cent was to be 'loan component'. The 'Loan System' was extended to cover borrowers with assessed MPBF of Rs.10 crore or above but less than Rs.20 crore; 60 per cent of MPBF to be in the form of 'cash credit component' and the balance 40 per cent to be by way of 'loan component'.
	5. Selective Credit Controls
	Taking into consideration the output and price situation in respect of commodities covered under selective credit controls, the following measures were effected from April 4, 1996.
	<i>Minimum Margins</i>
April 4, 1996	The minimum margins on advances against all commodities covered under selective credit controls were reduced by 15 percentage points across-the-board. In the case of buffer stock of sugar and unreleased stocks of sugar the existing prescriptions of zero per cent and 20 per cent, respectively, continued.
	For commodities where there is a stipulation of level of credit ceiling based on the three year period 1991-92 through 1993-94 (November–October), the reference period was brought forward to the three year period 1992-93 through 1994-95 (November – October) and wherever the level of credit ceilings were at 85 per cent, they were raised by 15 percentage points.
	6. Money Market Mutual Funds (MMMFs)
April 9, 1996	With a view to making the scheme of MMMFs more flexible, the restriction that the units of MMMFs could be issued only to individuals was withdrawn and MMMFs would be made available to corporates and others on par with all other mutual funds as regards who could invest in such schemes.
	7. Mutual Funds dedicated to Government Securities
April 20, 1996	With a view to encouraging schemes of Mutual Funds which are dedicated exclusively to investments in Government securities, the Reserve Bank would provide liquidity support to such dedicated funds floated with the approval of the Securities and Exchange Board of India (SEBI). The support would be by way of purchases of Government of India dated securities by the Reserve Bank from such funds; the liquidity support provided by the Reserve Bank would be to the extent of 20 per cent of the investment in Government dated securities outstanding at any point of time.

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	8. Valuation of Bank's Investments in Approved Securities
April 6, 1996	During the financial year 1996-97 for scheduled commercial banks, the ratio for investments in the "permanent" category was fixed at not exceeding 50 per cent for approved securities. Banks were advised to make early arrangements to adjust to the new valuation norms and those banks which already had a lower proportion of permanent category were advised not to increase the proportion in this category.
	9. Aggregate Gap Limits for Foreign Exchange Transactions
	In accordance with the recommendations made by the Expert Group on Foreign Exchange Markets in India, banks were permitted to fix their own Aggregate Gap Limits depending upon their foreign exchange operations, risk taking capacity, balance sheet size and other relevant parameters. Such limits need specific approval by the Reserve Bank. Banks which are permitted higher limits need to be in a position to monitor their exposures continuously by marking to market the mismatches. This measure was expected to add liquidity in the swap market and ensure better management of foreign currency assets and liabilities by the banks.
	10. Foreign Exchange Transactions in Overseas Markets
	In accordance with the recommendations made by the Expert Group, selected banks were permitted to initiate cross currency position in overseas markets. Such cross-currency transactions need to be included in the open exchange positions. The Reserve Bank closely monitors such transactions.
	11. Setting up of Foreign Exchange Market Technical Advisory Committee
	In accordance with the recommendations of the Expert Group, setting up of a Foreign Exchange Market Technical Advisory Committee was proposed to make recommendations to the Reserve Bank and to prepare policy papers on specific market related topics.
	12. Rationalisation of CRR and RBI Refinance against Government Securities
Fortnight beginning July 6, 1996	Taking into account the advantages of a reduction in CRR together with a reduction in refinance, CRR was further reduced by one percentage point to 12.0 per cent, effective fortnight beginning July 6, 1996, which would have augmented the resources of banks by Rs.4,100 crore. Effective July 6, 1996, the refinance facility against the collateral of Treasury Bills and Government dated and other approved securities was terminated.
	13. Interest Rates on Term Deposits
July 2, 1996	With a view to providing banks greater flexibility in determining their term deposit rates, effective July 2, 1996, scheduled commercial banks were given freedom to fix their own interest rates on domestic term deposits of over one year as against over

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	two years hitherto. The deposit rate upto one year was fixed at 'not exceeding 11.0 per cent per annum' as against 'not exceeding 12.0 per cent per annum' upto 2 years earlier. Furthermore, with the developments in the money markets and the progressive move from the cash credit system to a loan system, effective July 2, 1996, the minimum maturity period for domestic term deposits was lowered from 46 days to 30 days.
	14. Money Market Mutual Funds (MMMFs)
July 3, 1996	In order to make the scheme of money market mutual funds (MMMFs) more attractive to investors, the minimum lock-in period was reduced from 46 days to 30 days.
	15. Selective Credit Controls
July 2, 1996	On a review of the price output situation in respect of sugar and cotton, the minimum margin on advances to mills against sugar for released stocks and to 'others' and warehouse receipts against sugar, gur and khandsari were reduced by 15 percentage points. The minimum margin on advances against cotton and kapas was reduced by 15 percentage points for 'others' (viz., other than cotton mills including spinning mills) and the level of credit ceiling raised to 110 per cent from 100 per cent.
	16. Interest Rate Surcharge on Import Finance
July 23, 1996	In the context of the developments in the foreign exchange market and the overall monetary and credit situation, the interest rate surcharge of 15 per cent which was imposed on import finance effective October 31, 1995, and enhanced to 25 per cent effective February 8, 1996 was withdrawn with effect from July 23, 1996.
	17. Cash Reserve Ratio
Fortnights beginning October 26, 1996, November 9, 1996, January 4, 1997 and January 18, 1997	Consistent with the medium term objectives and on a review of the monetary and credit situation, CRR to be maintained by scheduled commercial banks (excluding Regional Rural Banks) was reduced by 2 percentage points from 12.0 per cent of their net demand and time liabilities (excluding liabilities subject to zero CRR prescriptions) to 10.0 per cent in 4 phases of 0.5 percentage point each, effective from the fortnights beginning October 26, 1996, November 9, 1996, January 4, 1997, and January 18, 1997, respectively. Each percentage point reduction of CRR increased the lendable resources of banks by about Rs.4,275 crore.
	18. Export Credit Refinance
Fortnight beginning November 9, 1996	As a move towards further rationalisation of CRR and refinance to banks, with effect from the fortnight beginning November 9, 1996, scheduled commercial banks were provided export credit refinance to the extent of 20 per cent of the outstanding export credit eligible for refinance (instead of 45 per cent till then) upto the level of such credit as on February 16, 1996 plus 100 per cent of the increase in

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	outstanding export credit eligible for refinance over the level as on February 16, 1996. The rate of interest on export credit refinance was retained unchanged at 11.00 per cent per annum.
	19. Target for Export Credit In view of the decline in the aggregate export credit and also recognising the paramount need to promote exports, the target for export credit of scheduled commercial banks was increased from 10.0 per cent of each bank's net bank credit to 12.0 per cent of each bank's net bank credit to be achieved by end March 1997.
	20. Interest Rates on Term Deposits
October 21, 1996	Effective October 21, 1996, term deposit rates for maturity of 30 days and upto one year was reduced by 1 percentage point from 'not exceeding 11.0 per cent per annum' to 'not exceeding 10.0 per cent per annum'.
	21. Interest Rates on Post-Shipment Rupee Export Credit
October 21, 1996	Taking into consideration the representations of the exporters that the benefit of lower interest rate prescribed at 13.0 per cent per annum for post-shipment credit for a period upto 90 days was not available in case the total period of bill including the transit period was beyond 90 days, and that banks were free to fix interest rates on such credit beyond 90 days, rationalisation of post-shipment interest rates was undertaken. Accordingly, with a view to reduce the effective cost of credit to the exporters and make exports more competitive, effective October 21, 1996, banks were required to charge interest rate of 15 per cent per annum for post-shipment export credit for the period beyond 90 days and upto 6 months; the higher rate of interest would apply only for the period beyond 90 days and not from the date of advances.
	22. Prime Lending Rate
October 19, 1996	With the changes in policy prescriptions reducing reserve requirements and thereby reducing the proportion of pre-emptive resources of banks, the average return on funds improved and banks were expected to pass on at least a part of gains to the borrowers by reducing their prime lending rates (PLRs). In the context that a number of banks were charging lending rates far higher than PLR on a significant portion of bank credit to borrowers with credit limits of over Rs. 2 lakh, banks were advised to announce their PLR and also the maximum spread over the PLR for all advances other than consumer credit after approval of their respective Boards.
	23. Selective Credit Controls
October 21, 1996	In the context of the favourable supply situation, the commodities which were subject to selective credit controls, except buffer stocks and unreleased stocks of sugar to

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	sugar mills, were exempted from all the stipulations of selective credit controls effective October 21, 1996. Banks were given discretion to fix prudential margins on advances against sensitive commodities. The minimum margin on unreleased stocks of sugar was lowered by 5 percentage points from 20 per cent to 15 per cent. With this relaxation, the valuation of stocks of sugar was reverted to the method that existed prior to July 1, 1996. The margin prescription of zero per cent was continued in the case of buffer stock of sugar.
	24. Foreign Currency Denominated Loans
October 31, 1996	With a view to giving greater flexibility to the borrowers engaged in productive activities of the economy, banks were permitted to provide foreign currency denominated loans to their customers under which foreign exchange risk was borne by the borrowers for meeting either their foreign currency or rupee requirements. The resource base for such loan was to come from Foreign Currency Non-resident Accounts (Banks) Scheme [FCNR(B)]. However, funding through a buy-sell swap was not permitted. The purpose, tenor and interest rates on these loans were to be decided by the banks within the prudential framework and the credit monitoring guidelines in force. Personal loans, loans for consumer durables etc. were not to be provided under this scheme as the objective was to provide genuine credit requirements of the productive sector.
	25. Consortium Lending
October 29, 1996	With a view to provide more flexibility to the banks, the ground rules of consortium financing arrangements, namely number of participating banks, minimum share of each bank, entry/exit from the consortium, the grant of any facility to the borrower by a non member bank, etc., were to be framed by the participating banks in the consortium. The rules for existing consortium could also be modified.
	26. Loan System for Delivery of Bank Credit
November 4, 1996	In line with the policy to enhance the Loan System of credit delivery the following changes were made. In the case of borrowers with assessed Maximum Permissible Bank Finance (MPBF) of Rs.20 crore or above, the cash credit component was restricted to 25 per cent of MPBF and the balance in the form of loan component. For borrowers with assessed MPBF of Rs.10 crore or above but less than Rs.20 crore, the cash credit component was reduced to 40 per cent and the balance 60 per cent would be in the form of loan component. In order to impart greater flexibility and convenience to the borrowers, the minimum period of loan component was reduced to 6 months as against one year earlier with a provision for renewal/rollover. Bills limit for inland sales was allowed to be carved out of 'loan component' in the case of all borrowers instead of from 'cash credit component'.

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	27. Commercial Paper
November 5, 1996	In view of the progressive reductions in the 'cash credit component', the amount of commercial paper that could be issued would not be restricted to the 'cash credit component' of the MPBF.
	28. Banks' Investments in Shares and Debentures
October 25, 1996	Banks were permitted to purchase shares and debentures also in the secondary market instead of earlier restrictions of such investments to subscription in the primary market inclusive of devolvement through underwriting and investments in mutual funds within the existing ceiling of upto 5 per cent of the incremental deposits of the previous year.
	29. Prime Lending Rate
February 12, 1997	With a view to encouraging borrowers to switch over to Loan Delivery System (LDS), banks were allowed to prescribe PLRs for loan component and cash credit component separately and also prescribe separate spread for both with the approval of their respective Boards.
	30. Selective Credit Controls
April 8, 1997	On a review of the price/output developments, bank advances against wheat, which were exempted from the provisions of selective credit controls, were brought back under the controls with effect from April 8, 1997 for a period of 3 months. The minimum margins against stocks of wheat in the case of mills/ processing units and against warehouse receipts were prescribed at 45 per cent and in the case of 'others' at 60 per cent. The level of credit ceiling was prescribed at 100 per cent of the base of 3 years ending 1995-96 (November-October).
	31. Cash Reserve Ratio (CRR)
Fortnight beginning April 26, 1997	a) With a view to facilitating the development of a more realistic rupee yield curve and term money market, with effect from the fortnight beginning April 26, 1997, liabilities to the banking system of all scheduled commercial banks were exempted from maintenance of CRR releasing an amount of Rs.950 crore. b) With a view to bringing all liabilities to the public under reserve requirements, CRR of 10 per cent on increase in liabilities under FCNR(B), NRNR and NRE Schemes over the level as on April 11, 1997 was imposed from the fortnight beginning April 26, 1997.
	32. Statutory Liquidity Ratio (SLR)
Fortnight beginning	In line with the exemption granted to scheduled commercial banks from maintenance of CRR on liabilities to the banking system, they were also granted exemption from

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April 26, 1997	maintenance of statutory liquidity ratio on liabilities to banking system.
	33. Refinance from RBI
Fortnight beginning April 26, 1997	a) In the context of the move from sector-specific refinance facilities to a general refinance facility and also with a view to enabling Bank Rate to emerge as a reference rate, a General Refinance Facility was introduced under which effective from the fortnight beginning April 26, 1997, all scheduled commercial banks would be provided refinance limits upto 1 per cent of each bank's fortnightly average aggregate deposits in 1996-97 in two blocks of four weeks each; at Bank Rate for the first four weeks and at Bank Rate plus 1 percentage point for the second four weeks.
Fortnight beginning April 26, 1997	b) In the context of introduction of a move towards further rationalisation of export credit refinance to banks, base level export credit refinance limits at 20 per cent of export credit as on February 16, 1996 was withdrawn. Export credit refinance to the extent of 100 per cent of the increase in outstanding export credit eligible for refinance over the level of such credit as on February 16, 1996 was, however, retained unchanged. The rate of interest on export credit refinance was retained unchanged at 11.0 per cent but expressed as 'at Bank Rate'.
	34. Bank Rate
From the close of business on April 15, 1997	In the context of changes in the various economic parameters (high inflation and difficult balance of payments situation) since raising of the Bank Rate in October 1991 from 11.0 per cent per annum to 12.0 per cent per annum and with a view to make the Bank Rate an effective signal rate as well as a reference rate, the Bank Rate was reduced by one percentage point to 11 per cent per annum. Interest rates on categories of accommodation from Reserve Bank which were earlier not linked to the Bank Rate were also linked to the Bank Rate.
	35. Deposit Rates
April 16, 1997	a) The ceiling on interest rate on domestic term deposits for maturity of 30 days and upto one year was reduced from 10 per cent to 'not exceeding Bank Rate minus two percentage points per annum' (9.0 per cent) thereby linking the rate to Bank Rate. Banks were advised to obtain prior approval of their respective Boards for the deposit rates they offer on various maturities in respect of domestic term deposits.
April 16, 1997	b) Interest rates on term deposits under Non-Resident (External) Rupee Account (NRE) Scheme was brought on par with domestic term deposit rate. The ceiling interest rate on these deposits was reduced by three percentage points from 12 per cent to 'not exceeding Bank Rate minus 2 percentage points per annum' (9.0 per cent) on maturity of 6 months and upto one year. Freedom was given to banks to determine their own interest rates on NRE deposits with maturity of over 1 year instead of over 2 years earlier. Banks were advised to obtain prior approval of their

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	respective Boards for the deposit rates they offer on various maturities in respect of NRE term deposits.
April 16, 1997	c) Freedom was given to banks to determine their own interest rates on deposits under the Foreign Currency Non-Resident (Banks) Account [FCNR(B)] scheme subject to ceilings prescribed by the Reserve Bank from time to time.
	36. Interest Rates on Post-Shipment Rupee Export Credit
April 16, 1997	Taking into consideration the willingness of some banks to extend post-shipment export credit at lower interest rates if export proceeds are realised in shorter periods, the prescription of interest rate on post-shipment rupee export credit upto 90 days was changed from 13.0 per cent per annum to 'not exceeding 13.0 per cent per annum'.
	37. Money Market
April 28, 1997	a) To further develop the money market and make it more efficient, a Standing Committee on Money Market under the Chairmanship of Dr.Y.V.Reddy was set up to advise the Reserve Bank.
Fortnight beginning April 26, 1997	b) Access was provided to entities as lenders in the call/notice money market through all primary dealers in addition to Discount and Finance House of India Ltd. (DFHI). The minimum size of operation per transaction was reduced from Rs.20 crore to Rs.10 crore.
April 22, 1997	c) Minimum size of issue of Certificates of Deposit (CDs) was reduced from Rs.25 lakh to Rs.10 lakh in multiples of Rs.5 lakh.
April 15, 1997	d) The minimum maturity of Commercial Paper (CP) was brought down from 3 months to 30 days.
	38. Government Securities Market
April 15, 1997	a) To activate the repos market, repo/reverse repo transactions were allowed in all Central Government dated securities besides Treasury Bills of all maturities.
	b) Non-bank entities who are holders of Subsidiary General Ledger (SGL) Accounts with the Reserve Bank were also allowed to enter into reverse Repo (but not into Repo) transactions with banks/primary dealers in Treasury Bills of all maturities and all Central Government dated Securities.
	c) Introduction of Treasury Bills of varying maturities was proposed in the context particularly of the discontinuance of 91 day Tap Treasury Bills and the system of ad-hoc Treasury Bills to facilitate the cash management requirements of various segments of the economy.

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39. Foreign Exchange Markets	
April 15, 1997	a) Corporate exporters holding Export Earners Foreign Currency (EEFC) Account were permitted to extend trade related advances to their importer clients out of EEFC Accounts upto US\$ 3 million per account.
April 15, 1997	b) Authorised dealers were permitted to borrow upto U.S.\$ 10 million from their overseas offices/correspondents without any conditions on end use and repayment of such borrowings. Authorised dealers were also allowed to invest funds in overseas money market instruments upto US\$ 10 million.
April 15, 1997	c) With a view to impart flexibility to corporates and improve liquidity in the forward markets for longer periods (beyond six months) authorised dealers were permitted to book forward cover for exporters and importers on the basis of a declaration of exposure supported by past performance and business projection instead of the earlier requirement of documentary evidence of a firm order or letter of credit. However, it is to be ensured that total forward contracts outstanding does not exceed the average export/import turnover of the last two years.
April 15, 1997	d) Authorised dealers were allowed to run a swap-book and enter into rupee foreign currency swaps within their open position/gap limits without prior approval of RBI. These swaps would allow authorised dealers to assist corporates having foreign exchange exposure arising out of overseas borrowing/import commitments and those expecting to receive foreign exchange on account of long term export commitments. Earlier Reserve Bank was approving such transactions on a case by case basis.
40. Credit Delivery System	
April 15, 1997	a) Consistent with the policy of liberalisation, banks were permitted to evolve their own methods of assessing the working capital needs of borrowers within the prudential guidelines and exposure needs. While all instructions relating to Maximum Permissible Bank Finance (MPBF) were withdrawn, banks were given freedom to retain the system, if necessary, with suitable modifications, or any other system. The loan policy in respect of each broad category of industry would be laid down by every bank with the approval of its Board.
May 28, 1997	b) Banks were permitted to exclude their investments in preference shares/debentures/bonds of private corporate bodies from the limit of 5 per cent of their incremental deposits in the previous year. Thus, the ceiling of 5 per cent would be applicable for investment in ordinary shares of corporates including Public Sector Undertakings (PSUs).
April 15, 1997	c) Banks were allowed to extend loans to corporates against shares held by them to enable such corporates to meet the promoters' contribution to the equity of new companies in anticipation of raising resources. These loans would be treated as banks' investments in shares and would come under the ceiling of 5 per cent of the incremental deposits of the previous year.

Annexure I (Contd.)

1	2
April 15, 1997	d) In order to introduce further flexibility in the credit delivery system, stipulations for obligatory formation of consortiums for borrowers with credit limits of over Rs.50 crore were withdrawn. Banks are now free to provide need based finance required by borrowers on their own subject to observance of exposure norms or with other banks; they may adopt syndication route as alternative to sole/multiple banking/consortium arrangement that suits the borrower and the financing bank/banks.
April 15, 1997	e) Freedom was given to bank Boards to demarcate the activities that may not be subject to loan delivery system. For borrowers with working capital limit of Rs.20 crore and above and Rs.10 crore and above, loan component was raised to 80 per cent and 75 per cent, respectively. Borrowers with smaller credit limits could settle with their bank the levels of loan/cash credit components. They could also, if they so desire, avail the entire credit limit as loan since it will bestow them with the benefit of interest applicable on the loan component.
April 15, 1997	f) To suit the convenience of the borrowers, changes were made in loan system whereby minimum period of a loan and spread over various maturities subject to rollover was allowed to be decided by banks. The financing bank may permit short-term/temporary surplus of borrowers to be invested in money market instruments.
	g) To enable NABARD to leverage its equity and mobilise additional resources, a further injection of Rs.500 crore was provided towards raising its capital to Rs.1,500 crore (taking Reserve Bank's contribution to Rs.1,050 crore). The limit under General Line of Credit from RBI to NABARD was also raised by Rs.200 crore from Rs.5,500 crore to Rs.5,700 crore in order to accelerate production credit to agriculture.
April 22, 1997	h) Assessment of working capital needs on the basis of 20 per cent of projected turnover of village, tiny and other SSI units was extended to such borrowers having working capital limits upto Rs.2 crore as against Rs.1 crore earlier. The limit on investment in the small scale industries sector was enhanced by Government from Rs.60 lakh (Rs.75 lakh in the case of export oriented and ancillary units) to Rs.3 crore. In this context, banks were advised to ensure that 40 per cent of the credit to SSI is made available for units with investment in plant and machinery upto Rs.5 lakh, 20 per cent for units with investment between Rs.5 lakh and Rs.25 lakh and the remaining 40 per cent for other SSI units.
	i) Restriction (of upto certain multiples of net own funds) on lending to Non-Banking Financial Companies (NBFCs) which fully comply with the requirements of registration, credit rating and prudential norms was withdrawn.
41. Bank Rate	
From the close of business on June 25, 1997	With a view to aligning the Bank Rate to the changing conditions, with effect from the close of business on June 25, 1997, the Bank Rate was reduced by one percentage point from '11.0 per cent per annum' to '10.0 per cent per annum'. All interest rates on advances from the Reserve Bank such as export credit refinance and general refinance to banks which are linked to the Bank Rate were revised downwards.

Annexure I (Concl.)

1	2
42. Interest rates on domestic term deposits	
June 26, 1997	Consequent upon the reduction in the Bank Rate, effective June 26, 1997, the interest rates offered on domestic term deposits of 30 days and upto one year and also of term deposits under Non-Resident (External) Rupee (NRE) Accounts Scheme with a maturity of 6 months and upto one year were reduced to 'not exceeding 8.0 per cent per annum' from the earlier level of 'not exceeding 9.0 per cent per annum'. Banks were advised to obtain prior approval of their respective Boards for the deposit rates they offer on various maturities in respect of domestic term deposits as well as for NRE term deposits.
43. Interest Rates on Post-Shipment Rupee Export Credit	
June 26, 1997	Effective June 26, 1997, interest rates on post-shipment rupee export credit was reduced to 'not exceeding 12.0 per cent per annum' for period upto 90 days and to '14.0 per cent per annum' for period beyond 90 days and upto six months from the earlier level of 'not exceeding 13.0 per cent per annum' and '15.0 per cent per annum', respectively. As before, in respect of post-shipment rupee credit beyond 90 days, the higher rate of interest was applicable only for the period beyond 90 days and not from the date of advance.
44. Interest Rates on NRE Term Deposits	
September 13, 1997	With a view to providing greater flexibility to the banks in mobilising non-resident deposits, banks were given freedom to fix interest rates on NRE term deposits of six months and over, effective September 13, 1997. Banks were advised to obtain prior approval of their respective Boards for the interest rates they offer on various maturities.
45. Interest Rates on Post-Shipment Rupee Export Credit	
September 13, 1997	With a view to providing incentive for accelerated realisation of export proceeds, effective September 13, 1997, the interest rate on post-shipment rupee export credit upto 90 days was further reduced to 'not exceeding 11.0 per cent per annum'. Interest rate on export credit beyond 90 days and upto six months from the date of shipment was also further reduced to 13.0 per cent per annum. In respect of post shipment export credit beyond 90 days and upto six months from the date of shipment, the rate of interest of 13.0 per cent per annum was applicable from the date of advance. This was a temporary measure and would be reviewed in due course.

Annexure II

Performance of Special Employment and Anti-Poverty Programmes

(Amount in Rupees crore)

Item	1995-96		1996-97	
	Target	Achievement	Target	Achievement
I	2	3	4	5
1. Annual Credit Plan				
i) Agriculture & Allied activities	19,650.42	19,050.86	25,422.48	12,352.34@
ii) Small Scale Industries	6,065.66	6,817.36	7,713.13	3,135.47@
iii) Services	5,292.55	5,311.22	8,269.32	2,737.51@
Total	31,008.63	31,179.44	41,404.93	18,225.32@
2. Integrated Rural Development Programme (IRDP) *				
No. of Beneficiaries (in lakhs) *	19.30	28.59	N.A.	18.89
Of which :				
(i) No. of SC/ST (in lakhs) *	N.A.	10.72	N.A.	8.82
(ii) No. of Women beneficiaries (in lakhs) *	N.A.	6.76	N.A.	6.35
Amount of subsidy *	N.A.	107.14	N.A.	1,130.23
Amount of loan *	N.A.	1,703.13	2,142.20	1,952.72
3. Scheme of Urban Micro Enterprises (SUME)				
No. of beneficiaries (No.)	1,17,223	-	1,17,001	-
No. of applications sanctioned (No.)	N.A.	1,27,035	N.A.	1,12,203
Amount of loan sanctioned	N.A.	105.15	N.A.	107.40
Amount of loan disbursed.	N.A.	78.95	N.A.	78.04
4. Prime Minister's Rozgar Yojana for Educated Unemployed Youth (PMRY)				
No. of beneficiaries (No.)	3,21,360	2,87,384	3,07,163	2,59,626
Sanctioned amount by banks	N.A.	1,671.95	N.A.	1,578.06
No. of cases sanctioned	N.A.	2,87,384	N.A.	2,59,626
Disbursed amount by banks	N.A.	1,254.08	N.A.	812.89
No. of accounts of disbursal	N.A.	2,25,917	N.A.	1,46,165
5. Differential Rate of Interest (DRI) Scheme				
No. of borrowal accounts (in lakhs)	N.A.	20.41	N.A.	15.81
Amount	#	681.91	#	648.95
No. of borrowal accounts of SC/ST (in lakhs)	N.A.	10.39	N.A.	7.52
Amount	\$	424.92	\$	413.08
6. Twenty Point Programme- 1986				
No. of borrowal accounts (in lakhs)	N.A.	279.60	N.A.	267.94
Amount	N.A.	16,736.63	N.A.	17,487.18@
7. Credit to Minority Communities				
No. of Borrowal Accounts (in lakhs)	N.A.	12.85	N.A.	12.99@@
Amount	N.A.	1,212.00	N.A.	1,394.98@@
8. Credit to SC/ST				
No. of Borrowal Accounts (in lakhs)	N.A.	99.10	N.A.	99.01
Amount	N.A.	5,809.00	N.A.	6,504.78

* Provisional.

N.A. Not Applicable.

@ As on 30.9.1996.

@@ Actual figures as at end of September 1996. Data pertain to 41 districts identified as having concentration of minority communities.

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.

Annexure III**Selective Credit Controls****Provisions of the Directives Applicable to Scheduled
Commercial Banks on Advances against Selected Commodities****A. Sugar, Gur and Khandsari****(Position as on October 21, 1996)**

Item	Minimum Margin
1	2
1) Advances against sugar	
(a) To sugar factories	
i) Against Buffer stock stipulated by the Government.	NIL
ii) 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.	EXEMPT
iii) On advances to parties manufacturing sugar other than those referred to in 1 (a)(i) and (ii) above.	15
(b) To parties other than sugar factories	EXEMPT
(c) On advances against warehouse receipts covering stocks of sugar	EXEMPT

Note : Stocks of levy sugar shall be valued at the levy price fixed by Government and the 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.

B. Wheat
(During the period April 8, 1997 To July 7, 1997)

Minimum Margin	Level of Credit	Exemption from minimum margin and level of credit
(1)	(2)	(3)
i) 45% on advances against stock of wheat to mills/processing units	For each party, 100% of the peak level of credit maintained by the party in any of the three years 1993-94, 1994-95 and 1995-96 (November-October)	A. States Advances to all parties in the States of Assam, Arunchal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim.
ii) 60% on advances against stock of wheat to parties other than mills and processing units.		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.
iii) 45% on advances against warehouse receipts covering stock of wheat.		C. Others i) Advances against the security of soji (rawa), flour (atta) and maida to biscuit manufacturers. ii) Advances against the security of, or by way of purchase of, demand documentary bills drawn in connection with the movement of wheat.

Minimum Margin	Level of Credit	Exemption from minimum margin and level of credit
(1)	(2)	(3)

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.

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 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 wheat 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 wheat.

Note :

1. 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
2. No bank shall advance against the security of wheat where a ban on trading has been imposed in respect of that commodity except to wholesale or retail traders who are authorised by the State Government to deal in that foodgrain and to processing units to the extent to which and the manner in which such processing is allowed by the respective State Government.
3. 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.
4. States and categories of advances indicated in column 3 above, though exempted from 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 case of advances mentioned at item C (vi) in column 3 above, however, these instructions will not be applicable.
5. 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.

Table V-1 : Variations in Monetary Aggregates

(Per cent)

Item	Financial Year		April to October 10 1997-98P	April to October 11 1996-97P
	1996-97P	1995-96		
I	2	3	4	5
I. Reserve Money	2.9	14.9	2.7	-3.6
II. Narrow Money(M ₁)	12.0	11.7	2.7	1.1
III. Broad Money(M ₃)	15.9	13.7	7.6	6.8
IV. Components of Broad Money				
a) Currency with the Public	12.0	17.5	6.4	4.5
b) Aggregate Deposits (i+ii)	17.0	12.9	7.9	6.9
i) Demand Deposits	12.5	5.7	-2.4	-5.9
ii) Time Deposits	18.1	14.7	10.2	9.9
V. Sources of Broad Money				
a) Net Bank Credit to the Government (i+ii)	12.0	15.9	7.6	7.4
i) Net RBI Credit to the Government	2.3	19.6	-7.2	3.7
ii) Other Banks' Credit to the Government	20.7	12.8	18.7	10.7
b) Bank credit to Commercial Sector	8.9	17.7	2.4	0.3
c) Net Foreign Exchange Assets of the Banking Sector	25.3	3.9	12.9	10.4

P Provisional.

Table V-2 : Variations in Net Bank Credit to the Government

(Rupees crore)

Item	Financial Year		April to October 10 1997-98	April to October 11 1996-97
	1996-97	1995-96		
I	2	3	4	5
I. Net Bank Credit to the Government (II+III)	31,038	35,359	21,809	19,007
II. Net RBI Credit to the Government (II.1+II.2)	2,832	19,871	-8,947	4,469
II.1 Net RBI Credit to the Centre (a+b+c+d-e)	1,934	19,855	-5,964	6,486
a) Loans & Advances	-	-	0	-
b) T-Bills held by RBI (1+2+3)	10,086	9,601	-44,592	2,554
1. Ad hoc T-Bills \$	4,631	5,896	-33,738	2,555
2. Discounted T-Bills \$	7,126	659	-9,464	2,958
3. Auction T-Bills	-1,671	3,045	-1,391	-2,959
c) RBI's holdings of Dated Securities	-8,607	11,782	36,696	1,476
1. Central Govt. Securities	-8,620	11,782	5,876	1,476
d) RBI's holdings of Rupee Coins	28	-2	-88	12
e) Central Govt. Deposits	-428	1,526	-2,020	-2,444
II.2 Net RBI Credit to State Governments	898	16	-2,983	-2,017
III. Other Banks' credit to the Government	28,206	15,488	30,755	14,538
III.1 Scheduled Commercial Banks	26,662	14,542	28,135	13,847
<i>Memo Item : OMO *</i>				
1. RBI's subscription to fresh dated securities	3,698	12,655	7,028	3,280
2. Repos (-) / Reverse Repos (+)	-1,325@	99@	-2,980	-99
3. Central Govt. Securities	-8,558	11,777	5,528	1,758

— Not Applicable.

\$ Not applicable for 1997-98.

* At face value.

@ Outstanding as on March 31.

Table V-3 : Total Flow of Credit to Commercial Sector

(Rupees crore)

Item	Financial Year	
	1996-97	1995-96
1	2	3
I. Scheduled Commercial Banks (a+b+c+d)	34,656	44,775
a) Non-food Credit	26,581	44,938
b) Investment in Commercial Paper	657	-448
c) Investments in Bonds/Debentures issued by PSUs	5,918	65
d) Investments in Shares and Debentures issued by Corporate Entities	1,500	220
II. Co-operative and Non-Scheduled Commercial Banks	7,113	7,841
III. Total Resource Flow from Banking Sector (I+II)	41,769	52,616
IV. Other Sources (a+b+c+d+e)	56,707	55,178
a) Capital Issues	13,098	19,291
b) Global Depository Receipts and Foreign Currency Convertible Bonds Deposits	3,275	496
c) Issue of Commercial Paper (net of banks' investments)	-87	-79
d) Total Borrowings from Financial Institutions	39,766	36,322
e) Bills Rediscounted by commercial banks with Financial Institutions	655	-852
V. Total Flow of Resources (III+IV)	98,476	1,07,793

Note : 1. Flow of resources from scheduled commercial banks excludes loans written off.
2. Capital issues are adjusted for banks' investments in shares and debentures.
3. Data for private placements have not been adjusted.
4. Data are provisional.

Table V-4 : Important Banking Variables

(Rupees crore)

Item	Fiscal year Variations	
	1995-96	1996-97
	March 29, 1996 over March 31, 1995	March 28, 1997 over March 29, 1996
1	2	3
Aggregate Deposits	46,961 (12.1)	71,780 (16.5)
Demand Deposits	3,711 (4.8)	9,996 (12.4)
Time Deposits	43,249 (14.0)	61,784 (17.5)
Bank credit	42,455 (20.1)	24,386 (9.6)
Food credit	-2,483 (-20.2)	-2,195 (-12.5)
Non-food credit	44,938 (22.5)	26,581 (10.9)
Investments	15,529 (10.4)	25,731 (15.6)
of which		
Govt. securities	14,542 (12.4)	26,662 (20.2)

Note : Figures in brackets represent percentage variation.

Table V-5 : Bank Groupwise Share of Deposits, Credit and Investments in Government Securities

(per cent)

Item	Aggregate Deposits			Bank Credit			Investment in Government Securities		
	1994-95	1995-96	1996-97	1994-95	1995-96	1996-97	1994-95	1995-96	1996-97
1	2	3	4	5	6	7	8	9	10
1. SBI and Associates	21.6	32.8	21.4	24.4	33.5	23.8	39.4	21.8	24.9
2. Nationalised Banks	55.6	46.1	49.4	49.0	34.5	31.2	50.3	61.5	52.1
3. Foreign Banks	3.8	5.9	8.3	9.6	15.8	17.9	-3.7	4.9	7.7
4. RRBs	3.9	5.4	5.0	2.5	2.6	5.2	2.6	2.6	-0.4
5. Indian Private Banks	15.1	9.9	15.9	14.5	13.7	22.0	11.5	9.2	15.8
(1) Private Banks	11.3	3.3	8.0	10.6	5.9	10.1	7.9	3.2	8.4
(2) New Private Banks	3.8	6.5	7.9	3.8	7.8	11.8	3.6	6.0	7.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note : Totals may not add up to 100.0 due to rounding off.**Table V-6 : Public Sector Banks : Advances to Priority Sector**

(Amount in Rupees crore)

Sector	March 1996			March 1997P		
	Amount	Percentage to		Amount	Percentage to	
		Total Priority Sector Advances	Net Bank Credit		Total Priority Sector Advances	Net Bank Credit
1	2	3	4	5	6	7
I. Agriculture						
Direct	22,892	32.9	12.4	25,826	32.6	13.6
Indirect	3,459	5.0	1.9	5,186	6.6	2.7
Total	26,351	37.9	14.3	31,012	39.2	16.4
II. Small Scale Industries	29,482	42.3	16.0	31,542	39.9	16.6
III. Other Priority Sectors	13,751	19.8	7.5	16,577	20.9	8.7
Grand Total	69,609	100.0	37.8	79,131@	100.0	41.7

P Provisional.

@ Inclusive of Rs. 29 crore towards funds provided to RRBs by sponsored banks treated as priority sector advances.

**Table V-7: Export Credit and Export Credit Refinance
Limits of Scheduled Commercial Banks**

(Rupees crore)

As on last reporting Friday of	Outstanding Export Credit @	Export Credit Refinance Limits	Percentage of Column 3 to Column 2
1	2	3	4
1996			
March	31,758	14,142	54.0
April	31,685	13,723	50.2
June	30,456	13,044	49.3
September	27,294	11,377	47.8
December	27,467	5,593	24.0
1997			
March	30,112	6,654	26.1
April	31,810	7,983	29.3
May	31,308	3,280	12.3
June	31,038	2,755	10.6
September	23,323	2,074	8.9

@ Inclusive of Pre-shipment Credit in Foreign Currency (PCFC), Post-shipment Export Credit denominated in US Dollars (PSCFC), Rediscounting of Export Bills Abroad (EBR) and Overdue Export Credit.

Table V-8 : Progress of Primary (Urban) Co-operative Banks

Item	End March		
	1995	1996	1997
1	2	3	4
Number of PCBs	1,432	1,501	1,653
Number of Licensed PCBs	1,107	1,180	1,393
Number of offices of PCBs	4,123	4,537	4,964
Deposits (Rs. crore)	20,101	23,841	29,167
Loans Outstanding (Rs. crore)	14,795	17,675	20,500
Owned Funds (Rs. crore)	3,312	3,781	4,514

Table V-9 : Selective Credit Controls on Bank Advances

(Percentages)

Commodities	Effective July 2, 1996				Effective October 21, 1996			
	Minimum Margins			Level of Credit Ceiling (Three Years ending 1994-95 Nov.-Oct.)	Minimum Margins			Level of Credit Ceiling (Three Years ending 1994-95 Nov.-Oct.)
	Mills/ Proce- ssing Units	Others	Ware- house receipts		Mills/ Proce- ssing Units	Others	Ware- house receipts	
1	2		3	4	5		6	7
1. Pulses	45	60	45	100		Exempt		
2. Other foodgrains (other than paddy/rice, wheat and pulses)	30	45	30	100		Exempt		
3. Oilseeds (viz., groundnuts, rapeseed/musturd, castorseed, cottonseed, linseed and all imported oilseeds)	45	60	45	100		Exempt		
4. Vegetable oils (viz., groundnut oil, rapeseed/ mustard oil, cottonseed oil linseed oil, castor oil, vanaspati and all imported vegetable oils)	45 @	60	45	100		Exempt		
5. Sugar								
a) Buffer stock	0	-	-	-	0	-	-	-
b) Unreleased stocks	20	-	-	-	15	-	-	-
c) Released stocks	45	45	30	-		Exempt		
6. Gur and Khandsari	30	45	30	-		Exempt		
7. Cotton and Kapas	x	30	30	110 +		Exempt		

@ Applicable to registered oil mills and vanasapti manufacturers.

- Not applicable.

x Exempt from the stipulations.

+ Applicable to other than cotton mills including spinning mills.

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

(Rupees crore)

Commodities	As on the last Friday of							
	March 1996		March 1997P		June 1996		June 1997P	
	Amount	Percentage to total	Amount	Percentage to total	Amount	Percentage to total	Amount	Percentage to total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Foodgrains (excluding food procurement advances)	1,121.7	23.6	1,541.1	28.2	1,038.4	21.1	1,709.3	28.1
(a) Paddy/rice	708.8	14.9	1,093.0	20.0	629.1	12.8	1,121.9	18.4
(b) Wheat	148.5	3.1	131.6	2.4	137.0	2.8	224.0	3.7
(c) Pulses	52.9	1.1	117.5	2.2	58.6	1.2	121.4	2.0
(d) Other foodgrains	211.4	4.4	199.1	3.6	213.7	4.3	242.0	4.0
2. Sugar (including Khandsari and gur)	1,689.4	35.5	1,595.2	29.2	1,963.6	40.0	1,978.9	32.5
(a) Sugar	1,657.8	34.8	1,566.8	28.7	1,935.8	39.4	1,935.9	31.8
(b) Khandsari	26.2	0.6	24.3	0.4	21.7	0.4	37.2	0.6
(c) Gur	5.4	0.1	4.2	0.1	6.0	0.1	5.8	0.1
3. Major Oilseeds	318.0	6.7	470.5	8.6	291.7	5.9	571.4	9.4
(a) Groundnut	86.3	1.8	60.8	1.1	60.1	1.2	148.2	2.4
(b) Rapeseed/Mustard	52.3	1.1	56.1	1.0	60.6	1.2	66.8	1.1
(c) Linseed	1.3	0.0	0.5	0.0	1.1	0.0	0.4	0.0
(d) Castorseed	15.6	0.3	8.0	0.1	10.7	0.2	20.7	0.3
(e) Cottonseed	12.1	0.3	57.1	1.0	15.3	0.3	56.0	0.9
(f) Soyabean	124.9	2.6	239.4	4.4	112.4	2.3	231.5	3.8
(g) Other oilseeds	25.6	0.5	48.6	0.9	31.4	0.6	47.8	0.8
4. Major Vegetable oils and Vanaspati	460.6	9.7	519.0	9.5	456.0	9.3	541.7	8.9
(a) Groundnut Oil	21.5	0.5	23.0	0.4	21.5	0.4	23.6	0.4
(b) Rapeseed/Mustard Oil	56.9	1.2	52.2	1.0	63.1	1.3	48.1	0.8
(c) Castor Oil	86.0	1.8	81.9	1.5	77.0	1.6	77.2	1.3
(d) Linseed Oil	2.0	0.0	1.8	0.0	1.7	0.0	2.2	0.0
(e) Cottonseed Oil	32.7	0.7	93.9	1.7	28.2	0.6	88.4	1.5
(f) Soyabean Oil	104.0	2.2	83.9	1.5	93.4	1.9	89.9	1.5
(g) Other Veg. Oils	66.1	1.4	93.9	1.7	85.5	1.7	114.2	1.9
(h) Vanaspati	91.5	1.9	88.3	1.6	85.6	1.7	98.1	1.6
5. Cotton and Kapas	1,036.9	21.8	1,198.3	22.0	1,043.1	21.2	1,173.8	19.3
6. Raw Jute	132.6	2.8	134.7	2.5	122.2	2.5	116.6	1.9
Total	4,759.1	100.0	5,458.9	100.0	4,914.9	100.0	6,091.7	100.0

P 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.

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

Commodities	Last Friday of		
	March 1997	March 1996	March 1995
I	2	3	4
1. Linseed Oil	100.0	95.0	92.9
2. Sugar	98.5	98.9	98.9
3. Vanaspati	94.8	96.0	97.2
4. Khandsari	91.4	94.3	96.4
5. Rapeseed/Mustard Oil	91.2	88.9	86.9
6. Raw Jute	89.6	89.5	88.6
7. Castor Oil	87.1	99.4	96.1
8. Rapeseed/Mustard	86.8	82.4	90.0
9. Wheat	86.6	65.2	88.2
10. Soyabean Oil	84.5	70.7	98.6
11. Pulses	82.7	83.9	84.4
12. Linseed	80.0	76.9	50.0
13. Groundnut Oil	78.7	74.4	84.9
14. Cotton and Kapas	78.6	77.8	78.2
15. Other Veg. Oils	77.5	76.9	92.8
16. Castorseed	77.5	55.1	44.0
17. Paddy and Rice	74.2	75.6	77.7
18. Cottonseed Oil	66.7	89.9	93.0
19. Other Oilseeds	61.3	49.6	51.8
20. Soyabean	61.0	89.6	87.9
21. Cottonseed	43.1	85.1	67.0
22. Gur	42.9	42.6	33.3
23. Groundnut	31.3	88.9	87.3
24. Other Foodgrains	13.9	20.0	21.5
All Selected Commodities	80.3	83.4	84.6

Source : Basic Statistical Return-3.

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

(Rupees crore)

Source of Finance	Loans issued during April-March				Loans Outstanding as on March 31			
	1992-93	1993-94	1994-95	1995-96P	1993	1994	1995	1996P
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
I. Co-operatives <i>of which:</i>	6,483.7 (51.7)	8,484.0 (56.5)	9,875.5 (52.6)	11,933.4 (51.6)	13,769.1 (40.2)	15,315.6 (41.4)	16,809.5 (41.3)	19,091.7 (41.5)
(a) Short-term loans by PACS (including LAMPS and FSS)	4,394.3	6,038.8	6,996.2	9,084.0	5,900.3	6,639.5	7,091.3	9,174.6
(b) Medium and Long-term loans by PACS and CLDBs	2,089.4	2,445.2	2,879.3	2,849.4	7,868.8	8,676.1	9,718.2	9,917.1
II. Scheduled Commercial Banks * (excluding RRBs) <i>of which:</i>	4,959.9 (39.6)	5,399.9 (36.0)	7,407.9 (39.5)	9,274.0 (40.1)	18,287.8 (53.4)	19,112.9 (51.7)	20,920.0 (51.4)	23,427.1 (50.9)
(a) Short-term loans	2,431.8	2,860.2	3,841.6	4,627.5	4,988.2	5,425.4	6,154.4	7,172.5
(b) Term Loans	2,528.1	2,539.7	3,566.3	4,646.5	13,299.6	13,687.5	14,765.6	16,254.6
III. Regional Rural Banks <i>of which:</i>	697.7 (5.6)	752.1 (5.0)	1,083.0 (5.8)	1,381.1 (6.0)	2,206.0 (6.4)	2,559.8 (6.9)	3,008.9 (7.4)	3,466.6 (7.5)
(a) Short-term loans	450.8	475.7	687.8	849.0	799.0	886.7	1,115.1	1,308.3
(b) Term loans	246.9	276.4	395.2	532.1	1,407.0	1,673.1	1,893.8	2,158.3
IV. State Governments**	388.5 (3.1)	377.0 (2.5)	406.7 (2.2)	553.8 (2.4)	..	..	..	..
V. Total Direct Finance (I to IV)@ <i>of which:</i>	12,529.8	15,013.0	18,773.1	23,142.3	34,262.9	36,988.3	40,738.4	45,985.4
(a) Short-term loans	7,665.4 (61.2)	9,751.7 (65.0)	11,932.3 (63.6)	15,114.3 (65.3)	11,687.5 (34.1)	12,951.6 (35.0)	14,360.8 (35.3)	17,655.4 (38.4)
(b) Medium and Long-term loans	4,864.4 (38.8)	5,261.3 (35.0)	6,840.8 (36.4)	8,028.0 (34.7)	22,575.4 (65.9)	24,036.7 (65.0)	26,377.6 (64.7)	28,330.0 (61.6)

P Provisional.

.. Not available.

* Figures relate to July-June.

** Taken as short-term loans.

@ Time periods are different for the institutions.

Note : Figures in brackets are percentage share of the respective institution in total direct finance.**Sources** : 1. NABARD.

2. Reserve Bank of India.

3. Budget Documents of the State Governments.

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

(Rupees crore)

Source of Finance	Loans issued during April-March				Loans Outstanding as on March 31			
	1992-93	1993-94	1994-95	1995-96P	1993	1994	1995	1996P
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
I. Co-operatives @	2,072.7E	..	..	..	2,590.5E	..	..	..
<i>of which:</i>								
(a) State Co-operative Banks @@	393.0E	..	..	..	982.0E	..	..	..
(b) Central Co-operative Banks @@	1,679.7E	..	..	..	1,608.5E	..	..	..
II. Scheduled Commercial Banks (excluding RRBs)	157.9 *	332.3 *	..	..	1551.7 #	2,099.2 #	2,865.5 #	..
III. Regional Rural Banks	4.5	0.4	0.1	0.8	39.8	33.3	32.8	34.5
IV. Rural Electrification Corporation ##	474.3	6,92.0	967.4	828.9	5,174.9	5,654.6	6,191.9	7,167.5
V. Total Indirect Finance	2,709.4	..	..	..	9,391.1	..	..	..

.. Not Available. P Provisional.

E Estimates.

@ Taken as short-term loans.

@@ Loans issued include food procurement finance.

Priority Sector advances.

Taken as long-term loans.

* Disbursement to Priority sectors during July-June.

Sources : 1. NABARD.

2. Reserve Bank of India.

3. Rural Electrification Corporation Ltd.

**Table V-14 : Bank Group-wise Disbursements of Credit by
Scheduled Commercial Banks (July-June)**

(Rupees crore)

Category of Banks	1992-93	1993-94	Annual % Variation	1994-95	Annual % Variation	1995-96	Annual % Variation
I	2	3	4	5	6	7	8
State Bank of India Group	1,640 (33.1)	1,612 (29.9)	-1.70	2,401 (32.4)	48.90	3,296 (35.6)	37.28
Nationalised Banks	3,110 (62.7)	3,519 (65.1)	13.15	4,626 (62.5)	31.50	5,529 (59.6)	19.52
Indian Private Sector Banks and Foreign Banks	209 (4.2)	269 (5.0)	28.71	381 (5.1)	41.60	449 (4.8)	17.85
All Scheduled Commercial Banks (excluding RRBs)	4,959 (100.0)	5,400 (100.0)	8.89	7,408 (100.0)	37.20	9,274 (100.0)	25.19

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 Credit
by Scheduled Commercial Banks (July-June)**

(Rupees crore)

Purpose	1992-93	1993-94	Annual % Variation	1994-95	Annual % Variation	1995-96	Annual % Variation
1	2	3	4	5	6	7	8
I. Short-term Loans (Including crop loans)	2,431.8 (49.0)	2,860.2 (53.0)	17.6	3841.7 (51.9)	34.3	4627.5 (49.9)	20.5
II. Term Loans (A+B)	2,528.1 (51.0)	2,539.7 (47.0)	0.5	3,566.3 (48.1)	40.4	4,646.5 (50.1)	30.3
A. Loans for Agriculture	1,773.8 (35.8)	1,697.5 (31.4)	-4.3	2,295.0 (31.0)	35.2	3,029.1 (32.7)	32.0
i) Minor Irrigation Schemes	286.4 (3.9)	292.3 (3.9)	2.1	313.6 (4.2)	7.3	410.2 (5.5)	30.8
ii) Reclamation and Land Development Schemes	51.9 (0.7)	41.2 (0.6)	-20.6	50.7 (0.7)	23.1	69.1 (0.9)	36.3
iii) Tractors and Agricul- tural Implements and Machinery	965.7 (13.0)	925.3 (12.5)	-4.2	1,250.9 (16.9)	35.2	1,646.7 (22.2)	31.6
iv) Plantations	94.1 (1.3)	100.6 (1.4)	6.9	111.3 (1.5)	10.6	147.3 (2.0)	32.3
v) Other Term Loans	375.7 (5.1)	338.1 (4.6)	-10.0	568.5 (7.7)	68.1	755.8 (10.2)	32.9
B. Loans for Allied Activities	754.3 (15.2)	842.2 (15.6)	11.7	1,271.3 (17.2)	50.9	1,617.4 (17.4)	27.2
i) Dairying	299.5 (6.0)	338.1 (6.3)	12.9	384.2 (5.2)	13.6	546.8 (5.9)	42.3
ii) Poultry Farming, Piggery and Beekeeping	80.6 (1.6)	125.1 (2.3)	55.2	219.5 (3.0)	75.5	290.5 (3.1)	32.3
iii) Fisheries	71.6 (1.4)	141.9 (2.6)	98.2	301.1 (4.1)	112.2	273.5 (2.9)	-9.2
iv) Others	302.6 (6.1)	237.1 (4.4)	-21.6	366.5 (4.9)	54.6	506.6 (5.5)	38.2
Grand Total (I+II)	4,959.9 (100.0)	5,399.9 (100.0)	8.9	7,408.0 (100.0)	37.2	9,274.0 (100.0)	25.2

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

Table V-16 : Region-wise and Term-wise Disbursements of Credit by Scheduled Commercial Banks (July-June)

(Rupees crore)

Region	1992-93			1993-94			1994-95			1995-96		
	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	118.9 (4.9)	585.9 (23.2)	704.8 (14.2)	122.4 (4.3)	469.8 (18.5)	592.2 (11)	184.3 (4.8)	652.0 (18.3)	836.3 (11.3)	233.9 (5.1)	845.1 (18.2)	1,079.0 (11.6)
North-Eastern Region	6.5 (0.3)	19.2 (0.8)	25.7 (0.5)	7.6 (0.3)	25.3 (1)	32.9 (0.6)	5.4 (0.1)	31.1 (0.9)	36.5 (0.5)	4.5 (0.1)	36.2 (0.8)	40.7 (0.4)
Eastern Region	131.1 (5.4)	221.1 (8.7)	352.2 (7.1)	121.0 (4.2)	205.6 (8.1)	326.6 (6)	174.7 (4.5)	300.9 (8.4)	475.6 (6.4)	219.1 (4.7)	376.9 (8.1)	596.0 (6.4)
Central Region	179.6 (7.4)	546.5 (21.6)	726.1 (14.6)	182.5 (6.4)	580.9 (22.9)	763.4 (14.1)	247.6 (6.4)	694.2 (19.5)	941.8 (12.7)	312.5 (6.8)	1,210.6 (26.1)	1,523.1 (16.4)
Western Region	283.1 (11.6)	408.9 (16.2)	692.0 (14)	326.6 (11.4)	382.2 (15)	708.8 (13.1)	567.0 (14.8)	727.5 (20.4)	1,294.5 (17.5)	730.8 (15.8)	853.4 (18.4)	1,584.2 (17.1)
Southern Region	1,712.7 (70.4)	746.4 (29.5)	2,459.1 (49.6)	2,100.1 (73.4)	875.9 (34.5)	2,976.0 (55.1)	2,662.7 (69.3)	1,160.6 (32.5)	3,823.3 (51.6)	3,127.0 (67.6)	1,323.8 (28.5)	4,450.8 (48.0)
All India	2,431.8 (100.0)	2,528.1 (100.0)	4,959.9 (100.0)	2,860.2 (100.0)	2,539.7 (100.0)	5,399.9 (100.0)	3,841.7 (100.0)	3,566.3 (100.0)	7,408.0 (100.0)	4,627.5 (100.0)	4,646.4 (100.0)	9,273.9 (100.0)

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

Table V-17 : Priority Sector Advances of Public Sector Banks (Outstanding at end-March)

(Rupees crore)

Item	1995	1996	Annual % Variation	1997P	Annual % Variation
1	2	3	4	5	6
I) Priority Sector advances	61,794.0 (36.6)	69,609.0 (37.8)	12.6	79,131.0 (41.7)	13.7
Of which :					
i) Advances to Agriculture	23,513.0 (13.9)	26,351.0 (14.3)	12.1	31,012.0 (16.4)	17.7
a) Direct	20,813.0	22,892.0	10.0	25,826.0	12.8
b) Indirect	2,700.0	3,459.0	28.1	5,186.0	49.9
II) Advances to Weaker Sections	13,918.0 (8.2)	15,579.0 (8.5)	11.9	16,478.0 (8.7)	5.8

P Provisional.

Note : Figures in brackets are percentage to Net Bank Credit

Table V-18 : NABARD's Credit to Co-operatives, Regional Rural Banks and State Governments During 1994-95 to 1996-97

(Rupees crore)

Agency/Purpose	Period	1994-95		1995-96		1996-97	
		Limits sanctioned	Out-standing	Limits sanctioned	Out-standing	Limits sanctioned	Out-standing
1	2	3	4	5	6	7	8
I. State Co-operative Banks							
A. Short-term							
(i) Seasonal Agricultural Operations	July-June@	4,115	2,414	4,750	2,930	5,165	3,696
(a) Out of (i) : for Oilseeds Production Programme	July-June@	499	251	568	315	649	325
(b) Out of (i) : for National Pulses Development Programme	July-June@	33	6	32	8	39	19
(c) Out of (i) for Development of Tribal Population	July-June@	-	-	204	70	219	95
(ii) Purchase and Distribution of Fertilizers	January-December	53	1	57	-	50	-
(iii) Production and Marketing Activities of Co-operative weavers' Societies	April-March	610	494	701	543	759	318
(iv) Financing of Production and Marketing activities of Industrial Co-operatives.	April-March	16	12	17	14	17	15
(v) Working capital requirements of Co-operative Sugar Factories against stock of sugar	July-June@	200	175	275	-	-	-
(vi) Purchase and sale of Yarn	April-March	24	15	27	11	29	11
(vii) Financing of Individual Rural Artisans through PACS	April-March	7	6	9	7	9	9
B. Medium-term							
(i) Approved Agricultural purposes	January-December	9	32	6	7	2	5
(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 in scarcity affected areas	July-June@	161	84	109	57	105	99
II. Regional Rural Banks							
A. Short-Term SAO	July-June@	728	666	830	755	967	859
B. Medium-Term							
i) Non-Schematic	July-June@	83	180	51	156	24	137
ii) Conversion of ST loans into MT loan	July-June@	4	2	1	1	-	1
III. State Governments							
Long-term loans to State Governments for contribution to share capital of co-operative credit Institutions	April-March	73	282	100	363	101	418

- Not Available.

@ For the year 1996-97, the figures are for 9 months period from July 1996 to March 1997

Source : NABARD.

Table V-19 : Agency-wise Disbursements of Investment Credit by NABARD (April-March)

(Rupees crore)

Agency	1993-94	1994-95	Annual % Variation	1995-96	Annual % Variation	1996-97P	Annual % Variation
1	2	3	4	5	6	7	8
1. SCARDBs	1,113 (41)	1,207 (40)	8.4	1,451 (48)	20.2	1,895 (54)	30.6
2. Scheduled Commercial Banks	1,029 (37)	1,093 (36)	6.2	841 (27)	-23.0	601 (17)	-28.5
3. Regional Rural Banks	358 (13)	441 (15)	23.2	492 (16)	11.6	654 (19)	32.9
4. State Co-operative Banks	245 (9)	270 (9)	10.0	280 (9)	3.8	373 (10)	33.2
TOTAL	2,745 (100)	3,011 (100)	9.7	3,064 (100)	1.8	3,523 (100)	15.0

P Provisional.

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

SCARDBs : State Co-operative Agricultural and Rural Development Banks.

Source : NABARD.

Table V-20 : Purpose-wise Disbursements of Investment Credit by NABARD
(April-March)

(Rupees crore)

Purpose	1993-94	1994-95	Annual % Variation	1995-96	Annual % Variation	1996-97P	Annual % Variation
1	2	3	4	5	6	7	8
Minor Irrigation	589 (21.5)	598 (19.9)	1.5	607 (19.8)	1.5	592 (16.8)	-2.5
Land Development/ CAD	18 (0.7)	17 (0.6)	-5.6	29 (0.9)	70.6	44 (1.2)	51.7
Farm Mechanisation	631 (23.0)	685 (22.7)	8.6	701 (22.9)	2.3	871 (24.7)	24.3
Plantation / Horticulture	122 (4.4)	129 (4.3)	5.7	138 (4.5)	7	149 (4.2)	8.0
Poultry / Sheep Breeding/Piggery	96 (3.5)	140 (4.6)	45.8	165 (5.4)	17.9	184 (5.2)	11.5
Fisheries	55 (2.0)	101 (3.4)	83.6	107 (3.5)	5.9	41 (1.2)	-61.7
Dairy Development	148 (5.4)	171 (5.7)	15.5	183 (6.0)	7	241 (6.8)	31.7
Storage / Market Yards	16 (0.6)	18 (0.6)	12.7	21 (0.7)	16.5	14 (0.4)	-33.3
IRDP	662 (24.1)	620 (20.6)	-6.3	461 (15.0)	-25.6	513 (14.6)	11.3
Others #	-	532 (17.7)	-	652 (21.3)	22.6	874 (24.8)	34.0
TOTAL	2,745 (100.0)	3,011 (100.0)	9.7	3,064 (100.0)	1.8	3,523 (100.0)	15.0

P Provisional.

Includes Bio-gas, Forestry, Non-Farm Sector, etc.,

CAD Command Area Development

Note : Figures in brackets are percentage share of the respective items in total**Source** : NABARD.

Table V-21 : Region-wise Disbursements of Investment Credit by NABARD
(April-March)

(Rupees crore)

Region	1993-94	1994-95	Annual % Variation	1995-96	Annual % Variation	1996-97	Annual % Variation
1		2	3	4	5	6	78
Northern Region	453.0 (16.5)	519.9 (17.3)	14.8	566.2 (18.5)	8.9	718.2 (20.4)	26.8
North-Eastern Region	40.0 (1.5)	50.6 (1.7)	26.5	67.5 (2.2)	33.4	107.9 (3.1)	59.9
Eastern Region	256.0 (9.3)	273.6 (9.1)	6.9	284.8 (9.3)	4.1	3,83.1 (10.9)	34.5
Central Region	585.0 (21.3)	628.0 (20.9)	7.4	632.2 (20.6)	0.7	6,34.7 (18.0)	0.4
Western Region	499.0 (18.2)	554.3 (18.4)	11.1	535.6 (17.5)	-3.4	5,64.2 (16.0)	5.3
Southern Region	912.0 (33.2)	984.3 (32.7)	7.9	976.9 (31.9)	-0.8	1,114.9 (31.6)	14.1
All India	2,745.0 (100.0)	3,011.0 (100.0)	9.7	3,064.0 (100.0)	1.8	3,523.1 (100.0)	15.0

Note : 1. Figures in brackets represent the percentage to All-India figures.

2. Northern Region : Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab and Rajasthan.

3. North-Eastern Region : Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Arunachal Pradesh.

4. Eastern Region : Sikkim, Bihar, Orissa, West Bengal and Andaman & Nicobar Islands.

5. Central Region : Madhya Pradesh and Uttar Pradesh.

6. Western Region : Goa, Daman and Diu, Dadra and Nagar Haveli, Gujarat and Maharashtra.

7. Southern Region : Andhra Pradesh, Karnataka, Kerala, Pondicherry, Tamil Nadu and Lakshadweep.

Source : NABARD.

Table V-22 : Purpose-wise NABARD's Refinance Assistance under IRDP
(April-March)

(Rupees crore)

Purpose	1994-95	1995-96	Annual % Variation	1996-97	Annual % Variation
1	2	3	4	5	6
Minor Irrigation	67 (11)	49 (11)	-26.9	55 (11)	12.2
Dairy Development	142 (23)	90 (19)	-36.6	96 (18)	6.7
Sheep/Goat/Piggery	55 (9)	33 (7)	-40.0	40 (8)	21.2
Livestock*	38 (6)	47 (10)	23.7	26 (5)	-44.7
ISB#	263 (42)	224 (49)	-14.8	246 (48)	9.8
Others@	55 (9)	18 (4)	-67.3	50 (10)	177.8
Total	620 (100.0)	461 (100.0)	-25.6	513 (100.0)	11.3

* Includes bullocks, bullock-carts, camels, camel-carts, etc.

@ Includes land development, poultry, fisheries and other unclassified items.

Includes Prime Minister's Rojgar Yojana.

ISB Industry, Service and Business.

Note : Figures in brackets indicate percentage share to total.

Source : NABARD.

Table V-23 : NABARD's Structure of Interest Rates for Term Loans

(Per cent per annum)

Size of Limit	Rate of interest to ultimate beneficiaries			Rate of interest on refinance *		
	CBs	RRBs	SCBs/SLDBs	CBs	RRBs	SCBs/SLDBs
1	2	3	4	5	6	7
Upto Rs.25,000	12.0	As determined by the RRBs with effect from 26.8.96	As determined by SCBs or SLDBs subject to a minimum of 12 % (for all loan slabs) with effect from 18.10.94	8.5	6.5	6.5
Above Rs.25,000 and upto Rs.2 lakhs	13.5			10.5	9.5	9.5
Above Rs.2 lakhs	As determined by CBs with effect from 18.10.94			3% below the rate fixed by CBs	12.0	12.0

* With effect from August 1, 1995.

Note : In respect of externally aided projects, the rate as per provisions contained in the relative agreement/s/ sanction will apply.

Source : NABARD.

**Table V-24 : State-wise Position of Projects Sanctioned and Loans Disbursed under RIDF-I
(As on March 31,1997)**

(Rupees crore)

State	Total Financial Outlay	Loan Sanctioned by NABARD	State Govt. Contribution by NABARD	Loan Disbursed	Expected Benefits		
					Irrigation Potential (Hectares)	Value of Production (Rs.Crore)	Jobs Created (No.)
1	2	3	4	5	6	7	8
Andhra Pradesh	451.10	206.94	84.50	96.93	9,8382	253.25	4,5575
Arunachal Pradesh	9.21	3.36	0.23	-	4474	5.19	3396
Assam	81.02	11.45	-	-	-	-	-
Bihar	493.02	180.98	26.25	-	19,0070	112.09	84150
Goa	183.74	36.84	38.90	6.85	1,4366	36.33	4488
Gujarat	334.32	141.48	66.09	108.72	6,5408	57.04	2,4779
Haryana	36.75	18.28	9.19	9.98	8,1343	104.63	2,5992
Himachal Pradesh	31.44	14.23	4.89	12.68	8105	14.31	3112
Jammu and Kashmir	20.18	6.22	0.31	0.62	3967	2.66	1025
Karnataka	358.44	143.93	29.58	85.31	6,0495	287.74	2,4383
Kerala	285.79	99.72	47.76	65.29	3,9349	110.56	1,4575
Madhya Pradesh	710.74	199.63	16.76	129.82	19,2153	166.25	5,6817
Maharashtra	828.40	207.22	10.19	135.93	15,1294	206.12	6,7046
Manipur	3.72	1.75	0.61	-	4579	4.76	3808
Meghalaya	7.84	3.39	1.68	-	-	-	-
Mizoram	4.88	2.38	1.54	0.40	1305	1.31	1088
Nagaland	2.78	1.38	0.42	1.38	1432	1.43	1192
Orissa	412.06	152.69	43.50	111.78	8,4762	65.00	3,3325
Punjab	121.00	60.50	6.50	59.16	2,9185	45.24	1,1792
Rajasthan	417.81	110.15	7.82	77.23	8,5440	46.56	7754
Tripura	4.38	1.81	0.40	0.32	1423	1.44	1196
Uttar Pradesh	1,050.86	292.35	70.33	209.92	82,2898	919.41	20,6495
West Bengal	399.91	113.37	26.20	70.82	30,8462	232.95	10,3688
Total	6,249.39	2,010.05	493.65	1,183.14	22,48892	2674.27	72,5676

Source : NABARD.

Table V-25 : State-wise Position of Projects Sanctioned and Loans Disbursed under RIDF-II
(As on March 31, 1997)

(Rupees crore)

State	Total Financial Outlay	Loan Sanctioned by NABARD	State Govt. Contribution	Loan Disbursed by NABARD	Irrigation Potential (Hectares)	Expected Benefits			
						Rural Bridges (Meters)	Rural Rd. Projects (Kilometers)	Value of Production (Rupees crore)	Jobs created (No.)
I	2	3	4	5	6	7	8	9	10
Andhra Pradesh	277.82	194.53	46.69	12.54	92698	567	869	80.62	23571
Andhra Pradesh*	165.35	139.65	25.69	-	-	-	-	-	-
Assam	70.32	63.29	7.03	-	-	2210	-	-	-
Gujarat	144.23	129.63	13.79	25.51	14459	-	1250	14.48	1625
Haryana	71.00	61.06	5.58	6.00	50365	-	67.35	10454	-
Himachal Pradesh	67.32	49.50	2.87	5.81	5254	-	381	13.46	2025
Jammu and Kashmir	8.95	8.06	0.90	-	-	-	-	-	-
Karnataka	291.32	173.00	61.82	4.36	20550	6584	2349	23.71	4350
Kerala	288.98	89.43	18.68	-	29694	2271	-	95.42	15846
Madhya Pradesh	335.37	207.60	22.88	25.40	89064	-	-	122.15	16717
Maharashtra	615.13	231.66	104.51	82.91	99136	-	-	118.69	59612
Orissa	203.46	125.14	28.10	7.54	17431	1918	154	20.34	7262
Punjab	69.50	62.50	7.00	-	30010	-	-	60.41	11983
Rajasthan	260.67	179.29	29.10	34.52	326482	-	1286	31.67	24512
Tamil Nadu	312.89	271.38	27.95	11.60	2937	1355	4917	7.91	1400
Uttar Pradesh	651.89	491.65	61.39	59.62	104948	8232	5050	208.33	23354
West Bengal	209.34	169.51	31.82	15.79	35771	2125	541	68.03	17983
Total	4043.54	2646.88	495.80	291.60	918799	25262	16797	932.57	220694

* Special assistance sanctioned to Andhra Pradesh for reconstruction of damaged Public Works (Irrigation, Roads and Bridges) in cyclone/ flood affected areas.

Source : NABARD.

Table V-26: Purpose-wise Sanctions under RIDF-I and II

(Rupees crore)

Purpose	RIDF-I				RIDF-II			Total	
	No. of Schemes	Amount	% to Total	No. of Schemes	Amount	% to Total	No. of Schemes	Amount	% to Total
Major Irrigation	19	255.86	12.7	25	412.51	15.6	44	668.37	14.4
Medium Irrigation	112	987.11	49.1	31	266.28	10.1	143	1,253.39	26.9
Minor Irrigation	4,303	652.65	32.4	3,839	581.56	22.0	8,142	1,234.21	26.5
Watershed Management	52	80.37	4.0	40	110.44	4.2	92	190.81	4.0
Flood Protection	7	7.56	0.4	-	-	-	7	7.56	0.2
Rural Bridges	18	23.11	1.2	396	378.13	14.2	414	401.24	8.6
Rural Roads	19	3.39	0.2	3,918	889.90	33.6	3,937	893.29	19.2
Inland Waterways	-	-	-	1	8.06	0.3	1	8.06	0.2
Total	4,530	2,010.05	100.0	8,250	2,646.88	100.0	1,2780	4,656.93	100.0

Source : NABARD.

**Table V-27 : NCDC's Financial Assistance (Disbursements)
from 1994-95 to 1996-97 (April-March)**

(Rupees crore)

Schemes / Purposes	1994-95	1995-96	Annual % Variations	1996-97	Annual % Variations
1	2	3	4	5	6
I. Central Schemes	250.6	171.0	-31.8	89.1	-47.9
a) Co-operative Storage Programmes with International aid	12.1	5.1	-57.9	0.1	-98.0
b) Co-operative Marketing, Processing and Storage programmes in under-developed states/Union Territories	31.9	27.6	-13.5	27.6	0.0
c) Finance for Co-operative Sugar Factories, Co-operative Spinning Mills, NAFED, etc.	190.6	130.4	-31.6	53.8	-58.7
d) Miscellaneous	16.0	7.9	-50.6	7.6	-3.8
II. Corporation Sponsored Schemes	135.7	192.0	41.5	200.1	4.2
a) Storage	5.7	7.6	33.3	8.1	6.6
b) Agro-processing	61.2	75.5	23.4	64.5	-14.6
c) Weaker Sections	42.9	52.2	21.7	47.6	-8.8
d) Agricultural Marketing	18.5	22.1	19.5	25.7	16.3
e) Rural Consumer Activity	1.4	1.3	7.1	1.7	30.8
f) Agro-Services and Promotional and Developmental Programmes, etc.	6.0	33.3	455.0	52.5	57.7
III. Total (I + II)	386.3	363.0	-6.0	289.2	-20.3

Source : National Co-operative Development Corporation.

Table V-28 : Progress of Comprehensive Crop Insurance Scheme

Season	No. of State & 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
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	1154.66	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	1309.38	20.65	28.94
Rabi 1993-94	16	8.17	11.23	277.84	4.89	11.44
Kharif 1994	17	43.38	71.43	1507.79	23.12	48.97
Rabi 1994-95	16	8.50	11.01	311.08	5.43	4.34
Kharif 1995	17	47.78	77.97	1784.16	27.40	0.35
Rabi 1995-96	16	8.24	12.18	358.12	6.93	\$
Kharif 1996P	17	48.52	80.65	1975.65	30.46	\$
Rabi 1996-97	16	9.95	13.99	493.18	8.93	\$

\$ Claims are under process.

P Provisional.

Source : General Insurance Corporation of India.

CHAPTER VI

FINANCIAL MARKETS *

Overview

Financial Markets in India are at a crucial stage of evolution. Financial sector reforms, initiated in 1991-92, seem to have strengthened the market forces and thereby fostered the process of integration among various segments of the financial markets. As a result, the role of the financial markets has become increasingly critical in the mobilisation and allocation of savings, in transmitting policy signals and in facilitating liquidity management consistent with the overall short-term and medium-term policy objectives. The major policy initiatives during 1996-97 and in 1997-98 (up to September) which have a bearing on the development of financial markets include reduction of CRR, rationalisation of CRR on external deposits, exemption of inter-bank liabilities from the maintenance of CRR (subject to a statutory minimum of 3 per cent), deregulation of interest rates on domestic term deposits, greater autonomy to banks on matters of credit appraisal and fixation of prime lending rate (PLR), introduction of general refinance facility for the scheduled commercial banks, further relaxation of conditions on the issue of CDs, CPs, and MMMFs, phasing out of ad hoc/tap Treasury bills and introduction of short-term Treasury bills, setting up of primary dealers system, retailing of Government securities and permission to the Foreign Institutional Investors (FIIs) to invest in Government dated securities subject to a ceiling of 30 per cent (Annexure).

The financial markets during 1996-97 and 1997-98 (up to September) have been characterised by comfortable liquidity conditions

and consequent fall in interest rate/returns on various instruments due mainly to policy induced cut in CRR and inflow of capital. Both money and capital markets were subdued. There was a high degree of market absorption of Government securities notwithstanding the fall in the coupon rate/yield which could be due partly to sluggish offtake of credit. Forex market was relatively stable. Consequently, larger investments by the foreign institutional investors were sustained. Within the overall downward movement of interest rate, the relative rates of return on various instruments have moved within a comparatively narrow range, reflecting relatively greater degree of integration of the financial markets. The organised credit market dominated by commercial banks has been discussed in Chapter V of this Report on Monetary and Banking Developments. This chapter analyses the major developments relating to the other major segments of the financial markets *viz.*, the money market, the capital market, the Government securities market and the foreign exchange market during 1996-97 and also in the first half of 1997-98.

Money Market

The major segments of the money market in India are call (overnight) money, short notice (up to 14 days) money, certificates of deposit (CDs), commercial papers (CPs), commercial bills and money market mutual funds (MMMFs). The activities in most of these segments other than call money and to some extent commercial papers and commercial bills were negligible. Notwithstanding the withdrawal of CRR/SLR stipulation on inter-bank liabilities, term money market is yet to pick up. The period under review was marked by a substantial improvement in liquidity conditions which resulted in the significant

* Material in this Chapter is based on data available up to end-September 1997.

softening of money market interest rates.

Call/Notice Money Market

The call/notice money market remained remarkably easy during 1996-97 due to excess liquidity in sharp contrast to the stringent and volatile conditions which prevailed during the previous year. The improvement in the liquidity resulted from a host of factors, such as, (i) the phased reduction in CRR by 4 percentage points during the financial year, (ii) the Reserve Bank's intervention (dollar purchases) in the foreign exchange market, (iii) the upsurge in bank deposits, and (iv) the sluggish growth in non-food credit. Initiatives were also taken during the year to broaden the call/notice money market by permitting four additional Primary Dealers (PDs) (as both borrowers and lenders) and seven mutual funds (as lenders) as participants, which led to an increase in the market turnover. The daily average lendings by banks, financial institutions, PDs and mutual funds increased from Rs.8,901 crore to Rs.9,289 crore over this period. Reflecting the easy liquidity conditions, there was a distinct softening of call money rates during 1996-97. The fortnightly average lending rates (average of middle rates) of the Discount and Finance House of India (DFHI), which had ruled above 30 per cent on some occasions in 1995-96, hovered in the range of 10.24 - 11.29 per cent during the first quarter of 1996-97 and declined further to single digit levels throughout the remaining part of the year, with the exception of two fortnights ended September 27, 1996 and January 3, 1997 when the call rate touched double digit due to the quarterly advance tax payments (Statement 116, Vol.II). The presence of excess liquidity was particularly evident during the last quarter of 1996-97 with DFHI's fortnightly average lending rate remaining below five per cent in general. As a policy response to the decline in call rates, repo auctions were resumed in November 1996 and conducted on a regular basis from January 1997, not only to provide reasonable floor for the money market rates but also to provide a short-term investment outlet for the banks to deploy their surplus funds. During the last quarter of the year, the average outstanding amount of repos amounted to Rs.1,830 crore with the peak of Rs. 4,194 crore

scaled in the auction of February 26, 1997. The cut-off repo rates ranged 4.90-5.25 per cent during this period (Statement 193, Vol.II).

During the first half of 1997-98, DFHI's fortnightly average call rates continued to rule in single digit due to the downswing in the demand for non-food credit and the lagged impact of the cut in CRR. The fortnightly average lending rates of DFHI reached a low of 0.50 per cent in the fortnight ended April 25, 1997 and the peak was at only 8.16 per cent reached during the fortnight ended September 26, 1997. Thus, the call rates during 1997-98 so far have been even lower than the moderate rates of the comparable period of the previous year. During April to mid-August 1997, repos proved a profitable avenue for banks to park their surplus funds except for the five repo auctions in the first half of May 1997, when call rates had temporarily hardened. However, subsequently, following the firming up of call rates associated with the Reserve Bank's intervention to stem the volatility in the foreign exchange market, banks evinced lower interest in repos during mid-August to end-September 1997. Consequently, the average outstanding amount of repos declined from Rs.2,436 crore in the quarter ended June 1997 to Rs.2,421 crore during the quarter ended September 1997. The cut-off repo rate ranged 2.40-5.00 per cent during the first half of 1997-98.

Discount and Finance House of India Ltd. (DFHI)

The cumulative turnover of DFHI in the call/notice money market declined from Rs.5,53,995 crore in 1995-96 to Rs.4,27,958 crore in 1996-97 (Table VI-1). The DFHI's daily average lending declined from Rs.1,500 crore in 1995-96 to Rs.1,156 crore in 1996-97. The turnover in Central Government dated securities declined significantly from Rs.60,077 crore in 1995-96 to Rs.16,660 crore in 1996-97. There was no turnover in CDs and CPs during 1996-97. During 1997-98 (up to September 1997), DFHI's cumulative turnover in the call/notice money market and Treasury bills was lower as compared with the turnover in the corresponding period of the previous year.

Certificates of Deposit (CDs)

The activity in the primary market of CDs was sluggish during 1996-97 mainly due to comfortable liquidity position on account of reduction in CRR and strong growth in deposits with banks vis-a-vis the level of credit and investment. With the softening of the call money rates, the banks' recourse to relatively high-cost CDs declined during 1996-97. The outstanding amount of CDs issued by scheduled commercial banks, which had touched a peak of Rs.21,503 crore as on June 7, 1996, declined steadily to Rs.10,507 crore as on January 17, 1997, but increased to Rs.12,134 crore as on March 28, 1997 (Statement 76, Vol. II). The net issue of CDs by scheduled commercial banks during the year was negative (-Rs.4,182 crore) as against an increase of Rs.8,299 crore in 1995-96. The typical discount rates which ranged 11.00 – 21.00 per cent during the first quarter of 1996-97, also softened to 7.00 - 15.50 per cent towards the end of March 1997. As the deposit growth continued to remain strong during 1997-98, the outstanding amount of CDs declined further to Rs. 7,871 crore as on September 12, 1997 and the rate of discount on CDs for the fortnight ended September 12, 1997 was also lower at 7.3-12.5 per cent. The activity in the secondary market was negligible due to easy liquidity conditions.

The outstanding amount of CDs issued by FIs rose initially from Rs.4,411 crore (78.3 per cent of limits) at end-March 1996 to a peak level of Rs.5,013 crore (89.0 per cent of limits) by end-July 1996 before declining gradually to Rs.4,299 crore (76.3 per cent of limits) by end-March 1997. The discount rates on CDs issued by the financial institutions also declined from 16.5-19.0 per cent in March 1996 to 15.00-17.25 per cent in September 1996 and moved in the range of 13.00-18.03 per cent in March 1997.

Commercial Paper (CPs)

Easy liquidity conditions gave a fillip to the issue of commercial paper (CP) during 1996-97; the outstanding amount of CPs rose from a meagre amount of Rs.76.25 crore in March 1996 to Rs.646 crore as at the end of March 1997 (Statement 77,

Vol.II). The typical effective discount rates on CP issues, which had ranged 18.1-20.3 per cent during April 1996, declined steadily to 11.5-13.5 per cent till November 1996 and stabilised thereafter. During March 1997, the rates ruled even lower in the range of 11.25-12.25 per cent as compared with 19.10-20.15 per cent during March 1996. As easy liquidity conditions continued, the outstanding amount of CPs increased by more than fourfold during the first half of 1997-98 to Rs.3,412.5 crore as on September 30, 1997 with the typical effective rate of discount falling further to 8.5-10.0 per cent. The attractiveness of CPs can be gauged from the fact that the prime lending rate of commercial banks declined modestly to 13.5 per cent in September 1997 from 14.5-15.0 per cent in March 1997 and consequently, non-food credit of scheduled commercial banks declined by Rs.1,362 crore, whereas CPs increased by Rs.2,766 crore during the first half of 1997-98.

Term Money Borrowing by Financial Institutions

The outstanding amount of term money borrowing of the financial institutions exhibited a sharp increase from Rs.184 crore during the fortnight ended March 29, 1996 to an all time high of Rs.1,000 crore during the fortnight ended September 13, 1996, before declining gradually to Rs.645 crore during the fortnight ended March 28, 1997. The interest rate on term money borrowings came down from 14.75-18.50 per cent during March 1996 to 12.35-12.70 per cent during March 1997. The outstanding amount of term deposits mobilised by the financial institutions, on the other hand, declined gradually from Rs.571 crore (29.3 per cent of limits) in March 1996 to Rs.406 crore (20.8 per cent of limits) in March 1997.

Bills Rediscounting Market

The outstanding amount of commercial bills rediscounted by scheduled commercial banks with various financial institutions stood higher at Rs.1,029 crore in March 1997 as compared with Rs.374 crore in March 1996. However, it declined to Rs. 520 crore (provisional) as on August 31, 1997.

Money Market Mutual Funds

During 1996-97, the scheme of Money Market Mutual Funds (MMMFs) was made more flexible by bringing it on par with all other mutual funds by allowing investment by corporates and others. The scheme was subsequently made more attractive to investors by reducing the minimum lock-in period from 46 days to 30 days with effect from July 1, 1996. In 1997-98, the scheme was further liberalised. The MMMFs were permitted to invest in rated corporate bonds and debentures with a residual maturity of upto one year with effect from October 21, 1997; resources mobilised by MMMFs were hitherto required to be invested exclusively in call/notice money, CDs, CPs, commercial bills arising out of genuine trade/commercial transactions and Treasury bills and Government dated securities having an unexpired maturity upto one year. However, the prudential measure that the exposure of MMMFs to CPs issued by an individual company should not exceed 3 per cent of the resources of the MMMF would continue, though the ceiling of 3 per cent will henceforth include bonds and debentures.

Capital Market

The Indian capital market is presently undergoing a process of structural transformation. Almost all the stock exchanges in the country have introduced computerised on-line trading system. They have also set up clearing houses/corporations. The major stock exchanges are in the process of extending their trading terminals to outside centres. Most of the regional stock exchanges are endeavouring to have centralised trading by forming the Federation of Indian Stock Exchanges. The National Securities Depository Ltd., promoted by the IDBI, UTI and NSE, has commenced operations since November 1996 and many other organisations are in the process of setting up depositories. These developments have significantly restructured the functioning of the Indian stock market thereby upgrading it to international standards. Having vested with most of the powers for regulating the securities market, the Securities and Exchange Board of India (SEBI) has been initiating measures in fulfillment of the twin objectives of investor protection and market

development set forth in the SEBI Act, 1992.

During 1996-97, both the primary and secondary segments of the Indian capital market remained subdued. New capital issues by the Government and non-Government companies (including banks and financial institutions in the public sector) during 1996-97 at Rs.18,854 crore registered a decline of 17.8 per cent over the year. Corporates and financial institutions, however, were reportedly accessing the private placement market on a big scale. The yearly average of RBI Index of Ordinary Share Prices at 1146.8 recorded a decline of 3.6 per cent over the previous year. However, the turnover of 22 stock exchanges during 1996-97 at Rs.6,46,116 crore indicated a phenomenal growth of 184.2 per cent over the previous year. While the aggregate sanctions by the all financial institutions (net of inter-institutional flows) during 1996-97 at Rs.57,000 crore registered a decline of 14.2 per cent over the preceding year, the disbursements at Rs.42,322 crore recorded a rise of 10.2 per cent.

Policy Initiatives and Developments

In the overall subdued conditions in the capital market, several policy initiatives were taken by the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and Government of India during 1996-97 and also in the current financial year up to September 1997, geared towards building up of investors' confidence and the development of an efficient and transparent market system.

The following guidelines were issued by the SEBI during the period under review:¹ On August 9, 1996, SEBI notified all stock exchanges to introduce weekly settlements and auctions were to be conducted by stock exchanges within eight days of the settlement in case members fail to deliver shares. Besides, the renewal of contracts in cash groups from one settlement to another should not be permitted.

On October 29, 1996, in order to boost activity in the primary as well as in the secondary

1. For earlier policy developments during 1996-97, refer to the Report on Currency and Finance, 1995-96.

segments of the capital market, SEBI decided to (i) allow stock exchanges to expand their On-Line Screen Based Trading Terminals to locations outside their jurisdiction subject to certain conditions; (ii) allow listing of debt instrument in a stock exchange even if equity was not listed earlier; and (iii) reduce the minimum application size for subscribing to a public issue to Rs.2,000 from Rs.5,000 to encourage small investors.

For widening the scope of the investment by the Foreign Institutional Investors (FIIs) in Indian securities market, SEBI, on November 9, 1996, approved the necessary changes in the SEBI (Foreign Institutional Investors) Regulations, 1995, easing the restrictions on investments by FIIs in debt securities. Consequently, effective January 15, 1997, the FIIs were allowed to invest up to 100 per cent of the funds in debt instruments of Indian companies through 100 per cent dedicated debt funds. Such investment may be in listed or to be listed corporate debt securities or in dated government securities, and will be treated as part of the overall limit on external commercial borrowings.

On December 4, 1996, SEBI notified regulations relating to venture capital funds. The regulations stipulate, *inter alia*, the criteria for the establishment of venture capital funds, investment stipulations and restrictions, general delegations and responsibilities of venture capital funds and rights of SEBI relating to inspection and audit.

For extending the network of stock exchanges, on December 10, 1996, SEBI decided that recognition to new stock exchanges, if considered necessary in public interest and that of trade, could be allowed subject to satisfying certain conditions like trading only on 'On-Line Screen Based Trading', establishment of clearing house within 6 months from the date of recognition, etc.

SEBI issued guidelines for securities lending scheme, on February 7, 1997, in terms of which the intermediaries related to securities lending need to be registered with the regulator. The guidelines also prescribed the modality of securities lending and stipulated obligations and responsibilities of the approved intermediaries.

The scheme would facilitate the timely delivery of securities and would provide an avenue for investors to earn additional return by lending the securities.

On February 20, 1997, the revised guidelines relating to acquisition of shares and takeovers were announced covering, *inter alia*, definitions of 'acquirer', 'control', 'person acting in concert', 'promoter' and 'target company' and laying down the norms for transparent system of takeovers.

SEBI, on March 19, 1997, decided that all 'negotiated deals' on the stock exchanges would compulsorily result in delivery of securities, effective June 1, 1997, which would eliminate some of the possible malpractices.

On March 26, 1997, the SEBI Board took a number of decisions with regard to the primary market. In case of non-underwritten public issues, promoters could bring in their own money or procure subscription from elsewhere within 60 days of the closure of the issue subject to such disclosures in the offer document. Besides, the SEBI lifted the provision of lock-in-period for promoters' contribution in case of listed companies with 3 years track record of dividend.

In its clarification XIX to the 'Guidelines for Disclosure and Investor Protection' on May 14, 1997, SEBI announced that the 'observation letter' issued by SEBI would be valid for a period of 365 days instead of three months.

On June 17, 1997, SEBI advised all the stock exchanges to set up clearing houses/clearing corporations or Settlement Guarantee Funds. The establishment of clearing houses/corporations or settlement guarantee funds would help streamline the clearing system and would generate confidence among investors dealing on the exchange and would enhance the overall safety of the market.

On August 12, 1997, SEBI approved the Compendium of Disclosure and Investor Protection Guidelines, thus deleting the provisions which are no longer applicable and rationalising overlapping provisions. A number of explanations and

definitions were also added by SEBI to impart clarity to the existing provisions. With the amendments to the disclosure norms, the entry barrier for unlisted companies into the capital market has been changed to stipulate a dividend payment in the immediately preceding three years instead of at least three of the preceding five years. Further, the promoters' contribution for public issues has been made a uniform 20 per cent irrespective of the issue size.

With regard to the operations of the mutual funds (MFs), SEBI, on December 9, 1996, amended mutual funds regulations covering registration of mutual funds, constitution and management of mutual funds and operation of trustees, constitution and management of asset management companies (AMCs) and custodian schemes of MFs, etc. On January 30, 1997, SEBI allowed MFs to mention an indicative return for schemes for fixed income securities with certain disclosures to draw investors' attention.

During the period under review, the Reserve Bank took the following policy initiatives for extending the depth of Indian capital market. On September 18, 1996, on the basis of the recommendation made by an informal group (Chairman : Shri B.K. Pal), it was decided to revise the valuation methodology for disinvestment of unlisted/thinly traded shares by foreign investors. The Reserve Bank would approve the proposals for disinvestment of such shares on the basis of the revised methodologies approved by the Government of India. On October 19, 1996, the Reserve Bank allowed banks to purchase shares and debentures in the secondary market within the existing ceiling of 5 per cent of incremental deposits. On April 15, 1997, commercial banks were further allowed to invest up to 5 per cent of their incremental deposits in the previous year in ordinary shares of corporates including PSUs. Banks were also allowed to extend loans to corporates against shares held by them to enable such corporates to meet promoters' contribution to the equity of the new companies in anticipation of raising resources, which would be covered under the 5 per cent investment ceiling.

The Government of India, in order to further the capital market reform, initiated the following policy measures during the review period. For facilitating more participants in the depository system, the Government of India amended the Depositories Act, 1996 on January 15, 1997 and issued 'The Depositories Related Laws (Amendment) Ordinance, 1997'. Certain other statutes were also amended to further facilitate the dematerialisation and book entry transfer of securities in the depository, especially securities of large financial institutions and public sector banks. On February 28, 1997, the following measures were proposed in the Union Budget 1997-98 relating to capital market activities: (i) raising the aggregate investment limit of FIIs, NRIs and NRI-OCBs to 30 per cent of their issued and paid-up capital (effected on April 4, 1997) from the existing 24 per cent; (ii) allowing the venture capital funds to invest 20 per cent (5 per cent earlier) of their corpus in the equity of a single company; (iii) one time permission given to stock brokers to corporatise their business without attracting tax on capital gains; (iv) amendment to Companies Act to provide for nomination facilities for holders of securities; and (v) abolition of tax on dividends in the hands of the shareholders.

In addition to the above policy measures, the Verma Committee on Modified Carry-Forward System submitted its Report, recommending the abolition of twin-track trading system. Further, the Committee, set up by SEBI under the chairmanship of Shri L.C. Gupta to study introduction of derivatives trading (futures and options), submitted Part I of its Report recommending introduction of index-based futures trading.

Disinvestment by Public Sector Enterprises

During 1996-97, resource mobilisation by the Government through disinvestment of shares of Public Sector Units (PSUs) was a meagre Rs.500 crore as against the target of Rs.5,000 crore (Table VI-A). For 1997-98, a target for Rs.4,800 crore has been fixed which is subsequently raised to Rs.7,000 crore. The Disinvestment Commission, headed by Shri G.V. Ramakrishnan to design the long-term disinvestment programme of PSUs, has brought out four reports so far (Box VI-1).

Box VI-1**DISINVESTMENT STRATEGY IN PUBLIC SECTOR UNDERTAKINGS IN INDIA**

Disinvestment in state-owned enterprises has been adopted by both developed and developing countries during the last two decades as part of market oriented reform. The process of disinvestment in equity was initiated by the Government of India (GOI) during 1991-92 as part of a package of Public Sector Undertaking (PSU) reform. For framing proper strategies of disinvestment of shares of PSUs, a Committee under the Chairmanship of Dr. C. Rangarajan was appointed in 1993 by the Government of India. Further, Government of India constituted a five member Public Sector Disinvestment Commission in August 1994 under the chairmanship of Shri G.V.Ramakrishna for drawing a long-term disinvestment programme for the PSUs referred to the Commission. The commission has wide ranging terms of reference and will determine the extent of disinvestment in each PSU, the modalities of disinvestment and the order in which the process will be undertaken. The long-term strategy of the Disinvestment Commission has four objectives : (i) strengthen PSUs, where appropriate, in order to facilitate disinvestment, (ii) protect employees' interest, (iii) broad base ownership, and (iv) augment receipts for the government.

As a broad approach, the Commission is in favour of prior restructuring of the PSUs before disinvestment, based on global experiences that restructuring before disinvestment enhances share value and maximises share proceeds. The three broad areas of restructuring in Indian context would be corporate governance, financial restructuring, business and technological restructuring. Where restructuring involves administrative action without significant outlays and enhances share value, it could precede disinvestment. However, in cases that require considerable restructuring, a cost-benefit analysis may have to precede the actual exercise. When restructuring requires considerable effort, or laced with uncertainties, it would be prudent to disinvest on an as-is-where-is basis. An appropriate code of corporate governance would ensure that the enterprise would be run in the interest of its shareholders including minority shareholders, and would provide an optimal balance between autonomy and accountability. Financial restructuring is required not only for loss making PSUs but may be needed for other PSUs where the capital structure may be skewed in favour of either debt or equity. So far as business and technological restructuring is concerned, it may be necessary to determine core competencies of each PSU and decide on the relative importance of each

business. Business restructuring may involve hiving off business which are no longer attractive from the point of returns or are a drag on other profitable operations. Technological restructuring may be required either to sustain or improve the competitive position of technology driven PSUs.

The Commission is in favour of adopting a case by case approach in terms of unit specific disinvestment strategy after taking into account various aspects of the units, e.g., industry category, competitive position and profitability. Accordingly, the Commission broadly classified the PSUs into two categories for disinvestment, viz., the core group and the non-core group. The PSUs in the core group are defined as having a considerable market presence. In these PSUs, as the private sector is yet to mature fully, the public sector disinvestment would be limited to a maximum of 49 per cent for the time being. The non-core group industries are defined as the units where private sector players have already made huge investments. With the aim of enhancing the intrinsic value of PSU shares, the Disinvestment Commission recommended that the core as well as non-core PSUs should be restructured prior to disinvestment.

The Commission had made recommendations for a graded delegation of autonomy for three categories of PSUs, namely, general autonomy to all PSUs, additional autonomy to 'moderate performers' and full autonomy to 'strong performers'. The Commission in its first report, had made the following recommendations regarding the policy decisions to be delegated to the Board for greater autonomy of all the PSUs.

1. Professionalising the Board through outside recruitment.
2. Provisions of elected Directors to represent minority shareholders.
3. Selection of top management without having to go to the Appointment Committee of the Cabinet.
4. Rationalising salaries and incentives for top management for attracting talent.
5. Autonomy in price fixation of products and services.
6. Accountability through performance assessment at regular intervals.
7. Setting up of pre-Investigation Board for evaluating projects in terms of commercial viability.
8. Strengthening the investor interface by transparent

system of information disclosure.

While the above recommended areas of autonomy would apply to all the PSUs, the Boards of 'moderate performers' among the PSUs would have additional power to transfer assets to a subsidiary without prior approval of the Government and would also have freedom of investment decisions subject to certain conditions. The investment limits for these PSUs could be fixed on the basis of the company's turnover and requirement of funds in the medium term. Further, the 'strong performers' among PSUs have been recommended by the Commission to have power to form joint ventures without prior approval of the Government and have full freedom with regard to investments subject only to the condition that these projects are appraised and financed by banks or institutional lenders or where the total requirements of funds are met from internal accruals.

For granting autonomy, nine well-performing PSUs under the core category have been identified by the Government. These PSUs, popularly known as 'navratnas', are BHEL, BPCL, HPCL, IPCL, IOC, NTPC, ONGC, SAIL and VSNL. The Union Cabinet has approved the autonomy package for these nine high performing PSUs, accounting for nearly 75 per cent of the profits of the entire PSUs, giving them total freedom to incur capital expenditure, raise resources and enter technology contracts. The Government also announced a package of financial and operational autonomy for 97 profit making public sector enterprises (called 'mini-ratnas') other than the 'navratnas'. However, the degree of financial freedom to these PSUs will be less than granted to the 'navratnas'.

For ensuring smooth implementation, the Commission has recommended the formation of a Standing Empowered Group (SEG), comprising the Cabinet Secretary, Secretaries of Ministry of Finance, Department of Public Enterprises, Administrative Ministry of the PSU alongwith the CEO of the concerned PSU. The group is intended to provide continuity to process of disinvestment in various PSUs. However, the Disinvestment Commission has only advisory powers and the final decisions on the companies to be disinvested and the mode of disinvestment rests with the Government. The Disinvestment Commission has also evolved guidelines for modality of sale including retailing PSU shares to small investors and employees and selection of intermediaries that would lead to transparent and competitive procedures for disinvestment. The Commission has also made specific recommendations for disinvestment in respect of a number of PSUs in its various Reports. Thus, the Disinvestment Commission has set the ground rules and the basic parameters for disinvestment. We can learn from experience and modify the modalities as we go along.

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Table VI-A : Disinvestment by Public Sector Enterprises

(Rupees crore)

Year	Target	Actual
1991-92	2,500	3,038.00
1992-93	2,500	1,912.51
1993-94	3,500	-
1994-95	4,000	4,843.00
1995-96	7,000	168.48
1996-97	5,000	500.00

Sources : 1. Annual Report, 1996-97, Ministry of Industry, Government of India.
2. Union Budget, 1997-98.

Euro – Issues through Foreign Currency Convertible Bonds (FCCBs) and Global Depository Receipts (GDRs)

During 1996-97, Indian corporates could mobilise larger amounts from the Euro-market through FCCBs and GDRs. With the continued sluggish conditions in the domestic stock market, the year under review witnessed corporates stepping up their efforts to raise the resources from international markets. Thus, 16 issues were floated during 1996-97 for an amount aggregating Rs.5,594 crore as compared with only 4 issues for Rs.1,297 crore in the preceding year. According to the available data for the period April to September 1997, 3 issues amounting Rs.2,228

crore were floated in the Euro-market.

Foreign Institutional Investors (FIIs)

The investment by the FIIs in the Indian capital market has steadily gone up over the years. The number of FIIs registered with SEBI increased from 367 at end-March 1996 to 439 at end-March 1997 and further to 471 at end-September 1997. The net aggregate investment by the FIIs during the year 1996-97 at Rs.7,779 crore was 13.4 per cent higher than the previous year's net investment of Rs.6,861 crore. According to SEBI, the net investments by FIIs amounted to Rs.4,685 crore during the first half of 1997-98. The cumulative net investments by FIIs at end-September 1997 stood at Rs.29,551 crore.

Primary Market

Clearance of Offer Documents by the SEBI

Clearance to Non-Government Companies

During 1996-97, the vetting of prospectuses of private sector companies for raising capital in the form of equities and debentures/bonds at Rs.12,916 crore (through 805 issues) showed a significant decline of 38.8 per cent over the previous year (Statement No.126, Vol.II). In respect of equity shares, clearance (including premium issues but excluding bonus issues) amounted to Rs.6,552 crore (through 765 issues) registering a perceptible decline of 57.8 per cent over the previous year. During the year, clearance for debentures/bonds by SEBI at Rs.6,364 crore, witnessed an increase of 14.4 per cent.

Clearance to Government Companies

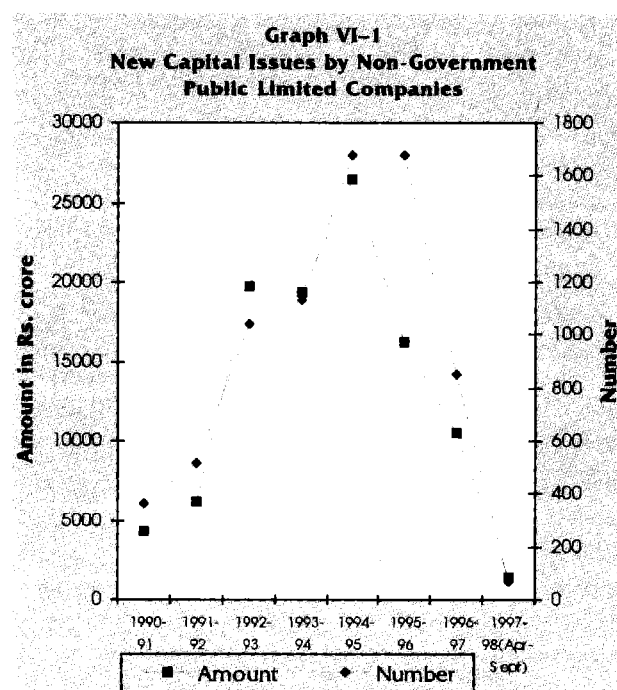
The clearance given by SEBI to Government companies for issuing capital (by way of shares and debentures/bonds) amounted to Rs.5,457 crore during 1996-97 indicating an increase of 46.5 per cent over the year.

New Issues Market

With the overall investment climate remaining subdued, the market for new capital issues failed

to revive during 1996-97. The floatation of fresh capital issues by Government, non-Government companies and banks and financial institutions (in the public sector) at Rs.18,854 crore in 1996-97 was substantially lower by 17.8 per cent over the amounts issued during the previous year (Table VI-B and Graph VI-1). In terms of sectoral break-up, while there was a substantial decline in the new capital issues by the private sector, the capital issues floated by government companies, banks and financial institutions registered a sharp increase. However, the corporates are reported to have raised large amount of resources through private placements (Box VI-2).

During 1996-97, the private sector companies charged even lower premium for their equity as compared to those in 1995-96. The share of premium in the total equity value fell to 23.8 per cent during 1996-97 from 41.0 per cent during 1995-96. The proportion of equity issues in the aggregate capital issues by the non-Government companies at 58.8 per cent during 1996-97 was also lower as compared with 74.5 per cent in the previous year. Thus, an increase in debenture issues, especially of the non-convertible nature, was observed. The share of prospectus issues in the total capital issues increased to 74.5 per cent in 1996-97 as compared with 64.4 per cent in 1995-96.



Box VI-2**PRIVATE PLACEMENT MARKET**

In the primary capital market corporates can raise resources through public issues and rights issues and 'private placement'. While public issues involve allotting securities to the general public, rights issues entail allotment of securities to the shareholders. Private placement, in contrast, refers to direct sale of newly issued securities by the issuer to a small number of investors. Private placement of issues is arranged through merchant bankers, with the issuer entering into an arrangement regarding the various features of the issue being privately placed with the selected clients, which are financial institutions, corporates and high net-worth individuals. The time taken as well as the cost of issue for the private placement route is much less for the issuer as compared with a public issue. Thus, the private placement is a cost and time effective way of raising funds for the corporates. The privately placed issues offer greater flexibility to the issuers as the instruments can be structured according to the needs of the entrepreneurs. Moreover, private placement does not require detailed compliance of formalities as required in public or rights issues.

Due to the inherent advantages of the private placement route, this market is quite popular in some of the developed economies, especially the US. The private placement market in the US, where predominantly debt instruments are privately placed, has been providing access to domestic as well as international issuers for a very long time. The foreign issuers are mostly from Canada, UK, France, Sweden, other European countries and Mexico. Of late, developing countries like Korea, Indonesia, Philippines, Malaysia, Thailand and India have been accessing the private placement market in the US. The private placement market is also a significant source of funding for corporates in the US, in particular the medium sized companies. During 1994-96, gross issuance of private placements of bonds by non-financial corporations was almost 40 per cent of the public issuance. At end-December, 1996, the non-financial corporate sector had about \$ 450 billion of private placements outstanding, roughly 70 per cent of the amount of bank loans (\$ 640 bn) and almost 50 per cent of the amount of public bonds (\$ 950 bn) outstanding. The life insurance companies of the US are the most active investors in this market. Section 4(2) of Securities Act of 1933 exempts from registration with Securities Exchange Commission (SEC) "transactions by an issuer not involving any public offering" but does not provide definite rules as to what constitutes a private placement. In early 1982, however, the SEC adopted Regulation D (Rules 501-506), which does provide specific guidelines. The

type of information that must be furnished under Regulation D varies, depending on the size of the offering and the nature of the issuer. The private placement memorandum can be compared with an initial registration statement filed for a public offering. The major difference is that the private placement memorandum is not subject to the SEC review process and does not require disclosure of certain non-material information that is otherwise required in a prospectus. The merchant banker should have adequate due diligence before a private placement offering, on the issuer of securities, and its financial statements as is the case with public offering. SEC introduced Rule 144 in 1972, which allows resale of privately placed instruments after a two-year lock-in period. SEC further introduced Rule 144A in April 1990, which permitted Qualified Institutional Investors (those with assets in excess of \$ 100 million) to trade in privately placed securities without a two-year holding restriction. By removing the two-year requirement, Rule 144A added liquidity to the private placement market thereby increasing the attractiveness of these securities. In November 1992, SEC modified Rule 144A to allow bank trust funds and master trusts for pension funds to buy unregistered bonds and stocks. In comparison with the US market, the private placement market in the UK is not well established, as the sale of bonds under private placement involves small amounts and the deals are entered into directly with the purchaser. In addition, debt issues in private placement market of the UK are not listed. In Japan too, the private placement market does not form a significant part of the primary market and is accessed mostly by the issuers from Third World countries and private companies of Japan which do not have enough credibility to float public issues. The private placement market in Japan is regulated by guidelines prescribed by the Trustee Banks Committee, 1977, which prescribes the minimum issue amount, the number of times an issuer can enter the market and norms with regard to dividend and certain accounting ratios. In addition to this, in accordance with the directives of the Ministry of Finance, the number of participants in the private placement is restricted to 50 persons per issue and the purchasers of private placements are required to hold the securities for a minimum lock-in period of two years. In Germany, the private placement of securities is made in the form of certificates of indebtedness, which are transferable instruments and are traded on OTC market with bankers making market for it. The private placement of securities in Germany requires the concurrence of the Ministry of Finance.

During the last few years, in view of the prolonged subdued conditions in the new issues market, the resource raising by both private and public sector companies through the private placement of equity as well as debt issues has gained immense importance. During 1996-97, the private placements increased by 12.8 per cent to Rs.15,066 crore, accounting for nearly half of total resources mobilised by the government and non-government companies. The public sector has garnered huge resources from the private placement market, its share in total private placements rising from an already high level of 69.5 per cent in 1995-96 to 83.4 per cent in 1996-97. In terms of instrument, debt instruments, mainly bonds/debentures of different maturities, have been the most preferred investment. Debt accounted for 98.9 per cent of total private placements during 1996-97 as compared with 88.0 per cent during 1995-96. The private placement market has witnessed introduction of several innovative instruments such as step-down/step-up debentures, liquid income debentures, subordinated bonds, etc.

The private placement market is subject to some regulations rather than the other developed markets as discussed above. In sharp contrast to this, the private placements in India are not bound by any regulatory system. Information relating to various details of private placement is contained in "Memorandum of Information" and deals are struck through negotiations between the ultimate borrowers and lenders. In the case of equity issues, companies are free to fix the quantum of private placement and only follow the rule of pricing for preferential allotment as stipulated by SEBI. Such private placements have no lock-in-period excepting those in favour of promoters. There is no compliance system for

merchant bankers in private placement as in the case of public issues. In view of this, the private placement has become a favoured route for corporates and financial institutions in India for mobilising resources during the last few years. However, private placements are information-intensive securities that require substantial monitoring by the intermediaries and the lenders in order to ascertain their value. With limit on banks' investment on debt removed, one can expect the private placement market to be very active in future. Given the informal nature of this market, the need for regulatory norms and standards is imperative for the healthy development of the private placement market. The regulatory aspects should cover disclosure requirements in the memorandum of information, protection of investors' interests, transparency in the event of retailing private placement issues, etc. Policy intervention is also desirable for the growth of secondary market for privately placed issues.

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Table VI-B : Mobilisation of Resources from the Primary Market

Institution	(Rupees crore)				
	April-March			April-September	
	1994-95	1995-96	1996-97	1996-97	1997-98
1	2	3	4	5	6
Private Sector Companies	26,416.7	16,172.3	10,457.5	7,204.1	1,689.3
Government Sector Companies (Including PSU Bonds)	3,958.5	3,291.2	4,044.3	1,842.4	42.9
Banks and Financial Institutions	425.3	3,465.4	4,352.0	1,200.0	-
Total	30,800.5	22,928.9	18,853.8	10,246.5	1,732.2

The average size of new issues in 1996-97 was higher at Rs.12.3 crore as compared to that of 9.6 crore in 1995-96 (Statements 127 and 128, Vol. II). There were 13 mega issues (each Rs.100 crore and above) amounting to Rs.4,869 crore during the year as against 19 such issues for Rs.4,038 crore in the preceding year. New capital issues with hybrid instruments were floated for an amount of Rs.3,525 crore during the year, which was 20.3 per cent lower than the previous year.

Public Sector Bonds

According to available data, during 1996-97, ten public sector undertakings (PSUs) floated bonds aggregating Rs.3,394 crore (Statement 129, Vol. II). This shows an increase of 48.1 per cent over the preceding year. Of these, tax-free bonds carrying 10.5 per cent interest rate accounted for Rs.67 crore and the rest were taxable bonds with interest rates in the band of 13.75 to 17.75 per cent. Privately placed bonds amounted to Rs.3,344 crore and only Rs.50 crore was issued to the public.

Mutual Funds

During the year 1996-97, the performance of the mutual fund industry continued to be subdued for the second year in a row. Seven new private mutual funds (MFs) were set up during the year, taking the total number of mutual funds (including UTI) to 32. During 1996-97, the total funds mobilised by various MFs aggregated a negative amount of Rs.2,310 crore on account of heavy repurchases in respect of UTI. Mutual funds in the private sector and subsidiaries of banks and financial institutions raised an amount of Rs.558 crore (Rs.182 crore in 1995-96) and Rs.174 crore (Rs.348 crore in 1995-96), respectively (Statement 97, Vol. II). In April 1997, UTI launched its first Money Market Mutual Fund scheme.

Secondary Market

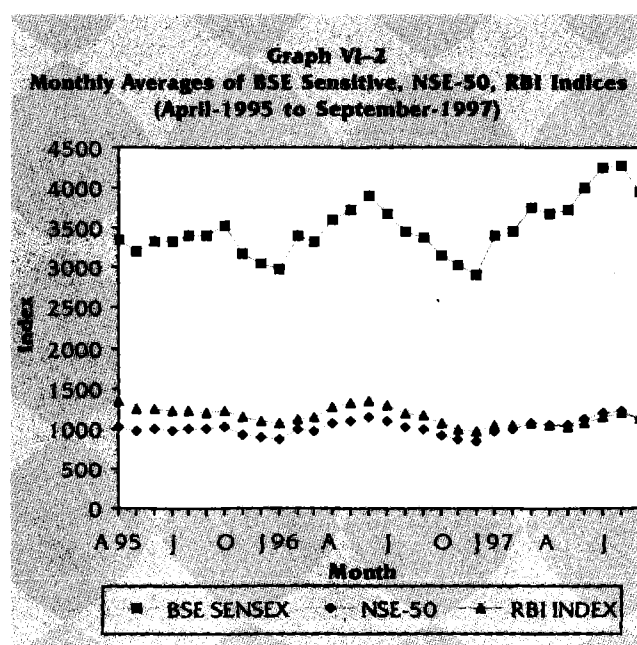
Industrial Security Market

During the financial year 1996-97, the equity prices in the secondary market displayed divergent trends as compared with the prolonged bearish phase observed during the previous year. The year

1996-97 opened with a relatively buoyant note, though volatile, as FIIs provided the necessary investment support and investors anticipated a favourable budget in July 1996. However, from July onwards, the bearish tendencies took charge again on account of high interest rates, introduction of minimum alternate tax (MAT) and lower net investments by FIIs. The stock markets started recovering only in January 1997 in the hope of a favourable Union Budget for 1997-98. The improvement in the investment climate led to a surge in investments by FIIs since the last quarter of the financial year 1996-97.

The yearly average of RBI All-India (weekly) Index Number of Ordinary Share Prices (Base: 1980-81=100) for 1996-97 at 1146.8 recorded a decline of 3.6 per cent, which was much smaller than the decline of 22.6 per cent in 1995-96. On a point-to-point basis, the index showed a decline by 6.2 per cent as compared to decline of 18.3 per cent during 1995-96 (Statement 133, Vol. II). The average gross yield of scrips covered in the RBI Index moved to 4.19 per cent (per annum) from 3.05 per cent in 1995-96 (Graph VI-2 and Table VI-2).

During the first half of the financial year 1997-98 (April-September), the equity prices in the stock market moved in narrow ranges. The RBI Index in April 1997 was at 1034.1. It marginally



declined to 1024.8 in May 1997 before rising to 1189.8 in August 1997. The RBI Index declined to 1115.5 in September 1997, due to the contagion effect of turmoil in major currency and stock markets of South-East Asian countries.

Industry-wise Trends

The analysis of industry wise movement in scrips as reflected in the RBI All-India Index Numbers of Ordinary Share Prices indicated that almost all the other major industry groups recorded phenomenal losses during 1996-97. Paper and Paper product group industry registered a steep decline of 53.1 per cent at the end of March 1997, followed by Silk Woollen and Rayon Textiles (51.2 per cent), Man-made Fibres (43.6 per cent), Cement (34.7 per cent) and Shipping (34.0 per cent) etc. All other industry groups registered losses less than 25.0 per cent. Aluminium, however, registered a gain of 13.2 per cent (Statement 134, Vol. II).

Operations of the Mumbai Stock Exchange

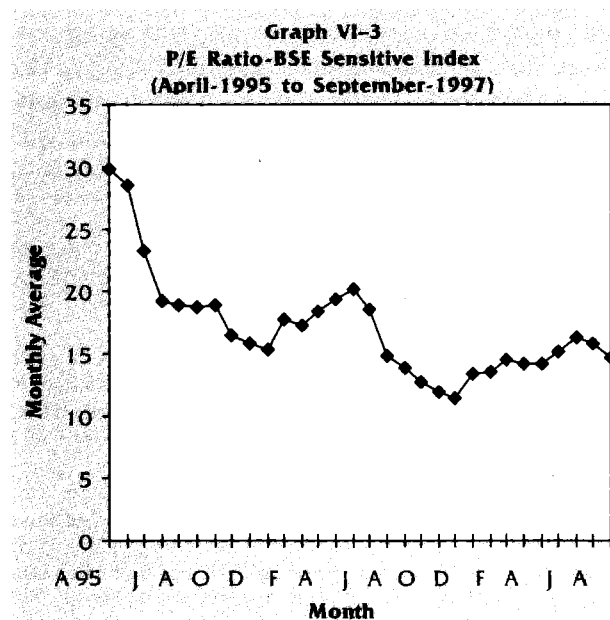
The 30-scrip BSE Sensitive Index (SENSEX) (Base: 1978-79 = 100) registered a marginal rise of 5.5 per cent during 1996-97 on an average basis as against a decline of 17.3 per cent in the preceding year. The SENSEX went up during the first quarter of 1996-97, and declined

subsequently to pick up again towards the end of the financial year (Statement 139, Vol. II). The average P/E Ratio of 30 scrips BSE Index declined further to a low of 15.3 during 1996-97 as compared to 19.9 for 1995-96 (Graph VI-3). The turnover of scrips (A, B1 and B2 groups put together) on the Stock Exchange, Mumbai during 1996-97 at Rs.1,24,284 crore registered a phenomenal growth of 148.3 per cent over the preceding year on account of massive rise in turnover of the specified groups of shares. The market capitalisation of BSE, as a percentage of gross domestic product, declined sharply to 40.0 per cent at end-March 1997 from the level of 51.3 per cent at end-March 1996.

SEBI allowed BSE to extend its trading terminals to outside centres on October 29, 1996 and BSE opened outside trading terminals in September 1997. The trade guarantee fund (TGF) of the BSE, having an initial corpus of Rs.172.5 crore become operational from May 12, 1997. The fund guarantees the settlement of BSE members' bonafide transactions and ensures timely completion of contract settlements.

National Stock Exchange (NSE)

The NSE, since the commencement of its operations in Wholesale Debt Market (WDM) segment on June 30, 1994 and in Capital Market (CM) segment on November 3, 1994, has expanded its trade operations to more than 100 cities in India and has come to acquire the status of a premier stock exchange in the country. The trading activity on the WDM segment, which covers a variety of debt instruments has gradually gone up. This segment is currently trading across a wide range of securities and 650 securities are available for trading on WDM having capitalisation of more than Rs.3,20,000 crore. Further, during the year, several new categories of securities were made available for trading on WDM. These included subordinated debt bonds issued by banks, Unit-64, promissory notes issued by corporates and cumulative bonds issued by Public Sector Units. The turnover on WDM segment in financial year 1996-97 at Rs.42,277 crore was three and a half times of the turnover of Rs.11,867 crore during 1995-96. The average daily volume during 1996-



97 increased substantially to Rs.145 crore as compared to Rs.41 crore in 1995-96.

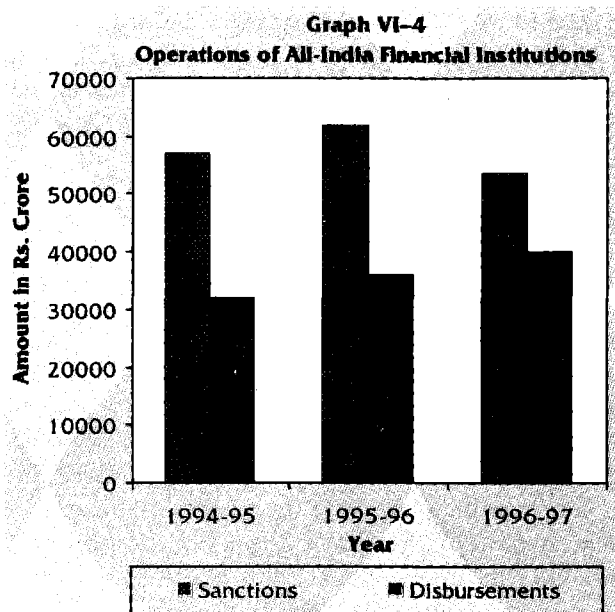
In the capital market segment of NSE, which covers trading in equities, convertible debentures etc., the total turnover more than trebled to Rs.2,94,504 crore in 1996-97 from Rs.67,287 crore during 1995-96 (Table VI-3). NSE's turnover in this segment accounted for 45.6 per cent of the total turnover of all exchanges followed by BSE (19.2 per cent), CSE (16.4 per cent) and DSE (7.5 per cent). As at the end of March 1997, 550 scrips were listed on NSE with a market capitalisation of Rs.2,52,894 crore (422 scrips with a market capitalisation of Rs.2,17,721 crore listed a year ago). Further, 932 scrips were permitted for trading as on end-March 1997 with a market capitalisation of Rs.1,66,473 crore as compared with 846 scrips with a market capitalisation of Rs.1,83,737 crore as at end-March 1996.

During 1996-97, the NSE-50 Index (Base: November 3, 1995 = 1000) showed a marginal rise as the average index rose by 4.8 per cent to 1009.3 as compared with the decline of 20.0 per cent in the previous year. The index in September 1997, reached 1126.9 indicating a rise of 5.1 per cent over March 1997.

The clearing and settlement operations of the Exchange are managed by its wholly owned subsidiary – the National Securities Clearing Corporation Limited (NSCCL), the first clearing corporation in the country which began operations in April 1996. In order to guarantee settlement, NSCCL has set up a Settlement Guarantee Fund, which commenced settlement guarantees from June 1996. For the purpose of Settlement Guarantee Fund, an initial corpus of Rs.300 crore has been established. Further, the National Securities Depository Ltd (NSDL), promoted by NSE, IDBI and UTI, became operational in November 1996 (Box VI-3).

Over the Counter Exchange of India (OTCEI)

During the year, the number of companies listed on the OTCEI increased to 108 as at end-March 1997 as compared with 89 at end-March 1996. The OTCEI network was expanded further



with the activation of dealers taking place in 23 cities during 1996-97 as compared to mere 5 cities in 1995-96. There was a substantial increase in the permitted securities segment of the Exchange. The OTCEI introduced trading of PSU bonds and launched a new segment, the listed mutual fund segment. The turnover of the exchange during 1996-97 was marginally higher at Rs.221 crore as compared to Rs.218 crore for the year 1995-96.

Operations of All Financial Institutions²

During 1996-97, the aggregate assistance sanctioned and disbursed by All Financial Institutions (AFIs) (net of inter-institutional flows) amounted to Rs.57,000 crore and Rs.42,322 crore, respectively. During the year, sanctions declined by 14.2 per cent whereas disbursements

2. 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) including erstwhile SCICI Ltd. which was merged with ICICI w.e.f. April 1, 1996, Small Industries Development Bank of India (SIDBI), Industrial Investment Bank of India Ltd. (IIBI, formerly IRBI); Specialised Financial Institutions viz., Risk Capital and Technology Finance Corporation Ltd. (RCTC), TDICI Ltd. (formerly known as Technology Development and Information Company of India Ltd.), 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).

Box VI-3

DEPOSITORY SYSTEM IN INDIA

A depository is an organisation, which assists in the allotment and transfer of securities, and securities lending. The shares in a depository are held in the form of electronic accounts, i.e. in dematerialised form and the depository system revolves around the concept of paper-less or scrip-less trading. An effective and fully developed securities depository system is essential for maintaining and enhancing the market efficiency, which is one of the core characteristics of a mature capital market. In March 1989, the 'Group of Thirty' had emphasised the importance of a central depository by highlighting the adverse effect on global investment brought about by the inefficiencies of international settlement and clearing facilities in their Report on "Clearance and Settlement Systems in the World's Securities Markets". The depository and custodial service is one of the key ingredients of the developed markets like Japan, UK and the USA. Some of the developing countries like Korea, Hong Kong, Malaysia, Sri Lanka, Taiwan and Thailand have also set up depository systems. The depository system provides a wide range of services, viz., primary market services, secondary market services and ancillary services. In the case of primary market services, the depository through its participants works as a link between issuers and prospective shareholders. In the secondary market, the depository through participants acts as a link between the investor and clearing house of the exchange to facilitate settlement of the security transactions through book-keeping entries. Further, the depository can provide ancillary services like collecting dividends and interests and reporting corporate information.

In India, the need for setting up a depository was realised after the large-scale irregularities in securities transactions of 1992 exposed the limitations of the prevailing settlement system. The need for depository system was also realised for the healthy growth of primary market, which would reduce the time between the allotment of shares and transfer of entitlements arising out of each allotment. As India has a large number of listed companies involving a massive amount of paper work, there have been associated problems of wrong/forged signatures, stolen shares, forged/fake certificates, etc., which pose a threat to the security of investment. The idea of setting up a depository and the introduction of scripless trading and settlement were thus conceived for improving the efficiency of the markets and eliminating the various problems associated with dealing in physical certificates. A depository system

benefits the investing public, the issuers of securities, the intermediaries and the nation as a whole.

The move on depository system in India was initiated by the Stock Holding Corporation of India Limited (SHCIL) in July 1992 when it prepared a concept paper on "National Clearance and Depository System" in collaboration with Price Waterhouse under a programme sponsored by the U.S. Agency for International Development. Thereafter, the Government of India constituted a Technical Group under the Chairmanship of Shri R. Chandrasekaran, Managing Director, SHCIL, which submitted its Report in December 1993. The Securities and Exchange Board of India (SEBI) constituted a seven-member action squad subsequently to discuss the various structural and operational parameters of Depository System. Considering the various problems and issues, the Government of India promulgated the Depositories Ordinance in September 1995, thus paving the way for setting up of depositories in the country. The Depositories Act was passed by the Parliament in August 1996, which lays down the legislative framework for facilitating the dematerialisation and book entry transfer of securities in a depository. The Act provides that a depository, which is required to be a company under the Companies Act, 1956, and depository participants (i.e. agents of the depository) need to be registered with SEBI. The depository shall carry out the dematerialisation of securities and the transfer of beneficial ownership through electronic book entry. The investors, however, have the option to hold securities in physical or dematerialised form, or to rematerialise securities previously held in dematerialised form. SEBI issued a consultative paper No. X on the draft regulations for depositories and participants in October 1995 for wider consultation and notified the regulations in May 1996, which, *inter alia*, cover the norms for registration of depositories and participants, the eligibility criteria for admission of securities to a depository, the specific rights and obligations of depositories, participants and issuers, the periodic reports to and inspections by SEBI. The Deposits Related Laws (Amendment) Ordinance 1997 issued in January 1997 enabled units of mutual funds and UTI, securities of statutory corporations and public corporations to be dealt through depositories.

The National Securities Depository Limited (NSDL), the first depository in India which has been promoted by three premier institutions in India viz., IDBI, UTI and NSE, started operating from November 8, 1996. NSDL carries out its operations through

participants and the clearing corporation of the stock exchange, with participants acting as market intermediaries through whom NSDL interacts with the investors and the clearing members. To begin with, only the capital market segment of the National Stock Exchange of India Limited (NSE) has been associated with the NSDL as only the NSE has a clearing corporation (NSCCL), which guarantees performance of trade obligations and has been admitted into the depository. During one year of its operations, the NSDL has been extending the range of services it provides. The level of dematerialisation at end-October 1997 stood at 580 million shares. NSDL had 131 companies signed up of which 105 companies were available for dematerialisation and 100 companies were available for trading. Market capitalisation of companies signed for dematerialisation at Rs.1,85,000 crore formed about 38 per cent of the total market capitalisation of stocks in the country. There were 37 depository participants and more than 6000 accounts. The NSDL is planning to distribute dividend payouts by the corporate sector to NSDL account holders. The NSDL has also decided to introduce the facility for primary market investors to apply for new public issue through demat accounts. Further, to give a boost to the depository system in India, the SEBI has decided to make it compulsory for domestic financial institutions, banks, mutual funds and FIIs, having a minimum portfolio of Rs.10 crore to make settlement through depository, with effect from January 15, 1998. It may be mentioned that settlement of debentures is not yet possible through electronic book entry with NSDL as transfers of debentures have not been exempted from the payment of stamp duty.

The Depositories Act provides for multiple depository system. Many other organisations are in the process of setting up depositories. The Bombay Stock Exchange (BSE) has decided to set up its own depository (with capital of Rs.100 crore), which is expected to be operational by March 1998. As the network of depositories expands and the proportion of securities dematerialised increases, the benefits would percolate to the vast majority of market participants and investors.

References:

Group of Thirty (1989) : Clearance and Settlement Systems in the World's Securities Markets, New York.

SEBI (1995) : Consultative Paper No. X on Regulations for 'Depositories and Depository Participants', October, Mumbai.

SEBI (1996) : The SEBI (Depositories and Participants) Regulations, May, Mumbai.

Stock Holding Corporation of India Limited (1992) : National Clearance and Depository System (Concept Paper in collaboration with Price Waterhouse International Consulting Services, Washington D.C., sponsored by the USAID).

The Gazette of India (1996) : The Depositories Act, 1996, No.51, August 12.

The Gazette of India (1997) : The Depositories Related Laws (Amendment) Ordinance No. 9, January 15.

grew by 10.2 per cent (Table VI-4 and Graph VI-4).

During 1995-96, sanctions had gone up by 11.3 per cent and disbursements by 14.5 per cent. The sanctions and disbursements by All-India Financial Institutions (AIFIs) aggregated Rs.53,727 crore and Rs.40,035 crore, respectively, during 1996-97 recording a decline of 13.1 per cent in sanctions and a rise of 10.0 per cent in disbursements. Both sanctions and disbursements by the AIFIs had increased by 8.0 per cent and 14.1 per cent, respectively in 1995-96. Decline in the sanctions and deceleration in the disbursements during 1996-97 are reflective of the prevailing subdued investment climate.

During 1996-97, sanctions and disburse-

ments by the All India Development Banks (AIDBs) aggregated Rs.45,877 crore and Rs.32,911 crore, respectively, showing a decline of 16.1 per cent in sanctions and a growth of 9.1 per cent in disbursements. Financial assistance extended by the three specialised financial institutions comprising RCTC, TDICI and TFCI indicated a growth in sanctions by 2.4 per cent while disbursements declined by 0.5 per cent. Sanctions and disbursements by the investment institutions, viz., UTI, LIC and GIC and its subsidiaries increased by 9.1 per cent and 12.4 per cent, respectively. During the year, State-level Financial Institutions comprising 18 SFCs and 28 SIDCs, registered a decline of 13.8 per cent in sanctions and an increase of 8.5 per cent in disbursements.

Development Banks

Industrial Development Bank of India (IDBI)

The financial assistance sanctioned and disbursed by IDBI, during the year 1996-97, aggregated Rs.17,050 crore and Rs.11,439 crore, respectively, recording a decline of 4.2 per cent in sanctions and an increase of 7.0 per cent in disbursements over the previous year. The decline in sanctions largely reflects subdued investment climate for large projects and decline in operations under non-project loans and capital market products. As at end-March 1997, the amount outstanding aggregated Rs.43,769 crore (Statement 82, Vol. II).

During the year under review, the industry-wise distribution of IDBI's financial assistance mainly consisted of core sector industries such as iron and steel, oil exploration and refining, cement and fertiliser which accounted for 25.2 per cent of total sanctions, followed by infrastructure sector comprising power and telecom (16.3 per cent) and chemicals and chemical products (15.0 per cent).

The total resources raised by IDBI during 1996-97 aggregated Rs.17,708 crore which were mostly by way of debt instruments; domestic borrowings aggregated Rs.9,951 crore whereas foreign currency borrowings amounted to Rs.1,623 crore.

Industrial Finance Corporation of India Ltd. (IFCI)

During the year 1996-97, the financial assistance sanctioned and disbursed by IFCI aggregated Rs.7,212 crore and Rs.5,157 crore, respectively, indicating a decline of 30.0 per cent in sanctions and an increase of 13.0 per cent in disbursements over the previous year. As at end-March 1997, cumulative sanctions and disbursements stood at Rs.39,682 crore and Rs.25,107 crore, respectively (Statement 85, Vol. II).

Sector-wise composition of total sanctions reveals that private sector accounted for the largest share at Rs.6,164 crore (85.4 per cent) followed by public sector at Rs.502 crore (7.0 per cent), joint sector at Rs.388 crore (5.4 per cent) and co-operative sector at Rs.158 crore (2.2 per cent).

IFCI Financial Services Ltd., incorporated during the year 1994-95 commenced its business during 1996-97. The merchant banking operations of IFCI stand transferred to IFCI Financial Services Ltd.

IFCI raised rupee funds amounting to Rs.6,041 crore comprising Rs.2,831 crore through private placement of bonds, Rs.1,237 crore from public issue of bonds, Rs.320 crore through Certificate of Deposits and Rs.1,653 crore by way of deposits etc. Foreign currency borrowings of IFCI during 1996-97 through ECB and other routes amounted to US \$ 300 million and DM 4 million.

Industrial Credit and Investment Corporation of India Ltd. (ICICI)

One of the major developments in the financial year 1996-97 was the merger of SCICI Ltd. with ICICI Ltd. on April 1, 1996 (Box VI-4). The sanctions and disbursements of ICICI including SCICI, during the year, aggregated Rs.14,313 crore and Rs.11,181 crore, respectively, showing a decline of 27.1 per cent in sanctions and an increase of 16.7 per cent in disbursements over the year. As at end-March 1997, the cumulative sanctions and disbursements amounted to Rs.89,988 crore and Rs.53,747 crore, respectively (Statement 86, Vol. II).

During the year, of the total sanctions of ICICI, private sector accounted for a major share at Rs.11,681 crore (81.6 per cent), followed by public sector at Rs.2,209 crore (15.4 per cent) and joint sector at Rs.423 crore (3.0 per cent).

During 1996-97, ICICI mobilised resources aggregating Rs.12,160 crore in rupees as well as in foreign currencies to meet its increasing requirements for funds. The amount raised in rupees was Rs.9,108 crore while Rs.3,052 crore was mobilised through equivalent foreign currencies.

Small Industries Development Bank of India (SIDBI)

During the year 1996-97, the financial assistance sanctioned and disbursed by SIDBI

Box VI-4**MERGER OF SCICI WITH ICICI**

Over the years, India has developed a large array of development financial institutions (DFIs) for extending mainly project finance to the industrial sector. Following the initiation of the process of economic liberalisation, DFIs have been facing the issues of depletion of low cost funds, squeeze on profits, intensive competition from the banks, and erosion in the value of investment portfolios due to depressed stock market conditions. One of the responses of DFIs to the changing environment is to consolidate their activities as 'size' may turn out to be a crucial factor in both lending and resource-raising activities. One important such event relates to merger of SCICI with ICICI effective April 1, 1996. ICICI, incorporated in January 1955, has been catalyst in the rapid development of Indian private sector industry through its project-financing activities for both medium and long-term projects, and also by providing financial and advisory services. SCICI was incorporated in 1986 for providing debt and equity finance to the Indian shipping and fishing industry. It diversified its activities over the years for financing activities in manufacturing, infrastructure and service sectors in India. SCICI was mainly promoted by ICICI, the latter being the single largest shareholder of SCICI. As the financial activities of both ICICI and SCICI were oriented towards the same sectors of Indian industry, the result was a significant overlap in the business activities of the two corporations. The SCICI was carrying out its lending operations in consortium with ICICI and the two corporations had similar organisational structures as well as business ethos. The merger of SCICI and ICICI was approved by the shareholders' meeting held in February 1997 and sanctioned by the Bombay High Court in April 1997, with retrospective effect from April 1, 1996. The valuation was based on a share exchange ratio of two ICICI share for every five SCICI shares.

The merger of the two entities was thus based on the economic logic of a strong capital base and

optimisation of operational efficiencies. It may be mentioned that the share of ICICI and SCICI in total disbursements of all-India financial institutions has gone up considerably to 22.7 per cent and 5.2 per cent respectively in 1996-97 as compared with those of 16.3 per cent and 1.4 per cent in 1990-91. The merger of both the institutions will provide the benefits of enhancing the market share further and reaping the benefits of economies of scale. The merger of the two corporations is expected to provide synergy in operations and resource mobilisation and add towards improvement in asset quality. ICICI, as a larger entity, would be able to take up significant exposures in increasingly internationally scaled projects, particularly in the infrastructure sector. The low debt equity ratio of SCICI would enable ICICI to increase its leveraging ability and enhance its capacity to borrow from domestic and international markets on cost effective terms. This will lead to improvement in earning per share of ICICI as it does not have to resort to capital market for raising equity capital. On the contrary, SCICI as a relatively smaller DFI, did not have the necessary critical mass to raise wholesale funds at competitive rates.

The merger of SCICI with ICICI will lead to large equity base, lowered incremental cost of funds, and more efficient project appraisal machinery. It would result in the creation of an institution with a network of about Rs.4,000 crore and an asset base of over Rs.33,000 crore. With the larger size of balance sheet coupled with the benefits generated from economies of scale as well as operational synergies, a single large entity would be well poised to assume a leading role in financing of new roads and ports, and power and telecommunication projects. However, the merger of SCICI with ICICI should not be looked into in isolation. It may be the beginning of the process of consolidation in the financial sector. It is through merger that banks and financial institutions can consolidate their business.

aggregated Rs.6,485 crore and Rs.4,585 crore, respectively, recording an increase of 6.9 per cent in sanctions and a decline of 4.5 per cent in disbursements over those in 1995-96. Cumulative sanctions and disbursements, as at end-March 1997 amounted to Rs.28,780 crore and Rs.21,461 crore, respectively (Statement 109, Vol. II).

Resources mobilised by SIDBI amounted to Rs.1,153 crore during the year. The borrowings from domestic sources at Rs.830 crore comprised: (i) drawal of Rs.125 crore from repayment of borrowings by IDBI out of NIC (LTO) Fund, (ii) Rs.128 crore towards deposits by foreign banks with SIDBI, (iii) Rs.218 crore towards deposit

amount by private sector banks, (iv) allocation of Rs.50 crore towards SLR bond quota by RBI, (v) Rs.300 crore through an issue of unsecured bonds by SIDBI and (vi) Rs.9 crore towards fixed deposits by SIDBI. In addition, SIDBI had drawn foreign currency loans equivalent to Rs.323 crore during 1996-97 from Overseas Economic Co-operation Fund, Japan (OECF) and Kreditanstalt-fur-Wiederaufbau (KfW), Germany.

Industrial Investment Bank of India Ltd. (IIBI)

The erstwhile Industrial Reconstruction Bank of India (IRBI) has been reconstituted into a full-fledged all-purpose development financial institution under the Company Act, with adequate operational flexibility and functional autonomy. The entire assets and liabilities of IRBI were transferred into the new company by the name of Industrial Investment Bank of India Ltd. (IIBI) on March 27, 1997.

During 1996-97 (April-March 26), IRBI's financial assistance in terms of sanctions aggregated Rs.816 crore and that of disbursements Rs.550 crore, recording a decline of 9.1 per cent and an increase of 4.0 per cent, respectively (Statement 113, Vol. II). As at end-March 1997, the cumulative sanctions and disbursements amounted to Rs.4,312 crore and Rs.2,954 crore, respectively. Of the total assistance by IRBI during the year, term loans accounted for a major share of 72.6 per cent in terms of sanctions and 78.8 per cent in terms of disbursements. IRBI sanctioned Rs.172 crore and disbursed Rs.113 crore to various projects located in backward areas.

The sector-wise assistance sanctioned by IRBI during the period indicated that private sector accounted for a major share of 93.1 per cent, followed by public sector 3.7 per cent and joint sector 3.2 per cent.

During 1996-97 (April-March), the total resource base of IRBI amounted to Rs.325 crore which comprised loan from Government of India (Rs.35 crore), market borrowings through SLR bonds (Rs.80 crore) and four tranche of borrowings through unsecured bonds (Rs.210 crore). IRBI also

generated a surplus of Rs.48 crore during the year.

Specialised Financial Institutions

The financial assistance sanctioned and disbursed by three specialised financial institutions viz., Risk Capital and Technology Finance Corporation Ltd. (RCTC), TDICI Ltd. (TDICI) and Tourism Finance Corporation of India Ltd. (TFCI), is indicated in Table VI-C below. RCTC provides assistance for development and commercialisation of new technologies with a view to provide impetus to technology development. TDICI provides assistance to small and medium industrial projects conceived by technocrat entrepreneurs through venture capital funds. TFCI caters to the financial requirements of the tourism industry, allied activities and services.

**Table VI-C : Financial Assistance
by Specialised Institutions
(April-March)**

		(Rupees crore)			
Sr. No.	Institutions	1995-96		1996-97P	
		S	D	S	D
1	2	3	4	5	6
1.	RCTC	34.5	15.4	41.2	20.7
2.	TDICI	47.0	46.6	16.8	24.6
3.	TFCI	271.6	166.9	303.5	182.4
S Sanctions		D Disbursements		P Provisional	

Investment Institutions

During the financial year 1996-97, institution-wise operations of investment institutions are analysed below :

Unit Trust of India (UTI)

During the year 1996-97, the financial assistance sanctioned and disbursed by UTI aggregated Rs.3,633 crore and Rs.3,237 crore, respectively, recording a decline of 1.4 per cent in sanctions and an increase of 7.3 per cent in disbursements over the year (Statement 95, Vol. II). The investible funds of UTI as on June 30, 1997 increased to Rs.57,125 crore from Rs.56,620 crore as on June 30, 1996 (Statement 96, Vol. II). Of

the total corpus of investible funds with UTI, the share of investments in the corporate sector through various instruments like equity and preference shares, debentures, term loans, special deposits etc. increased from Rs.48,259 crore (85.2 per cent) as on June 30, 1996 to Rs.48,723 crore (85.3 per cent) at end-June 1997. UTI's investments in Government securities aggregated Rs.4,525 crore accounting for 7.9 per cent of the total as compared with 11.1 per cent in the previous year.

The sale of units of UTI under all schemes aggregated Rs.7,898 crore during 1996-97 (July-June) indicating an increase of 34.3 per cent over the year. The repurchases of units at Rs.6,195 crore during 1996-97 (July-June) were lower by 18.7 per cent than those in the previous year (Statement 98, Vol. II). During the period, the total sales of units exceeded total repurchases by Rs.1,703 crore as against net repurchases of Rs.1,737 crore during the preceding year.

Life Insurance Corporation of India (LIC)

During the year 1996-97, the financial assistance sanctioned by LIC through term loans and underwriting of shares and debentures of corporate sector, amounted to Rs.2,820 crore, recording a growth of 25.8 per cent over the previous year. The disbursements during the year amounted to Rs.2,961 crore showing a rise of 24.4 per cent over the preceding year. As at end-March 1997, the cumulative sanctions and disbursements stood at Rs.13,901 crore and Rs.11,707 crore, respectively (Statement 101, Vol. II).

Investments by LIC during 1996-97 at Rs.12,881 crore registered an increase of 11.3 per cent as compared with 24.2 per cent increase during the preceding year (Statement 102, Vol. II). Investments in securities accounted for 91.3 per cent of the total investments during the year under review.

General Insurance Corporation of India (GIC)

The total financial assistance sanctioned by GIC and its subsidiaries³ increased by 24.0 per

3. National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd., and The United India Insurance Company Ltd.

cent from Rs.835 crore in 1995-96 to Rs.1,035 crore in 1996-97; whereas the assistance disbursed rose by 18.8 per cent to Rs.698 crore during 1996-97 as compared to Rs.588 crore in 1995-96 (Statement 100, Vol. II). Private sector accounted for 86.4 per cent of the total disbursements during 1996-97 as compared with 84.9 per cent in the previous year.

State Level Institutions

State Financial Corporations (SFCs)

During 1996-97, the total assistance sanctioned and disbursed by the 18 State Financial Corporations amounted to Rs.3,745 crore and Rs.2,944 crore, respectively, recording a decline of 26.1 per cent in sanctions and an increase of 8.9 per cent in disbursements over the previous year (Statement 89, Vol. II). During the year under review, Uttar Pradesh State Financial Corporation received the highest share i.e., 18.1 per cent of the total sanctions followed by Karnataka State Financial Corporation at 17.3 per cent and Tamil Nadu State Financial Corporation at 11.3 per cent. During the year 1995-96, Bihar State Financial Corporation's share to the total sanctions was highest at 13.4 per cent followed by Tamil Nadu at 12.5 per cent and Uttar Pradesh at 12.3 per cent.

State Industrial Development Corporations (SIDCs)

The total financial assistance sanctioned and disbursed by the 28 State Industrial Development Corporations during the year 1996-97 aggregated Rs.2,260 crore and Rs.1,219 crore, respectively, indicating an increase of 19.3 per cent in sanctions and 7.7 per cent in disbursements over those in the previous year (Statement 103, Vol. II).

Credit Rating Agencies

The Credit Rating Information Services of India Ltd. (CRISIL)

During 1996-97, CRISIL rated 351 debt instruments covering a debt volume of Rs.24,848 crore (Statement 104, Vol. II). As at end-March

1997, the cumulative rating of debt instruments by CRISIL aggregated 2229 for a total volume of Rs.1,39,720 crore. During the year, CRISIL launched innovative products for credit risk assessment viz., counter party ratings and bank loan ratings.

Investment Information and Credit Rating Agency of India Ltd. (ICRA)

During the year 1996-97, ICRA rated 261 debt instruments of manufacturing companies, finance companies and financial institutions equivalent to Rs.12,850 crore as compared to 293 instruments covering debt volume of Rs.75,742 crore in 1995-96 showing a decline of 83.0 per cent over the year in the volume of rated debt instruments (Statement 105, Vol. II). During the review period, the number of instruments under 'debentures' increased to 73 from 66 in the previous year, whereas instruments under 'fixed deposits' have declined to 153 from 192 during 1995-96. Cumulatively, ICRA has rated 1039 instruments amounting to Rs.1,06,230 crore at end-March 1997. ICRA rating services include credit rating, credit assessment, asset securitisation, credit assessment for small and medium industry and evaluation/rating of parallel marketeers of LPG and Kerosene. Presently ICRA offers advisory services and information services. It has also carried out credit opinion studies for two municipal corporations.

Credit Analysis and Research Ltd. (CARE)

During the financial year 1996-97, CARE rated 248 assignments for a total debt volume of Rs.19,749 crore. In addition, it completed 11 Credit Analysis Rating and 7 assignments for rating parallel marketeers of LPG and SKO taking the total number to 266. Cumulatively, as at end-March 1997, the number of assignments completed by CARE aggregated 796 of which 693 were debt instruments for a total debt volume of Rs.43,387 crore (Statement 90, Vol. II).

Other Institutions

Export-Import Bank of India (Exim Bank)

During the year 1996-97, Exim Bank sanctioned financial assistance of Rs.1,242 crore

and disbursed Rs.1,257 crore recording declines of 49.6 per cent and 41.0 per cent, respectively, over the previous year (Statement 91, Vol. II). At end-March 1997, the cumulative outstandings of the Exim Bank aggregated Rs.3,451 crore.

Region-wise analysis of the operations of Exim Bank reveals that the United States accounted for the largest share of sanctions at Rs.57 crore (49.4 per cent), whereas largest share in disbursements was accounted for by Sub-Saharan Africa at Rs.63 crore (32.7 per cent) (Statement 93, Vol. II).

During the year, industry-wise distribution of assistance by Exim Bank showed that capital and engineering goods accounted for the largest share of sanctions at Rs.279 crore (24.1 per cent) followed by textiles and garments at Rs.123 crore (10.6 per cent), chemicals, drugs and pharmaceuticals at Rs.114 crore (9.9 per cent) and glass industry at Rs.102 crore (8.8 per cent) (Statement 94, Vol. II).

As at end-March 1997, Exim Bank's resources amounted to Rs.4,910 crore which included paid-up capital of Rs.500 crore and reserves of Rs.544 crore. During 1996-97, Exim Bank raised rupee resources aggregating Rs.179 crore under fixed deposits, certificates of deposits and term money. The foreign resources raised by Exim Bank during the year under review totalled US \$ 150 million by way of medium term syndicated loans from international banks. This includes Japanese Yen of 2.6 billion (swapped to US dollars), US \$ 9 million under line of credit from International Finance Corporation, funds equivalent of US \$ 10 million under Import Lines of Credit from overseas banks / institutions. A sum of US \$ 15 million was drawn under medium term currency and interest rate swap of Rupees.

Stock Holding Corporation of India Ltd. (SHCIL)

The Stock Holding Corporation of India Ltd. (SHCIL) promoted by seven all-India financial institutions (viz., IDBI, ICICI, IFCI, IIBI, UTI, LIC, GIC and its subsidiaries) was incorporated in 1986 and commenced its operations in 1988.

The corporation provides post trade services to institutions, mutual funds and caters to the needs of several non-Indian funds as a sub-custodian to Morgan Stanley Bank – Luxembourg. It also provides the support services like fund transfer and data bank in addition to its regular services as market operations, corporate actions, safe keeping, custody management, registration and transfer, reporting and market updates. SHCIL is the first Depository participant registered with SEBI and acts as an agent of the National Securities Depository Ltd. During 1996-97, the Corporation handled a business of Rs.10,246 crore representing an increase of 24.1 per cent over the last year.

Infrastructure Leasing and Financial Services Ltd. (IL&FS)

IL&FS is an uniquely positioned institution promoted by Central Bank of India, UTI and HDFC Ltd., providing innovative services to the corporate sector and Government. IL&FS is developing a number of infrastructure projects in diverse sectors including toll roads and bridges, mass transit system, power, telecommunication, water supply and integrated area development. During the year, the drawdown of first tranche of US \$ 25 million of a total loan of US \$ 200 million sanctioned by the World Bank to IL&FS was completed; also, IL&FS had borrowed US \$ 25 million from US capital market, a fixed deposit scheme launched by the IL&FS received collection amounting to Rs.600 million during the year. The banking consortium was strengthened with the induction of additional banks totalling to 30 banks with the banking consortium limits assessed at the level of Rs.6.4 billion during the year.

Housing Finance

Housing Finance – Policy Measures

The overall minimum target for housing finance by scheduled commercial banks during 1996-97 was fixed at 1.5 per cent of their incremental deposits of the previous year, or the amount of housing finance allocation fixed for the year 1995-96, whichever was higher. Consequently, the minimum target increased to Rs.1,071.4 crore during 1996-97 from Rs.927.0 crore for 1995-96.

In order to provide flexibility to banks in the deployment of their allocated funds, sub-allocations for direct finance, indirect finance or investment in the bonds of NHB/HUDCO were done away with. Furthermore, investments made by banks in special bonds issued by National Housing Bank (NHB) and Housing and Urban Development Corporation (HUDCO) were to be reckoned as part of priority sector advances.

National Housing Bank (NHB)

The National Housing Bank (NHB) continued its policies for developing a sustainable housing finance system and improving the accessibility of institutional credit particularly to the smaller borrowers. During the year under review, NHB freed the interest rates on deposits accepted by Housing Finance Companies (HFCs) with net owned funds of Rs.50 lakh and more to ensure a level playing field for mobilisation of deposits in a deregulated environment. Furthermore, NHB allowed greater freedom to HFCs in determining their lending rates and also deregulated the interest rates to be charged from the ultimate beneficiaries by the primary agencies on all loans above Rs.50,000 under its refinance schemes. NHB also revised its guidelines for HFCs in respect of norms for extending refinance support and the interest rates on its refinance schemes and enhanced the quantum of loan amount in the first slab from Rs.25,000 to Rs.50,000 for the benefit of economically weaker sections (EWS) and lower income group (LIG) categories. It also introduced a refinance scheme for the Regional Rural Banks (RRBs).

During 1996-97 (July-June), NHB provided total refinance assistance of Rs.445 crore to the eligible institutions. It had provided cumulative refinance assistance of Rs.3,103 crore up to June 1997. Of the total refinance disbursed, HFCs and co-operative sector institutions accounted for 79.8 per cent and 14.1 per cent, respectively, with the balance 6.1 per cent availed of by scheduled commercial banks.

Housing and Urban Development Corporation Ltd. (HUDCO)

HUDCO was incorporated as a fully-owned

Government company with the main objective of financing housing and urban development projects in the country. The financial assistance sanctioned and disbursed by HUDCO, during the year 1996-97 amounted to Rs.2,471 crore and Rs.1,540 crore, respectively (both inclusive of assistance provided to urban infrastructure schemes), showing an increase of 25.6 per cent in sanctions and 24.0 per cent in disbursements over the previous year. As at end-March 1997, HUDCO has financed 12605 projects with a total project cost of about Rs.23,531 crore and total cumulative disbursements of Rs.10,123 crore.

HUDCO's resources as on March 31, 1997 aggregated Rs.1,963 crore, inclusive of term loans from GIC and its subsidiaries, National Housing Bank, Government loans under various schemes linked to external agencies like Kreditanstalt-fur-Wiederaufbau (KfW), Overseas Economic Co-operation Fund (OECF), Government guaranteed bonds, borrowings from banks, HUDCO bonds, interest bearing cash securities from borrowing agencies, public deposit schemes, etc.

Housing Development Finance Corporation Ltd. (HDFC)

During the year 1996-97 (April-March), the operations of HDFC showed an approval of loans worth Rs.2,522 crore whereas disbursement of loans amounted to Rs.2,101 crore in respect of nearly 95000 housing units recording an increase of 21.8 per cent and 24.8 per cent, respectively, over those during the preceding year (Statement 110, Vol. II). As at end-March 1997, the cumulative approvals of HDFC aggregated Rs.11,587 crore and disbursements totalled Rs.9,479 crore. During the year, HDFC complied with all the norms prescribed by National Housing Bank (NHB) relating to income recognition, provisioning and capital adequacy.

Non-banking Companies

During 1995-96, the aggregate deposits of non-banking companies (NBCs) increased substantially by Rs.46,740 crore (18.8 per cent) to Rs.2,95,344 crore at the end of March 1996. The shares of 2,336 non-financial companies and

9,060 financial companies in aggregate deposit mobilisation was 63.3 per cent and 33.8 per cent, respectively, with the balance 2.9 per cent accounted for by miscellaneous non-banking and residuary non-banking companies. During 1995-96, the aggregate regulated deposits as reported by 12,530 NBCs increased sharply by Rs.16,184 crore (43.4 per cent) to Rs.53,479 crore as at the end of March 1996 from Rs.37,295 crore as at the end of March 1995. The regulated deposits of NBFCs was equivalent of 10.5 per cent of the aggregate deposits of scheduled commercial banks at the end of March 1996 as against 7.8 per cent at the end of March 1995.

Government Securities Market

Since the onset of the financial sector reforms, various policy and other measures have been initiated to develop a vibrant Government securities market. The focus has, of late, shifted from the development of a primary market to fostering the growth of a liquid and broad based secondary market, which, in turn, may reinforce the development of primary market. Noteworthy developments in this direction have been the introduction of subsidiary general ledger (SGL) transactions in Government securities and setting up of primary dealers system. Moreover, guidelines have been issued for the setting up of satellite dealers system. The developments in the primary and secondary markets are set out below.

Primary Market

The Central and State Governments together raised a gross amount of Rs.42,688 crore (Rs.32,892 crore net) through dated stocks and 364-day Treasury bills during the financial year 1996-97 as against Rs.46,783 crore (Rs.32,721 crore net) during the previous year (Table VIII-10). The Central Government mobilised Rs.27,911 crore through dated stocks and Rs.8,241 crore through 364-day Treasury bills. Apart from issuing fresh dated securities (Rs.15,000 crore), the Central Government also raised borrowings through conversion of maturing dated stocks (Rs.2,911 crore), partly paid stocks (Rs.5,000 crore), and zero coupon bonds (Rs.5,000 crore) (Table VI-D). About 50 per cent of the borrowings

Table VI – D : Issues of Central Government Dated Securities, 1996-97

(Rupees crore)						
Date of Issue	Type of Security	Amount Issued	Maturity (In years)	Subscription by RBI	Subscription by PDs	Cut-off yield/coupon (per cent)
1	2	3	4	5	6	7
18-4-1996	Government (Conversion) Stock 1998	2,911	2	-	-	13.50
25-5-1996	Government Stock 2001	2,000	5	632	26	13.75
07-6-1996	Government Stock 1999	2,000	3	396	21	13.70
24-6-1996	Government Stock (Partly Paid) 2006	5,000	10	-	-	13.85
13-7-1996	Zero Coupon Bond 2000 (Third Series)	3,000	4	-	-	13.72
31-7-1996	Government Stock 1998	2,000	2	-	-	13.62
26-8-1996	Government Stock 2006	2,000	10	924	107	13.85
18-9-1996	Government Stock 2002	2,000	6	873	101	13.82
07-10-1996	Zero Coupon Bond 2000 (Third Series)	2,000	4	454	53	13.72
27-11-1996	Government Stock 2001	2,000	5	418	49	13.55
24-12-1996	Government Stock 1999	2,000	3	-	-	13.40
21-02-1997	Government Stock 2007	1,000	10	-	-	13.65
	Total	27,911		3,698	357	

were placed for medium-term maturities (i.e., 5 to 10 years). Relatively comfortable liquidity conditions enabled the Central Government to enter the market less frequently and the amount subscribed by the Reserve Bank was only 13.2 per cent of gross market loans raised as against 32.8 per cent during 1995-96. The primary dealers underwrote 1.3 per cent of the loans raised during the year. The major part of the borrowing programme was completed during the first half of the financial year.

The State Government borrowing programme, placed at Rs.6,536 crore for the financial year 1996-97, was completed in three tranches. On May 15, 1996, 25 State Governments raised Rs.2,400 crore as against a notified amount of Rs. 1,500 crore by issuing 13.85 per cent State Development Loan 2006. The second tranche of market loans by 16 State Governments for similar maturity and interest rate for a notified amount of Rs.1,500 crore was issued on August 12, 1996. The issue was highly oversubscribed and the full amount of Rs.2,526 crore was retained. With the

issue of third tranche of 13.75 per cent 10-year market loans on January 20, 1997 for an amount aggregating Rs.1,609 crore, State Governments completed the allocated borrowing programme for the year.

The projected gross borrowings of the Central Government for the financial year 1997-98 are placed at Rs.52,963 crore (Rs.33,820 crore net), which is at a higher level as compared with 1996-97. During the first half of the financial year (up to September 1997), the Governments' draft of resources from the market amounted to Rs.47,155 crore (gross), of which Rs.36,686 crore was raised through dated securities and Rs.10,469 crore through 364-day Treasury bills (Table E). Comfortable liquidity conditions in money and credit markets enabled the Government to successfully place its borrowing in the market. Although the Reserve Bank's subscription was 19.2 per cent, it was mainly on account of private placement of Rs.5,000 crore with the Reserve Bank in order to facilitate its open market operations. The underwriting by primary dealers was only on

Table VI - E : Issues of Central Government Dated Securities, 1997-98
(April to September)

(Rupees crore)						
Date of Issue	Type of Security	Amount Issued	Maturity (In years)	Subscription by RBI	Subscription by PDs	Cut-off yield/coupon (per cent)
1	2	3	4	5	6	7
22-4-1997	Government Stock 2007	3,000	10	-	-	13.05
23-4-1997	Government Stock 2007	5,000	10	5,000	-	13.05
10-5-1997	Government Stock 2002	3,000	5	884	103	12.69
29-5-1997	Government Stock 2000	3,000	3	-	-	12.14
18-6-1997	Government Stock 2004	2,000	7	-	-	12.59
25-6-1997	Government Stock 2004 (On Tap)	4,686	7	-	-	12.59
17-7-1997	Government Stock 2003	3,000	6	-	-	11.83
29-7-1997	Government Stock 2001	5,000	4	-	-	10.85
12-8-1997	Government Stock 2005	3,000	8	-	-	11.19
1-9-1997	Government Stock 2002	5,000	5	1,143	1,800	11.15
Total		36,686		7,028	1,903	

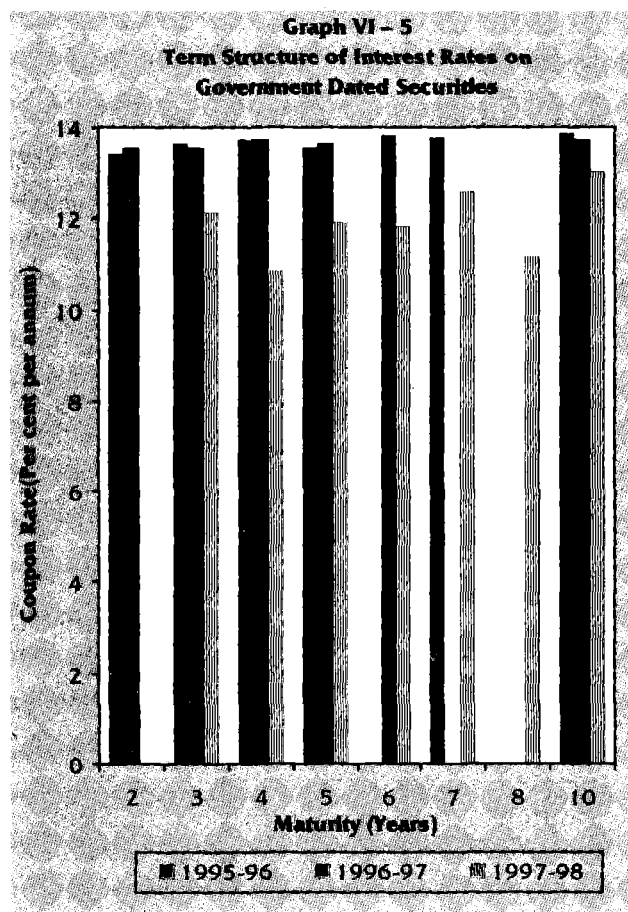
two occasions accounting for 5.2 per cent of gross market loans raised so far. A noteworthy development during the current fiscal year has been the accretion of marketable securities to the total stock of securities held by the Reserve Bank on account of conversion of special securities aggregating Rs.20,000 crore into marketable securities of varying yield and maturity.

As part of the allocated gross borrowings of Rs.7,749 crore for the financial year 1997-98, 25 State Governments entered the market on April 30, 1997 for 13.05 per cent State Development Loans 2007 with a notified amount of Rs.2,500 crore. Excess liquidity in the money market enabled the States to fully retain the oversubscribed amount aggregating Rs.5,382 crore. With the second tranche of 12.30 per cent State Development Loans 2007 on October 6, 1997 for a notified amount of Rs.2,368 crore, State Governments completed their borrowing programme for the financial year 1997-98.

Yield Structure in Primary Market

Notwithstanding a general downward drift in the yield curve in primary market in 1996-97, frequent intra-year shifts in the yield curve were

witnessed stemming mainly from varying liquidity conditions in the money market and lack of adequate depth in the secondary market in Government securities. The yield emerging in primary auctions ranged between 13.40 - 13.85 per cent for 2 to 10 year maturities with a weighted average yield of 13.69 per cent; the yield range during 1995-96 was 13.25 - 14.00 per cent for similar maturities with a weighted average of 13.75 per cent (Table VIII-D and VIII-12). During the first half of the financial year, the Government signalled a downward movement in interest rates by offering lower yield in auctions of 5 and 10 years stocks in May and June, respectively, from their prevailing levels in the second half of 1995-96. For instance, coupon rate on 5-year stock declined from 13.85 to 13.75 per cent and on 10-year stock from 14.00 to 13.85 per cent. This trend, however, could not be sustained in shorter maturities with coupon on 2-year and 3-year stocks rising from 13.50 to 13.62 per cent and 13.65 to 13.70 per cent, respectively, during the corresponding periods. A distinct softening of interest rates was however witnessed during the second half of the year with interest rates declining across the maturity spectrum. The coupon rate on the longest maturity stock drifted further downward to 13.65 per cent towards the end of February 1997 (Graph VI-5).



The comfortable liquidity conditions during the first half of 1997-98 led to a sharper decline in interest rates across all maturities. The yield curve drifted further downward. The yield emerging in primary auctions declined to 12.14 per cent for the shortest maturity stock issued so far of 3-year and to a level of 13.05 per cent for the longest maturity stock of 10-year. The lowest coupon rate emerged so far is 10.85 per cent on a 4-year stock. Thus, a distinct flattening of the yield curve is in evidence towards the longer end as against steeply rising yield curve towards the shorter end.

Treasury Bills

In pursuance of the earlier efforts, wide ranging changes were effected in respect of Treasury bills so as to make this segment more vibrant and responsive to policy changes. Effective April 1, 1997, *ad hoc* and on-tap Treasury bills were discontinued. According to the supplemental agreement signed by the Reserve Bank with the Central Government on March 26, 1997, temporary

mismatches between receipts and expenditure of the Central Government are to be met through a system of Ways and Means Advance (WMA) on certain terms and conditions to be agreed between the two parties from time to time. Different types of Treasury bills are discussed below :

14-Day Intermediate Treasury Bills

Effective April 1, 1997, with the discontinuance of tap Treasury bills, the Central Government introduced the scheme of 14-day intermediate Treasury bills to provide State Governments, foreign central banks and specified bodies with an alternative arrangement to invest their surplus funds. The salient features of 14-day intermediate Treasury bills are given in the Annexure. The outstanding amount of 14-day intermediate Treasury bills was Rs.5,797 crore as at end- September 1997.

14-Day Auction Treasury Bills

In order to facilitate the cash management requirements of various segments of the economy as well as help form a complete yield curve for aiding in the pricing of debt instruments, the Reserve Bank introduced 14-day auction Treasury bills on a weekly basis, effective June 6, 1997. The implicit cut-off yield on these bills has remained unchanged at 4.95 per cent till the end of September 1997. The amount outstanding scaled a peak of Rs.10,625 crore as on September 14, 1997 before declining to Rs.5,655 crore as at end-September 1997. The 14-day auction Treasury bills do not devolve on the Reserve Bank unlike the 91-day Treasury bills.

91-Day Treasury Bills

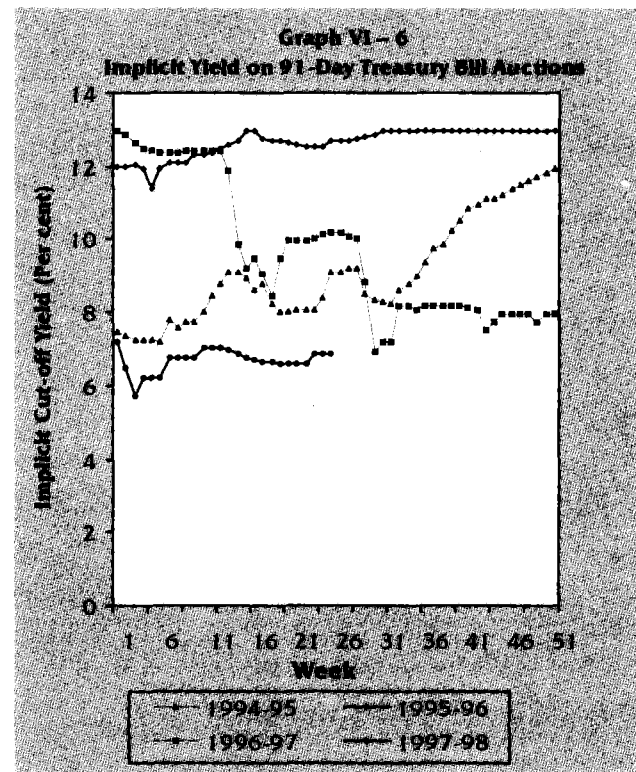
The total notified amount (gross issues) during 1996-97 aggregated Rs.25,200 crore, of which total bids accepted stood at Rs.21,309 crore, the non-competitive bids constituting 31 per cent. On account of discharges of these bills to the extent of Rs.26,000 crore, the net issues were (-) Rs.800 crore, resulting in a decline in outstandings from Rs.6,500 crore at end-March 1996 to Rs.5,700 crore at end-March 1997. The subscription by the Reserve Bank in auctions

declined to 13.4 per cent of the notified amount against 32.4 per cent in 1995-96 due to higher absorption in the market facilitated by spells of adequate liquidity. During the first half of 1997-98, the notified amount was frequently altered between Rs.100 crore to Rs.500 crore. Total notified issues aggregated Rs.7,850 crore; of which bids accepted amounted to Rs.7,261 crore with non-competitive bids accounting for 46.4 per cent of total bids accepted. The high order of absorption by the market led to low devolvement on the Reserve Bank (2.8 per cent of notified amount). Reduction in the notified amount for auctions brought down outstanding bills to Rs.4,200 crore by the end of September 1997.

Significant downward drift was witnessed in the cut-off yield during 1996-97; cut-off yield declined from 12.97 per cent in April 1996 to 8.46 per cent by August 10, 1996 (Statement 190, Vol.II). However, subsequent auctions witnessed hardening of yield touching a level of 10.17 per cent by end-September 1996 before drifting downward. During the second half of the year, cut-off yield dipped to the lowest level of 6.92 per cent on November 2, 1996 and settled at a level of 7.96 per cent by the close of the year. Thus, the cut-off yield moved steeply downward by 501 basis points during the year. The declining trend remained unabated during the first half of 1997-98, reflected in the cut-off yield dipping to a historical low of 5.72 per cent on April 19, 1997. Since then there was some upward movement to a level of 7.00 per cent before settling down at 6.88 per cent by the end of September 1997. The first half of the current year, thus, recorded 108 basis points decline in cut-off yield (Graph VI-6).

91-Day Tap Treasury Bills

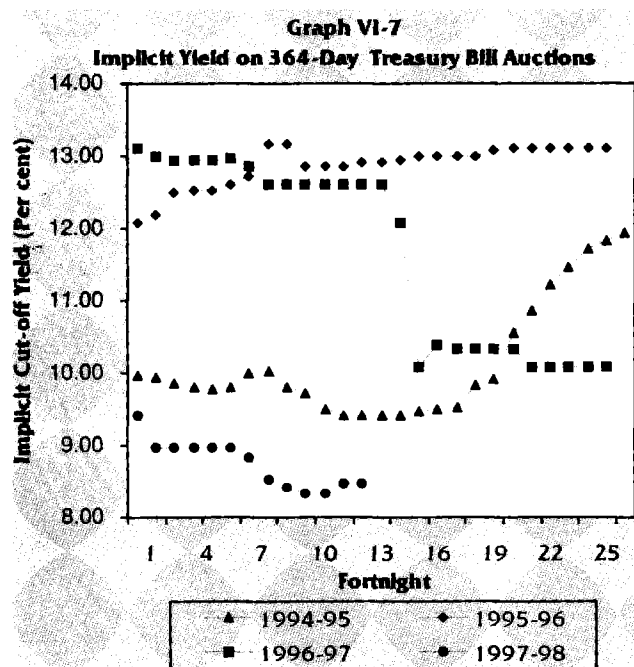
The 91-day Treasury bills issued on tap also evoked considerable response from the market on account of easy liquidity conditions coupled with lower transaction costs due to extension of DVP system to this segment, thereby recording a net increase of Rs.8,847 crore in 1996-97 as against a decline of Rs.204 crore in 1995-96. The facility of 91-day tap Treasury bills has since been discontinued effective April 1, 1997.



364-Day Treasury Bills

The Central Government mobilised a gross amount of Rs.8,241 crore through 364-day auction Treasury bills during 1996-97, substantially higher than that of Rs.1,875 crore during 1995-96 (Statement 192 of Vol.II). Taking into account a relatively lower level of repayments (of the gross issues of the previous year) during 1996-97, the net amount mobilised was Rs.6,366 crore as against (-) Rs.6,288 crore during the previous year. Furthermore, the cut-off yield declined sharply by 302 basis points during the year from 13.12 per cent to 10.10 per cent.

During the first half of 1997-98, the outstanding amount of 364-day Treasury bills increased further to Rs.15,512 crore as at end-September 1997 indicating a net mobilisation of Rs.7,271 crore. The cut-off yield also declined steadily to 8.33 per cent in the auction of August 13, 1997 before increasing marginally to 8.47 per cent in the auction of September 10, 1997—an overall decline of 163 basis points during 1997-98 so far (Graph VI-7).



Open Market Operations (OMO)

Contrary to the subdued open market operations of the Reserve Bank in the Government securities market during 1995-96, outright sale of securities and repo activities came into prominence during 1996-97 emanating from the exigency of sterilising excess liquidity engendered by large capital inflows besides maintaining domestic interest rate and exchange rate at reasonable levels. This can be discerned from net sale of government securities during 1996-97 rising to Rs.10,464 crore as against a net purchase of Rs.514 crore in 1995-96 (Table VI-5).

With the surge in liquidity during the second half of 1996-97, repo auctions were resumed in November 1996 and continued on a regular basis since January 1997. Between November 1996 and March 1997, bids accepted in repo auctions ranged between Rs.300 crore and Rs.4,194 crore with cut-off repo rate emerging in the range of 4.00 to 5.48 per cent for generally 3 to 4 days durations.

Persistence of excess liquidity in the system continued during the first half of 1997-98 as well, bringing the imperative of mopping up excess liquidity through active open market operations in sharp focus. Reflecting this, net sales of securities aggregated Rs.2,063 crore as compared to

Rs.1,306 crore during the corresponding period of the previous year. As a move to enhance the stock of marketable securities with the Reserve Bank to enable it to conduct active open market operations, special securities in its portfolio amounting Rs.20,000 crore were converted into marketable lot of varying maturities and coupon rates. The repo auctions were undertaken although for a period of 3 to 5 days with volume of repo transactions exceeding Rs.2,000 crore during most of the auctions. The cut-off repo rate after staying at 5.00 per cent at the beginning of April 1997 touched a low of 2.40 per cent by the end of the month. Since then repo rate settled in the range of 3.60 to 4.90 per cent. By end -September 1997, repo rate at 4.35 per cent stayed 60 basis points below the rate emerging on 14-day Treasury bills auctions. A system of announcing a calendar of repo auctions on a monthly basis was introduced in January 1997 to enabling better treasury management by participants.

Operations of the Primary Dealers

Primary Dealers (PDs) have been giving two-way quotes in the press/Reuters screen and have been bidding in the auctions of 91-day/364-day Treasury bills as also in the floatations of new loans. During 1996-97, PDs bid for substantially higher amounts at Rs. 24,230 crore and Rs.9,275 crore in Treasury bills and Government dated securities, respectively, as against a nominal target of Rs.4,110 crore in Treasury bills and Rs.2,570 crore for Government dated securities. All PDs, taken together, purchased Treasury bills of the order of Rs.12,467 crore and Government dated securities of Rs.7,528 crore. A total commission of Rs.107.98 crore was paid to PDs during 1996-97.

Liquidity Support to Primary Dealers

The six Primary Dealers (PDs) were provided liquidity support by way of reverse repos during 1996-97 with limits fixed at an aggregate amount of Rs.841 crore (Rs.411 crore against 91-day auction Treasury bills and Rs.430 crore against Government dated securities). During December 21, 1996 to January 2, 1997, the facility was utilised by DFHI and STCI to the extent of Rs.541 crore. For the remaining part of the year, the PDs,

however, scarcely availed of this facility as liquidity conditions were comfortable.

Securities Trading Corporation of India Ltd. (STCI)

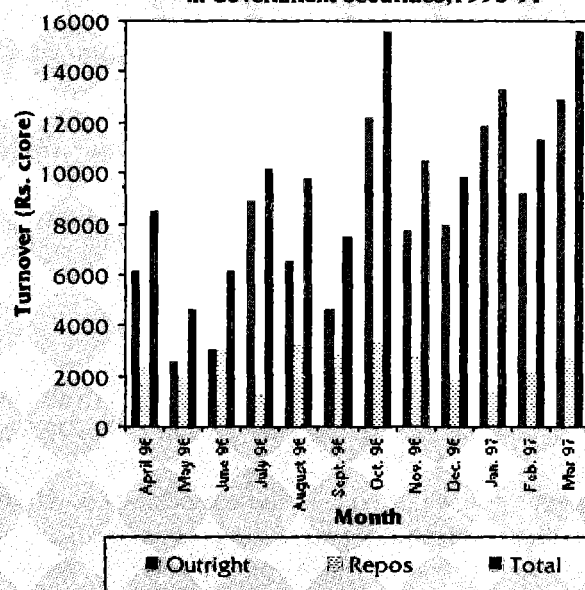
Consequent to the banking sector's strong preference for holding Government securities, the focus of STCI's activities during 1996-97 shifted from Government dated securities to trading in Treasury bills and participation in the call and notice money market. While the turnover in Government dated securities declined sharply from Rs.1,70,281 crore during 1995-96 to Rs.30,571 crore during 1996-97, that in respect of Treasury bills increased from Rs.2,674 crore in 1995-96 to Rs.10,579 crore during 1996-97 (Table VI-6).

Secondary Market Transactions in Government Securities

The aggregate turnover in Government securities market through SGL transactions during financial year 1996-97 reached a level of Rs.1,22,942 crore comprising outright and repo transactions in Government dated securities and Treasury bills (Statement 191, Vol.II). This magnitude of turnover was rendered possible by surplus liquidity in the system emanating from large external inflows, low offtake of non-food credit, and attractive return on investment in Government securities compared to other financial assets. A notable development during 1996-97 was that the outright transactions, which contributed 23 per cent of the aggregate turnover in Government securities during 1995-96, witnessed a turnaround in 1996-97 with its share rapidly rising to 76.4 per cent. The average monthly turnover in Government securities was Rs.10,245 crore with a peak exceeding Rs.15,000 crore in October 1996 and again in March 1997. The rising trend in transactions was witnessed although the financial year, the rise being sharper in the latter half (Graph VI-8).

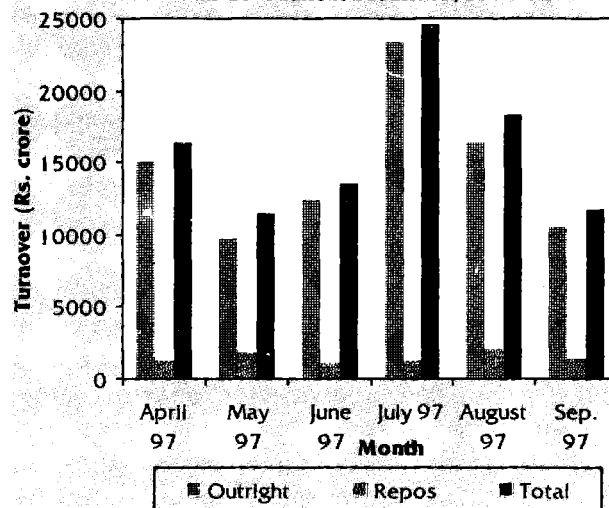
During the first half of financial year 1997-98 (up to September 1997), voluminous growth was recorded in Government securities market with the turnover aggregating Rs.96,220 crore as compared to Rs.46,766 crore in the corresponding

Graph VI-8
Secondary Market Transactions (SGL)
in Government Securities, 1996-97



period of the previous year. This order of growth in transactions emanated from low credit offtake from the banking system, thus facilitating large volume of funds for investment in Government securities. The monthly turnover stayed at higher levels in the range of Rs.11,534 to Rs.24,604 crore with an average monthly turnover of Rs.16,037 crore, much higher than their respective level during the identical period of 1996-97. The

Graph VI-9
Secondary Market Transactions (SGL)
in Government Securities, 1997-98



outright transactions increasingly contributed to the total turnover (91 per cent), rising from a level of 76 per cent in 1996-97 (Graph VI-9). Identical to 1996-97, the turnover in State Government securities remained subdued and contributed to a meagre 1 per cent of total turnover in Government securities market. Notwithstanding the continuous surge in liquidity in money markets, a steady growth in transactions in the secondary market is a reflection of emergence of an active secondary market in Government securities.

Foreign Exchange Market

Reflecting the slowdown in the growth of merchandise exports and imports in 1996-97 and the reasonable stability in the exchange rate of the rupee, there was a considerable moderation in both merchant and inter-bank turnover in the foreign exchange market. Three-month forward premia declined gradually from the high average level of about 27 per cent in March 1996 to a low of 3.47 per cent by June 1997 as a result of the shift in perception of the market agents with the restoration of exchange rate stability. The forward premia in India reflect the demand and supply position in the forward segment of the market instead of cross border interest rate differential. As a result, when short periods of exchange market turbulence are followed by longer periods of reasonable stability in the exchange rate, it leads to considerable decline in demand in the forward market. This was evident during the first four months (i.e., April 1997 to July 1997) when the supply position in the forward market exceeded demand leading to gradual decline in the forward premia (Table VI-F). During the next two months i.e., in August and September 1997, however, the demand for forward US dollars exceeded the supplies and as a result the forward premia rose in both the months over their levels in previous months.

In recent years, there has been a growing interest among foreign exchange dealers in trading in currencies of emerging market economies following the need for diversification of exchange rate risks in a globalised financial system and in view of the prospects of wider margins on interbank transactions in such economies. Trading

particularly in the forward segment of the exchange market appears profitable to them as there are, in general, several impediments to cash transactions in the money markets of these economies such as withholding taxes, custodial arrangements, reserve requirements etc.

With a view to developing a sound foreign exchange market that would meet the challenges and needs of a more open trade and financial system, measures instituted in the earlier years to deepen and widen the exchange market were carried forward in 1996-97. Banks were permitted to fix their own Aggregate Gap Limits (AGLs) subject to monitoring their exposures continuously by marking to market the mismatches. They were also allowed to arrange forex-rupee swaps between corporates and run a swap book within their open positions/gap limits. Selected banks were permitted to initiate cross currency positions in overseas markets. Banks were allowed to onlend domestically in foreign currencies by using the funds mobilised under FCNR(B). With the objective of attaining greater integration of the domestic money market with overseas money markets, ADs were permitted to borrow from their overseas offices/correspondents up to US \$ 10 million and also to invest in overseas money market instruments up to the same limit. ADs were permitted to offer forward cover to exporters/importers beyond six months without insisting on documentary evidence but based on declaration of exposures supported by business projections and past performance. With a view to offering greater freedom to ADs in managing their foreign currency assets/liabilities through the use of derivative products, they were allowed to use a host of instruments such as interest rate swaps, currency swaps, and forward rate agreements. ADs were also permitted to offer their customers cost-effective and risk-reduction option strategies like range forwards, ratio range forwards etc., with freedom to corporates for booking and canceling the options.

Relative Rates of Return

During 1996-97, the rates of return on different financial instruments showed a distinct decline, particularly at the short-end of the

**Table VI-F : Forward Market Developments during
(April 1997 to September 1997)**

Month	Forward purchases: Rs./ \$ (\$ million)	Forward sales: Rs. / \$ (\$ million)	Swap premia (six month) (Per cent)	Average call money rates (Per cent)	Average exchange rate (Rupees per \$)
April	1431	1278	5.49	1.22	35.8
May	1704	1003	4.77	5.90	35.8
June	1694	1072	4.23	5.16	35.8
July	1662	1601	3.63	3.77	35.7
August	2134	2619	5.50	5.86	35.9
September	1593	3607	6.63	6.71	36.4

maturity spectrum indicating excess liquidity in the financial system (Table VI-7). The interest rates at the longer-end, however, remained relatively sticky with a decline of only 35 basis points in the coupon-rate of 10-year Government securities and a fall of 150-200 basis points in the prime lending rates, indicating the pressure of the large volume of Government borrowing and the presence of inflationary expectations. During the first half of 1997-98, the rates of return in financial markets declined further; importantly, this decline was

widespread across the maturity spectrum. The cut-off yield on 10-year Central Government dated securities declined further by 60 basis points from 13.65 per cent in February 1997 to 13.05 per cent in April 1997. In view of lower secondary market yields, the coupon rate for the second tranche of 10-year State Government loan has been fixed at 12.30 per cent - a further decline of 75 basis points. Likewise, the prime lending rates of banks have declined by 100-150 basis points during the first half of 1997-98.

Annexure : Progress of Financial Sector Reforms

Issues/Year	1996-97	1997-98*
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 reduced in three stages : to 13.5 per cent from the fortnight beginning April 27, 1996, to 13.0 per cent from the fortnight beginning May 11, 1996 and to 12.0 per cent from the fortnight beginning July 6, 1996. It was further reduced by two percentage points to 10.0 per cent in four phases of 0.5 percentage point each, effective fortnights beginning October 26, 1996, November 9, 1996, January 4, 1997 and January 18, 1997, respectively. ii) All liabilities under NRE Scheme were exempted from CRR, effective fortnight beginning April 13, 1996.	i) It was clarified that in view of the multiple prescriptions on different categories of liabilities, including prescription of a zero reserve requirement on certain liabilities, effective CRR and SLR maintained by scheduled commercial banks on total demand and time liabilities, including inter bank liabilities, were not to be less than 3 per cent and 25 per cent, respectively. ii) Effective fortnight beginning April 26, 1997, all scheduled commercial banks (excluding RRBs) were required to maintain a CRR of 10 per cent on the increase in liabilities under FCNR(B), NRE and NRNR Accounts Schemes over the level outstanding as on April 11, 1997. iii) CRR is proposed to be reduced by two percentage points from 10.0 per cent to 8.0 per cent in eight phases of 0.25 percentage point each, effective fortnights beginning October 25, 1997, November 22, 1997, December 20, 1997, January 17, 1998, February 14, 1998, February 28, 1998, March 14, 1998 and March 28, 1998.
b) Interest on Cash balances with the Reserve Bank under CRR		i) with a view to rationalising the system of payment of interest on eligible CRR balances maintained with the Reserve Bank, effective October 25, 1997, banks will be paid interest at the rate of 4 per cent per annum on all eligible cash balances maintained with the Reserve Bank under the CRR requirement.
c) Statutory Liquidity Ratio (SLR)	i) Effective fortnight beginning April 13, 1996, SLR on outstanding liabilities under the NRE Scheme was reduced from 30 per cent to 25 per cent.	i) With a view to rationalising the prescription of SLR effective October 25, 1997, all scheduled commercial banks are required to maintain a uniform statutory liquidity ratio of 25 per cent on their entire net demand and time liabilities, instead of the earlier multiple prescriptions of SLR.
d) Reserve Requirements on Inter-Bank Liabilities		i) With a view to facilitating the development of a more realistic rupee yield curve and term money market, all scheduled commercial banks

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(excluding RRBs) were exempted from maintenance of CRR of 10 per cent as well as SLR on inter-bank liabilities, effective April 26, 1997 (subject to a statutory minimum).

2. Interest Rates

a) Deposit Rate

i) Domestic Deposits

- i) Banks were given freedom to fix their own interest rates on domestic term deposits with a maturity of over one year effective July 2, 1996. Further, to provide some outlet for management of short-term surplus funds, owing to the developments in the money market and the progressive move from the 'cash credit system' to a 'loan system', the minimum period of term deposits was reduced from 46 days to 30 days. Accordingly, effective July 2, 1996, the interest rate on domestic term deposits of 30 days and up to one year was prescribed at 'not exceeding 11.0 per cent per annum'.
- ii) Interest rates on domestic term deposits of scheduled commercial banks (excluding RRBs) for maturity of 30 days and up to one year were reduced effective October 21, 1996 by one percentage point from 'not exceeding 11.0 per cent per annum' to 'not exceeding 10.0 per cent per annum'.
- i) Effective April 16, 1997, the ceiling on interest rate on domestic term deposits of maturity of 30 days and up to one year was reduced from 10.0 per cent per annum to 'Bank Rate *minus* two percentage points per annum' (i.e. 9.0 per cent).
- ii) With a view to giving banks full freedom to determine the interest rates on term deposits, effective October 22, 1997, banks are free to fix their own interest rates on domestic term deposits of 30 days and over with the prior approval of their respective Boards.

ii) NRE Deposits

- i) With a view to bringing about an alignment of the maturity structure of NRE term deposits with that on domestic term deposits, interest rate on NRE term deposits of over two years was freed, effective April 4, 1996.
- i) With a view to bringing about a better alignment of the interest rate structure of term deposits under NRE Accounts with that on domestic term deposits, effective April 16, 1997, (i) the interest rates on term deposits under NRE Accounts of over one year were freed and (ii) the interest rate offered on NRE term deposits of 6 months and up to one year was prescribed at 'not exceeding Bank Rate *minus* 2 percentage points' (i.e. 'not exceeding 9.0 per cent per annum').
- ii) Consequent upon the reduction in the Bank Rate, effective June 26, 1997, the interest rates offered on domestic term deposits of 30 days and up to one year and also of term deposits under NRE Accounts Scheme with a maturity of 6 months and up to one year were reduced to 'not exceeding 8.0 per cent per annum' from the earlier level of 'not exceeding 9.0 per cent per annum'.

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III) FCNR (B) Deposits		
		i) With a view to giving more flexibility, banks were permitted to determine interest rates on FCNR(B) deposits subject to ceilings prescribed by the Reserve Bank from time to time. ii) With a view to providing more flexibility to banks, banks were allowed to offer interest on FCNR(B) deposits at rates not more than the LIBOR prevailing on the last working day of the previous week for the relevant maturity and currency.
b) Lending Rate		
i) Prime Lending Rate (PLR)		
	i) Effective February 12, 1997, banks were advised to announce the maximum spread over the PLR for all advances other than consumer credit, after approval from their respective Boards. ii) Advances of over Rs. 2 lakh granted against domestic/NRE term deposits would attract the stipulations regarding PLR. iii) The rate of interest to be charged by housing finance intermediary agencies for onlending to non-resident Indians (NRIs) would be 1.5 percentage points below PLR of the banks concerned, subject to the same conditions as applicable for Indian residents.	i) Effective October 22, 1997, banks were allowed to charge interest rate on credit limits of over Rs. 25,000 and up to Rs. 2 lakh at 'not exceeding 13.5 per cent per annum' instead of 13.5 per cent per annum earlier. i) In regard to term loans of 3 years and above, banks were permitted to announce, with prior approval of their boards, separate Prime Term Lending Rates (PTLR).
c) Bank Rate		
		i) In order to make the Bank Rate an effective signal rate as well as a reference rate, with effect from the close of business of April 15, 1997, the Bank Rate was reduced by one percentage point to '11 per cent per annum' so that changes in the Bank Rate reflect the stance of monetary policy. ii) Interest rates on certain categories of accommodation from the Reserve Bank were linked to the Bank Rate. iii) With effect from the close of business of June 25, 1997, the Bank Rate was reduced by one percentage point from '11.0 per cent per annum' to '10.0 per cent per annum'. All interest rates on advances from the Reserve Bank such

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		as export credit refinance and general refinance to banks which are linked to the Bank Rate were revised downwards.
		iv) Effective October 21, 1997, the Bank Rate was reduced by one percentage point from '10.0 per cent per annum' to '9.0 per cent per annum'.
d) Refinance Facility	i) Effective July 6, 1996, the refinance facility against the collateral of Treasury Bills and Government dated and other approved securities was terminated. With this, refinance facility remained only in respect of export credit extended by banks.	i) In the context of a move from sector – specific refinance facilities to a general refinance facility and also with a view to enabling Bank Rate to emerge as a reference rate, effective fortnight beginning April 26, 1997, a General Refinance Facility was introduced under which all scheduled commercial banks (excluding RRBs) would be provided General Refinance equivalent to 1.0 per cent of each bank's fortnightly average outstanding aggregate deposits in 1996-97 in two blocks of four weeks each at Bank Rate for the first four weeks and Bank Rate <i>plus</i> one percentage point for the second block of four weeks. ii) As a move towards further rationalisation of export credit refinance to banks and in the context of introduction of a new General Refinance Facility, effective fortnight beginning April 26, 1997, base level export credit refinance limits at 20 per cent of export credit as on February 16, 1996 was withdrawn and therefore scheduled commercial banks would be provided export credit refinance at the Bank Rate, only to the extent of 100 per cent of the increase in outstanding export credit eligible for refinance over the level of such credit as on February 16, 1996.
3. Institutional/Other Developments	i) The scheme of Money Market Mutual Funds (MMMFs) was made attractive to investors, by reducing the minimum lock-in period from 46 days to 30 days, effective July 3, 1996. ii) The scheme of MMMFs was made more flexible by bringing it on par with all other mutual funds by allowing investment by corporates and others.	i) The minimum size of issue of Certificates of Deposit (CDs) to a single investor was reduced from Rs.25 lakh to Rs.10 lakh. The additional amount would be issued in multiples of Rs.5 lakh. ii) The minimum maturity of Commercial Paper (CP) was brought down from 3 months to 30 days. iii) Banks and PDs decided to form an autonomous, self regulatory body <i>viz.</i> Fixed Income Money Market and Derivatives Association (FIMMDA) for

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		the money and securities market trading. The self-regulatory organisation (SRO) is likely to promote a liquid debt and derivatives market and set common standards for market participants.
		iii) The minimum size of issue of CDs to a single investor was reduced from Rs. 10 lakh to Rs. 5 lakh. CDs above Rs. 5 lakh would be in multiples of Rs. 1 lakh.
		iv) With a view to making the scheme of MMMF more flexible, MMMFs were permitted to invest in rated corporate bonds and debentures with a residual maturity of upto one year within the exposure limit of MMMFs to CP of an individual company of 3 per cent of the resources of the MMMF.
4. Internal Debt Management Policies	i) It was decided to continue with the previous year's limits on <i>ad hoc</i> Treasury Bills for fiscal 1996-97 i.e., the net issue not to exceed Rs.5,000 crore at the end of the financial year 1996-97 and not to exceed Rs.9,000 crore for more than ten consecutive working days at any time during the year 1996-97. ii) With a view to encouraging schemes of mutual funds dedicated to Government securities and creating a wider investor base for Government securities, the Reserve Bank announced on April 20, 1996 a provision for liquidity support to mutual funds dedicated exclusively to investments in Government securities either by way of outright purchases or reverse repos in Central Government securities up to 20 per cent of outstanding investment. iii) In addition to DFHI and STCI, four more Primary Dealers (PDs), viz., SBI Gilts Ltd., PNB Gilts Ltd., Gilt Securities Trading Corporation Ltd., and ICICI Securities and Finance Ltd. became operational from June 1996. iv) The four new PDs were permitted to participate in call/notice money market and Bills Rediscounting Scheme both as lenders and borrowers from June 6, 1996. v) The four new PDs were also permitted to participate in the Term Money Market both as lenders and borrowers	i) In pursuance of the "Guidelines for Satellite Dealers in the Government Securities Market" issued on December 31, 1996, the Reserve Bank granted approval to 16 entities for registration as SDs in the Government Securities Market. ii) Effective April 15, 1997, the rate of interest for liquidity support to Primary Dealers (PDs) was linked to Bank Rate in respect of Treasury Bills as well as Central Government dated securities. iii) In order to activate the repos market so that it serves as an equilibrating force between the money market and the securities market, (i) repo/reverse repo transactions among institutions were extended in respect of all Central Government dated securities; and (ii) non-bank holders of SGL Account with the Reserve Bank were allowed entry into reverse repo (but not into repo) transactions with banks/PDs in Treasury Bills of all maturities and all Central Government dated securities. iv) In order to further activate Treasury Bills market, particularly in the context of the discontinuance of 91-day tap Treasury Bills (TBs) and the system of <i>ad hoc</i> Treasury Bills, Treasury Bills of various maturities were proposed to be issued to facilitate the cash management requirements of various segments of the economy.

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	effective August 2, 1996.	v) The Government of India constituted a Monitoring Group on 'Cash and Debt Management of the Central Government' with representatives from the Government and the Reserve Bank.
	vi) As a part of measures to develop secondary market in Government securities and making the market deep and broad based, the Reserve Bank issued guidelines to banks for retailing of Government securities with non-bank clients on June 8, 1996.	vi) The Reserve Bank announced a 'Scheme for Payment of Underwriting fee to Primary Dealers' whereby a minimum of 25 per cent of each issue of Government of India dated securities and Treasury Bills would be offered for underwriting by PDs and the underwriting amount and fee would be determined on the basis of bids submitted and accepted by the Reserve Bank for each issue, effective June 2, 1997. The Scheme replaced the system of payment of commission to PDs on purchases of Government securities in the primary market, and also the system of fixing commitment percentages for devolvement on each PD.
	vii) With a view to providing incentives to PDs to develop the secondary market in Government securities, the Reserve Bank decided to pay commission on their primary purchases (including the underwriting commitment) of Central Government securities, effective July 10, 1996.	
	viii) With a view to enabling the State Governments to meet temporary mismatches between receipts and expenditure, effective August 1, 1996, the level of Ways and Means Advances (WMAs) provided by the Reserve Bank to each State Government was doubled; the aggregate limits of WMAs of State Governments were increased from Rs.1,542.8 crore to Rs.3,085.6 crore.	vii) In view of the discontinuance of 91-day TBs and the <i>ad hoc</i> TBs, to facilitate the cash management requirements of various segments of the economy, effective April 1, 1997 the Government of India introduced the scheme of 14-day Intermediate TBs. Further, 14-day auction TBs were introduced effective May 20, 1997.
	ix) The commission payable to PDs in the primary market on 91-day Treasury Bills was reduced to 12.5 paise effective August 23, 1996 from 25 paise earlier.	
	x) The Reserve Bank's rates of interest for the reverse repo transaction provided to PDs were reduced to 10.5 per cent per annum in respect of 91-day auction Treasury Bills and to 11 per cent in respect of Central Government dated securities from 11.5 per cent and 13 per cent earlier, respectively.	viii) In order to help further the cash management requirements of various segments of the economy, 28-day Treasury Bills (TBs) were proposed to be introduced on auction.
	xi) With a view to increasing depth in the secondary market for Government securities and providing a retail outlet for Government securities, guidelines for registration of Satellite Dealers (SDs) in Government securities market were issued in December 1996. Subsidiaries of scheduled commercial banks and all-India financial institutions (AIFIs) and companies incorporated under Companies Act, 1956, provided they are dedicated predominantly to the securities business and in particular to the Government securities market with minimum net owned funds of Rs.5 crore became eligible to be SDs.	ix) With a view to eliminating the problem of "winners' curse" and broaden the market participation in respect of auctions of 91-day TBs, uniform price auction method in respect of 91-day TBs auctions was proposed to be introduced.
		x) The practice of notification of amounts of issue in respect of 364-day and 14-day TBs auction was proposed to be introduced. Earlier, the amounts were notified only in respect of 91-day TBs auction and dated securities auction.
		xi) The 'non-competitive' bids in respect of 91-day and 14-day TBs auctions were decided to be kept outside the notified amount of respective auctions.

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	xii) The Reserve Bank constituted a Technical Advisory Committee on Government securities market to advise on an on-going basis on policy issues aimed at development of a healthy and vibrant Government securities market and on issues relating to open market operations, on January 27, 1997. xiii) The Government decided to permit FIIs to invest in Government dated securities on January 30, 1997. xiv) With a view to providing investors an effective hedge against inflation and enhancing the credibility of anti-inflationary policies, the Union Budget 1997-98 proposed introduction of a capital indexed bond where the repayment of the principal amounts would be indexed to inflation. xv) As per the Government's decision to permit FIIs in the category of 100 per cent debt-funds to invest in Government dated securities, on March 8, 1997, the Reserve Bank announced the operating guidelines for FIIs' investment in Government dated securities; the FIIs became eligible to invest only through designated banks in Government (Central and State) dated securities of all maturities (but not in Treasury Bills), both in the primary and in the secondary markets. xvi) Consequent upon the Union Budget 1997-98 announcement relating to discontinuance of the system of <i>ad hoc</i> Treasury Bills, the Union Government and the Reserve Bank signed an agreement, the salient features of which are : (a) the system of <i>ad hoc</i> Treasury Bills to finance budget deficit would be discontinued effective April 1, 1997; (b) the outstanding <i>ad hoc</i> Treasury Bills as on March 31, 1997 would be funded into special securities, without any specified maturity, at an interest rate of 4.6 per cent per annum, on April 1, 1997; (c) the outstanding tap Treasury Bills as on March 31, 1997 would be paid off on maturity with an equivalent creation of special securities without any specified maturity, at an interest rate of 4.6 per cent per annum; (d) from April 1, 1997 a scheme of Ways and Means Advances (WMAs) by the Reserve Bank would be introduced to accommodate	xii) Foreign Institutional Investors (FIIs) with a ceiling of 30 per cent investment in debt instruments were permitted to invest in Government dated securities, within the ceiling of 30 per cent as against earlier when FIIs in the category of 100 per cent debt funds were permitted to invest in Government dated securities. xiii) With a view to promoting the retail market segment of Government securities market and to provide greater liquidity to retail investors, banks were allowed to freely buy and sell Government securities on an outright basis at prevailing market prices, without any restriction on the period between sale and purchase. xiv) The Reserve Bank's interest rate for liquidity support to PDs was linked to Bank Rate in respect of Treasury Bills and Central Government dated securities from April 16, 1997.

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temporary mismatches in Government receipts and payments; (e) the limit and the rate of interest on WMAs and the rate of interest on overdraft would be mutually agreed between the Reserve Bank and the Government from time to time; (f) the limit for WMA was fixed at Rs.12,000 crore for the first half of the year (April-September) and Rs.8,000 crore for the second half of the year (October-March); (g) the interest rate on WMA, for any given quarter, for the Government would be 3 per cent less than the rate arrived at by averaging the implicit yield at the cut-off prices of 91-day Treasury Bills auctions held during the previous quarter, and on overdraft amount beyond the WMA limits would be at WMA rate plus 2 per cent; and (h) overdraft would not be permissible for periods exceeding 10 consecutive working days after March 31, 1999.

xvii) In order to provide State Governments, foreign central banks and special bodies with an alternative arrangement in place of 91-day Treasury Bills for investment of their temporary cash surpluses, effective April 1, 1997, the Government of India introduced the Scheme of 14-day Intermediate Treasury Bills. The salient features of the Scheme are : (i) the Bills would be sold only to State Governments, foreign central banks and other specified bodies with whom the Reserve Bank has an agreement for investing their temporary surplus funds; (ii) it would be sold on a non-transferable basis for a minimum amount of Rs.1,00,000 and in multiples of Rs.1,00,000 and would be issued only in book-entry form; i.e., by credit to Subsidiary General Ledger (SGL) Account; (iii) the Bills would be repaid/renewed at par on the expiration of 14 days from the date of their issue; (iv) the discount rate would be set at quarterly intervals such that the effective yield of this instrument would be equivalent to the interest rate on WMA chargeable to Central Government; and (v) the Bills would be rediscounted at 50 basis points higher than the discount rate. On rediscounting, the bills would be extinguished.

xviii) PDs were permitted to issue

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commercial paper to gain access to short-term borrowings.

II. In-House Issues

a) Capital Restructuring

- i) Provisions of Rs. 909 crore and Rs. 200 crore were made in the Union Budget for recapitalisation of public sector banks and RRBs, respectively, in 1996-97.

b) Income Recognition and Provisioning

- i) The ratio for investments in the permanent category for scheduled commercial banks was reduced from 'not exceeding 60 per cent' in 1995-96 to 'not exceeding 50 per cent' in 1996-97.
- ii) Banks were granted an extension up to end-March 1998, to complete the exercise of classifying accounts with outstandings of less than Rs. 25,000 into the four asset categories. Pending such classification, a provision of 15 per cent of the aggregate amount outstanding was required to be made for such advances for the year 1996-97.
- iii) Banks were advised that income from dividend on shares of corporate bodies and units of mutual funds should be booked on cash basis.

i) Any excess provision for depreciation in investments held by banks as at the end of the financial year 1995-96 over the requirement for the same for the year 1996-97 should be taken to the profit and loss account under the head 'Expenditure Provisions and Contingencies' as a credit item. Thereafter, an equivalent amount should be appropriated to 'Capital Reserve' account and shown under 'Reserves and Surplus' in the balance sheet. The excess provision towards depreciation in investments held under 'Reserve and Surplus' would be eligible for inclusion in Tier II Capital.

ii) Banks were allowed to book income on accrual basis on securities of corporate bodies/public sector undertakings (PSUs) in respect of which the payment of interest and repayment of principal were guaranteed by the Central Government or a State Government. Banks might book income from dividend on shares of corporate bodies on accrual basis provided dividend on the shares were declared by the corporate body in its Annual General Meeting and the owners' right to receive payment was established.

d) Recovery of Bank Loans

- i) An advance account should not be classified as Non-performing Asset (NPA) based on temporary deficiencies such as non-availability of adequate drawing power, balance outstanding exceeding the limit, non-submission of stock statements and the non-renewal of the limits on the due date etc. Further, accounts of the borrowers already regularised before the balance sheet day by repayment of overdue amounts to genuine sources were not to be treated as NPA. Accounts with potential threats to recovery should be straightaway classified as doubtful asset or loss asset, as appropriate, irrespective of the period for which
- i) The revised guidelines for classification of bank advances for agricultural purposes treating advances on which interest/instalment is in arrears for more than two quarters from the due date as NPA, were made applicable from 1997-98 and not from 1996-97, as was decided earlier.

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they remained as NPA.

- ii) In respect of advances granted for agricultural purposes where interest/instalment is in arrears for more than two quarters from the date the interest/instalment were due for repayment, the advances should be treated as NPA.

e) Lending Norms

- i) With a view to encouraging borrowers to switch over to Loan Delivery System, banks were allowed to prescribe separate PLRs for 'loan component' and 'cash credit component' and also prescribe separate spreads for both, with approval of their respective Boards.
 - ii) In order to further strengthen the discipline in the utilisation of bank credit by borrowers with assessed MPBF of Rs.20 crore or above, the cash credit component under the 'Loan System' was reduced to 40 per cent of MPBF and the 'loan component' was increased to 60 per cent effective April 18, 1996. With a view to extending the 'Loan System' in respect of borrowers with assessed MPBF between Rs.10 crore and Rs.20 crore, the 'cash credit component' was restricted to 60 per cent while the 'loan component' was fixed at 40 per cent.
 - iii) Consequent on restricting the 'cash credit component' to 40 per cent of the MPBF in the case of borrowers with MPBF of Rs.20 crore and above, such borrowers were permitted to issue commercial paper to the entire extent of 'cash credit component', as against 75 per cent earlier. In the case of borrowers with MPBF of Rs.10 crore or above but less than Rs.20 crore, the amount of issuable commercial paper was restricted to 75 per cent of the 'cash credit component'.
 - iv) The mandatory requirement of levy of commitment charge on the unutilised portion of the working capital credit limits of Rs.1 crore and above was withdrawn effective July 1, 1996, and banks were advised to evolve their own guidelines for ensuring credit discipline and levy of commitment charge.
 - v) The mandatory requirement of levy of additional interest of two percentage points above the relevant cash credit
- i) Banks were required to assess working capital requirements of borrowers on the basis of 20 per cent of the projected turnover of village, tiny and other SSI units having working capital limits up to Rs. 2 crore, as against Rs. 1 crore earlier.
 - ii) It was decided that it would not be obligatory on the part of banks to form a consortium irrespective of credit limit per borrower as against the earlier threshold credit limit of Rs. 50 crore per borrower, subject to observance of exposure limits. As an alternative to sole/multiple banking/consortium arrangement, banks are free to adopt syndication route, irrespective of the quantum of credit involved, if the arrangement suits the borrower and the financing banks.
 - iii) Following further modifications in the loan system for delivery of bank credit were effected: (a) in the case of borrowers enjoying working capital credit limit of Rs.20 crore and above from the banking system, the 'loan component' was raised to 80 per cent as against 75 per cent earlier; (b) in the case of borrowers enjoying working capital credit limit of Rs.10 crore and above but less than Rs.20 crore, 'loan component' was raised to 75 per cent as against 60 per cent earlier; (c) bank boards were given freedom to identify business activities which are cyclical and seasonal in nature or have inherent volatility; such activities, where the strict application of 'loan system' may create difficulties for the borrowers, may be exempt from the 'loan system' of delivery; (d) keeping in view the convenience to borrowers, the following changes were made in the 'Loan System': (i) The minimum period of loan and its spread over various maturities subject to rollover could be fixed by the concerned banks and (ii) The financing bank may permit borrowers to invest their short term/

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1	2	3
	interest rate on the portion of the book-debt finance in excess of 75 per cent of the limits sanctioned to borrowers with fund-based credit limits of Rs.5 crore and above was withdrawn effective July 1, 1996.	temporary surplus in short term money market instrument like CPs, CDs and in term deposits with banks etc.
	vi) The minimum margin on advances against all commodities covered under selective credit control were reduced by 15 percentage points across-the-board.	iv) Consistent with the policy of liberalisation, banks were allowed full operational freedom to evolve their own methods of assessing the working capital requirements of borrowers within the prudential guidelines and exposure norms, already prescribed and all instructions relating to MPBF were withdrawn.
	vii) The minimum housing finance allocation of banks for 1996-97 was stipulated at 1.5 per cent of a bank's incremental deposits in 1995-96 or the amount of its housing finance allocation fixed for the year 1995-96, whichever was higher. Further, sub-allocations for direct finance, indirect finance or investment in the bonds of NHB/HUDCO were done away with.	v) Banks were given same freedom regarding uses and rates relating to lendings out of resources mobilised under FCNR(B)/NRNR pools as was available to them in the case of advances in general.
	viii) Banks were permitted to provide foreign currency denominated loans to their customers under which foreign exchange risk was to be borne by the borrowers for meeting either their foreign currency or rupee requirements, subject to certain conditions. The resource base for such loans would consist of FCNR(B) deposits.	vi) Effective October 21, 1997, for all borrowers with working capital credit limits from the banking system of Rs. 10 crore and above, the 'loan component' was fixed at uniform minimum level of 80 per cent, instead of the separate 'loan components' for credit limits of a) Rs. 10 crore or above and less than Rs. 20 crore and b) Rs. 20 crore or above. In case of borrowers with working capital credit limit of less than Rs. 10 crore, banks may persuade them to go in for the 'loan system' by offering an incentive in the form of lower rate of interest on the 'loan component' as compared to 'cash credit component'.
	ix) With a view to providing more flexibility to banks, the ground rules of consortium finance arrangements were decided to be framed by the participating banks in the consortium.	vii) Banks were permitted to sanction bridge loans to companies against expected equity flows/issues for a maximum period of one year within the ceiling of 5 per cent of incremental deposits for banks' investments in shares.
	x) Following modifications in the 'loan system' for delivery of bank credit were effected: (a) for borrowers with assessed MPBF of Rs. 20 crore or above, the 'cash credit component' was restricted to 25 per cent of the MPBF and the balance 75 per cent in the form of 'loan component' and (b) for borrowers with assessed MPBF of Rs. 10 crore or above but less than Rs. 20 crore, the 'cash credit component' was restricted to 40 per cent and the balance 60 per cent in the form of 'loan component'. In order to impart greater flexibility to the borrowers, (a) the minimum period of 'loan component' was reduced to six month as against one year earlier with a provision of renewal/rollover, and (b)	viii) Banks were given freedom to stipulate margins on loans to individuals against preference shares and debentures/bonds of corporate bodies.
		ix) The Reserve Bank advised banks to use alternative methods of assessing the loan requirement of the Services sector including activities like tourism activities, tourism related hotels and computer software, in place of the traditional method based on the 'Current Ratio'.

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1	2	3
	'Bills limit' for inland sales was allowed to be carved out of the 'loan component'. xi) In view of the further reduction in the 'cash credit component' it was decided that the amount of commercial paper issued by corporates would not be restricted to the 'cash credit component' of the MPBF. xii) In respect of consortium advances, each bank was allowed to classify the borrowal accounts according to its own record of recovery and other aspects having a bearing on the recoverability of the advances, as in the case of multiple banking arrangement.	
f) Investment Norms	i) Effective June 13, 1996, banks were permitted to enter into agreements with mutual funds for marketing the mutual fund units subject to certain terms and conditions. ii) Banks were eligible to invest in Certificates of Deposit (CDs) of other banks/financial institutions. The CDs were made freely transferable by endorsement and delivery after 30 days of the date of issue as against 45 days earlier. iii) Private sector banks failing to achieve the priority sector lending target of 40 per cent of net bank credit as at the last reporting Friday of March 1996, were given an option to place 50 per cent of the shortfall as deposits with NABARD/SIDBI for a one-year or five-year period, carrying interest of 8 per cent and 11.5 per cent per annum, respectively. iv) All commercial banks were permitted to purchase PSU bonds in the secondary market where the scrips were issued and registered in the name of the seller. v) Investments made by banks in special bonds issued by certain specified institutions viz., State Financial Corporations (SFCs)/State Industrial Development Corporations (SIDCs), Rural Electrification Corporation (REC), NABARD and NHB were to be reckoned as part of priority sector advances subject to certain conditions.	i) Banks' investment in preference shares/non-convertible debentures/bonds of private corporate bodies were excluded from the limit of 5 per cent of their incremental deposits in the previous year. ii) Keeping in view the state of capital markets, banks were allowed to extend loans to corporates against shares held by them to enable such corporates to meet the promoters' contribution to the equity of new companies; such loans, to be treated as banks' investment directly in shares, would be subject to the ceiling of 5 per cent of the incremental deposits of the previous year prescribed for investments in shares/convertible debentures of corporate bodies, including PSUs. The margin and the period of repayment of such loans would be determined by banks. iii) As a further step towards moving to the international practice of valuing all investments on fully 'marked to market' basis, the ratio of 'permanent' and 'current' investments in the approved securities was lowered to 40:60 per cent for 1997-98 from 50:50 per cent for 1996-97.

Issues/Year	1996-97	1997-98*
1	2	3
III. Other Issues		
a) Private Sector Banks	i) As proposed in the Union Budget for 1996-97, guidelines were issued on August 24, 1996 for setting up of new private local area banks (LABs) with jurisdiction over two or three contiguous districts. A minimum paid-up capital of Rs. 5 crore was stipulated for such banks.	
	ii) New banks in the private sector were advised to 'mark to market' their entire investments in approved securities as at the end of March 1997 and thereafter.	
	iii) On January 16, 1997, the Reserve Bank gave 'in-principle approval' for establishment of two LABs. Further, the Reserve Bank gave 'in-principle approval' for establishment of one more LAB on March 11, 1997.	
b) Priority Sector Lending	i) As per the Union Budget 1996-97 proposal, an additional amount of Rs. 2,500 crore would be made available for financing rural infrastructure through the RIDF II during 1996-97.	i) Finance extended to State Electricity Boards (SEBs) for system improvement scheme in the rural areas under Special Project Agriculture (SI-SPA) of Rural Electrification Corporation (REC) were to be classified as 'Indirect Finance to Agriculture' under priority sector.
	ii) 136 specialised SSI branches of banks were operationalised in 85 districts in 1995-96 as against the targeted 100 branches. As at the end of March 1997, there were 353 specialised SSI branches of banks in operation.	ii) Out of the funds available to all segments of the SSI sector, banks should ensure that 40 per cent would be made available for units with investment in plant and machinery up to Rs. 5 lakh, 20 per cent for units with investment between Rs. 5 lakh and Rs. 25 lakh and the remaining 40 per cent for other units.
	iii) The housing finance limit in respect of direct and indirect finance under priority sector were raised to Rs. 3 lakh and Rs. 60,000 for construction of houses and repairs to damaged houses, respectively.	iii) Bank advances to Road and Water Transporters owning not more than ten vehicles (including ones proposed to be financed), instead of six vehicles earlier, were decided to be treated as priority sector advances.
	iv) The Union Budget 1997-98 proposed launching of Rural Infrastructural Development Fund (RIDF)-III with a corpus of Rs. 2,500 crore during 1997-98.	iv) With a view to enhancing the flow of resources to housing in rural and semi-urban areas, the ceiling on bank advances provided for housing in rural and semi-rural areas being treated as priority sector advances, was raised from Rs. 3 lakh to Rs. 5 lakh.
	v) Investments made by banks in special bonds issued by SIDBI, the National Small Industries Corporation Limited (NSIC) and HUDCO were to be reckoned as part of priority sector advances subject to certain conditions.	

Issues/Year	1996-97	1997-98*
1	2	3
e) Customer Services	i) Standalone ATMs at places other than branches and extension counters were allowed to provide functional facilities such as : (a) Pin changes (b) Requisition for cheque books, (c) Statement of accounts, (d) Balance enquiry and (e) Inter-account transfer (at same centre). ii) The Reserve Bank set up a Complaints Redressal Cell under Shri V. Subrahmanyam for prompt satisfaction/settlement of complaints from the members of public against any department/office of the Bank in the country.	i) The Reserve Bank appointed a Banking Ombudsman at Ahmedabad for the States of Gujarat and the Union Territories of Dadra and Nagar Haveli and Daman and Diu, thereby increasing the number of Banking Ombudsmen functioning in the country to 14.
f) Frauds and Malpractices in Banks	i) Banks were advised to introduce the practice of informing the employer bank whenever an employee of a bank opens an account with a branch other than that of his/her posting.	
g) Export/Import Credit	i) The refinance formula for export credit was rationalised effective fortnight beginning April 13, 1996, whereby scheduled commercial banks would be provided export credit refinance to the extent of 45 per cent of the total outstanding export credit eligible for refinance as on February 16, 1996 <i>plus</i> 100 per cent refinance of the increase in such export credit over the outstanding level as on February 16, 1996. This initially reduced the total export credit refinance limits of banks by around Rs.1,200 crore. The extent of export credit refinance was reduced from 45 per cent to 20 per cent effective fortnight beginning November 9, 1996. ii) Effective July 3, 1996, it was decided to free the rate of interest on post-shipment export credit on medium and long term basis <i>i.e.</i>, beyond 180 days. iii) In the context of recent developments in the foreign exchange market and the overall monetary and credit situation, the interest rate surcharge on import finance was withdrawn effective July 23, 1996. iv) With a view to bringing about an increase in export credit and promote exports, the target for export credit of scheduled commercial banks was increased from 10.0 per cent of each bank's net bank credit to 12.0 per cent to be achieved by end-March 1997.	i) As part of a move to giving general operational freedom to banks and also taking into consideration the fact that some banks had shown willingness to extend post-shipment export credit at lower interest rates if export proceeds were realised in shorter periods, effective April 16, 1997, the interest rates on post-shipment rupee export credit up to 90 days was changed from '13.0 per cent per annum' to 'not exceeding 13.0 per cent per annum'. ii) Effective June 26, 1997, interest rates on post-shipment rupee export credit was reduced to 'not exceeding 12.0 per cent per annum' for period up to 90 days and to '14.0 per cent per annum' for period beyond 90 days and up to 180 days from the earlier level of 'not exceeding 13.0 per cent per annum' and '15.0 per cent per annum', respectively. iii) Effective October 22, 1997, interest rates on pre-shipment rupee credit upto 180 days was reduced from 13.0 per cent per annum to 12.0 per cent per annum and on such credit beyond 180 days and upto 270 days, the interest rate was reduced from 15.0 per cent per annum to 14.0 per cent per annum. The interest rate applicable in respect of pre-shipment credit upto 90 days, against incentives receivable from Government covered by ECGC guarantee, was also reduced from 13.0 per cent per annum to 12.0 per

Issues/Year	1996-97	1997-98*
1	2	3
	v) Effective October 21, 1996, interest rate for post-shipment rupee export credit for the period beyond 90 days and up to 180 days which was freed earlier, was fixed at 15 per cent per annum. The higher rate of interest was made applicable only for the period beyond 90 days and not from the date of advance.	cent per annum. iv) Effective October 22, 1997, for post-shipment rupee export credit for the period beyond 90 days and upto six months, banks were advised by the Reserve Bank to charge an interest rate of 13.0 per cent per annum only for the period beyond 90 days and not from the date of advance.
h) Regional Rural Banks (RRBs)	i) A provision of Rs.200 crore was made in the Union Budget 1996-97 for recapitalisation of RRBs in 1996-97. ii) Lending rates of RRBs were freed effective August 26, 1996. iii) RRBs were allowed to invest their surplus non-SLR funds in (a) shares and debentures of corporates and units of mutual funds up to 5 per cent of the incremental deposits at the end of the preceding financial year including buying shares and debentures from the secondary market and (b) bonds of PSUs and AIFIs without any ceiling. iv) All scheduled state co-operative banks (SCBs) and RRBs were allowed to maintain CRR at 3 per cent of their NDTL for a further period of two years up to December 31, 1998. v) RRBs having Service Area obligations were permitted to open further branches at centres with business potential in the areas of their operation on the condition that no additional staff would be required by them.	
IV) Reforms in Co-operative Banking		
a) Co-operative Banks	i) Effective April 8, 1996, only scheduled urban co-operative banks were allowed to undertake 'hire purchase and equipment leasing' activities. ii) Effective July 2, 1996, primary co-operative banks were free to fix their own interest rates on domestic term deposits of over one year. iii) The prudential accounting norms were made applicable to state co-operative banks/central co-operative banks from the year ending March 31, 1997, in two phases viz., 1996-97 and 1997-98.	

Issues/Year	1996-97	1997-98*
1	2	3

- iv) Urban co-operative banks were allowed to invest their surplus funds in the units of UTI up to 5 per cent of the incremental deposits of the previous year but within the overall ceiling of 10 per cent of their deposits for investment in bonds of PSUs/ companies and equity/bonds of AIFIs.
- v) All scheduled and other urban co-operative banks with deposits over Rs. 50 crore were required to introduce the system of concurrent audit.
- vi) Primary co-operative banks were given freedom to determine the quantum as also period of *ad hoc* limits based on their judgement and merits of individual cases within the exposure limit ceilings prescribed by the Reserve Bank to meet the contingencies of the borrowers.

V) Reforms in Non-banking Financial Sector

a) Non-banking Financial Companies (NBFCs)

- i) An Expert Group headed by Shri P.R. Khanna constituted in April 1995 to frame a comprehensive supervisory system over the operations of NBFCs, submitted its report.
- ii) A ceiling of 15 per cent interest rate on deposits was prescribed for Mutual Benefit Finance Companies, popularly known as Nidhi companies, effective July 8, 1996.
- iii) The Reserve Bank took policy measures freeing the interest rate ceiling on deposits and removing the ceiling on the quantum of deposits for NBFCs subject to the condition that they fully comply with the Bank's directives and guidelines. In respect of registered equipment leasing and hire purchase finance companies (EL/HP) complying with credit rating requirement and prudential norms, the liberalisation measures include: (a) removal of ceiling on deposits, hitherto 10 times the NOF, (b) reduction of liquid assets to deposits ratio from 15 per cent to 12.5 per cent, while continuing with the stipulation that at least 10 per cent of the deposits be maintained in securities of Government and Government guaranteed bodies, and (c) freedom to determine interest rates on deposits of one year and up to 5 years.
- i) As part of the efforts to give greater operational freedom to banks, the existing overall limits of bank credit to those NBFCs that have fully complied with the requirements of registration, credit rating and prudential norms were removed.
- ii) In terms of the amended provisions of Section 45 1B, the Reserve Bank announced with immediate effect certain refinements as regards the quantum, date of reference, returns and penalty involved in the percentage of liquid assets to be maintained by NBFCs.
- iii) With a view to enabling the financial institutions (FIs) to have more flexibility in raising resources, (a) it was decided to fix an umbrella limit (in place of instrument-wise limits fixed for each FI earlier) for mobilisation of resources by way of term money borrowings, CDs, term deposits and inter-corporate deposits for each FI; the overall ceiling of the umbrella limit would be equal to the NOF of the FI; (b) the maturity period for term deposits of FIs was prescribed at '1 to 5 years' instead of the earlier '3 years and above'; and (c) the minimum amount of CDs was reduced to Rs. 10 lakh from Rs. 25 lakh.

Issues/Year	1996-97	1997-98*
1	2	3
	iv) As regards registered loan/investment companies complying with credit rating requirements and prudential norms, the overall ceiling on deposits, hitherto equal to NOF, has been increased to twice the NOF. The stipulation of 12.5 per cent of liquid assets ratio and the freedom to determine interest payable on deposits as in the case of EL/HP companies would also apply to these companies. v) For registered EL/HP as well as loan/investment companies, which comply with either credit rating or prudential norms, the ceiling interest rate of 15 per cent on deposits and overall ceiling on deposits alongside the stipulation of 15 per cent liquid assets ratio would continue. In the case of non-compliance of both the credit rating and the prudential norms, the overall ceiling on deposits has been reduced in relation to NOF from 10 times to 7 times for registered EL/HP companies, and for registered loan and investment companies, from equal to NOF to 15 and 25 per cent of NOF for deposits from shareholders and public, respectively. vi) Mutual benefit finance companies (<i>Nidhis</i>) were selectively granted freedom to fix their own rates of interest on their deposits on case by case basis, subject to their compliance with certain conditions. vii) The Reserve Bank set up a Working Group (Chairman : Smt. K. S. Shere) to examine the issues involved in the suggestion of the Supreme Court to examine the need for creation of a separate instrumentality for regulation and supervision of residuary and other NBFCs and extension of deposit protection scheme. viii) The Government of India promulgated an ordinance for amending the Reserve Bank of India Act, 1934 for regulating the activities of unincorporated bodies and the NBFCs. ix) In view of the difficulties faced by the <i>Nidhi</i> companies to achieve the ratio of NOF to deposits not exceeding 1:20, the Reserve Bank decided that the ratio would be made applicable only on the incremental deposit liabilities over the level as on January 15, 1997.	iv) In order to enhance the financial soundness of the NBFCs and strengthen the protection available to investors, the Reserve Bank announced an increase in the percentage of liquid assets to be maintained by the former under the provisions of Section 45 1B of the Reserve Bank Act, 1934 in a phased manner. Accordingly, effective January 1, 1998 and April 1, 1998, the unregistered loan/investment companies would maintain 7.5 per cent and 10 per cent of their deposits, respectively, in Government securities/guaranteed bonds, as against the currently prescribed 5 per cent. Such of the other NBFCs (excluding residuary NBFCs) which were required to maintain 10 per cent of deposits in these assets would be required to maintain higher liquidity at 12.5 per cent and 15 per cent of deposits, effective January 1, 1998 and April 1, 1998, respectively. v) Housing finance companies (HFCs) were exempted from all the provisions of Chapter IIB of the Reserve Bank Act, 1934, as amended by the Reserve Bank of India (Amendment) Act, 1997 as they are regulated by a separate regulatory authority, the NHB. Accordingly, the HFCs were not required to apply for certificate of registration from the Reserve Bank as provided in Section 45 1A of the Reserve Bank of India Act.

Issues/Year	1996-97	1997-98*
1	2	3
	x) The Government of India promulgated an ordinance [subsequently replaced by Reserve Bank of India (amendment) Act, 1934] bringing about comprehensive changes in the provisions of Chapters III B, III C and V of the Reserve Bank of India Act, 1934, effective January 9, 1997.	
b) Insurance Sector	i) As regards health insurance, the Union Budget 1997-98 proposed necessary amendments to enable the General Insurance Corporation (GIC) to float joint ventures and allow selected Indian players entry into the sector.	
c) Term Lending Institutions	i) The Union Budget 1996-97 proposed to raise the share capital of NABARD from Rs.500 crore in 1995-96 to Rs.1,000 crore in 1996-97 with a contribution of Rs.100 crore from the Government and Rs.400 crore from the Reserve Bank. The aggregate limit under the General Line of Credit (GLC) was enhanced to Rs.5,500 crore for the year 1996-97. ii) State level agricultural development finance institutions are proposed to be set up as per the Union Budget 1996-97, with NABARD as the chief promoter to promote investment in commercial or high technology agriculture and allied activities. Consequently, these institutions were set up in Tamil Nadu, Andhra Pradesh and Karnataka. iii) The Union Budget 1996-97 proposed the establishment of an Infrastructure Development Finance Company (IDFC) with an authorised share capital of Rs.5,000 crore.	i) In order to accelerate the flow of production credit to agriculture, the limit under the General Line of Credit (GLC) provided by the Reserve Bank to NABARD for short-term Seasonal Agricultural Operations, etc., would be increased by Rs. 200 crore in 1997-98 taking the aggregate limit to Rs. 5,700 crore. ii) To enable larger flow of resources to the housing sector, banks were allowed to charge interest at different rates provided they are below the prime lending rate, as appropriate, in respect of finance to housing finance intermediary agencies for onlending to ultimate beneficiaries.

* Developments till October 21, 1997 are covered.

Table VI-1 : Turnover of the Discount and Finance House of India Ltd.

(Rupees crore)

Instrument	1995-96	1996-97	1996-97 (up to September 27, 1996)	1997-98 (up to September 26, 1997)
1	2	3	4	5
1. Call Money Funds (Including Notice Money)	5,53,995	4,27,958	2,33,923	1,95,186
2. Treasury Bills	12,222	6,489	4,192	3,844
3. Commercial Bills	118	31	19	25
4. Certificates of Deposit	-	-	-	-
5. Commercial Papers	-	-	-	-
6. Term Deposits	18	34	-	-
7. Central Government Dated Securities	60,077	16,660	7,263	7,490
Memorandum Item :				
Daily Average lending during the year in the Call Money Market	1,500*	1,156	1,280	1,063

* For 366 days.

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
1995-96	1130.8	1363.7	1032.5	1189.6 (-22.6)	3.05
1996-97	1061.2	1367.3	936.6	1146.8 (-3.6)	4.19
1996-97 (April-September)	1141.7	1367.3	1141.7	1263.1	3.55@
1997-98 P (April-September)	1089.4	1236.6	1010.6	1098.1	4.94@

P Provisional.

@ Data relate to the period April-July.

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

Table VI-3 : Important Indicators on National Stock Exchange (Capital Market Segment)

Indicators	1994-95 #	1995-96	1996-97	Percentage variation	
				(col. 4 over col. 3)	(col. 3 over col. 2)
1	2	3	4	5	6
1. NSE-50 Index					
(I) Average	1,203.06	962.64	1009.32	4.8	-20.0
(II) End of the year	990.24	985.30	968.30	-1.7	-0.5
2. Turnover (Rs. crore)	1,805	67,287	2,94,504	337.7	3627.8
3. Market Capitalisation on end-March					
I} No. of Companies (A+B)	678	1268	1482	16.9	87.0
II} Market Capitalisation (Rs. Crore) (A+B)	3,63,350	4,01,458	4,19,367	4.5	10.5
a) Listed Companies					
1. No. of Listed Companies.	135	422	550	30.3	212.6
2. Market Capitalisation of Listed companies	73,223	2,17,721	2,52,894	16.2	197.3
b) Permitted Equities					
1. No. of Equities Permitted	543	846	932	10.2	55.8
2. Market Capitalisation of Permitted Equities	2,90,127	1,83,737	1,66,473	-9.4	-36.7

During November 1994 to March 1995.

Source : National Stock Exchange of India Ltd.

Table VI-4 : Assistance by All Financial Institutions
(Year : April-March)

(Rupees crore)

Institutions	1995-96		1996-97		Percentage Variation 1996-97 over 1995-96	
	S	D	S	D	S	D
1	2	3	4	5	6	7
A. All India Development Banks (1 to 5)	54,703.0	30,170.4	45,876.6	32,911.3	-16.1	9.1
	52,338.1	28,352.6	43,144.1	31,035.8	-17.6	9.5
1. IDBI	17,795.9	10,692.8	17,049.9	11,439.0	-4.2	7.0
	17,190.0	10,175.2	16,342.4	10,781.2	-4.9	6.0
2. IFCI	10,300.3	4,563.3	7,212.3	5,157.1	-30.0	13.0
3. ICICI * *	19,643.9	9,584.9	14,313.1	11,180.9	-27.1	16.7
4. SIDBI	6,065.6	4,800.8	6,485.3	4,584.7	6.9	-4.5
	4,306.6	3,500.6	4,460.3	3,367.0	3.6	-3.8
5. IIBI #	897.3	528.6	816.0	549.6	-9.1	4.0
B. Specialised Financial Institutions (6 to 8)	353.1	228.9	361.5	227.7	2.4	-0.5
6. RCTC	34.5	15.4	41.2	20.7	19.4	34.4
7. TDICI	47.0	46.6	16.8	24.6	-64.3	-47.2
8. TFCI	271.6	166.9	303.5	182.4	11.7	9.3
C. Investment Institutions (9 to 11)	6,862.5	6,134.0	7,489.1	6,896.0	9.1	12.4
	6,762.5	5,984.0	7,489.1	6,896.0	10.7	15.2
9. UTI	3,686.0	3,016.5	3,633.1	3,237.3	-1.4	7.3
	3,686.0	3,016.5	3,633.1	3,237.3	-1.4	7.3
10. LIC	2,341.9	2,529.7	2,820.8	2,960.6	20.4	17.0
	2,241.9	2,379.7	2,820.8	2,960.6	25.8	24.4
11. GIC	834.6	587.8	1,035.2	698.1	24.0	18.8
D. Total Assistance by All-India Financial Institutions (A+B+C@)	61,818.6	36,383.3	53,727.2	40,035.0	-13.1	10.0
E. State-level Institutions (12 and 13)	6,963.2	3,835.2	6,004.9	4,162.4	-13.8	8.5
12. SFCs	5,068.6	2,703.6	3,744.6	2,943.7	-26.1	8.9
13. SIDCs	1,894.6	1,131.6	2,260.3	1,218.7	19.3	7.7
F. Total Assistance by All Financial Institutions (A*+B+C@+E)	66,416.9	38,400.7	56,999.6	42,321.9	-14.2	10.2

S Sanctions. D Disbursements.

* Data are adjusted for inter-institutional (state level) flows.

* * SCICI Ltd. was merged with ICICI Ltd. with effect from April 1, 1996.

The former IRBI has been converted into a full-fledged development financial institution with the name Industrial Investment Bank of India Ltd. (IIBI), with effect from March 27, 1997. The data for 1996-97 pertain to IRBI for the period April 1996 to March 26, 1997.

@ Data are adjusted for inter-institutional (all-India) flows.

Note : 1. Data for 1996-97 are provisional for all institutions and estimated for SIDCs.

2. Data have been adjusted for inter-institutional flows. This involves adjustment in regard to 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.

Source : IDBI and respective financial institutions.

**Table VI-5 : Reserve Bank's Open Market Operations in Central Government Securities
(Nominal Values in Rupees crore)**

Year	Purchases	Sales	Net Sales (-)/ Net Purchases (+)
1	2	3	4
1990-91	2,291.2 (14,287.1)	2,238.1 (13,725.2)	(+) 53.1 (431.8)
1991-92	3,244.8 (5,321.7)	7,327.1 (9,365.6)	(-) 4,082.3 (4,043.9)
1992-93	6,273.4	11,792.5	(-) 5,519.1
1993-94	967.6	10,804.6	(-) 9,837.0
1994-95	1,560.98	2,309.03	(-) 748.05
1995-96	1,645.24	1,130.89	(+) 514.35
1996-97	633.95	11,097.55	(-) 10,463.60
April-September			
1996-97	632.95	1,939.38	(-) 1,306.43
1997-98	Nil	2,063.12	(-) 2,063.12

Note : Figures shown in brackets upto 1991-92 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. Figures from 1996-97 onwards do not include purchases/sales under special arrangements with Welfare Commissioner, Bhopal.

Table VI-6 : Turnover of the Securities Trading Corporation of India Ltd.

(Rupees crore)

Instrument	1995-96	1996-97	(April-September)	
			1996-97	1997-98
1	2	3	4	5
1. Government Dated Securities	1,70,281	30,571	15,634	15,077
2. Treasury Bills	2,674	10,579	4,588	3,507
3. Borrowing in Call / Notice Money Market	1,07,687	1,80,404	80,148	1,93,475
4. Lending in Call / Notice Money Market	42,213	93,940	37,934	94,817
Memorandum Items :				
Daily average borrowing / lending in the call money market				
a) Borrowing	237	442	387	981
b) Lending	112	237	204	494

Table VI-7 : Relative Rates of Return in Major Financial Markets

(Per cent per annum)

Item	Last Week/Fortnight of March					Last Week/Fortnight	
	1993	1994	1995	1996	1997	Sept. 1996	Sept. 1997
1	2	3	4	5	6	7	8
1. Call Money Rate (Mumbai) (DFHI Average Lending Rate)	17.38	6.38	16.10	16.28	3.66	10.00	8.16
2. 91-day Treasury Bills (Auction) (Cut-off yield)	10.97	7.46	11.90	12.97	7.96	10.17	6.88
3. 364-day Treasury Bills (Cut-off yield)	11.10	9.97	11.94	13.12	10.10	12.61	8.47
4. Certificates of Deposit (Middle Rate)	14.50	9.60	12.50	17.13	11.38	12.12	..
5. Commercial Paper (Middle Discount Rate)	15.88	11.50	14.50	20.15	11.88	13.21	9.51
6. 3-year Deposit Rate	11.00	10.00	11.00	Free	Free	Free	Free
7. Minimum Lending Rate@	17.00	15.00	15.00	16.50	14.50-15.00	15.50-16.50	13.50
8. Coupon Rate of 10-year GOI Securities	12.75	12.50	12.35	14.00	-	13.85@@	13.05\$
9. Capital Market (Ordinary Shares)							
a. Gross Yield (All Industries)	2.26	1.79	2.11	3.61	4.50	4.24	4.53
b. Change in RBI Index (All Industries)	-39.94	49.27	3.96	-18.32	-6.17	-5.74	-3.59
Memo Item :							
Annual Inflation Rate (WPI on Point-to-Point Basis)	7.02	10.81	10.41	5.00	6.90	6.40	3.80(P)

P Provisional.

@ Data for March 1995 onwards pertain to 'Prime Lending Rate' of five major scheduled commercial banks.

@ @ Issued on August 26, 1996.

\$ Issued on April 23, 1997.

CHAPTER VII

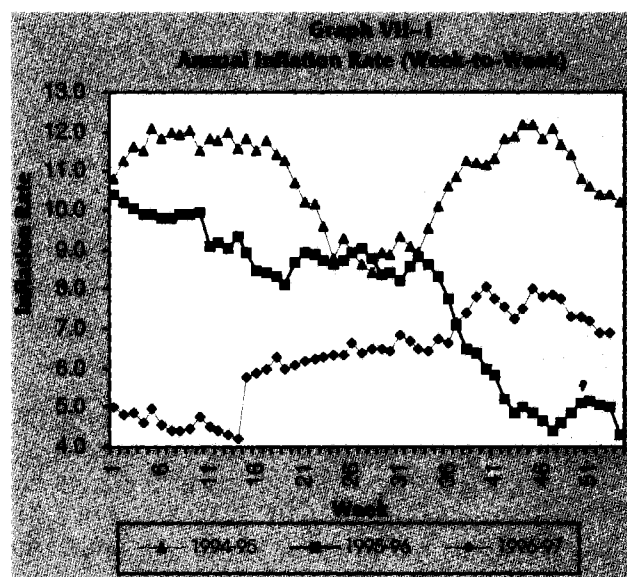
COMMODITY AND BULLION PRICES

Commodity Prices

The price situation, in general, remained under control during 1996-97. The average annual inflation rate, measured in terms of variations in Wholesale Price Index (WPI), was placed lower at 6.4 per cent in 1996-97 as compared with 7.8 per cent during the previous year (Table VII-1). However, on a point-to-point basis, the annual inflation rate had risen to 6.9 per cent from 5.0 per cent in the previous year. Pressures for upward movement in prices emanated during 1996-97 from the adjustment in the prices of mineral oils and electricity, the deregulation of coal prices and the upward revision in the issue prices of rice and wheat and the lower carry-over of stocks with the Food Corporation of India (FCI). Notwithstanding these pressures, the inflation rate during 1996-97, on point-to-point as well as on average basis, not only remained much below the double digit levels that were witnessed during the early 'nineties, but was in fact, under the average rate of 8 per cent that prevailed during the 'eighties.

The weekly year-on-year variations in WPI during 1996-97 remained consistently at single digit levels in contrast to the double digit levels recorded in the early weeks of the previous year (Graph VII-1). In fact, upto end-November 1996, the annual inflation rates were lower than those registered in the corresponding periods of the previous year. The price movements during 1996-97 showed that price increases were higher during the first (April-August) and second (September-December) phases in comparison with the

corresponding periods of the previous year, but were relatively lower in the third phase (January-March). During the first phase, the annual inflation rate which had been hovering in the range of 4.2-5.0 per cent during April-June 1996, increased sharply by 1.6 percentage points to 5.8 per cent for the week ended July 6, 1996 consequent to the oil price hike. In tandem, the WPI rose by 5.2 per cent during the first phase as compared with 3.9 per cent in the corresponding phase of 1995-96. During the second phase, the annual inflation rate attained a high of 8.1 per cent mainly on account of the price increases in respect of cereals and pulses. Consequently, the inflation rate during the second phase was placed at 1.8 per cent as against 0.2 per cent in 1995-96. The third phase saw the prices of cereals and pulses stabilizing as a result of supply management measures which largely offset the impact of the upward revision in electricity charges by 10.6 per cent in the last week of January 1997 and the year closed with a relatively moderate rate of inflation of 6.9 per cent. The inflation rate during the third phase of 1996-



* This Chapter is based on data/material available upto end September, 1997. In the section on 'Measures Influencing Prices', more updated information is provided in select areas.

97 was only 0.2 per cent as compared with 0.9 per cent in the corresponding period of the previous year.

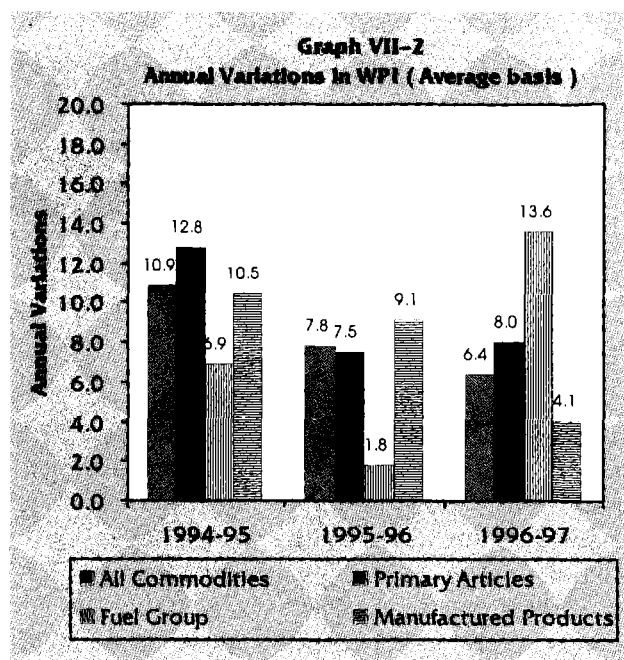
During 1996-97, the range of the annualised inflation rate narrowed to 4.2-8.1 per cent from 4.4-10.2 per cent in 1995-96. Moreover, an analysis of the frequency distribution of the inflation rate shows that for about eight months in 1996-97, the rate hovered in the range of 4.0 - 7.0 per cent as against four months in the previous year (Table VII-2).

Commodity/Group-wise Trend

Of the three major groups constituting the WPI, the 'Fuel' group registered the sharpest price rise during 1996-97 (both on point-to-point and average bases) followed by the 'Primary Articles' and then 'Manufactured Products' (Table VII-3). In respect of 'Manufactured Products', the relatively modest increase of 4.1 per cent on an average basis in 1996-97, in contrast to that of 9.1 per cent in the previous year largely mirrored the lower increase in the prices of non-food products. During 1996-97, the increases in the prices of the 'Fuel' group and the 'Primary Articles' group, on a point-to-point basis, were higher at 16.9 per cent and 7.0 per cent as compared with 3.7 per cent and 5.4 per cent, respectively in the previous year. On the other hand, the 'Manufactured Products' group recorded a slightly lower increase of 4.9 per cent as compared with 5.0 per cent in 1995-96. Likewise, on an average basis, the 'Fuel' group and the 'Primary Articles' group, registered higher price increases of 13.6 per cent and 8.0 per cent, respectively (1.8 per cent and 7.5 per cent, respectively, in 1995-96), while the 'Manufactured Products' group recorded a much lower increase of 4.1 per cent (9.1 per cent in 1995-96) (Graph VII-2).

Primary Articles

Within the primary articles group, the prices of food articles rose by 11.8 per cent (7.4 per cent in 1995-96) as against a lower increase of 2.5 per cent each for non-food articles and minerals during 1996-97 as compared with 7.8 per cent and 7.0 per cent, respectively, during



1995-96. Amongst the food articles, cereals, pulses, fruits and vegetables, condiments and spices recorded double digit inflation rates. Among the non-food articles, the price of fibres, particularly raw cotton, registered substantial decline while the price of oilseeds rose marginally by 0.2 per cent.

Fuel, Power, Light and Lubricants

The fuel group which mainly comprises items whose prices are administered, witnessed substantial increase in prices. Within the group, the prices of coking coal, mineral oils and electricity rose substantially by 24.0 per cent, 14.9 per cent and 11.7 per cent, respectively, during 1996-97 as compared with the modest increases of 1.0 per cent, 0.1 per cent and 5.0 per cent, respectively, during the previous year.

Manufactured Products

The deceleration in manufactured products prices during 1996-97 was widespread with major segments such as cotton textiles, chemical and chemical products, cement, iron and steel, machinery and tools and transport equipment and parts recording lower inflation rates in comparison with the previous year. However, the prices of sugar and khandsari which had declined by 2.2

per cent and 2.8 per cent, respectively, in 1995-96, increased by 6.1 per cent and 9.2 per cent, respectively, in 1996-97.

Weighted Contribution of Major Groups

The weighted contributions (on an average basis) of the three major groups of WPI, to the overall increase in prices during 1996-97, show that the main impetus originated from the 'Primary Articles' and the 'Fuel' groups (Graph VII-3). The 'Primary Articles' group with a weight of 32.295 made the highest contribution of 41.9 per cent to the overall price rise in 1996-97 (32.0 per cent in the previous year), while the 'Fuel' group with a weight of 10.663 contributed 22.0 per cent (2.5 per cent in 1995-96) (Table VII-4). The average contributions by these two groups during 1996-97 were also higher than their respective contributions during the 'eighties and the first half of 'nineties. The weighted contribution of the 'Manufactured Products' group at 36.1 per cent in 1996-97 was not only lower than its contribution in the previous year (65.6 per cent) but also remained much below its average contributions during the 'eighties (54.1 per cent) and the first half of the 'nineties (52.4 per cent). On a point-to-point basis, the weighted contributions of the 'Primary Articles', 'Fuel, Power, Light and Lubricants' and 'Manufactured Products' groups were 34.0 per cent, 25.8 per cent and 40.2 per cent, respectively in 1996-97, as compared with 35.9 per cent, 7.8 per cent and 56.2 per cent in

the previous year; the main impetus within both the 'Primary Articles' and the 'Manufactured Products' groups emanated from increases in the prices of food-component reflecting the imbalances in the supply and demand situation in respect of food items (Table VII-6).

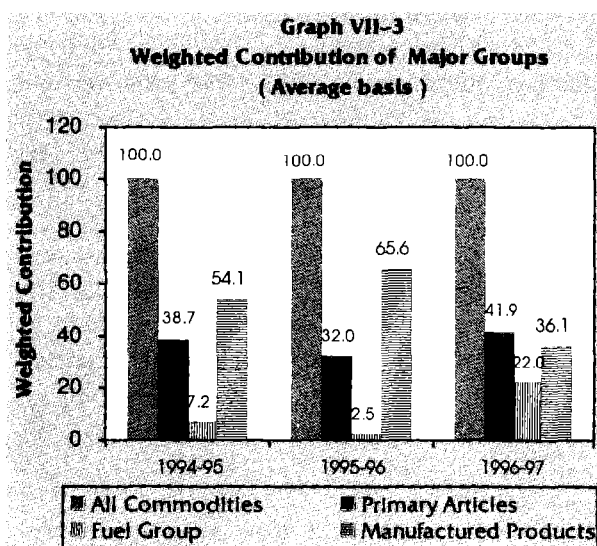
Consumer Price Indices

The annual inflation rates for 1996-97 based on the three variants of Consumer Price Index (CPI) show trends similar to those of the WPI, with a higher rate of inflation on a point-to-point basis and a lower rate on an average basis as compared with the respective levels in the previous year (Table VII-5). Illustratively, on a point-to-point basis, the CPI-Industrial Workers (CPI-IW) was higher at 10.0 per cent during 1996-97 as compared with 8.9 per cent in the previous year, while on an average basis, it stood lower at 9.4 per cent during 1996-97 as compared with 10.0 per cent in the previous year. The increases in CPI-IW during 1996-97 were, however, higher than those in WPI on both point-to-point and average bases. This was mainly because, given the substantially larger weight of food-items in the CPI-IW basket (weight = 57.0) relative to that in the WPI basket (weight = 27.5), the rising food prices effected a larger increase in the CPI-IW than in the WPI.

The centre-wise data on CPI-IW reveal a more even spatial distribution of inflation rate across centres as compared with the previous year. Out of the 70 centres for which CPI-IW are constructed, 44 centres experienced less than 10 per cent price rise during 1996-97 as compared with 38 centres in 1995-96, while only 26 centres experienced a double digit inflation as compared with 32 centres in 1995-96 (Table VII-7).

Trends in Administered/Support Prices

The prices of administered items (weight=15.929), comprising mainly energy inputs viz., petroleum, electricity, coal and urea, increased by 11.0 per cent during 1996-97 as compared with a modest rise of 1.7 per cent in the previous year (Table VII-8); the contribution of the group to the overall price increase in 1996-



97 was 22 per cent. This increase in the inflation rate mainly reflected the upward adjustment in respect of the prices of mineral oils (14.9 per cent), coal (13.2 per cent) and electricity (10.6 per cent) which were notably higher than the respective increases of 0.1 per cent, 1.1 per cent and 5.0 per cent recorded during the previous year. The price of petroleum crude and natural gas rose by 1.5 per cent in 1996-97 (0.9 per cent in 1995-96) while that of urea by 1.0 per cent (3.4 per cent in 1995-96). The overall increase in the WPI (6.4 per cent) in 1996-97 was, however, distinctly lower than the rise in administered prices (11.0 per cent), in marked contrast to the trends in the 'nineties so far.

Measures Influencing Prices

Developments during 1996-97

During 1996-97, the Government continued with its policy of containing inflation through a combination of demand and supply side measures. On the demand side, monetary growth was restricted within the targeted range of 15.5-16.0 per cent and the fiscal deficit was contained around the budgeted level of 5.0 per cent of GDP for 1996-97. Among the supply side measures, priority was given to supply management of essential commodities, with the Public Distribution System (PDS) playing a pivotal role.

Wheat prices witnessed volatile movements in November 1996 owing to a number of factors including market uncertainty and the delay in releasing stocks to the open market. Moreover, the Government could procure only 8.2 million tonnes of wheat during the rabi marketing season 1996-97, as against the desired procurement level of around 13 to 14 million tonnes. Roller flour mills were given a negligible amount of wheat compared with their demand, which compelled the mills to buy wheat at a high premium of about Rs.200-250 a quintal from the open market. As a policy response to these developments, the Union Government announced imports of two million tonnes of wheat to arrest rising prices; the wheat imported from Australia and Canada was released immediately into the market. Consequently, mill quality wheat prices which had touched a new high

of Rs.850 a quintal in the third week of November 1996 from Rs.650 a quintal quoted during the beginning of November 1996, dropped by 15 per cent, while the prices of high quality wheat which had increased from Rs.800-825 to Rs.950-975 per quintal over this period, came down by Rs.30-50 a quintal in the local market. In order to keep prices under control, the Ministry of Food and Civil Supplies organised country-wide raids on wheat outlets. The Government also issued an ordinance in December 1996 bringing wheat on the essential list and banning shopkeepers from keeping stocks over a stipulated ceiling. The Cabinet Committee also decided to advance wheat procurement by half a month to shore up Government stocks early. As a result, procurement for the rabi marketing season 1997-98 commenced in mid-March 1997. The Ministry of Food and Civil Supplies announced that wheat for open sale would henceforth be allocated by the State Governments as against the present system of allocation by the Food Corporation of India (FCI) which is under the administrative control of the Central Government. An increase of 68,000 tonnes in the allocation for January 1997 was also announced. However, the Central Issue Prices (CIP) of rice and wheat under the PDS has not been revised since February 1, 1994. The unchanged CIP of rice and wheat combined with hikes in procurement prices resulted in an increased food subsidy bill which was partly offset by increased operational efficiency of FCI. The current CIP of PDS commodities as revised on February 1, 1994 is as follows: the three varieties of common, fine and super-fine rice are being sold at Rs. 537, Rs.617 and Rs.648 per quintal, while the issue price for wheat per quintal is Rs. 402. The procurement price of wheat has increased from Rs.330 a quintal in 1993-94 to Rs.360 a quintal in 1995-96, and further to Rs.380 per quintal in 1996-97.

In order to reduce the element of subsidy in the distribution of sugar through the PDS, the Union Government announced a hike in the retail issue price of levy sugar, which had remained unchanged at Rs.9.05 per kg. since February 1, 1994, to Rs.10.50 per kg. with effect from February 10, 1997. It was further increased to Rs. 11.40 per kg. with effect from October 1, 1997. The Centre also announced free sale quota for

October-December 1997. The policy of partial control of sugar with a dual price mechanism was continued during 1996-97. The ratio of levy and freesale sugar was retained at 40:60.

During 1996-97, the production of edible oils was placed at 72.96 lakh tonnes while the requirements were estimated higher at 75.32 lakh tonnes. This shortfall was covered by OGL imports and as a result, the prices of edible oils did not firm up; in fact, the price of groundnut oil declined from Rs.445 to Rs.340 per 10 kg. Edible oils (except coconut oil) were put on OGL at a duty of 20 per cent plus 2 per cent surcharge. During 1996-97, total imports of edible oils were placed at 12.87 lakh tonnes.

Rubber imports dampened fluctuations in domestic prices during 1996-97. The price of rubber which had increased from Rs.31 per kg. in 1994 to Rs.50.80 per kg in 1995 and then to Rs.55.90 per kg. in January 1996, settled at Rs.51 per kg. in March 1996 which is close to the international price. After assessing production, consumption and stocking levels for 1996-97, the Rubber Board had recommended monthly imports of 10,000 tonnes during 1996-97 in order to keep prices under control.

The Government increased concessions in the prices of decontrolled phosphatic and potassic fertilizers by Rs.1,000 per tonne by raising resources through a 10 per cent hike in the price of urea in February 1997. The proposed hike in urea price is expected to result in a saving of subsidy of Rs.715 crore. The prices of all eleven varieties of complex fertilizers, with different ratios of Nitrogen, Phosphate and Potash, were reduced, reflecting increase in subsidies to manufacturers. According to the Ministry of Agriculture, the maximum price of the cheapest variety of fertilizer (NPK) was fixed at Rs.6,200 per tonne as against Rs.6,829 per tonne in the last kharif season. The maximum retail price fixed for the most expensive variety was Rs.8,000 per tonne as against Rs.9,390 in the 1995-96 season. While concessions paid during kharif 1997 season on indogeneous DAP has gone up from Rs.3,000 to Rs.3,750 per tonne with effect from April 1, 1997, the subsidies for imported DAP have gone up from Rs.1,500 to

Rs.2,250 per tonne. The concession for Muriate of Potash (MOP) has gone up from Rs.1,500 to Rs.2,000 per tonne and Single Super Phosphate (SSP) from Rs.500 to Rs.600 per tonne. The Ministry of Fertilizer decided to give about Rs.200 crore to the industry as compensation for the cost escalation on account of the 30 per cent hike in the prices of naphtha and fuel oil.

Cement manufacturers, particularly in North, had to reduce production by at least 30 per cent following a reduction in demand. In other parts of the country, the production was reduced by 10 per cent. The wholesale price of cement has come down by Rs.30 per 50 kg. bag since August 1996. The decline in prices could be attributed to increased supply of cement and reduced demand following a slow down in the economy.

The Government deregulated prices of coking coal and A, B and C grades of non-coking coal in March 1996. Consequently, the wholesale price index of coking-coal and coal mining increased, on an average basis, by 24 per cent and 13.2 per cent, respectively, during 1996-97. The Government further deregulated the prices of 'D' grade of non-coking coal, hard coke and soft coke with effect from February 11, 1997 and allowed Coal India Limited (CIL) and Singareni Collieries Company Limited (SCCL) to fix the prices of E, F and G grades of non-coking coal once in every six months following the cost escalation formula suggested by the Bureau of Industrial Costs and Prices (BICP) till January 1, 2000. Thereafter, the prices and distribution of E, F and G grades of non-coking coal would be completely deregulated.

Developments during 1997-98

During 1997-98, the Government introduced a new differential pricing system in respect of foodgrains under the new Targeted Public Distribution Scheme (TPDS) for families below the poverty line (BPL) as well as above the poverty line (APL) with effect from June 1, 1997. Under the new scheme, wheat prices were fixed at Rs.2.50 and Rs. 4.50 per kg. for BPL and APL consumers, respectively. While the common and fine varieties of rice were each priced at Rs. 3.50 per kg. in respect of BPL consumers, the fine and

superfine varieties of rice were priced at Rs.6.50 and Rs.7.50 per kg., respectively, in the case of APL consumers. According to Ministry of Food and Consumers Affairs, a total of 175 lakh tonnes of foodgrains comprising 102 lakh tonnes of rice and 73 lakh tonnes of wheat would be required under TPDS annually. The procurement price of wheat was increased from Rs.380 per quintal in 1996-97 to Rs.415 per quintal in 1997-98. A central bonus of Rs.60 per quintal was allowed over and above the Minimum Support Price of Rs.415 per quintal payable to farmers for sale of wheat during April-June 1997.

The Steel Authority of India Ltd. (SAIL) revised the price of its steel products with effect from April 1, 1997, subsequent to the rise in the railway freight charges. The price increase takes into account the additional burden of over Rs.1,000 crore during 1996-97 arising out of increased prices of coal, petroleum products and increased power tariffs levied by the State Electricity Boards of Madhya Pradesh and Orissa.

Domestic prices of coffee continued to remain high and were subject to some volatility during 1997-98, reflecting the trends in international prices. During the period January-September 1997, the domestic prices of arabica and robusta grades averaged Rs.156 per kg. and Rs.77 per kg., respectively, and were around 10 per cent and 45 per cent higher than international prices. The upward trend in domestic prices was attributable, to an extent, to lower opening stocks and reduced production.

The Government proposed to bridge the oil pool account deficit by increasing the prices of diesel and LPG, deregulating the price of diesel and LPG in the current year and partially paying up the accumulated diesel and kerosene subsidy to the Indian Oil Corporation. The Government of India announced a hike in the prices of Petroleum products with effect from September 1, 1997. This is the first major hike since July 1996. According to an official release, the price of petrol has gone up by Re 1 per litre and that of High Speed Diesel (HSD) by Rs.1.80 per litre and LPG by Rs.15.00 per cylinder on ex-storage basis. The price of kerosene has not been changed.

Bullion Prices

Gold

The average gold price in the domestic market rose by 2.3 per cent to Rs.5,071 per 10 gms. during 1996-97 as compared with an increase of 6.2 per cent to Rs.4,958 per 10 gms. in the previous year. However, on a point-to-point basis, the monthly average price of gold dropped by 7.9 per cent to Rs.4,789 in March 1997 from Rs.5,200 in March 1996 (Table VII-9). The gold prices in the Mumbai market fluctuated widely between Rs.5,360 as on May 3, 1996 and Rs.4,680 as on March 26, 1997 as against the wider range of Rs.5,713 - Rs.4,670 per 10 gms. during the previous year (Statement 35, Volume II).

The monthly average price of gold in the Mumbai market went up from Rs.5,220 per 10 gms. in April 1996 to Rs.5,286 per 10 gms. in the following month on account of seasonal demand for the wedding season before setting on a softening trend for the remaining part of the year. The bearishness in the domestic market, however, became more marked since December 1996 as the monthly average price of gold declined continuously from Rs.5,030 in December 1996 to Rs.4,789 in March 1997 and further to Rs.4,441 in September 1997.

In the London market, the price of gold for 1996-97, on an annual average basis, declined by 3.3 per cent to US \$376 per troy ounce as against an increase of 1.6 per cent to US \$ 389 per troy ounce in 1995-96. The monthly average price of gold moved down continuously from US \$ 393 per troy ounce in April 1996 to US \$ 352 per troy ounce in March 1997, except for the month of August 1996 when it made a marginal recovery. The price of gold in the London market moved in the range of US \$ 398 per troy ounce to US \$ 337 during 1996-97, which was, however, lower as compared to the range of US \$ 416 - US \$ 379 per troy ounce recorded during 1995-96. Incidentally, with the gold price at US \$ 337 per troy ounce as on February 12, 1997, the London market recorded its lowest price since March 10, 1993. The declining trend continued during the current year so far as it stood at US \$ 323 per troy

ounce in September 1997.

With the progressive liberalisation of the Indian gold market leading to its greater integration with international markets, the differential between the domestic and international prices of gold has declined precipitously from 59.5 per cent in 1990-91 to 18.4 per cent in 1995-96. It has, however, remained stable at the previous year's level of 18.4 per cent for 1996-97.

The bearish trend in the London market during 1996-97 could chiefly be attributed to the apprehension of gold sales by the IMF to mobilise resources for indebted countries coupled with reported sales by some European Central Banks to meet the Maastricht criterion of fiscal deficit. These were aided by the subdued inflationary conditions in the industrial economies, the appreciation of the US dollar and the general buoyancy in the stock and bond markets in developed economies which caused lesser investment interests in gold. The psychological effect of the collapse of copper prices caused by Sumitomo Corporation in mid-1996 might have also adversely affected the sentiments in the bullion market. In the domestic market, prices are increasingly reflecting the trend prevailing in the international market and hence, the overall sentiment was generally bearish. The price situation became further sluggish with the Government of India announcing doubling of NRI gold imports from 5 kgs. to 10 kgs. on December 31, 1996 with a view to increasing not only the supply of gold through official channel but also to strengthen the nation's gold reserves.

Effective September 1996, the Reserve Bank started purchasing gold bonds under the Gold Bond Scheme, 1993-98 from the secondary market at an offer price based on international price of gold. An amount of 509 kgs. of gold was purchased from the market till June 1997. According to the Gold Fields Mineral Services (GFMS), unofficial imports of gold into India has been declining continuously since 1992 and was reported to have come down to only 25 per cent

of the total imports. Import of gold through official channel was reported at 172.45 tonnes up to the third quarter of 1996-97 as compared with 211 tonnes for 1995-96 (Table VII-10). In a significant development, a new mining policy allowing foreign investment in gold mining was announced on October 17, 1997 as a measure to boost the supply of gold.

Silver

In the domestic market, price of silver, on an average basis, registered a marginal decline of 0.8 per cent from Rs.7,221 per kg. in 1995-96 to Rs.7,165 per kg. in 1996-97. On a point-to-point basis also, the daily average price of silver per kg. was also lower by 0.7 per cent to Rs.7,421 in March 1997 as compared with Rs.7,472 in March 1996 (Table VII-9). It may be noted that the domestic prices during 1996-97 followed a bearish trend that prevailed in the international market. Reflecting this, the average price of silver in the domestic market had been on the decline during June 1996-January 1997 except for the month of August 1996. The price of the white metal, however, soared during February-March 1997 before declining once again during April-July 1997. In the Mumbai market, its price per kg. fluctuated between a narrower range of Rs.7,711 and Rs.6,710 during 1996-97 as compared with fluctuations in the wider range of Rs.8,486 - Rs.6,400 during the previous year. In the New York market, the annual average price of silver per oz. came down by 6.5 per cent to 505 cents in 1996-97 from 540 cents in 1995-96. It moved in the lower range of 557 cents per oz. to 465 cents during 1996-97 as compared with the wider range of 601 cents per oz. - 501 cents per oz. during the previous year. During the current year so far, its price has declined further to 451 cents in August 1997.

The spread between international and domestic prices of silver, on an average basis, for 1996-97 remained at the previous year's level of 24.3 per cent after having declined for five years in succession.

Table VII-1 : Major Inflation Indicators

(Per cent)

Inflation	1995-96	1996-97	April -September	
			1996-97	1997-98
1	2	3	4	5
1. WPI : All commodities				
a) Point-to-point basis	5.0	6.9	5.9	2.8 P
b) Average basis	7.8	6.4	4.6	3.2 P
2. CPI : Industrial Workers				
a) Point-to-point basis	8.9	10.0	7.8	2.8
b) Average basis	10.0	9.4	7.2	4.2

P Provisional.

**Table VII-2 : Frequency Distribution of Annualised Inflation Rate
(Month-wise)**

(No. of months)

Range of Inflation in Per cent	Frequency Distribution of Months			
	1980-81 to 1989-90	1990-91 to 1994-95	1995-96	1996-97
1	2	3	4	5
0.0-5.0	29 (24.2)	- (-)	2 (16.7)	3 (25.0)
5.1-7.0	44 (36.7)	3 (5.0)	2 (16.7)	5 (41.7)
7.1-9.0	33 (27.5)	16 (26.7)	5 (41.7)	4 (33.3)
9.1-11.0	10 (8.3)	14 (23.3)	3 (25.0)	-
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-3 : Major Group-wise Inflation Rate***

(Per cent)

Commodity Group	1995-96		1996-97	
	Point-to-Point	Average	Point-to-Point	Average
1	2	3	4	5
Primary Articles	5.4	7.5	7.0	8.0
'Fuel' Group	3.7	1.8	16.9	13.6
Manufactured Products	5.0	9.1	4.9	4.1
All Commodities	5.0	7.8	6.9	6.4

* Measured in terms of changes in the Index Number of Wholesale Prices.

**Table VII-4 : Weighted Contributions to Inflation
(Major group-wise)**

(Per cent)

Commodity Group	1980-81 to 1989-90	1990-91 to 1994-95	1995-96	1996-97
1	2	3	4	5
Point-to-point basis				
Primary Articles	34.7	34.0	35.9	34.0
'Fuel' Group	15.8	12.3	7.8	25.8
Manufactured Product	49.5	53.7	56.2	40.2
All Commodities	100.0	100.0	100.0	100.0
Average basis				
Primary Articles	33.4	35.0	32.0	41.9
'Fuel' Group	12.5	12.6	2.5	22.0
Manufactured Product	54.1	52.4	65.6	36.1
All Commodities	100.0	100.0	100.0	100.0

Table VII-5 : Consumer Price Indices

Item	Indices				Percentage Variations			
	1995-96		1996-97		1995-96		1996-97	
	End-March	Average	End-March	Average	Point-to-Point	Average	Point-to-Point	Average
1	2	3	4	5	6	7	8	9
CPI - Industrial Workers (Base : 1982 = 100)	319	312.8	351	342.3	8.9	10.0	10.0	9.4
CPI - Urban Non-Manual Employees (Base : 1984-85 = 100)	264	258.9	289 *	280.3 *	8.2	9.5	9.5 *	8.3 *
CPI - Agricultural Labourers (Base : 1986-87 = 100)	237	234.4	262	255.8	7.4	10.7	10.5	9.1

* Up to December, 1996.

**Table VII-6 : Weighted Contribution of Food and Non-food in WPI and CPI-IW
(Average basis)**

(Per cent)

Period	WPI		CPI-IW	
	Food	Non-Food	Food	Non-Food
Weight	27.529	72.471	57.0	43.0
1	2	3	4	5
1985-90	29.4	70.6	55.7	44.3
1990-95	30.9	69.1	64.6	35.4
1995-96	22.9	77.1	64.9	35.1
1996-97	46.5	53.5	62.9	37.1

Table VII-7 : Centre-wise Frequency Distribution of Inflation Rate (Measured in terms of CPI-IW)

Range of Inflation Rate (%)	Number of Centres		
	1994-95	1995-96	1996-97
1	2	3	4
Up to 5.0	—	—	—
5.1 - 7.5	3	6	11
7.6 - 9.9	38	32	33
10.0 - 12.5	20	24	19
above 12.5	9	8	7

Table VII-8 : Hike in the Administered Prices (Average basis)

(Per cent)

Item	Weight	1990-91 to 1994-95	1995-96	1996-97
1	2	3	4	5
1. Petroleum crude and Natural gas	4.274	7.2	0.9	1.5
2. Coal Mining	1.256	9.7	1.1	13.2
3. Mineral Oil	6.666	12.7	0.1	14.9
4. Electricity	2.741	13.7	5.0	10.6
5. Urea N content	0.992	9.0	3.4	1.0
Administered Items	15.929	11.3	1.7	11.0
Memo Item : Inflation Rate (change in WPI)		10.7	7.8	6.4

Table VII-9 : Average Prices of Gold and Silver

Year/Month	Gold (Rupees per 10 gms.)			Silver (Rupees per Kg.)		
	Mumbai	London *	Spread @	Mumbai	New York **	Spread @
1	2	3	4	5	6	7
1993-94	4,532	3,766 (373)	766 (20.3)	6,348	4,741 (470)	1,607 (33.9)
1994-95	4,667	3,864 (383)	803 (20.8)	6,692	5,187 (514)	1,505 (29.0)
1995-96	4,958	4,189 (389)	769 (18.4)	7,221	5,811 (540)	1,410 (24.3)
1996-97	5,071	4,284 (376)	787 (18.4)	7,165	5,763 (505)	1,402 (24.3)
March 1994	4,598	3,871 (384)	728 (18.8)	7,063	5,488 (544)	1,575 (28.7)
March 1995	4,661	3,888 (382)	773 (19.9)	6,189	4,723 (464)	1,466 (31.0)
March 1996	5,200	4,386 (397)	814 (18.6)	7,472	6,103 (551)	1,369 (22.4)
March 1997	4,789	4,065 (352)	724 (17.8)	7,421	5,990 (519)	1,431 (23.9)

* Figures in brackets indicate average prices in US \$ per troy oz.

@ Figures in brackets indicate percentage spread.

** Figures in brackets indicate average prices in cents per oz.

Sources : 1. Bombay Bullion Association.
2. Press Trust of India.

Table VII-10 : Imports of Gold through Official Channel

Year	Quantity of Imports (in tonnes)	Duty Collected (Rupees crore)
1	2	3
1992-93	132.35	298.72
1993-94	109.51	241.76
1994-95	186.81	410.98
1995-96	211.52	465.25
1996-97 (April-Dec. 1996)	172.45	379.54

CHAPTER VIII

FISCAL DEVELOPMENTS *

The review of fiscal developments is covered under four sections. The budgetary developments of the Central Government are detailed in Section I, while Section II discusses the developments in the finances of State Governments. Section III analyses the combined budgetary position of the Central and State Governments. Section IV covers the finances of the Department of Posts, Department of Telecommunications and the financial performance of the Railways.

Budgetary Operations of the Central Government [§]

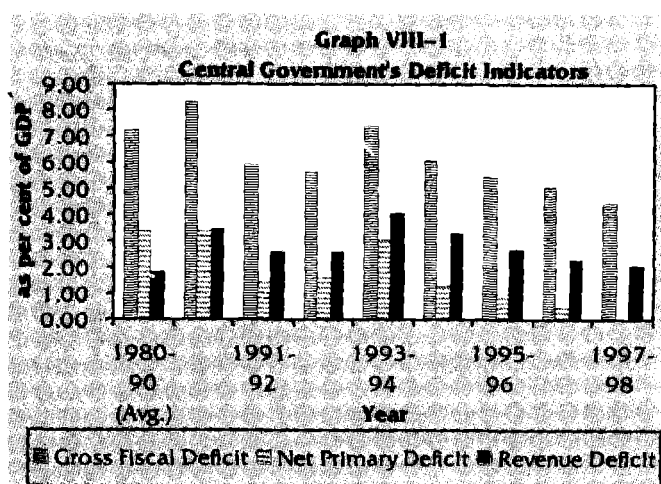
Major Developments during 1996-97

The fiscal situation was marked by some improvements during 1996-97. All the key deficit indicators of the Central Government showed improvements as per the revised estimates for 1996-97. Gross fiscal deficit (GFD) in the revised estimates at Rs.63,131 crore, though exceeded the budget estimates (Rs.62,266 crore) by 1.4 per cent, remained within the targeted level of 5.0 per cent of GDP. Revenue deficit in the revised estimates at Rs.28,205 crore (2.2 per cent of GDP) was lower by Rs.3,270 crore (-10.4 per cent) than the budget estimates of Rs.31,475 crore. The gross primary deficit, however, overshoot the budget estimates of Rs.2,266 crore by more than two times to Rs.4,631 crore. The net primary deficit at Rs.5,735 crore too turned out to be high – nearly

twice the budget estimates of Rs.2,920 crore. Nevertheless, both gross primary deficit and net primary deficit relative to GDP declined to 0.37 per cent and 0.45 per cent, respectively, in the revised estimates of 1996-97 from 0.93 per cent and 0.98 per cent, respectively, in 1995-96 (Table VIII-1 and Graph VIII-1). The conventional budget deficit, which reflects the mismatch between aggregate receipts and expenditures, exceeded the budget estimates of Rs.6,578 crore marginally by Rs.322 crore (4.9 per cent) to Rs.6,900 crore. According to RBI records, conventional budget deficit was much higher at Rs.13,156 crore (after closure of Government accounts) at the end of the fiscal year, almost double the level in the revised estimates (Rs.6,900 crore). The growth in conventional budget deficit did not, however, cause a major monetary impact as the monetisation of deficit was kept at a lower order. Both the conventional budget deficit and monetised deficit remained at somewhat higher levels during the first quarter of 1996-97 as compared to 1995-96, but were contained during the remaining three quarters (Table VIII-2). At the end of the fiscal year 1996-97, the monetised deficit stood at Rs.1,934 crore, constituting 3.1 per cent of GFD as compared to that of Rs.19,855 crore or 33 per cent in 1995-96. Net issue of *ad hoc* Treasury bills, on a fortnightly basis, was moderately low at Rs.7,612 crore during 1996-97 as compared to Rs.10,280 crore during 1995-96. The agreed within-the-year limit of Rs.9,000 crore for the net issue of *ad hoc* Treasury bills was exceeded for an extended period during the first half of the financial year and at the end of the fiscal year, the net issue of *ad hoc*s amounted to Rs.4,685 crore as against Rs.5,965 crore in 1995-96 (Table VIII-3). The moderation in the monetisation of Central Government budget deficit was rendered possible due to active market participation in the

* Based on material available upto September 1997. All references to the years in this Chapter relate to the fiscal year (April-March).

§ A detailed account of the budgetary operations of the Central Government during 1996-97 (Revised Estimates) and 1997-98 (Budget Estimates) was presented in an article on "Finances of Government of India : 1997-98" in the July 1997 issue of the Reserve Bank of India Bulletin.



Government short-term debt market following the improvement in liquidity in the economy.

Both receipts and expenditures, in the revised estimates, turned out to be lower than the budget estimates. While aggregate receipts in the revised estimates at Rs.2,01,324 crore showed a decline of Rs.2,675 crore (-1.3 per cent), aggregate expenditures at Rs.2,08,224 crore declined by Rs.2,353 crore (-1.1 per cent) [Statement 142, Volume II]. On the receipts side, revenue receipts at Rs.136,709 crore showed a marginal increase of 0.3 per cent over the budget estimates (Rs.1,36,262 crore), despite a setback in tax collections. Tax revenue in the revised estimates declined by Rs.98 crore (-0.1 per cent) to Rs. 97,212 crore from Rs. 97,310 crore envisaged in the budget estimates. Revenue collection from major taxes like customs duties and Union excise duties remained lower than envisaged in the budget estimates. Non-tax receipts at Rs.39,497 crore recorded a marginal growth (1.4 per cent) over the budget estimates (Statement 143, Volume II). Capital receipts were lower by Rs.3,122 crore (-4.6 per cent) at Rs.64,615 crore in the revised estimates against Rs.67,737 crore targeted in the budget estimates. The shortfall in capital receipts was mainly due to lower realisation from disinvestment of PSUs which at Rs.500 crore were merely 10 per cent of the budget estimates of Rs.5,000 crore. Market borrowings (including short-term, medium and long-term borrowings) remained at the budgeted level of Rs.25,498 crore. Among other liabilities, small savings at Rs.12,270 crore were also lower than the budget estimates by 0.7 per cent. The net receipts from external borrowings at Rs.2,589 crore was higher than the budget estimates by Rs.128 crore or 5.2 per cent (Statement 145, Volume II).

On the expenditure side, efforts to contain a rise in revenue expenditure and in capital disbursements resulted in a decrease of Rs.2,353 crore (-1.1 per cent) in aggregate expenditure over the budget estimates. Revenue expenditure in the revised estimates at Rs.1,64,914 crore was below the budget estimates by Rs.2,823 crore (-1.7 per cent). Non-developmental revenue expenditure showed a relatively large decline (-2.4 per cent) than developmental revenue expenditure (-0.5 per cent), mainly due to the deferment of the implementation of the Fifth Pay Commission recommendations to 1997-98, for which an allocation of Rs.4,000 crore was made in the budget estimates. Among the other non-developmental components, some major heads showed decline in expenditures; interest payments were lower by Rs.1,500 crore, grants-in-aid to States and UTs by Rs.164 crore (-2.9 per cent) administrative services by Rs. 3,603 crore (-37.8 per cent), and currency, coinage, mint and other general services by Rs. 182 crore (-4.7 per cent) etc. Under the developmental revenue expenditures, there were declines in expenditures on social and community services (-8.7 per cent) and economic services (-0.8 per cent). Developmental grants-in-aid to States and UTs were higher by Rs.766 crore (4.3 per cent) (Statement 144, Volume II). Capital disbursements recorded a moderate growth (Rs.470 crore or 1.1 per cent) and the increase was essentially on the developmental components such as capital outlay and loans and advances. Provisions under developmental capital outlay for social and community services showed an increase of 1.9 per cent while that for economic services showed an increase of 5.4 per cent. Developmental loans to States and UTs increased by 4.4 per cent. Non-development capital outlay was reduced by 5.4 per cent mainly due to a cut in defence capital outlay of Rs.439 crore (-4.9 per cent) to Rs.8,505 crore (Statement 146, Volume II).

Besides the reduction in the overall expenditure, there was also some shift in the expenditure pattern with the developmental component in the aggregate expenditure scaling up from 45.5 per cent in 1995-96 to 46.4 per cent in 1996-97 and non-developmental expenditure

recording a decline from 54.5 per cent to 53.6 per cent. Despite the non-realisation of disinvestment proceeds, the reduction in revenue deficit brought about an improvement in the share of capital disbursements (capital outlay and net lending) in GFD to 56.2 per cent in 1996-97 from 53.0 per cent in 1995-96. In the financing of GFD, there was a marked structural shift with the share of market borrowing dropping to 40.4 per cent in 1996-97 from 54.9 per cent in 1995-96 and other liabilities increasing from 28.3 per cent to 44.6 per cent. The share of external finance also moved up to 4.1 per cent in 1996-97 from 0.5 per cent in 1995-96.

Budget Estimates : 1997-98

The Union Budget for 1997-98 was formulated against the backdrop of a number of positive macro-economic developments in the economy, such as an estimated real GDP growth rate of 6.8 per cent in 1996-97, sizeable build-up in the foreign currency assets (US \$ 19.5 billion as on February 27, 1997) and stable price situation. The thrust of this year's budget continues to be on those identified areas under the Common Minimum Programme of the Government *viz.*, growth, basic minimum services, employment, macro-economic stability, investment in infrastructure, human development and viable balance of payments. Fiscal consolidation through progressive reduction of fiscal deficit for maintaining the long-run sustainability of Government finances constitutes an important element of the 1997-98 budget. The budget has envisaged a reduction in the fiscal deficit to 4.5 per cent of GDP during 1997-98 from that of 5.0 per cent in 1996-97 and revenue deficit to 2.1 per cent from 2.2 per cent of GDP. The gross primary balance is projected to show a surplus of Rs.2,546 crore and net primary deficit is targeted at a low order of Rs.138 crore as against Rs.5,735 crore in 1996-97. The fiscal correction envisaged in the 1997-98 budget will be achieved through an accelerated revenue growth through further tax reforms¹, improvement in non-tax revenue collections, larger disinvestment proceeds and

better expenditure management. Aggregate expenditure budgeted at Rs.2,38,403 crore would show an increase of Rs.30,179 crore (14.5 per cent) while aggregate receipts estimated at the same level would register a higher growth of Rs.37,079 crore (18.4 per cent) [Statement 142, Volume II].

The major policy announcement of the budget which would go a long way in strengthening the fiscal-monetary co-ordination and debt management relates to the abolition of the system of *ad hoc* Treasury bills effective March 31, 1997. With the abolition of *ad hoc*s, the old system of automatic monetisation of Centre's budgetary deficit would cease to operate and in the place of *ad hoc*s, there would be a system of Ways and Means Advances by RBI to Central Government to meet temporary mismatches between the Centre's receipts and expenditures. Such a temporary accommodation, however, will be outside the Reserve Bank's support to the Government borrowing programme during the year. The Reserve Bank will provide Ways and Means Advances to the Government, as and when required, at an interest rate², which will be mutually agreed from time to time. These advances will have to be fully repaid within a period not exceeding three months from the date of making such advance. When 75 per cent of the agreed level of Ways and Means Advances are utilised, the RBI will trigger fresh floatation of Government Securities. An agreement to this effect was signed by the Government of India and the Reserve Bank on March 26, 1997³, under which for the fiscal year 1997-98, the limit of WMA for the first six months (April-September) has been fixed at Rs.12,000 crore and for the next six months (October-March) of the year at Rs.8,000 crore. Following the abolition of the system of *ad hoc*s, the outstanding *ad hoc* Treasury bills and Tap Treasury bills with the RBI, as on March 31, 1997, have been converted into special securities at an interest rate equivalent to the discount rate applied to them *viz.* 4.6 per cent.

2. The calculated interest rates on Ways and Means Advances and overdraft for any quarter beginning April 11, 1997 will mean the average of the implicit yield at the cut-off price of 91-day Treasury bills auctions held during the previous quarter.

3. For the details of the Agreement see Annual Report 1996-97 of the Reserve Bank.

1. For a detailed version of tax proposals see article on "Finances of Government of India : 1997-98" in the July 1997 issue of the Reserve Bank of India Bulletin.

This development imparts a new dimension to the concept of deficit in that the conventional Budget deficit which comprised changes in *ad hoc* Treasury bills and other 91-day Treasury bills net of changes in cash balances has been rendered irrelevant. As a result, the concept of gross fiscal deficit would become the key indicator of deficit while the monetised deficit, mainly representing the extent of Reserve Bank's holding of dated securities and auction Treasury bills, would be a transparent indicator of the monetary impact of the Government's fiscal operations. It may be noted that although the budget has estimated a monetised deficit of Rs.16,000 crore during 1997-98, representing the *ex-ante* level of Reserve Bank's support to the Central Government market borrowings, the actual out-turn at the close of the year could be different on account of the open market operations (OMO) that the Reserve Bank would undertake during the course of the year in pursuit of monetary and credit management.

The budget has undertaken a major initiative in deepening the on-going tax reform process with accent on improving compliance and revenue productivity. They are sought to be achieved by putting in place a tax structure that will promote work incentives, reduce tax related distortions, widen the tax base and contain tax evasion. The indirect tax initiatives aim at accelerating the trade tax reform and rationalising domestic excise duties with a view to reducing the rate dispersion and widening the tax-base. A major landmark in the tax reform programme is the proposed reduction of the maximum marginal personal income tax rate to 30 per cent from 40 per cent, corporate tax rate to 35 per cent from 40 per cent and abolition of double taxation of dividend income (Box VIII-1). The budget has proposed an important change in the area of Centre-State financial relations by accepting the recommendations of the Tenth Finance Commission on a single divisible pool to be shared between the Centre and States.

Revenue receipts budgeted at Rs.1,59,370 crore would show a growth of 16.6 per cent (Rs.22,661 crore) and would account for 61 per cent of the increase in aggregate receipts (Statement 142, Volume II). Tax revenue at Rs.1,13,393 crore (net of States' share) would be

higher by 16.6 per cent and would contribute about 71.4 per cent of the increase in revenue receipts. The reduction in customs duties as proposed at the time of budget presentation is estimated to result in a revenue loss of Rs.2,625 crore in the financial year, and in the case of excise duties, the budget proposals are revenue-neutral. The revenue loss on account of import duty concessions was expected to be more than offset by the increased buoyancy and the growth momentum that would be imparted to the economy by these proposals. The proposals relating to service tax are estimated to yield a revenue of Rs.1,200 crore in a full year but credit has been taken for Rs.900 crore in 1997-98. On the other hand, the proposal for reduction in the rate of interest tax would imply a revenue loss of Rs.600 crore in 1997-98. The net revenue effect of the tax proposals is estimated at Rs.300 crore during 1997-98⁴. The budget proposed revision of postal tariff rates during 1997-98, which will yield an additional revenue of Rs.367 crore in full year and Rs.305 crore in 1997-98. Disinvestment of equity holdings of public sector enterprises are budgeted at Rs.4,800 crore⁵ as against Rs.500 crore netted in the revised estimates for 1996-97 (Statement 145, Volume II). Net market borrowings comprising normal, medium and long-term as well as short-term borrowings are budgeted at Rs.33,820 crore which would translate into an increase of Rs.8,322 crore (32.6 per cent) over the revised estimates of Rs.25,498 (same as that budgeted). Small savings collections are budgeted at Rs.10,950 crore during 1997-98 and would be lower by 10.8 per cent. This would also make a compositional shift in the financing of GFD.

Revenue expenditure budgeted at Rs.1,89,635 crore would show a growth of Rs.24,721 crore (15.0 per cent) [Statement 144, Vol II]. Almost 75 per cent of the increase is accounted for by the increase in non-

4. Further post-budget concessions in the areas of customs duties and Union excise duties have been announced by the Finance Minister in May 1997, which are estimated to result in a net revenue loss of Rs.111 crore.

5. The target under disinvestment was subsequently raised to Rs.7,000 crore for 1997-98, through a post-budget announcement towards containing fiscal deficit at the budgeted level.

Box VIII-1**MAJOR CHANGES IN TAX STRUCTURE****Direct Taxes**

The current three rate structure in personal income tax of 15, 30 and 40 per cent is proposed to be replaced by 10, 20 and 30 per cent, respectively. The limit of standard deduction has been increased from Rs.15,000 to Rs.20,000.

The tax rate for domestic companies has been reduced to 35 per cent from 40 per cent, while that on foreign companies reduced from 55 per cent to 48 per cent. The surcharge of 7.5 per cent on domestic companies has been abolished.

The 30 per cent tax on royalty and technical service fee payable to foreign companies is reduced to 20 per cent. The Minimum Alternate Tax (MAT) has been modified by excluding export profits from MAT and introduction of a system of credit in respect of payment of MAT. The revised Minimum Alternative Tax will be 10.5 per cent.

The presumptive tax is proposed to be abolished and a system of Estimated Income Scheme (EIS) is introduced for persons engaged in the business of retail trade and whose total turnover is less than Rs.40 lakh. Identification of potential tax payers through obligatory filing of returns based on some economic criteria such as ownership/lease of motor vehicle, occupation of immovable property, foreign travel and subscription of telephone.

Introduction of a scheme of Voluntary Disclosure of Income and Wealth, covering all persons, corporate or non-corporate but not under investigation under Conservation of Foreign Exchange and Prevention of Smuggling Activity Act. The tax payable on the disclosed income is 30 per cent on individuals and 35 per cent on corporates and firms. Immunity would be granted under the scheme to the declarants from any action under the Income and wealth tax and FERA. Of the total resources mobilised, 77.5 per cent would accrue to the States, while the rest would be channelised towards financing the Basic Minimum

Services programme and infrastructure needs. The scheme will remain open until December 31, 1997, after notification.

Extension of benefits under Section 80L to Government securities upto a limit of Rs.15,000 as are available in respect of income received from units of UTI or approved mutual funds. Abolition of dividend tax in the hands of the share holders and tax at the rate of 10 per cent on the distributed profits of companies. The interest tax for lending institutions including banks and non-banking finance companies is reduced from 3 per cent to 2 per cent. The capital gains tax levied on NRIs is reduced from 20 per cent to 10 per cent.

Indirect Taxes

Peak import tariff rate reduced from 50 per cent to 40 per cent. The other major import duty restructuring include reduction in import duty on capital goods from 25 per cent to 20 per cent, iron & steel products from 30 per cent to 25 per cent, chemicals from 40 per cent to 30 per cent and computer and peripherals from 30 to 20 per cent to 20 to 10 per cent, respectively. Baggage duty has been reduced from 60 per cent to 50 per cent.

In the sphere of Union excise duties three new rates of 8 per cent, 13 per cent and 18 per cent have been introduced, replacing two existing rates of 10 per cent and 20 per cent. Excise duty on certain items of mass consumption has been reduced from 10 per cent to 8 per cent. In respect of a large number of products, excise duty is reduced by 2 to 7 per cent by applying the mean rate of 18 per cent to such items.

The scope of service tax is widened to include transport of goods by road, consulting engineers, custom house, steamer and clearing and forwarding agents, travel agents, tour operators, car rental agencies, outdoor caterers, pandal contractors and mandap keepers and manpower recruitment agents.

developmental expenditure which at Rs.1,21,020 crore is higher by Rs.18,466 crore (18.0 per cent). The acceleration in non-developmental expenditure is due to higher provisions under interest payments (+Rs.9,500 or 16.2 per cent), administrative services (+Rs.4,340 crore or 73.3

per cent) and defence expenditure (+Rs.5,720 crore or 27.2 per cent). A provision of Rs.7,825 crore has been made for the implementation of the recommendations of the Fifth Pay Commission in respect of Central Government employees (excluding the Railway employees).

This would partly meet the financial requirements to implement the pay revision. Developmental expenditure is budgeted to grow by Rs.6,255 crore (10.0 per cent) which is mainly due to increase in social and community services (+Rs.2,989 crore or 32.8 per cent). An inevitable fallout of the rise in both non-developmental and developmental revenue expenditures is the sharp rise in revenue deficit to Rs.30,266 crore in 1997-98 from Rs.28,205 crore in 1996-97. As a consequence, the revenue deficit to GFD ratio is estimated to rise from 44.7 per cent in 1996-97 to 46.2 per cent in 1997-98. Capital expenditure has been budgeted to record an increase from Rs.43,310 crore to Rs.48,768 crore by 12.6 per cent. A substantial portion of the increase is earmarked for developmental capital outlay which would rise by 59.4 per cent from Rs.5,814 crore in 1996-97 to Rs.9,267 crore in 1997-98. Loans to States and UTs have been increased by nearly 8 per cent to Rs.25,259 crore (Statement 146, Volume II).

Central Plan Outlay for 1997-98 has been stepped up by 18.5 per cent (Rs.14,321 crore) to Rs.91,839 crore from Rs.77,518 crore in 1996-97. Budget support to the Central Plan is estimated to increase by Rs.6,026 crore (20.0 per cent) to Rs.36,130 crore⁶ while the internal and extra-budgetary resources (IEBR) of the public sector enterprises are projected to rise by Rs.8,295 crore (17.5 per cent) to Rs.55,709 crore in 1997-98. The share of budget support in financing the Plan outlay would increase marginally from 38.8 per cent in 1996-97 to 39.3 per cent in 1997-98 while that of IEBR would correspondingly decline from 61.2 per cent to 60.7 per cent. On the allocation side, the highest share goes to energy (Rs. 24,234 crore or 26.4 per cent) followed by transport (Rs.15,016 crore or 16.4 per cent) and social services (Rs.13,817 crore or 15.0 per cent). The allocation under social services in the Plan Outlay is estimated to increase by 37.6 per cent in 1997-98, while the outlay under energy would increase by 23.6 per cent and transport by 4.4 per cent.

Gross transfer of resources from the Centre

6. In the post-budget proposals announced in May 1997, budgetary support to Plan outlay has been increased by Rs.900 crore so as to enhance the public investment in power sector.

to the States and UTs comprising shareable tax revenue, grants and loans are estimated at Rs.88,865 crore in 1997-98 showing a growth of 7.7 per cent as compared with 17.6 per cent in the previous year. Shareable tax revenue, loans and Plan grants are estimated to increase, although at a lower rate in 1997-98, whereas non-Plan grants would decline sharply by Rs.1,362 crore or 21.2 per cent as compared with a growth of 4.8 per cent in 1996-97. The budget has made an important announcement in the tax sharing arrangements by accepting the recommendations of the Tenth Finance Commission regarding a single divisible pool of taxes to be shared between the Centre and the States with the States initially getting a share of 29 per cent. The new arrangement will bring an improvement of tax transfers to the States over the present position.

Notwithstanding the fact that the Government has been successful in reducing GFD relative to GDP, the quality of fiscal adjustment still faces certain challenges. First and foremost is the lack of sufficient buoyancy in revenue generation even though the economy has been showing robust growth in the recent years. For instance, the revenue receipts as a proportion to GDP have shown steady decline from 11.6 per cent, on an average, in the latter part of the eighties to 11.2 per cent in 1991-92 and budgeted to show a further decline to 11.0 per cent in 1997-98. The situation is more worrisome in respect of tax revenue (net of States' share) which relative to GDP deteriorated from 8.3 per cent in the second half of the eighties to 8.1 per cent in 1991-92 and is estimated to deteriorate further to 7.8 per cent in 1997-98. The tax reform measures have resulted in increasing the direct tax ratio to GDP while there has been sharp deterioration in indirect tax ratio to GDP. Following the restructuring of tax system since 1991-92, the share of direct tax in total tax revenue (gross) has shown a marked improvement from 19.1 per cent, on an average, in the latter half of the eighties to 30.4 per cent in 1996-97 and at 29.8 per cent in 1997-98. As a consequence, the direct tax to GDP ratio moved up from 2.1 per cent in the latter half of the eighties to 3.1 per cent in 1997-98. On the other hand, the share of indirect taxes in the total tax revenue declined sharply from 80.9 per cent

in the second half of the eighties to 70.2 per cent in 1997-98. The cumulative effect of the near stagnation in the revenue generation has resulted in sustained rise in revenue gap, which as a proportion of GFD increased to 46.2 per cent in 1997-98 from 44.8 per cent in 1991-92 and 31.5 per cent, on an average, during the latter part of the eighties. Consequently, there has been a sharp cut in the capital outlay which as a proportion to GDP fell from 2.8 per cent in the latter half of the eighties to 1.3 per cent in 1997-98. This trend calls for a qualitative improvement in expenditure management alongside the reduction in fiscal deficit, with proper adjustments in certain expenditures such as interest payment, subsidies and establishment expenditure. Interest payment as a percentage of revenue receipts, has increased sharply from 30.4 per cent in the second half of the eighties to 40.3 per cent in 1991-92 and to 44.4 per cent in 1997-98. The steep rise is partly due to the financial sector reforms, entailing an increase in the borrowing cost of the Government. This situation needs to be tackled by an appropriate reduction in Government borrowings from the market for containing the growth of interest payment to a sustainable level. A recent discussion paper on subsidies has placed the combined explicit and implicit subsidies of the Centre and States at Rs.1,37,338 crore in 1994-95 representing 14.4 per cent of GDP. Subsidies on non-merit goods and services (such as agriculture and allied activities, irrigation, power, industries, transports, etc.) alone account for 10.7 per cent of the GDP. At the same time, the all India current recovery rate for non-merit goods and services is estimated at 10.3 per cent in 1994-95 with the Centre's recovery rate being 12.1 per cent and that of States at 9.3 per cent. As the existing subsidy rate for non-merit goods and services is nearly 90 per cent of the cost, a reduction in the cost to 50 per cent is estimated to bring down the non-merit goods and services subsidies from 10.7 per cent of GDP to 6.0 per cent, which in turn, would reduce the combined fiscal deficit of Centre and States from 6.5 per cent in 1996-97 to less than 2 per cent of the GDP. The additional expenditure commitment arising out of the implementation of the Fifth Pay Commission would prove to be another major hurdle on the way to reduce the fiscal deficit on a sustained basis. The

Fifth Pay Commission has estimated the additional expenditure requirements towards the implementation of pay revision at Rs.11,262.50 crore during 1996-97. The budget for 1997-98 has provided Rs.7,825 crores towards the pay revision. The latest estimates indicate that the actual expenditure requirement to meet salary revision would be more than double the amount earmarked in the budget estimates which would cause further increase in GFD. The Government has responded to the additional expenditure commitment by announcing measures to mobilise additional resources and implement expenditure cuts. The impact of these measures on the budget, in keeping the fiscal deficit within the targeted level, would need to be carefully monitored with a view to taking corrective initiatives, if need be, especially because there has been a significant deceleration in tax collections upto August 1997.

Public Debt of the Central Government

The Central Government's public debt/GDP ratio declined from 55.2 per cent at end-March 1996 to 53.0 per cent at end-March 1997 (Statement 149, Vol.II). This ratio is estimated to decline further to 50.5 per cent by end-March 1998. The fiscal consolidation efforts have resulted in the reduction of public debt/GDP ratio from 56.9 per cent during the second half of the eighties to 55.5 per cent during the period 1991-98, the reduction being sharper since 1994-95. Domestic debt as ratio to GDP declined to 48.7 per cent at end-March 1997 from 50.5 per cent at end-March 1996 and it is budgeted to further decline to 46.6 per cent by end-March 1998 (Statement 183, Vol.II). Although the fiscal correction measures have yielded in bringing down domestic debt ratio to GDP, the concern for high level of domestic debt stems from the rapid growth in interest payments, and the consequent adverse implications for the sustainability of fiscal situation. This underscores the need for sharper fiscal corrections so as to stabilise debt/GDP ratio at a sustainable level in the medium term. The implications of the existing levels of debt are reflected in interest payments pre-empting large share of revenue receipts of the Central Government e.g., interest payments accounted for 44.7 per cent of revenue receipts during 1996-97 and are budgeted marginally lower

at 44.4 per cent during 1997-98. The ratio of interest payment on public debt to revenue receipts stayed at a high level of 44.9 per cent during the period 1991-97 which is significantly higher than the ratio of 30.4 per cent during the later half of the eighties. Another implication of the high level of public debt on government finances is discernible from the rising repayment burden of marketable debt (Table VIII-A). The repayment of market loans accounted for 26.3 per cent of gross borrowings during 1996-97. Furthermore, there is a steep rise in repayment schedule during the next five years. The high repayment obligations lead to higher amount of fresh borrowings from the market, adding pressure on real interest rates leading, in turn, to higher interest payments. Thus, arresting the rising interest burden and repayment burden of debt necessitates sharper reduction in the growth of domestic debt. This would require generation of adequate revenue account surpluses.

**Table VIII-A : Repayment Schedule for Market Loans of the Central and State Governments
Issued upto end-March 1997***

(Rupees crore)		
Year	Central Government	State Governments
1	2	3
1997-1998	10,903	557
1998-1999	14,803	1,414
1999-2000	16,353	1,301
2000-2001	19,428	420
2001-2002	16,464	1,446
2002-2003	12,165	1,789
2003-2004	13,143	4,145
2004-2005	3,435	5,122
2005-2006	16,581	6,274
2006-2007	15,394	6,551
2007-2008	5,651	3,805
2008-2009	7,338	2,286
2009-2010	9,195	2,555
2010-2011	9,109	2,569
2011-2012	8,610	3,349
2012-2013	1,755	-
2013-2014	1,999	-
2014-2015	4,088	-
2015-2016	4,174	-

P Provisional. - Nil.

Composition, Maturity and Ownership Pattern of Domestic Debt

Apart from changes in the levels of domestic debt, the composition of debt has also witnessed some changes in recent years. The share of market loans in total domestic debt rose from 24.6 per cent at end-March 1992 to 29.9 per cent at end-March 1997 and it is estimated to rise further to 32.2 per cent by end-March 1998 (Statement 183, Vol.II). The share of small savings has witnessed marginal decline from 17.7 to 16.9 per cent between 1991 and 1997. The share of other debt in total domestic debt has remained largely unaltered. Within market loans, a significant transformation is discernible in the maturity structure. The move to raise large amount of resources to finance Central Government fiscal deficit has exerted pressure on interest rate and led to concentration of borrowings at shorter end. This partly reflects a conscious policy decision to minimise the borrowing cost for the Government. The share of outstanding rupee loans of short-term maturity in the total rupee loans (i.e., under 5 years) witnessed a sharp increase from 8.6 per cent to 45.2 per cent between 1991 and 1997. Conversely, the share of long-term loans shrunk to 25.8 per cent in 1997 from 85.8 per cent in 1991 (Table VIII-B).

Table VIII-B : Maturity Structure of Central Government Dated Securities Outstanding

(Per cent)				
End of March	Below 5 Years	5 to 10 Years	Over 10 Years	Total
1991	8.6	5.6	85.8	100.0
1992	7.4	16.8	75.8	100.0
1993	8.0	14.2	77.8	100.0
1994	21.4	22.3	56.3	100.0
1995	25.3	27.4	47.3	100.0
1996	38.4	30.3	31.3	100.0
1997	45.2	29.0	25.8	100.0

Notwithstanding various reform measures to develop and widen the primary market for Government securities, the market continues to be dominated by captive investors. The ownership pattern of Central and State Government securities exhibited predominant holdings by commercial banks and insurance companies. The investment of commercial banks constituted 69.6 per cent of stock of Government dated securities at end-

March 1995 as against 59.4 per cent at end-March 1991. It may be noted that although the statutory liquidity ratio of banks has been significantly lowered from 38.5 per cent in 1992-93 to 28.0 per cent in 1996-97, attractive market related interest rates offered on Government dated securities since 1992-93 apart from zero risk nature of such investments and the generally depressed credit market are some of the factors which have attracted banks' investment in Government securities much beyond the stipulated statutory requirements. The share of insurance companies (LIC) also rose from 12.3 per cent to 16.2 per cent between 1991 and 1995 and further to 16.8 per cent in 1996 (Table VIII-C). Consequent upon the development of a voluntary domestic Government securities market, the holding of Reserve Bank declined sharply to 2 per cent of outstanding Government securities in 1995 from 20.3 per cent in 1991. There was, however, a reversal of this trend as reflected in larger holdings of Reserve Bank in 1996 mainly on account of unfavourable market conditions during 1995-96.

Table VIII-C : Ownership Pattern of Central and State Government Dated Securities

(Per cent)				
End of March	RBI	Commercial Banks	LIC	Others
1991	20.3	59.4	12.3	8.0
1992	17.9	63.7	13.3	5.1
1993	8.2	66.4	14.7	10.7
1994	2.4	72.5	15.8	9.3
1995	2.0	69.6	16.2	12.2
1996	7.3	..	16.8	..

.. Not Available.

Market Borrowings

The net market borrowings (comprising dated securities and 364-day Treasury Bills) of the Central Government at Rs.26,356 crore (Rs.36,152 crore gross) during 1996-97 exceeded the budget target of Rs.25,498 crore (Rs.35,294 crore gross) (Table VIII-10). The gross amount mobilised through dated stocks and 364-day Treasury Bills aggregated to Rs.27,911 crore and Rs.8,241 crore, respectively. The relatively comfortable liquidity condition in the financial market enabled the Government to raise the stipulated borrowing

without much devolvement on the Reserve Bank. Reserve Bank's absorption of Central Government securities in the primary market declined to 13.2 per cent as against 32.8 per cent in 1995-96.

During fiscal 1997-98, the net market borrowings of the Central Government are estimated at Rs.33,820 crore (Rs.52,963 crore gross), higher than the level in 1996-97 (Table VIII-10). This order of rise in gross and net borrowings during 1997-98 can be attributed to the abolition of *ad hoc* Treasury bills which was an important source of borrowing for the Central Government till 1996-97. Taking account of borrowings through *ad hoc* Treasury bills during 1996-97, the projected increase in borrowings in 1997-98 would be only 8.35 per cent. During the first half of the current fiscal year (upto September 1997), the Central Government mobilised a gross amount of Rs.47,913 crore, implying a net borrowing of Rs.34,373 crore thus completing 90 per cent of its gross borrowing programme for the full fiscal year. The Central Government mobilised Rs. 36,686 crore through dated stocks and Rs. 11,227 crore through 364-day Treasury bills. Although the primary issues of auctioned Government dated stocks were highly subscribed in the market, the higher order of devolvement (19.2 per cent) on the Reserve Bank was mainly on account of private placement of an issue of Rs.5,000 crore with the Reserve Bank for facilitating open market operations. The Government also converted special securities aggregating Rs.20,000 crore into 13.05 per cent Government stock 2007, 12.59 per cent Government stock 2004, 11.19 per cent Government stock 2005 and 11.15 per cent Government stock 2002 during the month of June, August and September 1997. These converted stocks would not add to the borrowings of the Central Government during the current year.

Comfortable liquidity condition in the money market was reflected in the declining yields on primary issues of Government dated stocks. For instance, during 1996-97 the primary market yield ranged between 13.40 and 13.85 per cent for stocks of 2 to 10 year maturity with a weighted average coupon rate of 13.69 per cent, as against 13.25 to 14.00 per cent for similar maturities with a weighted

Table VIII-D : Weighted Average Coupon Rates on Central Government Dated Securities

(Per cent per annum)

Fiscal Year	Weighted Average Rates	Range
1980-81	7.03	5.98- 7.50
1985-86	11.08	9.00-11.50
1989-90	11.49	10.50-11.50
1990-91	11.41	10.50-11.50
1991-92	11.78	10.50-12.50
1992-93	12.46	12.00-12.75
1993-94	12.63	12.00-13.40
1994-95	11.90	11.00-12.71
1995-96	13.75	13.25-14.00
1996-97	13.69	13.50-13.85

average coupon rate of 13.75 per cent during the previous year (Table VIII-12 and Table VIII-D). The Government signalled decline in interest rate with the issue of 10-year stock at a yield of 13.85 per cent on June 21, 1996. However, this trend was not reflected in shorter maturities as cut-off yield on 2 and 3 year maturities issued during the first half ruled at 13.62 and 13.72 per cent, respectively, higher than their levels during 1995-96. The perceptible reduction was observed during the latter half of the year when interest rates across the maturity spectrum witnessed a decline. With the further improvement in liquidity condition and steady fall in the inflation rate, this declining trend in interest rate has strengthened in 1997-98 so far. The coupon rate on the longest maturity loan (i.e. 10 year) came down to 13.65 per cent by February 1997 and further to a lower level of 13.05 per cent by April 1997.

Budgetary Operations of the State Governments

Revised Estimates : 1996-97

According to the revised estimates for 1996-97, there was a sharp deterioration in the consolidated budgetary position of State Governments as evidenced in the movement of the key deficit indicators, which were placed significantly higher than their budgeted levels (Table VIII-4). Revenue deficit increased by Rs.4,223 crore to Rs.15,855

crore over the budgeted level of Rs.11,632 crore. The conventional budget deficit was higher by Rs.890 crore than the budget estimates, while the fiscal deficit increased sharply from the budget estimates of Rs.38,745 crore to Rs.41,845 crore (8.0 per cent). The net fiscal deficit at Rs.35,072 crore also exceeded the budget estimate by Rs.4,573 crore. The increased deficits in the revised estimates during 1996-97 reflected higher than budgeted expenditure growth *vis-a-vis* revenues, despite increased transfer of resources from the Centre to the States. The increase in expenditure has been effected essentially in respect of developmental components, which recorded an increase of 7.8 per cent to Rs.1,36,534 crore from the budgeted Rs.1,26,652 crore.

The increased deficit in the revenue account was brought about by a sharper increase in developmental expenditure than anticipated, primarily in the areas of energy, water supply and sanitation. A larger out-flow of funds owing to relief on account of natural calamities also contributed to the mismatch between the budgeted and revised estimates for 1996-97. Correspondingly the revenues did not show enough buoyancy to absorb the additional expenditure. Revenue from State taxes fell short of the budgeted target by Rs.63.8 crore. However, this was more than offset by a sharp increase of 31.5 per cent in the interest receipts of States. Owing to the sharp rise in the revenue deficit the fiscal deficit also registered a rise of 33.2 per cent. A disconcerting feature of the rising fiscal deficit was that it was accompanied by a decline in net lending by 17.9 per cent from the budgeted figure, implying lower level of loans for developmental purposes.

The gross transfer of resources to the State Governments in the revised estimates at Rs.86,394 crore was higher by Rs.2,670 crore than the budget estimates for 1996-97 (Rs.83,725 crore). Gross transfer of resources from the Centre (comprising shareable tax revenue, grants and loans) financed 41.3 per cent of the aggregate disbursements of the State Governments in 1996-97, same as anticipated in the budget estimates. The net transfer of resources to State Governments, after adjusting for discharge of debt (interest payments *plus* repayments of loans), stood at Rs.64,805

crore representing an increase of Rs.2,236 crore or 3.5 per cent over the budget estimates. The net transfer of resources from the Centre financed 34.5 per cent of the net aggregate expenditure of the State Governments, reflecting a marginal decrease over the share of 35.2 per cent indicated in the budget estimates.

Budget Estimates : 1997-98

The consolidated budgetary operations of the State Governments in 1997-98 reveal that while the revenue deficit at Rs.15,373 crore is placed marginally below the revised estimates for 1996-97, the gross fiscal deficit (GFD) would rise by 8.8 per cent to Rs.45,530 crore. The marginal fall in revenue deficit is more than offset by an increase in developmental capital outlay and a higher provision for net lending (due to lower repayment of loans and advances, gross loans and advances by the State Government is in fact estimated to decline marginally by 1.1 per cent). A marginally lower revenue deficit and a sharp rise in capital receipts *vis-a-vis* capital expenditure would bring about a steep fall in the conventional deficit by 68.5 per cent to Rs.1,329.6 crore. The net primary deficit is also estimated to decline sharply by Rs.3,721 crore in 1997-98 to Rs.12,402.9 crore. Notwithstanding a lower order of revenue deficit, the quality of expenditure composition would see a deterioration with non-developmental expenditure absorbing 34.1 per cent of the aggregate expenditure as compared with 30.5 per cent in 1996-97. The surge in non-developmental expenditure is mainly on account of interest payments (+Rs.4,526.1 crore) and Government salaries due to the implementation of the Fifth Pay Commission recommendation, by a number of States.

On the resource front, the States' tax revenue is estimated to show an impressive buoyancy by recording a growth of 17.0 per cent, with sales tax contributing to almost 60.8 per cent of the rise. States' non-tax receipts, on the other hand, is estimated to show a marginal decline of 0.1 per cent, mainly due to lower realisation of interest receipts. The current transfers from Centre (comprising shareable tax revenue and grants from Centre) are budgeted to rise by 10.9 per cent in

1997-98, mainly on account of shareable taxes which is estimated to rise by Rs.5,488.7 crore (15.9 per cent) to Rs.40,114.7 crore. The gross market borrowings of the State Governments is estimated to grow by 16.5 per cent (Rs.1,079.8 crore) to Rs.7,615.5 crore in 1997-98. Allowing for repayment of Rs.554.9 crore, the net market borrowing is placed at Rs.7,060.6 crore. Loans from the Centre at Rs.27,736.0 crore would account for 51.7 per cent of the capital receipts, compared with 53.2 per cent in 1996-97.

Despite the overall buoyancy in revenue receipts, the problem of a large revenue deficit remains a concern for the States. The recurring deficits on the revenue account for the past eleven years have wiped out a part of the capital receipts, which affected the growth of capital expenditures adversely. While the revenue deficit would contribute to a high percentage of the fiscal deficit in 1997-98 (33.8 per cent), its proportion would however, come down from 37.9 per cent in 1996-97. Almost half of the borrowing requirements would be directed towards direct capital expenditure, which would help augment the developmental expenditure in the States. The financing pattern of State GFD shows a heavy reliance on loans and advances from the Centre, which constitutes 47.6 per cent of the total fiscal deficit. Since the beginning of the nineties, net market borrowings of State Governments have also been growing in prominence with its proportion in financing the GFD ruling around 15 per cent throughout. In 1997-98, market borrowings are estimated to finance 15.5 per cent of the GFD. The balance would be financed through other sources like loans from financial institutions, provident funds, reserve funds, deposits and advances, etc.

State-wise Position

While the overall situation provides a somewhat positive outlook for State finances as a whole, the State-wise position reveals wide variations in fiscal performances with respect to resource mobilisation, deficit and the nature of expenditure. Out of twenty-six States, twelve have presented deficit budgets and two balanced budgets. After allowing for additional resource

mobilisation measures, sixteen State governments would have surplus budgets. Fourteen State Governments have proposed budgetary measures to raise resources or provide concessions in 1997-98 as compared to eleven in 1996-97. The estimated Additional Resource Mobilisation (ARM) is likely to be higher at Rs.1,012.8 crore in 1997-98 as compared to Rs.684.4 crore in 1996-97. Out of fourteen States proposing ARM, taxation measures announced by two States viz. Gujarat and Karnataka, would result in revenue losses to the tune of Rs.256.5 crore. The States which have proposed ARM measures include Assam (Rs.68.0 crore), Goa (Rs.12.0 crore), Jammu & Kashmir (Rs.50.0 crore), Kerala (Rs.215.7 crore), Madhya Pradesh (Rs.135.3 crore), Maharashtra (Rs.294.8 crore), Delhi (Rs.20.0 crore), Orissa (Rs.100.0 crore), Rajasthan (Rs.118.0 crore), Sikkim (Rs.3.5 crore), Tamil Nadu (Rs.210.0 crore) and West Bengal (Rs.42.0 crore). The States which have proposed fiscal concessions are Gujarat (-Rs.70.5 crore) and Karnataka (-Rs.186.0 crore).

Conventional deficit has been anticipated to go down substantially for some of the States like Bihar (from Rs. 307.3 crore to Rs. 33.9 crore), Kerala (from Rs. 423.3 crore to a surplus of Rs. 1.2 crore) and Punjab (from Rs. 628.3 crore to Rs. 218.3 crore) while some States which are expected to show a higher deficit include Himachal Pradesh (from Rs. 79.4 crore to Rs.184.1 crore), Tamil Nadu (from Rs. 306.2 crore to Rs. 538.4 crore) and Uttar Pradesh (from Rs. 1,291.7 crore to Rs. 1,949.9 crore). The consolidated fiscal deficit of the State Governments is estimated at Rs.45,529.6 crore in 1997-98 as compared to Rs.41,844.6 crore in 1996-97. Five State Governments taken together account for about 55.0 per cent of the consolidated gross fiscal deficit. Nine State Governments have budgeted for a revenue deficit while the remaining have revenue surpluses. Five States viz. Uttar Pradesh (Rs.7,696.3 crore), Andhra Pradesh (Rs.1,181.5 crore), Kerala (Rs.1,026.6 crore), Tamil Nadu (Rs.1,526.6 crore) and West Bengal (Rs.1,732.6 crore) account for 85.6 per cent of the aggregate revenue deficit. However in case of a number of States the composition of fiscal deficit as between revenue deficit and capital expenditure would show improvement. Those States which show a

significant reduction in the proportion of revenue deficit include Bihar (from 67.4 per cent to 27.8 per cent), Gujarat (from 13.4 per cent to 1.9 per cent), Haryana (from 64.3 per cent to 42.2 per cent), Karnataka (from 34.8 per cent to 25.5 per cent), Madhya Pradesh (from 69.1 per cent to 33.1 per cent), Maharashtra (from 28.6 per cent to 11.0 per cent), Punjab (from 51.3 per cent to 45.1 per cent), Rajasthan (from 22.5 per cent to 1.8 per cent) and West Bengal (from 52.9 per cent to 42.3 per cent).

The aggregate revenue from State taxes are estimated to be higher at Rs.84,681.1 crore in 1997-98, showing an increase of 17.0 per cent over the previous year. State taxes are estimated to meet 44.2 per cent of the total revenue expenditure in 1997-98 as compared with 41.8 per cent in the previous year. Some States which are expected to record sharp growth in their tax revenues over the previous year include Bihar (29.5 per cent), Kerala (24.9 per cent), Jammu & Kashmir (32.9 per cent), Uttar Pradesh (16.4 per cent), West Bengal (19.8 per cent) and Delhi (26.5 per cent). Nagaland shows a marginal decline of 2.7 per cent in its own tax collections. Non-tax revenue, on the other hand, would finance a lower share of revenue expenditure mainly on account of a decline in interest receipts.

A disquieting feature of State finances is that a number of major States are estimated to show steep increase in the non-developmental expenditures. This is particularly so for States like Haryana (42.2 per cent), Maharashtra (44.4 per cent), Uttar Pradesh (40.1 per cent) and Punjab (17.9 per cent). Delhi is the only State which shows a decline in its non-developmental expenditure in 1997-98 over the previous year (-14.8 per cent). However, non-developmental expenditure as a proportion to aggregate disbursements is expected to fall for States like Delhi (from 21.3 per cent to 16.5 per cent), Tripura (from 25.6 per cent to 23.8 per cent), Sikkim (from 69.4 per cent to 68.4 per cent) and Manipur (from 24.3 per cent to 24.0 per cent).

Transfer of resources from Centre has been an important source of revenue for States, more so the Special Category States, which have limited

avenues for raising resources through taxes. Gross transfer of resources from the Centre is budgeted at Rs.95,360.5 crore during 1997-98 as compared to Rs.86,394.4 crore in 1996-97, an increase of Rs.8,966.1 crore (10.4 per cent). About 61.0 per cent (Rs.5,488.7 crore) of the incremental resource transfer would come in from devolution of Central taxes. The grant component has been stepped up by Rs.1,158.9 crore from Rs.26,351.0 crore in 1996-97 to Rs.27,509.9 crore in 1997-98. The pattern of allocation indicates that the budget has raised grants mainly on State plans and centrally sponsored schemes while in respect of loans, the increase is more pronounced on plan loans.

After accounting for debt servicing (principle repayment *plus* interest) the net transfers are placed at Rs.71,341 crore in 1997-98, financing 30.8 per cent of the aggregate expenditure of the State Governments in 1997-98 as compared to 31.0 per cent in 1996-97. Net transfers would finance a relatively lower proportion of the net aggregate disbursements for the non-special category States like Goa (12.9 per cent), Maharashtra (17.2 per cent), Uttar Pradesh (36.6 per cent), West Bengal (41.9 per cent), Gujarat (22.5 per cent), Karnataka (28.4 per cent), Kerala (26.7 per cent) and Delhi (13.6 per cent). Most of the financially weaker special category States are estimated to receive a higher order of Net Transfers from the Centre. These include States like Arunachal Pradesh (80.2 per cent), Manipur (69.8 per cent), Tripura (84.8 per cent), Sikkim (30.0 per cent), Nagaland (86.8 per cent), Mizoram (87.8 per cent) and Meghalaya (82.0 per cent).

Ways and Means Advances and Overdrafts of State Governments

The fiscal 1996-97 was a difficult year for State Governments as far as short-term liquidity management was concerned. As many as eight State Governments resorted to overdrafts on their account with the Reserve Bank on a frequent basis, and one of these could not clear its overdrawn account with the Reserve Bank within the stipulated time limit of 10 consecutive working days. The Reserve Bank had, therefore, issued a stop payment order with respect to that State

Government. The major cause for concern in this regard was that the States experienced difficulty in their day-to-day liquidity management despite an increase in the limit of their Ways and Means advances (WMA). Effective from August 1, 1996, the WMA limits for normal and special advances to State Governments were doubled from 84 times to 168 times and from 32 times to 64 times of their minimum cash balances, respectively. The aggregate limit of Normal and Special WMA for State Governments now stands at Rs.2,234.40 crore and Rs.851.20 crore, respectively. Apart from this, the interest rate structure has also been rationalised, with the interest rate applicable in respect of shortfall in minimum balance and WMA being the Bank rate (9 per cent as per the latest Monetary and Credit policy), while the rate on overdrafts would be at 2 per cent above the Bank rate.

Debt Position of State Governments

The debt burden of all States in relation to GDP showed a marginal rise to 19.4 per cent at end-March 1997 from 19.2 per cent at end-March 1996. It is estimated at a slightly higher level of 19.5 per cent in 1998 (BE) (Statement 182, Vol. II). It may be noted that the declining trend in debt-GDP ratio of States which was evident during the first half of the nineties was reversed thereafter, mainly led by rising internal debt. Although, debt-GDP ratio of States has remained in the band of 19 to 20 per cent, the share of market loans in total debt has shown a gradual increase. Since these borrowings are raised at market related rates, their rising share in total debt would amount to higher interest burden on States. For instance, interest burden (i.e., ratio of interest payments to revenue receipts) of States steadily rose to 16.9 per cent in 1996-97 from 16.0 per cent in 1995-96 and an average of 11.0 per cent during the second half of the eighties.

A compositional shift in the State debt is also evident in the recent years. A notable development has been the growth in the share of internal debt in total debt to 20.5 per cent in 1997 from 19.8 per cent in 1996 and 17.4 per cent in 1991. The share of loans and advances from the Central Government, although constitutes a predominant

share of total liabilities has significantly come down from 67.2 per cent in 1991 to 62.4 per cent and 61.6 per cent in 1996 and 1997, respectively. It is budgeted to decline further to 60.9 per cent in 1998. The share of provident funds in total liabilities increased from 15.4 per cent in 1991 to 17.8 per cent in 1996 and 17.9 per cent in 1997 (Statement 182, Vol.II).

Market Borrowings

According to the revised estimates for 1996-97 the State Governments were estimated to borrow a gross amount of Rs.6,535.7 crore from the market as compared with Rs.6,404.2 crore in 1995-96. After allowing for repayments of Rs.12.3 crore, the net market borrowings in 1996-97 were placed at Rs.6,523.4 crore. According to Reserve Bank records in 1996-97, 25 State Governments resorted to borrowing from the market to the tune of Rs.6,535.8 crore (Table VIII-10). The borrowing programme was executed in three tranches of Rs.2,500.00 crore (May 15, 1996), Rs.2,526.36 crore (August 12, 1996) and Rs.1,609.48 crore (January 20, 1997). The rate of interest on the first two tranches of the market loans was 13.85 per cent, while in the third tranche the rate of interest declined by 10 basis points to 13.75 per cent (Table VIII-12).

According to the Budget for 1997-98, the State Governments are estimated to raise from the market the gross amount of Rs.7,615.5 crore. According to Reserve Bank records the State Governments completed their market borrowing programme for 1997-98 in two tranches held on April 30, 1997 and October 6, 1997, and borrowed Rs.7,749.35 crore. Taking into account repayment of Rs.556.8 crore in the current year, the net market borrowings are placed at Rs.7,192.6 crore. With the improvement in liquidity and downward trend in interest rates in the financial system, the interest rate on State Governments' market loans are also coming down. The interest rate on the first tranche of 1997-98 loans was 13.05 per cent which further came down to 12.30 per cent in the second tranche.

Combined Budgetary Operations of the Centre and States

The Government sector as a whole suffered

a marginal slippage during 1996-97 in attaining the targeted fiscal deficit. The combined government sector GFD in the revised estimates at Rs.88,115 crore exceeded the budget estimates by Rs.2,972 crore (3.5 per cent) and constituted 7.0 per cent of GDP as against 6.8 per cent envisaged in the budget estimates (Table VIII-7). While Centre's fiscal deficit was contained within the budgeted level in 1996-97, the moderate rise in the combined GFD was essentially on account of the increase in State Governments' fiscal deficit from 3.1 per cent of GDP in the budget estimates to 3.3 per cent in the revised estimates. As discussed earlier, the combined revenue deficit, which exceeded the budget estimates marginally by Rs.953 crore (2.2 per cent) to Rs.44,060 crore, however, was more or less close to the budget estimates of 3.5 per cent of GDP. The deterioration was more pronounced in respect of gross primary deficit which showed a sharp rise from the budget estimates by Rs.4,289 crore (31.1 per cent) to Rs.18,097 crore in the wake of a large growth in non-interest expenditures. The net primary deficit overshot the budget estimates by Rs.9,161 crore (72.1 per cent) to Rs.21,859 crore.

The 1997-98 budget estimates placed the combined gross fiscal deficit at Rs.93,476 crore or 6.4 per cent of GDP indicating a 0.6 per cent decline from the previous year's ratio of 7.0 per cent of GDP. This curtailment in combined GFD reflects the determined effort of both Centre and State Governments to further strengthen the fiscal corrections and consolidation. The combined revenue deficit estimated at Rs.45,639 crore would show a decline to 3.1 per cent of GDP from 3.5 per cent in 1996-97. Both gross primary deficit and net primary deficit are projected to be lower in absolute terms as well as in terms of proportion to GDP (Table VIII-7).

Aggregate combined receipts estimated at Rs.3,96,723 crore would show a higher growth rate of 16.8 per cent as compared to 14.6 per cent recorded during the previous year, while aggregate combined expenditures budgeted at Rs.3,98,053 crore would record a relatively lower growth of 13.5 per cent than 15.6 per cent during the previous year (Statement 170, Volume II). A positive trend visible on the revenue side is the

Box VIII-2

QUASI FISCAL DEFICIT

The genesis of quasi fiscal operations of the central bank is traced to its role as a regulator of the financial system and exchange system and that of other public financial institutions (PFIs) to the intermediary role they play in the financial markets. The quasi fiscal operations associated with exchange system include multiple exchange rate practices, exchange rate guarantees, assumption of exchange rate risk by the Central Bank etc., and those associated with the financial system include subsidised lending, administered lending rates, poorly secured and below par loans, loan guarantees, reserve requirements and credit ceilings, rescue operations, sterilisation operations, etc. These quasi fiscal operations in effect mean substitution of budgetary measures by an implicit tax and subsidy programme on the part of the Central Bank and PFIs, which have an eventual financial impact on the Government. Such activities can affect the overall public sector balance, without affecting the conventionally measured fiscal deficit, and failure to consider the same may at times give rise to the problems of simultaneous occurrence of low fiscal deficits and high inflation.

The numerous types of quasi fiscal activities not only affect the overall balance of the public sector but also have distortionary impact on the resource allocation in the economy. The quasi fiscal operations give rise to losses or diminishing profits by the Central Bank and other PFIs and contribute to monetary expansion, conceal the true size of the Government in the economy, create contingent and unfunded liabilities which while under-reporting the true financial liabilities of the Government, may exacerbate their adverse macroeconomic consequences in the long-run.

Estimation of quasi fiscal deficit involves certain conceptual and practical issues arising from quantification. Amalgamation of accounts of the Central Bank and other PFIs measured on accrual basis with that of non-financial public sector measured on cash basis may necessitate balance sheet adjustments. It is also essential to disaggregate the

net losses of the Central Bank and other PFIs into quasi fiscal components and the other part constituting their regular/commercial operations. Conceptually, it is difficult to determine whether open market operations for sterilisation purpose fall into the realm of quasi fiscal activities of the Central Bank. Furthermore, assigning liabilities resulting from pure Central Bank activities such as valuation changes, takeover of private debts, rescuing troubled financial institutions, etc. solely to fiscal objectives may blur the distinction between what should be the true function of the Central Bank as a regulator of the financial system and its role as a partaker of certain fiscal activities. A prominent quasi fiscal operation that alters the composition of banks' balance sheet is its lending to the private sector for policy purposes, e.g. preferential sectoral lending as against commercial considerations. Valuation and classification problems such as whether the total contingent liability should be considered or only the part that is deemed to be at risk of non-performing can be difficult in the absence of full information on these aspects.

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improvement in the combined tax-GDP ratio to 16.4 per cent from 16.2 per cent from 1996-97 although it is lower than 16.7 per cent achieved in 1991-92 (Statement 174, Volume II). The burden of expenditure reduction envisaged in the Budget is placed more on developmental components which are budgeted to decelerate to 7.7 per cent

from 16.6 per cent growth recorded during the previous year (Statement 170, Volume II). As a result, the share of developmental expenditure in the aggregate expenditure would decline to 52.1 per cent in 1997-98 from 54.9 per cent in 1996-97 while non-developmental expenditure would go up to 47.9 per cent in 1997-98 from

45.1 per cent in 1996-97 (Statement 173, Volume II). The brunt of the expenditure reduction in developmental outlay will be on social sectors (comprising expenditure on social services, rural development and food subsidy) whose share in aggregate expenditure would decline to 28.1 per cent from 28.3 per cent in 1996-97 (Table VIII-9). With the result, social sector expenditure as a proportion to GDP would decline to 7.7 per cent during 1997-98 from 7.9 per cent in 1996-97.

Although the combined Government sector fiscal deficit or government sector borrowing requirements (GSBR) serves as a critical indicator of the fiscal policy stance, it provides only a partial measure of the borrowing requirements of the public sector and, therefore, reflects partly the macroeconomic impact on the economy. A broad based measure of public sector deficit inclusive of the borrowing requirements of public enterprises is often suggested as an alternative measure of fiscal stance. The measurement of public sector borrowing requirements is particularly useful from the viewpoint of assessing the impact of the public sector deficit on the financial market. However, due to the difficulties encountered in the estimation on account of statistical limitation, the computation of PSBR is restricted to the non-financial public sector, with public financial intermediaries being excluded from its purview. Nevertheless, the Central bank and other financial institutions engage in certain activities which are fiscal in nature like providing subsidized loans, loan guarantees and exchange rate guarantees, giving rise to explicit or hidden taxes and subsidies. Therefore, a more comprehensive measure of public sector fiscal deficit, including the quasi-fiscal operations of the public financial enterprises would provide a transparent indicator of the public sector liabilities (Box VIII-2). It needs to be noted that as in the case of PSBR, the quantification of quasi-fiscal deficit is fraught with several problems such as identifying and segregating the quasi-fiscal operations from the commercial functions of the public financial institutions and imputing the true level of subsidies involved in such operations. As far as possible, the quasi-fiscal operations should be quantified, separated from the accounts of the central bank as well as public financial enterprises and included in a measure of the non-financial

public sector deficit which would provide a more transparent indicator of the government taxes and subsidies in the economy.

Combined Liabilities

The combined liabilities of Centre and States taken together (after netting out outstanding loans and advances from Centre to States) witnessed a decline to 60.8 per cent of GDP at end-March 1997 from 62.7 per cent at end-March 1996. These would further decline to 58.8 per cent of GDP by end-March 1998 mainly due to a reduction in domestic liabilities of Centre by 3.9 percentage points of GDP between 1996 and 1998 resulting from fiscal consolidation measures. The combined domestic liabilities of Governments also exhibited a declining trend with domestic debt/GDP ratio coming down from 58.0 per cent to 56.5 per cent between end-March 1996 and end-March 1997 and to a further lower level of 54.9 per cent by end-March 1998. Notwithstanding the recent decline in debt/GDP ratio, the prevailing levels of domestic debt rule at a high level providing stickiness to interest expenditures in the budgets of Centre and States. Interest payments, pre-empted 27.4 per cent of the combined revenue receipts in 1996-97. The ratio would remain unchanged in 1997-98 as compared with 25.6 per cent in 1991-92.

Finances of Departmental Undertakings

Financial Performance of Railways

Notwithstanding an improvement in financial performance of Railways during the nineties, the finances of Railways continue to show structural weaknesses as manifested in high operating ratio (ratio of total working expenses to gross traffic receipts). The deterioration in Railway finances during 1996-97 can be discerned from a rapid rise in operating ratio by 3.8 percentage points to a level of 86.3 per cent (Statement 179, Vol.II). Rapid growth in working expenses, on the one hand, and a slowdown in gross traffic receipts on the other have led to such a deterioration. As a consequence, net railway revenue as percentage of capital at charge (indicating the return on capital investment) declined to 12.2 per cent from 15.2 per cent in 1995-96.

Thus, the overall surplus witnessed 21.9 per cent decline during 1996-97 as compared to a rise of 17.4 per cent in 1995-96. The deterioration in the current operations has had adverse implications for capital investment. The appropriation to capital fund, which is meant to finance expenditure on asset creation, has been brought down by 26.5 per cent during 1996-97. Similarly, contribution to depreciation reserve fund, meant for maintaining the existing assets, witnessed a meagre growth of 2.7 per cent as compared to 9.3 per cent during 1995-96.

On the financing side, internal resources contributed 53 per cent of the Plan outlay of Rs.8,300 crore as against a higher contribution of 64.9 per cent of Plan outlay during 1995-96 (Statement 180, Vol.II). Furthermore, budgetary support contributed 17.3 per cent of capital outlay, marginally lower than 17.8 per cent in 1995-96. Higher market borrowings, contributing 23.3 per cent of Plan outlay as against 15.2 per cent in 1995-96, has compensated the decline in these two sources of finance. Given the current wide gap between returns on capital investment and interest paid on market borrowings, these developments have a cascading effect on Railway finances to the extent that this adds to working expenses and eats into the appropriation to developmental funds for investment. In this context, internal resource generation assumes an added significance to promote capital investment. A positive outcome of recent policy measures has been a rise in the share of private investments to 6.4 per cent of total Plan outlay from 2.1 per cent in 1995-96.

The overall financial operations of the Railways in 1997-98 would show further deterioration as reflected in deterioration in major financial indicators. Operating ratio is placed higher at 91.4 per cent and net Railway revenue and net surplus as ratio to capital-at-charge are placed lower at 8.9 per cent and 5.5 per cent, respectively, than their levels in 1995-96. Notwithstanding improvement in traffic receipts, the high growth in working expenses would bring Railway finances under stress. The impact of recommendations of the Fifth Pay Commission is estimated to cause an additional burden of

Rs.3,500 crore, which alone would account for about 17 per cent of ordinary working expenses. The impact of deterioration in current financial operations has also been felt on capital investment as reflected in lower appropriation to Depreciation Reserve Fund and Capital Fund and in aggregate a lower size of capital outlay for 1997-98 as compared to 1996-97. Rapid decline in internal resources juxtaposed with rising share of market borrowings in financing Plan outlay for 1997-98, are reflections of pressure on finances of Railways. Declining return from investment as reflected in a lower rates of net Railway revenue to capital-at-charge along with rising share of high cost borrowings as a source of financing would not only add strain on Railway finances during the current financial year, it will also have deleterious impact on finances for subsequent years. Thus, the structural weaknesses in Railway finances as reflected in high operating ratio needs to be tackled by arresting the present high growth in working expenses and improving the return from investment. This is vital to strengthen the financial health of Railways and to meet the growing investment needs of this critical infrastructure sector.

Finances of Department of Posts

The structural weakness in the finances of the Department of Posts is reflected on the rising magnitudes of overall deficit (Statement 175, Vol.II). The deficit as ratio to working expenses rose steadily from 5.6 per cent in 1992-93 to 24.5 per cent in 1996-97 and to a further higher level of 35.5 per cent in 1997-98 (BE). This deterioration in the financial operations can be attributed to firstly, the stunted growth in revenue receipts, and secondly, the higher growth in working expenses. As a result of high magnitudes of overall deficit, the Department could not make any contribution to capital expenditure. Therefore, the total capital outlay of the Department has shown stagnation since 1994-95. In 1996-97 (RE) it showed a decline of 8.8 per cent over 1995-96 (RE). There has not been any appropriation to the revenue and capital reserve funds in the recent years (Statement 176, Vol.II). Structural reforms in the Postal finances would need to be directed at arresting the growth of subsidies and enhancement of user

charges, improving the operational efficiency by introducing requisite technology, and curtailing the growth of expenditures on account of administrative heads.

***Finances of Department of
Telecommunications***

The financial working of the Department of Telecommunications (DOT) has shown notable improvement over the past few years as reflected in steady rise in their surplus. This has been mainly on account of a faster growth in revenue receipts. The growth in revenue receipts has been maintained at a level of above 20 per cent since 1992-93 (Statement 177, Vol.II). Notwithstanding a high growth in working expenses, the sustained growth in revenue receipts has led to rising surpluses. During 1996-97 (RE) there has,

however, been a marginal decline of 2.3 per cent in surplus mainly on account of a spurt in the growth of working expenses by 44.5 per cent, contributed largely by depreciation expenditure and expenses on other heads. Working expenses are estimated to grow by 18.1 per cent in 1997-98 (BE), which is lower than the growth of 19.3 per cent in revenue receipts. As a result, the surplus of the DOT would rise to Rs.6,231.3 crore in 1997-98 from Rs.5,072.9 crore in 1996-97. The Plan outlay of DOT in 1996-97, was marginally higher (2.1 per cent) over that of Rs. 9,879 crore proposed in the budget estimates. This improvement was solely due to higher mobilisation of resources through internal and extra-budgetary sources. The budget for 1997-98 has placed Plan outlay at a higher level of Rs.13,354.3 crore, which will be mostly met from internal and extra budgetary sources.

Table VIII-1 : Key Fiscal Indicators of Government of India

(Rupees crore)

Item	Average (1980-81 to 1984-85)	Average (1985-86 to 1989-90)	1992-93 (Accounts)	1993-94 (Accounts)	1994-95 (Accounts)	1995-96 (Accounts)	1996-97 (Revised Estimates)	1997-98 (Budget Estimates)
1	2	3	4	5	6	7	8	9
1. Conventional Deficit	(1.2)	(2.1)	12,312 (1.7)	10,960 (1.4)	961 (0.1)	9,807 (0.9)	6,900 (0.5)	* (-)
2. Gross Fiscal Deficit	(6.3)	(8.2)	40,173 (5.7)	60,257 (7.4)	57,704 (6.1)	60,243 (5.5)	63,131 (5.0)	65,454 (4.5)
3. Revenue Deficit	(1.1)	(2.6)	18,574 (2.6)	32,716 (4.0)	31,029 (3.3)	29,730 (2.7)	28,205 (2.2)	30,266 (2.1)
4. Monetised Deficit #	(2.2)	(2.3)	4,257 (0.6)	260 0.03	2,130 (0.2)	19,855 (1.8)	1,934 (0.2)	16,000 £ (1.1)
5. Gross Primary Deficit	(4.1)	(4.8)	9,098 (1.3)	23,516 (2.9)	13,644 (1.4)	10,212 (0.9)	4,631 (0.4)	-2,546 (0.2)
6. Net Primary Deficit	(3.1)	(3.8)	11,644 (1.6)	24,331 (3.0)	12,059 (1.3)	10,820 (1.0)	5,735 (0.5)	138 (0.0)
7. Revenue Deficit as per cent of Gross Fiscal Deficit	17.0	31.5	46.2	54.3	53.8	49.4	44.7	46.2
8. Monetised Deficit as per cent of Gross Fiscal Deficit	35.3	27.9	10.6	0.4	3.7	33.0	3.1	24.4
9. Subsidies	(1.4)	(2.0)	11,995 (1.7)	12,682 (1.6)	12,932 (1.4)	13,305 (1.2)	16,694 (1.3)	18,251 (1.3)
Of which :								
i) Food	(0.4)	(0.6)	2,800 (0.4)	5,537 (0.7)	5,100 (0.5)	5,377 (0.5)	6,066 (0.5)	7,500 (0.5)
ii) Fertiliser	(0.5)	(0.8)	6,136 (0.9)	5,079 (0.6)	5,769 (0.6)	6,735 (0.6)	7,767 (0.6)	9,190 (0.6)
iii) Export	(0.3)	(0.3)	818 (0.1)	665 (0.1)	658 (0.1)	16 (-)	400 (-)	440 (-)
10. Defence Expenditure	(2.8)	(3.4)	17,582 (2.5)	21,845 (2.7)	23,245 (2.4)	26,856 (2.4)	29,498 (2.3)	35,620 (2.4)
11. Interest Payments	(2.2)	(3.4)	31,075 (4.4)	36,741 (4.5)	44,060 (4.6)	50,031 (4.6)	58,500 (4.6)	68,000 (4.7)
12. Wages and Salaries \$	(1.8)	(2.1)	12,624 (1.8)	13,357 (1.6)	14,497 (1.5)	17,012 (1.5)	21,658 (1.7)	(..) (..)
13. Total Non-Plan Expenditure+	(10.5)	(13.4)	85,958 (12.2)	98,191 (12.1)	1,13,361 (11.9)	1,31,901 (12.0)	1,47,404 (11.7)	1,69,324 (11.6)
14. Budgetary Support to Public Enterprises @	(2.6)	(1.9)	6,576 (0.9)	7,451 (0.9)	8,205 (0.9)	6,418 (0.6)	6,834 (0.5)	7,601 (0.5)
15. Direct Taxes (Net to Centre) As per cent of total tax revenue	21.9 (1.6)	15.1 (1.4)	12,075 (1.7)	12,522 (1.5)	18,409 (1.9)	22,287 (2.0)	26,635 (2.1)	30,020 (2.1)
16. Indirect Taxes (Net to Centre) As per cent of total tax revenue	78.1 (5.7)	84.9 (8.8)	41,969 (5.9)	40,927 (5.1)	49,045 (5.1)	59,652 (5.4)	70,577 (5.6)	83,373 (5.7)
17. Interest Receipts	(1.4)	(1.8)	12,487 (1.8)	15,078 (1.9)	15,797 (1.7)	18,419 (1.7)	21,945 (1.7)	24,092 (1.7)

According to Reserve Bank of India Records.

\$ According to the Economic and Functional Classification of the Central Government Budget; figures for 1995-96 and 1996-97 relate to revised estimates and budget estimates, respectively.

+ Does not include Commercial Departments.

@ Figures relate to Revised Estimates, for all years except 1997-98.

* With the discontinuance of *ad hoc* Treasury bills and tap 91 days Treasury bills the concept of conventional deficit loses relevance.

£ As per Union Budget 1997-98.

.. Not Available.

- Negligible.

Note : Figures in brackets are per cent to GDP.

Source : Budget Documents of the Government of India.

**Table VIII-2 : Fortnightly Levels of Centre's Budget Deficit,
Net RBI Credit and Loans and Advances to Central Government@**

(Rupees crore)

Period	Loans and Advances from RBI	Centre's Budget Deficit				Net RBI Credit to Centre		
		1997-98	1996-97	1995-96	1994-95	1997-98	1996-97	1995-96
1	2	3	4	5	6	7	8	9
Budget Estimates	12,000 (April-September) 8,000 (October-March)	6,578	5,000	6,000	16,000			
Fortnightly Actuals	Date \$							
1	12-4-96	4,711	8,319	7,764	-1,115	6,149	9,303	10,323
2	26-4-96	-	12,672	8,708	-1,890	1,475	12,620	10,750
3	10-5-96	-	16,173	11,572	1,222	6,641	14,985	12,584
4	24-5-96	-	17,527	12,946	118	6,715	13,727	11,536
5	7-6-96	-	15,843	14,637	1,847	5,971	15,105	15,116
6	21-6-96	-	17,935	13,394	987	4,038	15,569	12,999
7	5-7-96	-	23,877	18,953	4,266	6,677	20,192	20,583
8	19-7-96	-	20,915	21,633	2,130	3,011	14,168	21,075
9	2-8-96	-	20,380	21,786	-39	-2,640	12,292	18,479
10	16-8-96	-	14,250	17,890	-4,978	-4,515	11,347	14,256
11	30-8-96	-	10,950	16,198	-4,812	-10,255	5,518	13,081
12	13-9-96	-	14,112	17,257	-7,007	-6,164	9,893	13,225
13	27-9-96	-	6,346	12,156	-9,969	-7,731	3,801	8,714
14	11-10-96	-	8,758	16,287	-5,462	-5,964	6,486	13,843
15	25-10-96	-	8,096	15,970	-5,835	-6,065	6,261	14,013
16	8-11-96	-	10,970	18,472	-3,766	448	6,351	19,350
17	22-11-96	-	11,682	17,054	-3,850	-2,420	7,470	14,372
18	6-12-96	-	15,998	17,495	-2,220		8,526	17,350
19	20-12-96	-	10,437	10,201	-9,234		6,381	11,511
20	3-1-97	-	15,071	14,319	-5,285		8,500	16,534
21	17-1-97	-	14,466	13,997	-5,222		5,608	17,091
22	31-1-97	-	12,517	17,316	-3,038		-654	18,518
23	14-2-97	-	16,031	13,631	-2,963		7,837	17,264
24	28-2-97	-	12,483	12,673	-2,527		-1,966	18,622
25	14-3-97	-	13,919	14,719	-489		3,795	20,310
26	28-3-97	-	13,270	10,529			-197	19,089
End-March	31-3-97	-	13,156	9,934	946		1,934	19,855
Quarterly Averages								
First Quarter (April-June)	785	14,745	11,504	302	5,165	13,552	12,218	1,325
Second Quarter (July-Sept.)	-	15,833	17,982	-2,916	-3,088	11,030	15,630	-1,856
Third Quarter (Oct.-Dec.)	- *	10,990	15,913	-5,061	-3,500 *	6,913	15,073	-2,587
Fourth Quarter (Jan.-March)		13,965	13,883	-2,654		3,275	18,204	626
Fiscal Year Average		13,932	14,722	-2,490		8,328	15,572	-550

@ Based on RBI records.

\$ The relevant dates of fortnights for 1996-97 have been specified; the data for other years pertain to corresponding fortnights.

* Upto November 21, 1997.

Note : 1. As per budgetary data, Centre's budget deficit was Rs.961 crore in 1994-95 (Accounts) and Rs.9,807 crore in 1995 (Accounts) and Rs. 6,900 crore in 1996-97 (Revised Estimates).

2. Negative figures indicate surplus.

**Table VIII-3 : Fortnightly Levels of Net Issue of *Ad hoc*
91-Day Treasury Bills (Face Value) @**

(Rupees crore)

Period	Date \$	Net Issue of ad hocs		
		1996-97	1995-96	1994-95
1	2	3	4	5
Fortnightly Actuals				
1	12-4-96	5,810	7,065	425
2	26-4-96	11,580	9,250	-2,820
3	10-5-96	16,360	12,025	-1,365
4	24-5-96	15,930	12,160	-3,140
5	7-6-96	14,840	12,225	-1,550
6	21-6-96	17,405	9,660	-2,700
7	5-7-96	22,095	16,660	260
8	19-7-96	16,025	17,835	-995
9	2-8-96	12,575	15,445	-605
10	16-8-96	6,855	10,400	-5,305
11	30-8-96	2,775	10,280	-6,490
12	13-9-96	5,945	10,055	-9,380
13	27-9-96	-1,175	6,440	-11,535
14	11-10-96	2,585	9,395	-8,205
15	25-10-96	3,800	10,240	-7,050
16	8-11-96	6,845	12,100	-5,350
17	22-11-96	8,165	11,990	-5,015
18	6-12-96	8,950	11,850	-2,205
19	20-12-96	3,455	4,605	-8,255
20	3-1-97	5,275	9,430	-3,115
21	17-1-97	2,400	8,945	-3,445
22	31-1-97	25	10,910	-1,575
23	14-2-97	3,080	9,090	-1,790
24	28-2-97	1,165	9,185	-140
25	14-3-97	6,410	10,230	1,880
26	28-3-97	1,670	4,115	
End-March	31-3-97	4,685	5,965	1,750
Quarterly Averages				
First Quarter (April-June)		13,654	10,398	-1,593
Second Quarter (July-Sept.)		9,299	12,445	-4,864
Third Quarter (Oct.-Dec.)		5,633	10,030	-6,013
Fourth Quarter (Jan.-March)		2,861	8,844	-919
Fiscal Year Average		7,612	10,280	-3,249

@ Based on RBI records.

\$ The relevant dates of fortnights for 1996-97 have been specified; the data for 1995-96 and 1994-95 pertain to corresponding fortnights.

Note : Negative figures indicate cancellation of *ad hocs*.

Table VIII-4 : Key Deficit Indicators of State Governments

(Rupees crore)

Year	Gross Fiscal Deficit	Net Fiscal Deficit	Net Primary Deficit	Conventional Deficit	Revenue Deficit
1	2	3	4	5	6
1985-90 Average	(3.1)	(2.2)	(1.6)	(-0.1)	(0.3)
1990-91	18,787.0 (3.5)	14,532.1 (2.7)	8,280.8 (1.5)	-71.6 (0.0)	5,309.0 (1.0)
1991-92	18,900.1 (3.1)	15,746.4 (2.6)	10,122.0 (1.6)	155.9 (0.0)	5,650.7 (0.9)
1992-93	20,891.2 (3.0)	15,768.8 (2.2)	6,496.8 (0.9)	-1,829.4 (-0.3)	5,114.1 (0.7)
1993-94	20,596.0 (2.5)	16,262.7 (2.0)	5,187.6 (0.6)	461.7 (0.1)	3,812.5 (0.5)
1994-95	27,696.8 (2.9)	23,507.2 (2.5)	9,458.3 (1.0)	-4,467.8 (-0.5)	6,156.2 (0.6)
1995-96	31,425.8 (2.9)	26,695.4 (2.4)	10,555.7 (1.0)	-2,849.7 (-0.3)	8,200.6 (0.7)
1996-97 (B.E)	38,744.8 (3.1)	30,499.1 (2.4)	9,778.0 (0.8)	3,332.6 (0.3)	11,632.0 (0.9)
1996-97 (R.E)	41,844.6 (3.3)	35,072.4 (2.8)	16,123.8 (1.3)	4,222.3 (0.3)	15,855.2 (1.3)
1997-98 (B.E)	45,529.6 (3.1)	37,673.2 (2.6)	12,402.9 (0.9)	1,329.6 (0.1)	15,372.7 (1.1)

Note : 1. Figures in brackets indicate percentage to GDP.
2. Negative figures indicate surplus.

Table VIII-5 : Overall Budgetary Position of State Governments

(Rupees crore)

Item	1995-96 (Accounts)*	Percentage variation over the previous year	1996-97 (Budget Estimates)	1996-97 (Revised Estimates)	Percentage variation 1996-97 (RE) over 1996-97 (BE)	Percentage variation over the previous year	1997-98 (Budget Estimates)	Percentage variation over the previous year
I	2	3	4	5	6	7	8	9
I Aggregate Receipts (A+B)	180,433.5	8.7	195,484.7 (194,416.3)	205,034.7	4.9 (5.5)	13.6	229,831.4 (228,818.6)	12.1 (11.6)
A. Revenue Receipts (1+2)	136,803.4	11.9	152,208.6 (151,140.2)	157,214.9	3.3 (4.0)	14.9	176,178.1 (175,165.3)	12.1 (11.4)
1. Tax Receipts (a+b)	92,912.8	15.2	106,799.8 (105,736.4)	106,975.3	0.2 (1.2)	15.1	124,795.8 (123,806.3)	16.7 (15.7)
a. States' Taxes	63,865.2	14.6	72,413.1 (71,733.7)	72,349.3	-0.1 (0.9)	13.3	84,681.2 (83,691.6)	17.0 (15.7)
b. Share in Central Taxes	29,047.6	16.7	34,386.7 (34,002.7)	34,626.0	0.7 (1.8)	19.2	40,114.7	15.9
2. Non-Tax Receipts (c+d)	43,890.6	5.3	45,408.8 (45,403.8)	50,239.6	10.6 (10.7)	14.5	51,382.3 (51,359.0)	2.3 (2.2)
c. Grants from the Centre	20,995.8	5.0	25,783.2	26,351.0	2.2	25.5	27,509.9	4.4
d. States' Non-Tax Receipts	22,894.8	5.7	19,625.6 (19,620.6)	23,888.6	21.7 (21.8)	4.3	23,872.4 (23,849.1)	-0.1 (-0.2)
B. Capital Receipts (1+2)	43,630.1	-0.2	43,276.1	47,819.8	10.5	9.6	53,653.3	12.2
1. States' Capital Receipts	24,030.6	-1.9	19,721.2	22,402.5	13.6	-6.8	25,917.3	15.7
of which:								
a. Market Borrowings (Gross)	6,404.2	56.0	6,439.3	6,535.7	1.5	2.1	7,615.5	16.5
b. Recovery of Loans and Advances	3,500.8	-33.0	1,617.2	3,366.2	108.1	-3.8	2,169.8	-35.5
2. Loans from the Centre	19,599.5	1.8	23,554.9	25,417.3	7.9	29.7	27,736.0	9.1
II Aggregate Disbursements (A to E)	177,583.8	9.9	198,817.3	209,257.0	5.3	17.8	231,161.0	10.5
A. Developmental Expenditure@ (1+2)	114,819.4	10.0	126,651.7	135,533.8	7.8	18.9	142,435.0	4.3
1. Social Services	57,835.4	18.3	65,655.0	69,050.6	5.2	19.4	74,848.7	8.4
of which : Expenditure on Natural Calamities	1,927.9	114.7	1,512.6	1,979.2	30.8	2.7	1,449.1	-26.8
2. Economic Services	56,984.0	2.7	60,996.7	67,483.2	10.6	18.4	67,586.3	0.2
B. Non-Developmental Expenditure@	55,379.9	11.8	63,927.6	63,877.8	-0.1	15.3	78,932.8	23.6
C. Repayment of Loans to the Centre	4,798.6	6.8	5,771.2	6,354.5	10.1	32.4	6,084.3	-4.3
D. Discharge of Internal Debt	1,055.2	-43.1	475.5	476.8	0.3	-54.8	999.2	109.6
of which : Market Loans (Gross)	516.5	1,627.4	13.6	12.3	-9.6	-97.6	554.9	4,411.4
E. Others #	1,530.7	17.5	1,991.3	2,014.1	1.1	31.6	2,709.7	34.5
III Overall Surplus (+)/Deficit (-) (I-II)	2,849.7	-36.2	-3,332.6 (-4,401.0)	-4,222.3			-1,329.6 (-2,342.4)	
IV Financing of surplus (+)/Deficit (-)								
A. Increase (+)/Decrease (-) in cash balances (Net)	464.6		-3,004.9 (-4,073.3)	-3,741.5			852.1 (-1,166.7)	
B. Additions to (+)/Withdrawals from (-) Cash Balance Investment Account (Net)	3,589.1		-442.7	-991.3			-1,553.7	
C. Repayment of (+)/Increase in (-) Ways and Means Advances and Overdrafts from R.B.I. (Net)	-1204.0		115.0	510.5			378.0	

* Figures for 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.

Note : 1. Figures outside brackets under budget estimates for 1996-97 include the estimated net yield of Rs. 684.8 crore from Additional Resource Mobilisation measures proposed by the States and the States' share of Rs. 384.0 crore in the Centre's taxation proposed in the Central Budget, 1996-97.

2. Figures outside brackets under budget estimates for 1997-98 include the estimated net yield of Rs. 1,012.8 crore from Additional Resource Mobilisation measures proposed by the States.

3. Data relates to 26 State governments including the National Capital Territory of Delhi.

Table VIII-6 : Financing Pattern of Gross Fiscal Deficit of State Governments

(Rupees crore)

Fiscal Year	Loans from the Central Government (net)	Market Borrowings (net)	Others	Gross Fiscal Deficit (2+3+4)
1	2	3	4	5
1980-85 (Average of 5 yrs)	(47.5)	(7.7)	(44.8)	(100.0)
1985-90 (Average of 5 yrs)	(57.8)	(14.2)	(28.0)	(100.0)
1990-91	9,977.6 (53.1)	2,555.5 (13.6)	6,253.9 (33.3)	18,787.0 (100.0)
1991-92	9,373.5 (49.6)	3,305.4 (17.5)	6,221.2 (32.9)	18,900.1 (100.0)
1992-93	8,921.3 (42.7)	3,501.2 (16.8)	8,468.7 (40.5)	20,891.2 (100.0)
1993-94	9,532.8 (46.3)	3,620.4 (17.6)	7,442.8 (36.1)	20,596.0 (100.0)
1994-95	14,760.1 (53.3)	4,074.8 (14.7)	8,861.9 (32.0)	27,696.8 (100.0)
1995-96	14,800.9 (47.1)	5,887.8 (18.7)	10,737.0 (34.2)	31,425.8 (100.0)
1996-97 (Budget Estimates)	17,783.7 (45.9)	6,425.6 (16.6)	14,535.5 (37.5)	38,744.8 (100.0)
1996-97 (Revised Estimates)	19,062.8 (45.6)	6,523.4 (15.6)	16,258.4 (38.8)	41,844.6 (100.0)
1997-98 (Budget Estimates)	21,651.7 (47.6)	7,060.6 (15.5)	16,817.3 (36.9)	45,529.6* (100.0)

* Adjusted for disinvestment proceeds of Rs. 200 crore.

Note : 1. Figures in brackets are proportion to Gross Fiscal Deficit.

2. Data relates to 26 State governments including National Capital Territory of Delhi.

Table VIII-7 : Combined Deficits of Central and State Governments

(Rupees crore)

Year	Gross Fiscal Deficit	Net Fiscal Deficit	Gross Primary Deficit	Net Primary Deficit	Revenue Deficit
1	2	3	4	5	6
1990-91	53,580 (10.00)	45,224 (8.44)	28,585 (5.34)	26,204 (4.89)	23,871 (4.46)
1991-92	45,850 (7.43)	40,370 (6.55)	14,857 (2.41)	19,084 (3.09)	21,912 (3.55)
1992-93	52,404 (7.42)	46,002 (6.52)	15,936 (2.26)	18,141 (2.57)	23,688 (3.36)
1993-94	70,952 (8.76)	62,257 (7.69)	27,939 (3.45)	29,519 (3.65)	36,529 (4.51)
1994-95	71,640 (7.51)	63,820 (6.69)	19,314 (2.03)	21,518 (2.26)	37,185 (3.90)
1995-96	77,671 (7.07)	69,127 (6.29)	18,797 (1.71)	21,376 (1.95)	37,930 (3.45)
1996-97 (Budget Estimates)	85,143 (6.84)	72,026 (5.78)	13,808 (1.11)	12,698 (1.02)	43,107 (3.46)
1996-97 (Revised Estimates)	88,115 (6.98)	77,361 (6.13)	18,097 (1.43)	21,859 (1.73)	44,060 (3.49)
1997-98 (Budget Estimates)	93,476 (6.43)	81,719 (5.62)	12,079 (0.83)	12,542 (0.86)	45,639 (3.14)

Note : 1. Figures in brackets are percentages to GDP at current market prices.

2. Regarding State Governments, from 1993-94 data relate to the budgets of 26 States including National Capital Territory of Delhi.

Table VIII-8 : Trends in Budgetary Deficits and Net RBI Credit to Governments

(Rupees crore)

Year	Budgetary Surplus(+)/Deficit(-) \$			Net RBI Credit to Government @		
	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	3,207	789	3,996
1982-83	-1,656	-820	-2,476	3,368	-984	3,368
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	14,746	420	15,166
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	-961	4,468	3,507	2,130	48	2,178
1995-96	-9,807	-2,849	-12,656	19,855	16	19,871
1996-97 (Revised Estimates)	-6,900	-4,222	-11,122	1,934 *	898	2,832 *
1997-98 (Budget Estimates)	#	-1,330	-1,330	16,000 £	..	..

\$ Budgetary deficit or surplus is measured (a) in the case of the Central Government by (i) net increase/decrease of outstanding Treasury Bills and (ii) Withdrawals from / additions to cash balances, and (b) in the case of States : (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 .

@ Comprising net changes in (i) RBI holdings of Treasury Bills, other Government Securities, rupee-coins in Issue Department, Ways and Means Advances to the Centre and State Governments and (ii) Government's cash 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.

With the discontinuance of *ad hoc* Treasury bills and tap 91 day Treasury bills the concept of conventional budget deficit loses relevance.

* As per RBI records after closure of Government Accounts.

£ As per Union Budget 1997 -98.

.. Not available.

Table VIII-9 : Expenditure on Social Sector

(Rupees 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	29,045 (37.8)	1,45,137	37,074 (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)	1,19,335	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 (37.1)	2,32,649	61,857 (26.6)
1994-95	1,65,205	15,178 (9.2)	1,61,554	56,298 (34.9)	2,72,874	71,476 (26.0)
1995-96	1,83,059	18,701 (10.2)	1,77,584	65,053 (36.6)	3,03,401	83,754 (27.6)
1996-97 (Budget Estimates)	2,10,577	21,378 (10.2)	1,98,817	75,074 (37.8)	3,44,664	96,452 (28.0)
1996-97 (Revised Estimates)	2,08,224	20,290 (9.7)	2,09,257	78,934 (37.7)	3,50,701	99,224 (28.3)
1997-98 (Budget Estimates)	2,38,403	25,925 (10.9)	2,31,161	85,775 (37.1)	3,98,053	1,11,700 (28.1)

Note : 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 adjustments.

3. Regarding State Governments, from 1993-94 data relate to the budget of 26 States including National Capital Territory of Delhi.

Source : Budget Documents of Government of India and State Governments.

Table VIII-10 : Market Borrowings of Central and State Governments and Institutions Sponsored by Central and State Governments

(Rupees crore)

Government/Authority	Gross			Repayments			Net		
	1997-98 (BE)	1996-97 +	1995-96 +	1997-98 (BE)	1996-97 +	1995-96 +	1997-98 (BE)	1996-97 +	1995-96 +
I	2	3	4	5	6	7	8	9	10
1. Central Government (a+b+c)	52,963	36,152 (48,880) #	40,509 (51,969) #	19,143	9,796	13,719	33,820	26,356 (39,084) #	26,790 (38,250) #
a) Normal Market Borrowings	6,068	5,000	5,210	1,998	975	1,510	4,070	4,025	3,700
b) Other Medium and Long Term Borrowings @	46,895 *	22,911	33,425	8,904	6,946	4,046	29,750 *	15,965	29,379
c) 364-day Treasury Bills	..	8,241	1,875	8,241	1,875	8,163	..	6,366	-6,288
2. State Governments	7,749	6,536	6,274	557	-	343	7,192	6,536	5,931
3. Institutions Sponsored by Central Government	..	484	589	..	144	126	..	340	463
4. Institutions Sponsored by State Governments (includes SFCs and SLDBs)	..	490 P	431	..	152	90	..	338 P	341
Grand Total(1+2+3+4)	..	43,662	47,802	..	10,092	14,278	..	33,570	33,525

BE Budget Estimates.

P Provisional.

+ Actuals as per RBI Records.

Market borrowings including mobilisation through 91-day Treasury Bills.

@ Includes conversion of maturing Treasury Bills and dated stocks into fresh dated securities and amount raised through other instruments, viz., Zero Coupon Bonds, Partly Paid Stocks, Floating Rate Bonds, etc.

* Including short-term borrowings.

- Nil.

.. Not Available.

Source : Budget Documents of Government of India and Reserve Bank of India Records.

**Table VIII-11 : Net Market Borrowings of Institutions Sponsored by
the Central and State Governments and Local Authorities**

(Rupees crore)

Institutions	1993-94	1994-95	1995-1996
1	2	3	4
I. Institutions sponsored by the Central Government	1,200.00	775.00	448.38
1. Industrial Development Bank of India	200.00	-	-
2. Industrial Credit and Investment Corporation of India	-	-	-
3. Industrial Finance Corporation of India	366.00	-	-
4. Exim Bank	60.00	60.00	-
5. Industrial Reconstruction Bank of India	75.00	105.00	82.50
6. National Bank for Agriculture and Rural Development	78.00	90.00	45.00
7. Rural Electrification Corporation	26.00	30.00	10.88
8. Housing and Urban Development Corporation	30.00	40.00	20.00
9. National Co-operative Development Corporation	25.00	35.00	17.50
10. Damodar Valley Corporation	-	20.00	50.00
11. Shipping Credit and Investment Company of India Ltd.	-	-	-
12. Delhi Co-operative Housing Society Ltd.	-	-	-
13. National Housing Bank	40.00	45.00	22.50
14. Power Finance Corporation	10.00	-	-
15. Tourism Finance Corporation of India	-	-	-
16. SIDBI	290.00	300.00	150.00
17. NEEPCO	-	50.00	50.00
II. Institutions Sponsored by State Governments	1079.73	345.56*	352.02**
1. State Electricity Board	486.21	-	-
2. State Financial Corporation	350.00	350.00	340.95
3. Industrial Investment Corporation and Industrial Development Corporations	16.50	-	-
4. Land Development Banks	-	-4.44	11.07
5. Housing Boards	14.54	-	-
6. Municipal Corporations	24.67	-	-
7. Other Institutions	187.81	-	-
Grand Total (I+II)	2,279.73	1,120.56	800.40

* Indicates net market borrowings of SFCs and SLDBs.

** Allocated amount.

Source : Reserve Bank of India Records.

Table VIII-12 : Coupon Rates on Central and State Government Securities

(Per cent per annum)

Maturity (in years)	1997-98	1996-97	1995-96	1994-95
1	2	3	4	5
Central Government Securities				
1 1/2			13.50@	
2		13.50+	13.25+	
		13.62	13.50#	
3	12.14	13.70	13.65	11.00 *
		13.40		
4	10.85	13.72\$	13.73++	
5	12.69	13.75	13.25**	12.00 *
	11.15	13.55	13.85\$\$	12.71 \$
6	11.83	13.82		11.64 #
7	12.59#		13.80	12.08
				11.75 *
8	11.19			11.55@@
10	13.05#	13.85##	13.75	12.35
		13.65	14.00@	
State Government Securities				
10	13.05@	13.85@	14.00@	12.50 @
	12.30	13.75@		

@ Pre-announced.

+ Coupon rate on Government dated stock issued in lieu of conversion of maturing Government dated stock.

Auctioned as well as fixed issue coupon rate.

* Fixed coupon rate offered in conversion of Treasury bills.

++ Interest rate on Government of India Floating Rate Bonds, 1999 at the time of issue for half year ending March 29, 1996. The yield was 14.26 per cent for half year ending September 29, 1996, 14.13 per cent for March 29, 1997 and 13.00 per cent till September 1997.

\$ Implicit yield on Government of India Zero Coupon Bonds.

** Cut off yield rate offered in lieu of conversion of Treasury bills.

\$\$ Implicit yield on Government of India Zero Coupon Bonds and fixed coupon on Government dated stock.

@@ Government of India Partly Paid Stock.

Government of India Partly Paid Stock and Fixed Coupon Issue.

Note : Coupon rates are based on auctions.**Source** : Reserve Bank of India Records.

CHAPTER IX

FOREIGN TRADE *

Overall Trend

Reflecting the slowdown in the volume of world trade and the decline in the prices of manufactured goods in international markets as also the slow-down in domestic activities, India's exports during 1996-97 recorded a sluggish growth, relative to the robust performance in the preceding three years. According to the provisional data from the Directorate General of Commercial Intelligence and Statistics (DGCI & S), India's exports at US \$ 33,106 million during 1996-97 worked out to a lower growth of 4.1 per cent than the rates of 20.8 per cent, 18.4 per cent and 20.0 per cent recorded during 1995-96, 1994-95 and 1993-94, respectively.

The trade deficit would have been much higher but for the decline in non-oil imports. Trade deficit during 1996-97 rose marginally to US \$ 5,442 million from US \$ 4,881 million during the preceding year due mainly to bulge in oil imports. The trade deficit on oil account alone rose sharply by US \$ 2,512 million from US \$ 7,073 million in 1995-96 to US \$ 9,585 million during 1996-97. As regards the non-oil trade, despite sluggish growth in non-oil exports, non-oil surplus rose to US \$ 4,143 million from US \$ 2,192 million during the previous year mainly due to the decline in non-oil imports. Consequently, the surplus on non-oil account could cover 43.2 per cent of deficit on oil account as compared with only 31.0 per cent during 1995-96.

The deceleration in the growth of India's exports could be attributed, *inter alia*, to the slowdown in growth of volume of world trade to

5.4 per cent during 1996 from 9.7 per cent during 1995 and 9.9 per cent during 1994, and decline in the prices of manufactures by 2.8 per cent in 1996 in contrast to a rise of 11.2 per cent in 1995 in the international markets. The prices of non-fuel primary commodities also declined by 1.3 per cent in 1996. Slowdown in the output growth in the European Union which is the largest trading partner of India to 1.6 per cent in 1996 from 2.5 per cent in 1995 coupled with reduction in inventory holdings in these countries have resulted in reduced offtake by these countries. Variations in cross-currency exchange rates during the year also had impact on trade performance, as is reflected in the divergences in the growth rates of exports and imports when looked at in terms of the US dollar and in terms of the SDR. On the domestic front, slackening of activities had given rise to deceleration in foreign trade.

Imports at US \$ 38,548 million during 1996-97 registered a growth rate of 5.1 per cent as compared with an average growth rate of 25.5 per cent during the preceding two years. Non-oil imports which constituted around three-fourths of total imports showed an absolute decline of 2.3 per cent in US dollar terms as against a robust rise of 28.3 per cent during the preceding year. Oil imports, on the other hand, at US \$ 10,067 million registered a sharp rise of 33.8 per cent during the year under review. The significant rise in oil imports during the year was due to hike in oil price in the international market and fall in domestic product and refinery throughout. In contrast, an absolute fall in non-oil imports could, in part, be explained in terms of substantial decline in domestic activities and sluggish growth of import-related exports.

* This Chapter is based on data/information available upto end-October 1997.

The trade data in US dollar and SDR terms are presented in brief in Table IX-1 and Graph IX-1.

Reflecting relatively larger growth of imports *vis-a-vis* that of exports, the export to import ratio which is a rough indicator of the extent to which exports can finance imports declined to 85.9 per cent during 1996-97 from 86.7 per cent during the preceding year.

Movements in India's Exports—Quarterly and Monthly

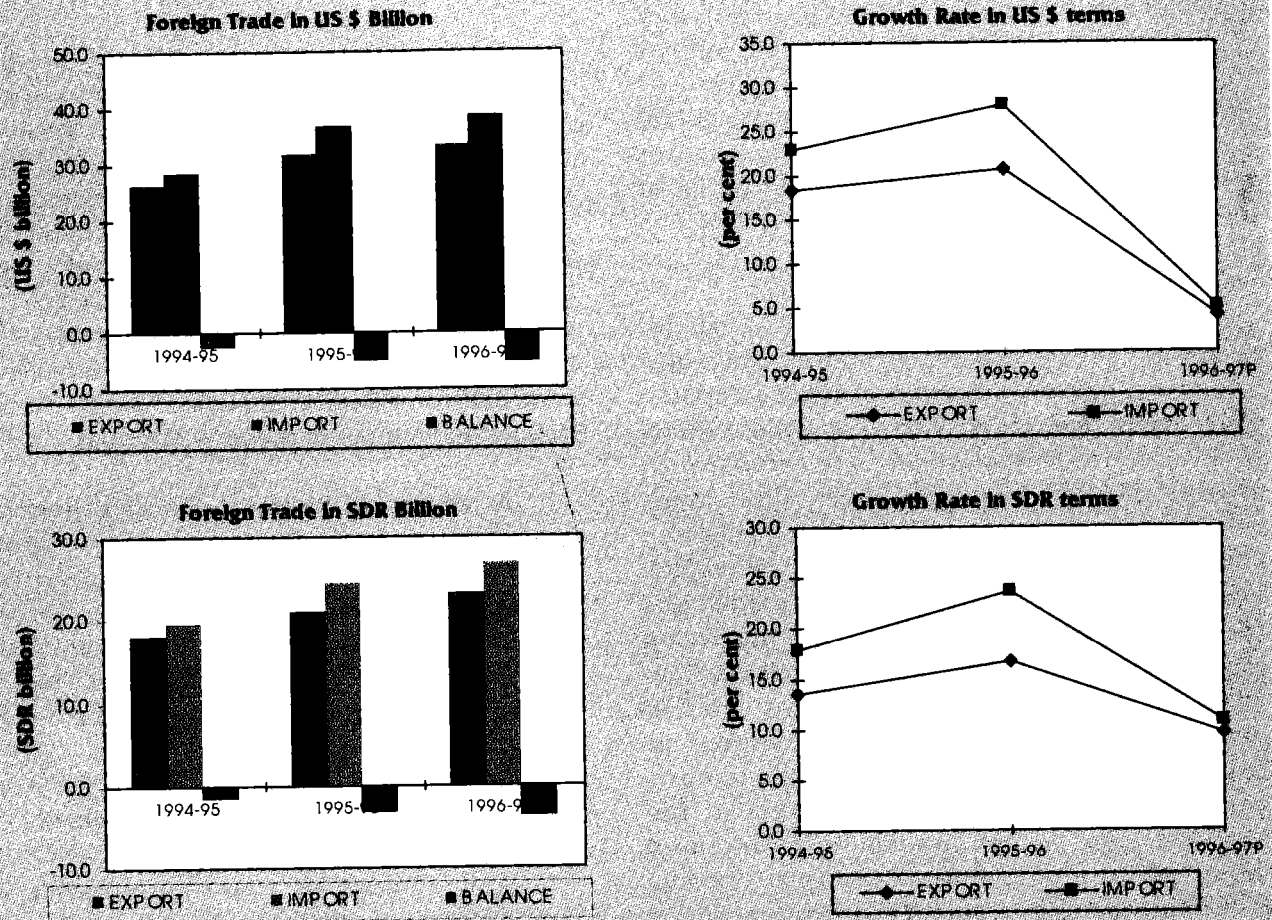
During the year, exports showed more or less a declining trend upto the month of November before registering a rise during the closing months. In absolute terms, therefore, the monthly average was higher by only US \$ 96 million at US \$ 2,807 million during the second half of the year as compared with US \$ 2,711 million during the first half. During the preceding year when exports had registered a robust growth rate, the normal seasonal pickup in exports during the second half had substantially increased the monthly average during the second half. During 1996-97, the growth rate in aggregate exports would have been lower but for the increases witnessed during the months of December, January and March. The pick-up in exports during the closing months of the year is in conformity with the past trend in quarterly and monthly movement in exports. Exports during the fourth quarter (January-March) of 1996-97 recorded the highest growth rate of 11.1 per cent over the preceding quarter (in US \$ terms), as compared with negative growth rates of 0.34 per cent and 3.03 per cent during the third quarter and second quarter, respectively. Further, exports during the month of March was the highest with a growth rate of 24.2 per cent over the preceding month as compared with a negative growth rate of 8.9 per cent during February and a subdued growth of 5.22 per cent during January. A similar trend was noticeable during the preceding year 1995-96 and was in line with the long-term trends (Graph IX-2).

A host of domestic and global factors might have contributed to the observed trend of pick up in the last quarters of financial years in India's exports. On the supply side, given the demand

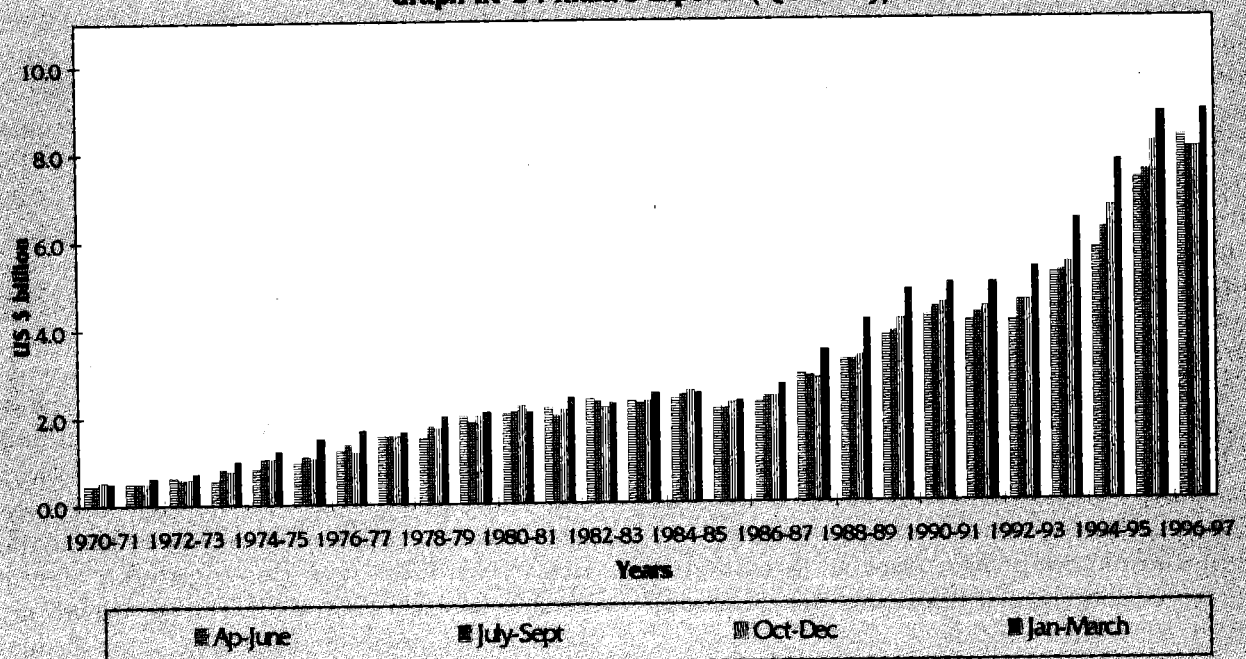
factors for India's exports in the global market, the urge to augment exports might be caused by such elements as prescription of targets, revenue considerations, contractual compulsions, etc. The Ministry of Commerce, Government of India, generally sets the overall export and import targets of the country at the beginning of the financial years. Apart from these, there are various Export Promotion Councils which set export targets. These targets can have important impact on the behaviour of India's exports for two reasons. First, the targets indicate the levels which exporters are likely to reach during the year. On the basis of the expected levels of exports, exporters apply for various import licenses and other schemes like Export Promotion Capital Goods Scheme. However, while such schemes enable exporters to access imports at concessional rates, these in turn impose certain export commitment on the exporters for fulfilment by the end of the year. Secondly, Export Promotion Councils carry on various promotional measures. The level of such activities depend on targets they set for the year and their acumen to fulfill such targets. The gaps between the export targets and export achievements often become clear during the fourth quarter of the year. Therefore, Export Promotion Councils are likely to take special measures to fulfill the targets during the last quarter of the year. Data with respect to fourteen Export Promotion Councils for the period 1992-93 to 1995-96, attest to the fact that the quarterly maximum level of exports in a year has been achieved during the last quarter of the year. It appears that yearly targets set by the Export Promotion Councils and the shortfalls between the actual export performances and the export targets are important to boost exports during the last quarter of the accounting year.

Further, the levels of economic activity and their seasonal patterns are likely to influence the levels of exports. Available data on manufactured production on a quarterly basis show that there are certain regular patterns of seasonality in India's industrial activities. For each year between 1991-92 and 1995-96, the general index for industrial activity in India achieved the highest growth rate (over the previous quarter) during the last quarter of the year (i.e. January-March). This description

Graph IX-1
India's Foreign Trade



Graph IX-2 : India's Exports (Quarterly)



of seasonality is valid for the manufacturing sector as well. Therefore, it is likely that as domestic supplies reach the maximum during the last quarter of the accounting year, the exportable surplus improves sharply during this quarter. As manufactured goods exports constitute about 80 per cent of total exports, the seasonality in India's exports can be partially explained in terms of seasonality in manufactured items of production in the country.

Seasonality in India's imports, although not as distinct as in the case of exports, could also have a bearing on the trend in India's exports. Many of India's major manufactured goods exports such as gems and jewellery are intensive in imports. Further, there are some export items whose production depends crucially on imported raw materials, intermediate products and capital goods. Therefore, availability of imported inputs and capital goods have considerable impact on export performance of various commodities. Data on India's imports during the last two and half decades show that there is an element of seasonality in India's imports. India's imports generally pick up in the last quarter of the financial year. Larger availability of required imported material during the last quarter could contribute to improvements in exports during this quarter.

On the demand side, the global imports have a bearing on the volume and unit value of exports. The average global imports in the last quarter of the calendar year for the period 1991-95 accounted for about one to one and a half percentage points more than those during the other quarters. A similar pattern could be seen with respect to the industrialised countries. But during this period, there was a considerable heterogeneity in the patterns of quarterly imports in individual years, both in respect of world trade and individual countries' trade. Such aberrations in quarterly imports could be explained by heterogeneity in the accounting year and by lags and leads in the recording of imports. Hence, macro data in respect of imports would not provide substantial evidence for demand factors influencing the seasonal pattern of India's exports.

Trade Developments during April-September, 1997-98

During the first six months (April-September) of the financial year 1997-98, exports at US \$ 16,821 million continued to remain sluggish with a growth rate of 4.2 per cent as compared with a growth rate of 9.9 per cent during the comparable period of the previous year. Imports, on the other hand, at US \$ 19,317 million registered a higher growth of 7.6 per cent as against that of 5.2 per cent during the first half of 1996-97. Consequently, the trade deficit increased by US \$ 683 million to US \$ 2,496 million from that of US \$ 1,813 million during the first half of the previous year.

In terms of SDR, however, both exports and imports during the period indicated higher growth of 10.0 per cent and 13.6 per cent, respectively. During the first half of the preceding year, exports in terms of SDR rose by 17.0 per cent, while imports increased by 12.0 per cent. Non-oil imports registered a higher growth in the first half of 1997-98.

Commodity-wise Performance of Exports

While the overall export performance was unsatisfactory during the year under review, the relative export performance of individual groups differed significantly. For instance, the primary goods sector's exports recorded growth of 8.9 per cent whereas the manufactured goods exports showed a much decelerated growth of 3.6 per cent during 1996-97. As a sequel to this, the percentage share of primary goods exports in total exports expanded from 22.8 per cent in 1995-96 to 23.9 per cent in 1996-97. Correspondingly, the percentage share of exports of manufactured goods exhibited marginal decline from 73.9 per cent to 73.5 per cent (Table IX-2).

Under the primary goods category, exports of agriculture and allied products registered a growth rate of 11.1 per cent as compared with a sharp rise of 44.6 per cent during the previous year. Important commodities such as tea, coffee, rice, fruits and vegetables registered absolute decline in sharp contrast to robust growth rates achieved during the preceding year. Reduced

offtake by major importers such as Russia, Germany, UAE and Poland in the case of tea, and by Italy, USA and Russia in the case of coffee brought about absolute decline in exports of these items. The sanitary and phytosanitary standards of Indian agriculture and allied products have come under increasing international scrutiny in recent years and this had severely affected exports of marine products. Besides, the decline in marine catches and widespread unrest among the small fishermen against automation in fishing techniques also adversely affected marine products exports. At the international level, import licensing requirements imposed by industrialised countries such as Canada for a variety of food and agricultural exports from India had adversely affected expansion of exports of these products during 1996-97. A redeeming feature in the agriculture and allied sector, however, was the remarkable export performance of raw cotton, spices and oilmeals which registered growth rates of 642.2 per cent, 41.9 per cent and 39.8 per cent, respectively, surpassing the growth rates recorded during the preceding year. This performance together with the positive growth rates registered by processed fruits and juices (26.0 per cent), sugar and molasses (95.5 per cent), and meat and meat preparations (4.4 per cent) resulted in an increase in the share of agriculture and allied products in total exports from 19.1 per cent during 1995-96 to 20.4 per cent during the year under review.

Reflecting the trend in the overall growth of manufactures, exports of most of the major manufactured items recorded decelerated growth rates during the year under review. The deceleration was particularly distinct in the case of leather and manufactures (-10.2 per cent), natural silk yarn and fabrics (-9.0 per cent), jute manufactures (-26.1 per cent), coir and manufactures (-2.6 per cent), and gems and jewellery (-10.1 per cent) which recorded absolute declines in exports.

During the year under review, a host of factors had constrained exports of manufactured goods. Noticeable shifts in the pattern of consumer preference and spending in major export destinations like the US, the EU and Japan

adversely affected exports of clothing and leather and manufactures. Objections by industrial countries, most notably by Germany, against the chemicals used in Indian tanneries had affected export prospects of these items. These factors coupled with severe constraints arising from environmental considerations, industrial disputes and strictures passed by the Supreme Court against leather industries were manifest in the case of leather exports whose contribution to aggregate exports declined from 5.4 per cent in 1995-96 to 4.7 per cent during 1996-97. In the case of gems and jewellery, a major problem emanated from the fluctuations in the cost of raw materials in the international markets. As a sequel to the uncertain market conditions, some gems and jewellery exporting units in some parts of the country substantially reduced their activities. Further, there was considerable reduction in the offtake by countries such as Belgium, Hong Kong, Israel, Japan and Thailand, which are the major importers of Indian products. These factors had constrained the exports of these items with the result that the share of gems and jewellery in total exports contracted to 14.3 per cent during 1996-97 from 16.6 per cent during the preceding year.

Textile fabrics and manufactures that accounted for around 23.5 per cent of India's total exports in 1996-97 had also registered a slackening of export growth during the year under review. The deceleration was particularly marked for readymade garments, the largest item under textile exports, which registered a marginal growth of 1.9 per cent during 1996-97 as compared with 12.0 per cent during the preceding year. Proliferation of non-tariff barriers including anti-dumping measures on Indian textile exports in countries such as the EU coupled with decline in unit price had constrained exports of these items. At the same time, technological upgradation and product mix of the Indian textile sector have not kept pace with the changes in the international markets. In particular, India has failed to catch up with major textile exporting Asian countries such as Hong Kong and China. With the result, India's share in the world market for textiles witnessed continuous decline in recent years. The sharp changes in the spending pattern and consumer preference in industrialised countries in recent

years have accentuated the mismatch between their demand structure and the composition of Indian textile exports.

Exports of engineering goods, which accounted for around 14.6 per cent of total exports in 1996-97, also registered a slackening in growth to 10.3 per cent during the year under review as compared with a sharp rise of 25.2 per cent during the preceding year. Environmental concerns had affected these exports as well. At the same time, shutdown or relocation of a large number of metal-based industries following the ruling of the Supreme Court had affected the productive capacity of these industries. Besides, the decline in the international prices of these products and reduced offtake of Indian engineering products by countries such as Germany, Hong Kong, Indonesia, Japan and Singapore also contributed to deceleration in exports.

The performance of exports during the year under review as reflected by data relating to the volume of exports and unit price realisations are presented in Table IX-3. In the case of tea, cashew kernels and mica in the primary goods sector, the decline in the volume of exports was accompanied by fall in unit value realisations as well. In the case of raw cotton, coffee, spices and marine products, the rise in the volume of exports was offset by decline in unit price realisations. On the other hand, the unit value realisations registered increases coupled with fall in the volume of exports in the case of rice, tobacco, iron ore and coal. Only in the case of oil meal and sugar and molasses, the volume increases were accompanied by improved price realisations. The contraction in export volumes of chemicals, iron and steel, and jute manufactures was offset by increases in the unit price realisation of these items.

Commodity-wise Imports

The deceleration in aggregate imports witnessed during the year under review was primarily due to sharp decline in non-bulk imports. During the year, non-bulk imports showed an absolute decline of 0.6 per cent as against a sharp rise of 29.0 per cent during the preceding year. Consequently, the share of non-bulk imports in

total imports contracted considerably to 57.6 per cent from 61.0 per cent during the previous year. The deceleration in total imports would have been more but for the 14.0 per cent increase recorded by bulk imports, thereby leading to a rise in the share of these imports from 39.0 per cent in total imports during 1995-96 to 42.4 per cent during 1996-97 (Table IX-4).

The sizeable expansion in bulk imports was on account of the sharp rise in imports of crude oil and petroleum which recorded a growth rate of 33.8 per cent as compared to that of 27.0 per cent during the previous year. As a result, the share of crude oil and petroleum products in total imports increased to 26.1 per cent from 20.5 per cent during 1995-96. Other items which contributed to imports growth were bulk consumption goods such as cereals and cereal preparations (466.9 per cent), edible oils (21.9 per cent), and non-ferrous metals (22.2 per cent). In the case of other important items such as fertilisers, crude rubber, pulp and waste paper, metalliferous ores and metal scrap, which are in the nature of intermediate inputs, their imports underwent significant deceleration which was attributable to sluggish domestic industrial activity during the year.

Imports of capital goods registered an absolute decline of 10.9 per cent in 1996-97. This led to a substantial contraction in its share in total imports from 28.2 per cent in 1995-96 to 23.9 per cent in 1996-97. Almost all the items under capital goods recorded sharp declines with the exception of manufactures of metals and machine tools. Further, imports of important items including professional and scientific instruments, medicinal and pharmaceutical products, and non-metallic mineral manufactures also registered dismal increases. In the case of pearls, precious and semi-precious stones imports recorded notable rise.

Volume and unit value payment of some of the important imports have been presented in Table IX-5. It may be seen from the table that increases in the volume of imports of wheat, pulses, paper, paper boards and manufactures, pulp and waste paper, iron and steel, and synthetic and regenerated fibre were accompanied by

decline in the unit value payments. On the other hand, the volume of imports of other items including crude and manufactured fertilisers, crude rubber registered decline during the year under review, while there was a rise in unit value payments of these commodities. However, in the case of sulphur and unroasted iron pyrites, and sugar, there was decline in import volume accompanied by corresponding fall in unit value payments.

Direction of Trade

The accent on merchandise trade diversification both in respect of composition and direction persisted during the year under review. Hence the process of shift in the direction of trade which had set in the earlier years continued during the year. As a sequel to this directional shift, trade with middle-income and low-income countries has been rising. India's trading partners are broadly classified into four broad categories: (1) Organisation for Economic Co-operation and Development (OECD) countries, (2) Organisation of Petroleum Exporting Countries (OPEC), (3) Eastern Europe, and (4) Developing countries. During 1996-97, the OECD countries accounted for as much as 52.5 per cent of India's total trade (i.e., exports plus imports), followed by developing countries (25.7 per cent), OPEC (18.1 per cent) and Eastern Europe (3.0 per cent) (Table IX-6).

Under the OECD group of countries, the European Union (EU) which is India's largest trading partner, witnessed a decline in its share in both India's exports and imports. The share of EU in India's exports declined from 26.5 per cent in 1995-96 to 25.0 per cent in 1996-97, while their share in India's total imports declined from 26.6 per cent to 25.6 per cent. Reduced offtake was particularly seen in some important countries, which included Belgium, France, Germany and Italy. The decline in India's trade with EU partly reflected reduction of inventory holdings in EU countries. Further, reduced offtake by Japan contributed to the reduced share of 'Asia and Oceania' in India's exports from 8.3 per cent in 1995-96 to 7.4 per cent in 1996-97, while their share in India's total imports witnessed a decline from 9.7 per cent to

9.1 per cent during the same period. The share of North America in India's total exports, however, registered a rise of 2.5 percentage points from 18.3 per cent in 1995-96 to 20.8 per cent in 1996-97. Consequently, the trade surplus with North America increased from US \$ 1,583 million in 1995-96 to US \$ 3,208 million in 1996-97. Similarly, other OECD countries also witnessed a rise, albeit marginally, in their share in India's exports from 2.5 per cent in 1995-96 to 2.6 per cent in 1996-97.

As regards OPEC, while the market for India's exports in these countries was maintained during the year, massive rise in imports of crude oil and petroleum products from these countries resulted in a significant rise in the share of OPEC in India's total imports from 20.9 per cent in 1995-96 to 26.4 per cent in 1996-97. As regards Eastern European countries, their share in both India's exports and imports could not be maintained during the year. Their share in India's total exports declined from 4.2 per cent in 1995-96 to 3.2 per cent in 1996-97, while their share in India's total imports also indicated a decline from 4.6 per cent to 2.8 per cent during the same period. This, in turn, was attributable to the reduced share of the Commonwealth of Independent States (CIS) which constituted the biggest trading partner among these countries.

Developing countries have emerged as important destinations for India's exports in recent years and as important sources of India's imports. The percentage share of these countries in India's exports went up considerably to 28.9 per cent in 1995-96 and further to 29.9 per cent in 1996-97, from 17.1 per cent in 1990-91. Similarly, their share in India's total imports also rose from 18.7 per cent in 1990-91 to 22.2 per cent in 1995-96 and thereafter witnessed a marginal decline to 21.5 per cent in 1996-97. In particular, the Asian countries have emerged as the leading trading partners among the developing countries with their share in India's exports rising from 14.4 per cent in 1990-91 to 23.0 per cent in 1995-96 and further to 24.1 per cent in 1996-97. While the SAARC countries continue to be important trading partners, the emergence of other Asian countries such as China, Chinese Taipei, Hong Kong, Israel,

Korea, Malaysia, Singapore, Thailand, among others, as important trading partners in recent years has contributed to the growing importance of Asian countries in India's trade.

Developments in Trade Policy

Reforms in the trade policy ushered in since July 1991 are aimed at creating a free environment for trade, removal of all procedural irritants and anomalies through simplification and streamlining of procedures. The reform measures also place emphasis on increasing exports, promoting investment for increased production, improving international competitiveness and focusing on quality and technological upgradation. The Export and Import (EXIM) Policy, 1992-97, made a conscious effort to dismantle various protectionist and regulatory policies and accelerate the country's transition towards further globalisation. The Policy coincided with the Eighth Five Year Plan and yielded impressive growth in exports. During the Ninth Five Year Plan, the Ministry of Commerce has set a target of attaining an export level of US \$ 90-100 billion by the year 2002 and achieving 1 per cent share in world trade. Against this background, a new Export and Import (EXIM) Policy was announced on March 31, 1997. The new EXIM Policy has come into effect from April 1, 1997 and will be in force for a period of five years, i.e. upto March 31, 2002. The Policy will coincide with the Ninth Five Year Plan period (1997-2002). The principal objectives of this Policy are :

- (i) To accelerate the country's transition to a globally oriented vibrant economy with a view to deriving maximum benefits from expanding global market opportunities;
- (ii) To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components, consumables and capital goods required for augmenting production ;
- (iii) To enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitive strength while generating new employment opportunities, and encouraging the attainment of internationally accepted

standards of quality, and

- (iv) To provide consumers with good quality products at reasonable prices.

The important schemes/measures contained in the Policy to achieve the above objectives are as under :

Import Liberalisation

The Restricted List of Imports has been substantially pruned. Import of 542 items has been liberalised which includes about 150 items that can now be imported against Special Import Licence (SIL). About 60 items have been moved from SIL to the Open General Licence (OGL) list. Restrictions have been placed on five items on grounds of environmental safety, strategic importance, public health and security.

Export Promotion Capital Goods (EPCG) Scheme

The EPCG Scheme has been further streamlined. Capital goods (CG), including spares upto 20 per cent of the cost, insurance, freight (CIF) value of the capital goods, may be imported at a concessional rate of customs duty subject to an export obligation to be fulfilled over a period of time, as per details given below :

Customs Duty	Export Obligation FOB Basis	Export Obligation NFE Basis	Period
10 per cent	4 times CIF value of CG	Not applicable	5 years
Zero duty (in case CIF value is Rs 20 crore or more)	6 times CIF value of CG	5 times CIF value of CG	8 years
Zero duty in case CIF value is Rs 5 crore or more for agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, viticulture, poultry and sericulture	6 times CIF value of CG	5 times CIF value of CG	6 years

The period for fulfilment of the export obligation shall be reckoned from the date of issue of the import licence. For calculation of the Net Foreign Exchange (NFE) earned, the value of all the licences shall be deducted from the FOB value of exports made by the person. However, the value of freely transferable Special Import Licences, EPCG licences and the value of licences surrendered during the validity of licence shall not be deducted.

Import of capital goods under the Scheme, both new and second hand, shall be subject to Actual User (AU) condition till the export obligation is completed. Under the Scheme, manufacturer-exporters, merchant-exporters tied to supporting manufacturer(s) and service providers are eligible to import capital goods. The licence issued under this scheme shall be valid for the goods already shipped/arrived provided customs duty has not been paid and the goods have not been cleared from Customs. Further, if the licence issued under the zero duty scheme has actually been utilised for imports for a value of less than Rs 20 crore or Rs 5 crore as the case maybe, such imports shall not be covered under the zero duty scheme and the importer shall be liable to pay in full customs duty with 24 per cent interest immediately to the customs authorities and produce evidence to that effect to the Director General of Foreign Trade (DGFT) within a period of one month.

Duty Exemption Scheme (DES)

Under the Duty Exemption Scheme, the Value-Based Advance Licence Scheme (VABAL) and the Pass Book Scheme have been discontinued and a new Duty Entitlement Pass Book (DEPB) Scheme has been introduced. Under the DEPB Scheme, an exporter shall be eligible to claim credit as a specified percentage of FOB value of exports made in freely convertible currency. The credit shall be available against such export products and at such rate as may be specified by the Director General of Foreign Trade (DGFT) by a public notice. Any item excepting those appearing in the Negative List of Imports shall be allowed for import without payment of basic customs duty/ special customs duty as well as additional customs duty, against the credit under DEPB. Third party exports are also

admissible for grant of credit under DEPB. The scheme shall be valid for a period of 12 months from the date of its issuance.

DEPB may be issued on post-export basis and pre-export basis. DEPB on post-export basis shall be granted against exports already made. Merchant-exporter and manufacturer-exporter are eligible for DEPB on post-export basis. DEPB on post-export basis and/or the items imported against it would be freely transferable. DEPB on pre-export basis aims at providing the facility to eligible exporters to import inputs which are required for production. Manufacturer-exporter and merchant-exporter tied with the supporting manufacturer(s) having export performance in the preceding three licensing years are eligible to claim DEPB on pre-export basis. The credit of DEPB on pre-export basis shall be granted at the rate of 5 per cent of the average export performance of the applicant during the preceding three licensing years. DEPB on pre-export basis shall carry an export obligation which has to be offset by the DEPB holder by making exports. The credit under DEPB on pre-export basis shall be offset within a period of 12 months from the date of issue of DEPB. DEPB on pre-export basis shall be non-transferable and the items imported against it shall be subject to Actual User condition even after offsetting of obligation against such DEPB.

Export Oriented Units (EOUs)/Export Processing Zones (EPZs)/ Electronic Hardware Technology Park (EHTPs) and Software Technology Park Units (STPs) Scheme

Units undertaking to export their entire production of goods may be set up under the EOU, EPZ, EHTP or STP Scheme, and such units are allowed to import free of duty, all types of goods, including capital goods, required for manufacture, production or processing provided they are not prohibited items in the Negative List of Imports.

To provide a special thrust to export of computer software, software units have been allowed to undertake exports using data communication links or in the form of physical exports (which may be through courier service also), including export of professional services.

STP/EHTP/EPZ may also import free of duty all types of goods for creating a central facility for use by software development units in STP/EHTP/EPZ. Further, software units have also been permitted to import capital goods on loan from clients for specified period for executing specified projects. Sourcing of capital goods by EOU/EPZ/EHTP/STP unit from foreign leasing company in addition to domestic leasing company has been permitted.

Depreciation norms for capital equipment including computer hardware for all types of electronic units, unless otherwise notified, would be allowed, subject to an overall limit of 70 per cent, as follows :

- (a) 7 per cent per quarter in the first year,
- (b) 7 per cent per quarter in the second year,
- (c) 5 per cent per quarter in the third year.

EOU/EPZ units in agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry, viticulture and sericulture have been permitted to sell 50 per cent of their production in value terms in the Domestic Tariff Area (DTA) without any stipulation for value addition and have only to ensure positive net foreign exchange earnings. Electronic hardware units in EOU/EPZ / EHTP have also been given the alternative facility to sell one half of the value of their production on an annual basis, in the domestic market and export the other half of production, in value terms, without any minimum foreign exchange earning stipulation on payment of applicable duties. For software units, sale in the DTA in any mode, including data communication, shall be permissible upto 25 per cent of their production in value terms. Further, the period of bonding for units under the EOU Scheme has been reduced from 10 years to 5 years extendable to 10 years in case of products requiring significant capital investment and infrastructure support. The norms for debonding of EOU/EPZ units have also been made simpler.

Special Import Licence (SIL) Benefits

Any exporter other than Export/Trading/Star Trading/Super Star Trading Houses, who has

directly exported goods and services including software, but excluding deemed exports, of FOB value of Rs 5 crore and above in the preceding licensing year or an average FOB value of Rs 2 crore and above during the preceding three licensing years has been made eligible for grant of Special Import Licence (SIL) at the rate of 4 per cent of the FOB value of such direct exports made on or after April 1, 1996. The export of Diamond and Gems and Jewellery products shall be counted at 50 per cent of the actual FOB value of exports.

In the case of small scale exporters holding ISO 9000 (series) or IS/ISO 9000 (series) of quality certification, the FOB value, (excluding deemed exports) of exports shall be Rs 3 crore and above in the preceding licensing year or on an average FOB value of Rs 1 crore or above during the preceding three licensing years.

In order to encourage manufacturers and exporters attain internationally accepted standards of quality for their products, the SIL entitlement of manufacturers/processors who have acquired the quality status of ISO 9000 (series) or IS/ISO 9000 (series) have been increased from 2 per cent to 5 per cent of the FOB value of exports (excluding deemed exports) made on or after April 1, 1997, of products made with the aforesaid quality certification during the preceding licensing year. Further, manufacturers/processors exporting through third party have also been made eligible for grant of SIL subject to certain conditions.

Export Houses(EH)/Trading Houses(TH)/Star Trading Houses(STH)/Super Star Trading Houses(SSTH)

The objective of the Scheme is to recognise the established exporters as Export Houses/Trading Houses/Star Trading Houses/Super Star Trading Houses (EH/TH/STH/SSTH) with a view to building marketing infrastructure and expertise required for export promotion. The details of the criterion for recognition of exporters as EH/TH/STH/SSTH which is on the basis of the FOB/NFE value of exports of goods and services including software exports made directly by the exporter during the preceding three licensing years or the preceding licensing year, at the option of the exporter, are as follow :

Category	FOB Criterion Average FOB value of exports made during the preceding three licensing years, <i>in Rupees</i>	FOB Criterion FOB value of exports made during the preceding licensing year, <i>in Rupees</i>	NFE Criterion Average net foreign exchange value of exports made during the preceding three licensing years, <i>in Rupees</i>	NFE Criterion Net foreign exchange value of exports made during the preceding licensing year, <i>in Rupees</i>
Export Houses	20 crore	30 crore	16 crore	24 crore
Trading Houses	100 crore	150 crore	80 crore	120 crore
Star Trading Houses	500 crore	750 crore	400 crore	600 crore
Super Star Trading Houses	1,500 crore	2,250 crore	1,200 crore	1,800 crore

For calculation of the Net Foreign Exchange (NFE) earned, the value of all the licences shall be deducted from the FOB value of exports made by the person. However, the value of freely transferable Special Import Licences, EPCG licences and the value of licences surrendered during the validity of licence shall not be deducted.

The export made by a subsidiary of a limited company shall be counted towards export performance of the limited company for the purpose of recognition. For this purpose, the company shall have majority share holding in the subsidiary company.

With a view to encouraging the participation of State Governments and Union Territories in export promotion, one state corporation nominated by the respective State Governments/ Union Territories may be recognised as an Export House, even though the criterion for such recognition is not fulfilled by them. Double weightage will be given to the exports of products manufactured by units in the small scale industry (SSI)/tiny sector/cottage sector and on exports of fruits and vegetables, floriculture and horticulture products. Further, the SIL entitlements of EH/TH/STH/SSTH have been raised as under :

Category of Exporter	Entitlement rate on FOB basis	Entitlement rate on NFE basis
Export House	6 per cent	7.5 per cent
Trading House	8 per cent	10 per cent
Star Trading House	10 per cent	12 per cent
Super Star Trading House	12 per cent	15 per cent

An additional 2 per cent SIL shall be granted for exports of products manufactured by units registered as SSI provided the export of these products is more than 50 per cent of the export during the period, while an additional 1 per cent SIL shall be granted for the export of fruits, vegetables, floriculture and horticulture products provided the export of these products is more than 10 per cent of the export during the period. An additional 1 per cent SIL shall be granted for the export of products manufactured and exported from North Eastern States provided the export of these products is more than 10 per cent of the export during the period.

Deemed Exports Benefits

In order to encourage the domestic sourcing of inputs, the benefits of deemed exports extended to domestic manufacturer supplying capital goods to EPCG licence holders have been expanded. Such domestic manufacturer has been made eligible for deemed export benefits such as Special Imprest Licence/Advance Intermediate licence, or deemed exports drawback scheme in respect of supplies to zero-duty EPCG licence holder and in respect of supplies to 10 per cent EPCG licence holder. In addition, deemed export benefits of refund of terminal excise duty and SIL at the rate of 6 per cent of the FOR value (excluding all taxes and levies) would also be available to such supplies against both 10 per cent and zero-duty EPCG Scheme.

Diamond, Gems and Jewellery Export Promotion Schemes

The norms for import of rough diamonds have been simplified. For instance, exporters of gold/silver/platinum jewellery and articles thereof may import their essential inputs either directly or obtain the same from nominated agencies including Minerals and Metals Trading Corporation (MMTC), State Trading Corporation (STC), Handicraft and Handloom Export Corporation (HHEC), State Bank of India (SBI) and any agency authorised by the Reserve Bank. Further, an exporter can apply for a diamond imprest licence against the best export performance of cut and polished diamonds in a licensing year during the preceding three licensing years plus 25 per cent thereof, if he has a minimum of three preceding licensing years of export performance. Under the Gems and Jewellery Replenishment Scheme, exports through third party have been made admissible for grant of replenishment licences in order to help small exporters to sell their products in international markets.

Other Measures/Simplification of Procedures

Financial powers of Regional Licensing Authorities for issue of licences under the Duty Exemption Scheme applicable to fixed input-output norms, and also under the EPCG Scheme have been enhanced so as to enable traders to get the facilities at the nearest point.

Under the Duty Exemption Scheme, export obligation under Advance Licence has been enhanced from 12 months to 18 months and validity of the Advance Licence has also been enhanced from 12 months to 18 months. Extension of export obligation period has also been simplified. The Regional Licensing Authority, on request for extension in export obligation period, shall grant one extension for a period of six months from the date of expiry of the original export obligation period on the licensee subject to payment of penalty of 1 per cent on the unfulfilled FOB value of export obligation for which extension is sought. Request for further extension, in exceptional cases, may be considered by the Advance Licensing Committee subject to payment

of penalty of 1 per cent on the unfulfilled FOB value of export obligation for which extension is sought. Such extension shall, however, not exceed a period of six months from the date of expiry of the earlier extension. Further, the Regional Licensing Authority may consider a request of the original licence holder and grant one revalidation for a period of six months from the date of expiry of the original licence. Request for further revalidation may be considered by the Advance Licensing Committee in exceptional cases, and such revalidation shall not exceed a period of six months from the date of expiry of earlier period of revalidation. The value limit of Advance Licence on production programme basis has been enhanced from 25 per cent to 100 per cent of the average FOB value of exports in the preceding three licensing years.

Norms for disposal of scrap/rejects have been simplified. Procedures for repair, replacement, reconditioning of imported and exported goods have been streamlined. Other measures include further strengthening of the Counter Assistance System in the DGFT Headquarters and all its regional offices, computerisation of all DGFT offices to facilitate online processing, and strengthening of internal monitoring system to ensure that exporters' grievances are redressed quickly and delays avoided.

Important export control/promotion measures and import control measures announced during 1996-97 are covered in Appendices I and II.

Modifications in EXIM Policy, 1997-2002

Subsequent to the announcement of the EXIM Policy, 1997-2002 in March 1997, important modifications were effected with respect to various measures under the Policy. Under the EPCG Scheme, a transitional arrangement was introduced on April 11, 1997 under which licences issued on or before March 31, 1997 with concessional rate of duty of 15 per cent shall be valid for import at concessional rate of 10 per cent subject to certain conditions. Similarly, EPCG licences issued on or before March 31, 1997 for CIF value of Rs 5 crore or more with concessional rate of duty of 15 per cent for agriculture and allied

products shall be valid for import at zero duty subject to certain conditions. Subsequently, on June 9, 1997, it was announced that EPCG licences issued under the Scheme during the EXIM Policy 1992-97 shall be deemed to have been issued under the EXIM Policy 1997-2002 for goods yet to be cleared from customs against such licences. On June 17, 1997, the export obligation for licence holders under the zero duty EPCG Scheme for agriculture and allied products was further simplified.

On July 29, 1997, the scope of "Deemed Exports" was enlarged by extending deemed export benefits to supplies made to the new refineries being set up during the Ninth Plan period subject to certain conditions.

Under the Duty Entitlement Pass Book (DEPB) Scheme, on May 21, 1997, credit rates under the Scheme were announced for 347 export products under chemicals, 91 export products under engineering, 71 export products under plastics, and 65 export products under electronics. In respect of products where the rate of credit entitlement under the Scheme comes to 15 per cent or more, the amount of credit against each export product shall not exceed 50 per cent of the present market value (PMV) of the export product. Subsequently, on June 13, 1997, credit rates for more export products under chemicals and engineering were announced.

Under the Export/Trading/Star Trading/Super Star Trading Houses Scheme, a transitional arrangement for criteria for recognition for the period 1997-98 was announced on June 9, 1997 as under:

On August 12, 1997, it was announced that triple weightage on FOB or NFE would be granted to exports of products manufactured by manufacturing units registered with the Khadi and Village Industries Corporation (KVIC) or Khadi and Village Industries Boards (KVIBs) for the purpose of recognition as Export/Trading/Star Trading/Super Star Trading Houses.

In respect of diamonds, gems and jewellery export promotion schemes, on July 8, 1997, the nominated agencies viz. MMTC, SBI, STC, HHEC and any other agency authorised by the Reserve Bank, have also been allowed to operate other gold/silver import schemes as advised from time to time. Further, the nominated agencies other than SBI or Banks nominated by the Reserve Bank have been allowed to open private bonded warehouses wherein the imported gold would be kept by the nominating agency subject to certain conditions. In the case of SBI or other banks nominated by the Reserve bank, they may be allowed to utilise their own vaults in lieu of opening separate private bonded warehouses.

Rationalisation of Tariff Structure

One of the important aspects of the trade reforms relates to the rationalisation of the tariff structure with a view to improving competitiveness in domestic industries. In the medium term, the objective is to achieve an average level of tariffs prevalent in ASEAN countries by the turn of the century. Towards this end, the Union Budget for 1997-98 had effected a reduction in the peak rate of duty from 50 per cent to 40 per cent

Category	FOB Criterion Average FOB value of exports made during the preceding three licensing years, in Rupees	FOB Criterion FOB value of exports made during the preceding licensing year, in Rupees	NFE Criterion Average net foreign exchange value of exports made during the preceding three licensing years, in Rupees	NFE Criterion Net foreign exchange value of exports made during the preceding licensing year, in Rupees
Export Houses	12.5 crore	13.75 crore	10 crore	15 crore
Trading Houses	62.5 crore	93.75 crore	50 crore	75 crore
Star Trading Houses	312.5 crore	468.75 crore	250 crore	375 crore
Super Star Trading Houses	937.5 crore	1,406.25 crore	750 crore	1,125 crore

accompanied by rationalisation and reductions in duty rates in various sectors of the economy.

With a view to harmonising the needs of the Indian industry with the requirements of the capital goods sector, the duty on capital goods and project imports was reduced from 25 per cent to 20 per cent. Plans, designs and drawings have been exempted from the levy of customs duty while duty on several inputs for the steel industry has been reduced: the duty on coking coal (of ash content below 12 per cent) was reduced from 5 per cent to 3 per cent, the duty on coking coal with higher ash content, on coke and on nickel from 20 per cent to 10 per cent, the duty on ferro alloys from 25 per cent to 20 per cent, and the duty on re-rollable steel scrap from 30 per cent to 20 per cent. These measures are aimed at benefiting the steel industry to reduce its cost of production. The duty on cold rolled coils was reduced from 30 per cent to 25 per cent to help the engineering industry, and the duty on ships brought for breaking was reduced from 10 per cent to 5 per cent and on pig iron from 20 per cent to 10 per cent. To help the power sector, the duty on non-coking coal was reduced from 20 per cent to 10 per cent. In regard to chemicals which constitute vital inputs for several downstream industries including the small scale sector, the duty on organic and inorganic chemicals was reduced from 40 per cent to 30 per cent, while the duty on certain essential inputs were also reduced: on linear alkylbenzene, methanol and naphthalene, from 30 per cent to 20 per cent, on phenol and catalysts from 30 per cent to 25 per cent.

The scheduled dismantling of quantitative restrictions under the Multi Fibre Agreement (MFA) will expose all textile exporting countries to stiff competition. In order to enable the textile industry to upgrade its technologies in the shortest possible time, the duty on several kinds of textile machinery was reduced to 10 per cent in the preceding year. To improve the quality of garments exports, the duty on more processing machines has also been reduced to 10 per cent. However, to mitigate the adverse impact on domestic manufacturers, such

manufacturers have been allowed to import the components and parts of these machinery at a concessional duty of 10 per cent. Further, the duty on dyes, pigments, paints and varnishes, glues, enzymes and modified starches has been reduced from 40 per cent to 30 per cent to benefit the textile industry. To provide relief to the woollen textile industry, the import duty on apparel grade wool was reduced from 25 per cent to 20 per cent, on wool waste from 30 per cent to 20 per cent, on woollen and synthetic rags from 30 per cent to 25 per cent, and on flax fibre from 30 per cent to 20 per cent. In order to conserve forest resources, wood logs, fuel wood, wood chips, etc. have been fully exempt from customs duty.

To encourage the spread of "Information Technology" and to reduce costs, several measures have been effected which, *inter alia*, include: full exemption to computer software, reduction of duty on computer parts, other than populated printed circuit boards, cartridge tape drive and digital video disc drive from 20 per cent to 10 per cent, on populated printed circuit boards from 30 per cent to 20 per cent, on integrated circuits and colour monitor tubes from 20 per cent to 10 per cent, on colour picture tubes from 35 per cent to 30 per cent, on parts of cellular telephones and pagers from 30 per cent to 20 per cent, and on telecom equipment from 40 per cent to 30 per cent and on their parts from 30 per cent to 20 per cent. To encourage the watch industry to further enhance their quality, the duty on watch parts and movements was reduced from 50 per cent to 25 per cent and on watch cases of base metals from 50 per cent to 30 per cent, on horological materials from 20 per cent to 10 per cent. To improve the quality of medical care, the duty on medical equipment was reduced from 30 per cent to 20 per cent, on linear accelerators of 15 MeV and above used for cancer treatment from 10 per cent to 0 per cent, on ophthalmic blanks for making spectacle lenses from 50 per cent to 20 per cent. To promote tourism, the import duty on specified equipment required for hotels was reduced from 35 per cent to 25 per cent, and on specified speciality food items used by foreign tourists

from 50 per cent to 25 per cent. In order to provide some relief to the film and photographic industry, the duty on cine films and other photographic films was reduced from 30 per cent to 25 per cent and on parts of cameras from 50 per cent to 25 per cent. The duty on baggage was also reduced from 60 per cent to 50 per cent.

Other Measures

Availability of timely and adequate credit at reasonable rates constitutes an important element of export promotion. Towards this end, credit policy was geared to provide increased export credit at reasonable rates for maintaining the competitiveness of exports. Under the monetary and credit policy for the second half of 1997-98 announced in October 1997, interest rates on post-shipment rupee export credit and pre-shipment rupee export credit were rationalised. Effective October 22, 1997, while the interest rates on post-shipment rupee export credit upto 90 days was kept unchanged at 'not exceeding 11 per cent per annum', the interest rate on post-shipment rupee export credit beyond 90 days and upto six months from the date of shipment would remain at 13 per cent which would apply only for the period beyond 90 days and not from the date of advance. As regards interest rates on pre-shipment rupee export credit, effective October 22, 1997, interest rates on export credit upto 180 days was reduced from 13 per cent to 12 per cent per annum, and on such credit beyond 180 days and upto 270 days the interest rate was reduced from 15 per cent to 14 per cent per annum. As a move towards further rationalisation of export credit refinance to banks and in the context of introducing a new General Refinance Facility, banks would be provided export credit refinance only on the basis of their incremental export credit. With effect from the fortnight beginning April 26, 1997, scheduled commercial banks will be provided export credit refinance to the extent of 100 per cent of the increase in outstanding export credit eligible for refinance over the level of such credit as on February 16, 1996. The rate of interest on export credit refinance will be at the Bank Rate.

Under the Exchange Earners' Foreign Currency (EEFC) Accounts, in May 1997, corporate exporters were permitted to extend trade-related advances to their importer-clients out of their EEFC accounts without the prior approval of the Reserve Bank provided the total outstandings of such advances in respect of an EEFC account do not exceed US \$ 3 million at any time. Subsequently, in August 1997, it was decided to permit all exporters viz. individuals, firms, etc. to extend such advances to their importer-clients abroad out of their EEFC accounts without the prior approval of the Reserve Bank. In respect of 100 per cent Export Oriented Units (EOUs) or units located in Export Processing Zones (EPZs), Software Technology Parks (STPs) and Electronic Hardware Technology Parks (EHTPs), such units have been allowed in June 1997 to retain upto 70 per cent of their foreign exchange earnings in their EEFC accounts instead of the earlier 50 per cent. In October 1997, exporters/exchange earners were allowed to retain 50 per cent of their exchange earnings in EEFC account, and Indian project exporters would no longer have to approach the Reserve Bank for prior approval for a variety of purposes while executing projects abroad. Corporate entities were also allowed to open offices abroad without the need for prior approval from the Reserve Bank. Capital and current expenditure would be allowed by Authorised Dealers (Ads) without any limit out of EEFC accounts.

Trade Agreements/Protocols and Economic and Technical Co-operation Agreements

The Government of India enters into Economic and Technical Co-operation Agreements/Protocols with different countries periodically. These agreements/protocols which are valid for stipulated periods are meant to promote bilateral trade and technical co-operation. While some agreements indicate details of commodities considered for two-way transactions during a given period along with value stipulations for both sides, a number of agreements indicate only broad guidelines for promotion of trade and technical co-operation. In the case of those agreements which indicate

only broad guidelines, annual protocols are signed after taking into account the current needs of both the countries and international economic environment. The agreements facilitate smooth business transactions between the concerned

countries and both exporters and importers find these agreements useful. The details of trade agreements/protocols which were signed between India and other countries during the year 1996-97 are furnished in Appendix III.

Table IX-1 : India's Foreign Trade

Item	US \$ million			SDR million		
	1994-95	1995-96	1996-97P	1994-95	1995-96	1996-97P
I	2	3	4	5	6	7
I. Export	26,330.5 <i>(18.4)</i>	31,797.1 <i>(20.8)</i>	33,105.7 <i>(4.1)</i>	18,054.8 <i>(13.6)</i>	21,069.8 <i>(16.7)</i>	23,095.8 <i>(9.6)</i>
POL	416.9 <i>(4.8)</i>	453.8 <i>(8.9)</i>	481.7 <i>(6.1)</i>	285.9 <i>(0.6)</i>	300.7 <i>(5.2)</i>	336.1 <i>(11.8)</i>
Non-oil	25,913.6 <i>(18.6)</i>	31,343.3 <i>(21.0)</i>	32,624.0 <i>(4.1)</i>	17,768.9 <i>(13.8)</i>	20,769.1 <i>(16.9)</i>	22,759.7 <i>(9.6)</i>
II. Import	28,654.5 <i>(22.9)</i>	36,677.9 <i>(28.0)</i>	38,547.7 <i>(5.1)</i>	19,648.2 <i>(18.0)</i>	24,303.9 <i>(23.7)</i>	26,892.4 <i>(10.7)</i>
Oil and POL	5,928.0 <i>(3.0)</i>	7,526.4 <i>(27.0)</i>	10,066.8 <i>(33.8)</i>	4,064.7 <i>(0.6)</i>	4,987.2 <i>(22.7)</i>	7,022.9 <i>(40.8)</i>
Non-oil	22,726.5 <i>(29.5)</i>	29,151.5 <i>(28.3)</i>	28,480.9 <i>(-2.3)</i>	15,583.5 <i>(23.5)</i>	19,316.7 <i>(24.0)</i>	19,869.5 <i>(2.9)</i>
III. Trade Balance	-2,324.0	-4,880.8	-5,442.0	-1,593.4	-3,234.1	-3,796.6
Oil Balance	-5,511.1	-7,072.6	-9,585.1	-3,778.8	-4,686.5	-6,686.8
Non-oil Balance	3,187.1	2,191.8	4,143.1	2,185.4	1,452.4	2,890.2

P Provisional.

Note : 1. figures in brackets relate to percentage variation over the previous year.

2. For data in rupee terms please refer to Volume II.

Source : D G C I & S.

Table IX-2 : India's Exports of Principal Commodities

(US \$ million)

Commodity group	1992-93	1993-94	1994-95	1995-96	1996-97P
1	2	3	4	5	6
I. Primary products	3,873.5	4,915.7	5,194.9	7,257.1	7,903.1
	(20.9)	(22.1)	(19.7)	(22.8)	(23.9)
A. Agriculture and allied products	3,135.8	4,027.5	4,206.6	6,082.4	6,757.2
of which :	(16.9)	(18.1)	(16.0)	(19.1)	(20.4)
Tea	337.2	337.7	310.5	350.1	278.9
Coffee	129.9	173.9	335.4	449.4	400.0
Rice	336.8	410.2	384.1	1,365.7	887.6
Cotton raw (incl. waste)	62.8	208.4	44.6	61.0	452.7
Tobacco	163.7	147.0	81.2	133.6	151.5
Cashew kernels (incl CNSL)	258.5	334.2	397.2	369.8	361.4
Spices	135.8	181.4	194.9	237.4	336.9
Oil meal	533.5	740.9	572.6	702.3	982.0
Fruits and vegetables	107.9	132.1	164.3	200.3	166.8
Processed fruits, juices and misc. processed items	78.8	90.6	89.8	222.7	280.6
Marine products	601.9	813.6	1,126.4	1,010.8	1,121.4
Sugar and molasses	122.1	56.8	19.7	151.3	295.8
Meat and preparations	88.8	109.8	128.3	187.5	195.8
B. Ores and minerals	737.7	888.2	988.3	1,174.7	1,145.9
of which :	(4.0)	(4.0)	(3.8)	(3.7)	(3.5)
Iron ore	381.2	438.0	413.1	514.5	483.4
Mica, coal and other ores and minerals	356.5	450.2	575.2	660.2	662.5
II. Manufactured goods	14,038.8	16,656.7	20,216.8	23,502.6	24,344.6
of which :	(75.7)	(74.9)	(76.8)	(73.9)	(73.5)
Leather and manufactures	1,277.5	1,299.8	1,610.6	1,731.1	1,554.1
Chemicals and allied products	1,228.6	1,477.8	1,955.5	2,359.2	2,684.8
Engineering goods	2,480.8	3,038.8	3,507.8	4,391.1	4,845.1
Readymade garments	2,393.0	2,586.2	3,282.0	3,675.9	3,744.8
Cotton yarn, fabrics, made-ups, etc.,	1,350.5	1,537.1	2,233.9	2,576.9	3,113.5
Natural silk yarn, fabrics, made-ups, etc.,	138.6	127.2	136.3	133.0	121.1
Jute manufactures	122.6	124.0	150.6	185.7	137.2
Coir and manufactures	31.2	41.4	55.1	62.8	61.1
Handicrafts	3,783.1	4,768.1	5,328.1	6,129.3	5,651.9
of which:					
Gems and jewellery	3,071.7	3,995.8	4,500.4	5,275.1	4,744.5
Carpets (handmade excl. silk)	434.8	453.8	441.4	420.4	434.4
Works of art (excl. floor coverings)	276.6	318.5	386.3	433.8	473.0
III. Petroleum products	476.2	397.8	416.9	453.8	481.7
	(2.6)	(1.8)	(1.6)	(1.4)	(1.5)
IV. Others	148.7	268.1	501.9	583.6	376.3
	(0.8)	(1.2)	(1.9)	(1.8)	(1.1)
Total exports (I + II + III + IV)	18,537.2	22,238.3	26,330.5	31,797.1	33,105.7

P Provisional.

Note : 1. Figures in brackets represent percentage to total exports.

2. For data in rupee terms please refer to Volume II.

Source : D G C I & S.

**Table IX-3 : India's Export Volume and Unit Value Realisation
of Selected Commodities**

Commodity group	Unit of quantity	Quantum		Unit Value Realisation (\$ per tonne)	
		1995-96	1996-97P	1995-96	1996-97P
1	2	3	4	5	6
I. Primary goods					
A. Agriculture and allied products					
<i>of which :</i>					
Tea	Mill. kgs	158.8	132.7	2,204.7	2,101.7
Coffee	Mill. kgs	156.1	157.5	2,878.9	2,539.7
Rice	Thou. tonnes	4,914.0	2,473.5	277.9	358.8
Cotton raw (incl waste)	Thou. tonnes	33.3	277.6	1,831.8	1,630.8
Tobacco	Mill. kgs	87.1	86.9	1,533.9	1,743.4
Cashew kernels (incl CNSL)	Thou. tonnes	70.9	70.1	5,215.8	5,155.5
Spices	Thou. tonnes	203.7	366.2	1,165.4	920.0
Oil meal	Thou. tonnes	4,300.8	4,459.7	163.3	220.2
Marine Products	Thou. tonnes	327.4	400.6	3,087.4	2,799.3
Sugar and molasses	Thou. tonnes	863.7	1,539.7	175.2	192.1
B. Ores and minerals					
<i>of which :</i>					
Iron ore	Mill. tonnes	31.7	25.5	16.2	19.0
Mica	Mill. kgs	31.4	23.0	257.1	248.0
Coal	Thou. tonnes	651.4	472.1	44.1	45.8
II. Manufactured goods					
<i>of which :</i>					
Inorganic, organic and agro chemicals	Mill. kgs	449.1	438.4	1,105.6	1,318.4
Iron and steel	Thou. tonnes	1,941.6	1,771.2	565.7	572.6
Jute manufactures	Lakh tonnes	2.3	1.5	807.4	914.7

P Provisional.

Source : D G C I & S.

Table IX-4 : India's Imports of Principal Commodities

(US \$ million)

Commodity group	1992-93	1993-94	1994-95	1995-96	1996-97P
1	2	3	4	5	6
I. Bulk imports	9,829.7	9,124.6	11,320.6	14,316.0	16,325.9
	<i>(44.9)</i>	<i>(39.2)</i>	<i>(39.5)</i>	<i>(39.0)</i>	<i>(42.4)</i>
Cereals and cereal preparations	333.5	92.6	29.3	23.9	135.5
of which :					
Wheat	245.2	40.1	0.1	3.1	113.7
Rice	25.3	17.6	2.7	-	-
Pulses	115.5	180.7	188.9	205.1	206.2
Fertilizers	977.7	838.6	1,052.6	1,682.8	913.0
Crude	158.4	122.0	152.6	156.8	132.4
Sulphur and unroasted iron pyrites	120.9	84.9	136.0	144.4	97.2
Manufactured	698.4	631.7	764.0	1,381.6	683.4
Vegetable oils, fixed, edible	57.6	53.1	198.7	676.3	824.2
Paper, paper boards, mgfs thereof incl newsprints	177.2	221.9	246.2	473.4	497.2
Metalliferous ores, metal scrap, etc.	663.6	442.4	748.1	822.5	698.3
Petroleum, petroleum products and related materials	6,100.0	5,753.5	5,928.0	7,526.4	10,066.8
Pulp and waste paper	141.2	158.6	202.2	275.4	234.6
Iron and steel	778.6	795.0	1,163.4	1,446.5	1,469.0
Sugar	-	-	727.1	64.6	0.8
Non ferrous metals	394.8	479.2	717.9	904.1	1,105.1
Crude rubber, including synthetic and reclaimed	90.0	109.0	118.2	215.0	175.2
II. Non-bulk imports	12,051.9	14,181.6	17,333.9	22,361.9	22,221.8
	<i>(55.1)</i>	<i>(60.8)</i>	<i>(60.5)</i>	<i>(61.0)</i>	<i>(57.6)</i>
A. Capital goods	4,531.0	6,242.9	7,638.2	10,330.8	9,204.3
of which :	<i>(20.7)</i>	<i>(26.8)</i>	<i>(26.7)</i>	<i>(28.2)</i>	<i>(23.9)</i>
Machinery other than electrical	1,818.7	1,881.9	2,727.8	3,924.7	3,710.2
Electrical machinery #	826.2	1,134.5	1,271.7	1,873.4	1,469.3
Transport equipment	461.8	1,270.4	1,113.7	1,105.3	1,022.0
Manufactures of metals @	145.8	333.0	420.1	649.9	847.3
Project goods	1,278.5	1,623.1	1,853.6	2,391.2	1,835.5
B. Pearls, precious and semi-precious stones	2,441.9	2,634.5	1,629.7	2,106.2	3,045.3
	<i>(11.2)</i>	<i>(11.3)</i>	<i>(5.7)</i>	<i>(5.7)</i>	<i>(7.9)</i>
C. Others	5,079.0	5,304.2	8,066.0	9,924.9	9,972.2
of which :	<i>(23.2)</i>	<i>(22.8)</i>	<i>(28.1)</i>	<i>(27.1)</i>	<i>(25.9)</i>
Organic and inorganic chemicals	1,427.5	1,370.7	2,137.0	2,565.8	2,690.1
Professional, scientific controlling instruments, photographic optical goods	501.4	422.3	492.1	669.1	541.4
Artificial resins and plastic materials, etc.	420.5	434.5	606.1	803.4	796.9
Textile yarn, fabrics, made-ups, etc.	148.7	228.4	329.6	358.8	347.9
Medicinal and pharmaceutical products	280.8	257.9	298.4	406.0	278.3
Non-metallic mineral manufactures	89.1	86.8	131.5	151.5	122.5
Chemical materials and products	169.5	167.0	201.6	245.5	248.2
Synthetic and regenerated fibre	24.5	40.3	141.4	150.1	118.0
Cashew nuts	129.9	153.9	220.1	227.2	180.6
Total imports (I + II)	21,881.6	23,306.2	28,654.5	36,677.9	38,547.7

Inclusive of electronics and computer software.

@ Inclusive of machine tools.

P Provisional.

Note : 1. Figures in brackets represent percentage to total imports.

2. For data in rupee terms please refer to Volume II.

Source : D G C I & S.

**Table IX-5 : India's Import Volume and Unit Value Payment
of Selected Commodities**

Commodity group	Unit of quantity	Quantum		Unit Value Payment (US \$ per tonne)	
		1995-96	1996-97P	1995-96	1996-97P
(1)	(2)	(3)	(4)	(5)	(6)
I. Bulk Imports					
Cereals and cereal preparation	1000 tonnes	64.8	667.7	368.8	202.9
<i>of which :</i>					
Wheat	1000 tonnes	8.2	625.2	378.0	181.9
Rice	1000 tonnes	-	-	-	-
Pulses	1000 tonnes	490.7	531.5	418.0	388.0
Fertilizers					
<i>of which :</i>					
Crude	1000 tonnes	2,443.8	1,872.7	64.2	70.7
Sulphur and unroasted iron pyrites	1000 tonnes	1,543.0	1,427.9	93.6	68.1
Manufactured	1000 tonnes	6,595.4	3,008.6	209.5	227.1
Vegetable oils, fixed, edible	1000 tonnes	1,062.0	1,287.3	636.8	640.3
Paper, paper boards, mgfs					
thereof incl newsprints	1000 tonnes	430.2	728.7	1,100.4	682.3
Pulp and waste paper	1000 tonnes	549.8	608.0	500.9	385.9
Iron and steel	1000 tonnes	2,199.2	2,314.0	657.7	634.8
Sugar	1000 tonnes	150.6	2.1	429.0	381.0
Crude rubber, including synthetic and reclaimed	1000 tonnes	126.2	100.6	1,703.6	1,741.6
II. Others					
Synthetic and regenerated fibre	1000 tonnes	73.4	81.7	2,045.0	1,444.3

P Provisional.

Source : D G C I & S.

Table IX-6 : Direction of India's Foreign Trade

(US \$ million)

Country	1980-81			1990-91			1995-96			1996-97 P		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
I. OECD countries	3,957.0 (46.6)	7,274.7 (45.8)	-3,317.7	10,248.8 (56.5)	13,773.0 (57.2)	-3,524.1	17,706.4 (55.7)	19,210.6 (52.4)	-1,504.2	18,447.2 (55.7)	18,981.6 (49.2)	-534.4
EU	1,831.6 (21.6)	3,340.5 (21.0)	-1,508.9	4,988.5 (27.5)	7,067.1 (29.4)	-2,078.6	8,418.4 (26.5)	9,773.9 (26.6)	-1,355.5	8,268.1 (25.0)	9,854.4 (25.6)	-1,586.3
North America	1,020.3 (12.0)	2,343.0 (14.8)	-1,322.8	2,829.6 (15.6)	3,234.7 (13.4)	-405.1	5,826.2 (18.3)	4,242.9 (11.6)	1,583.3	6,892.8 (20.8)	3,684.4 (9.6)	3,208.4
Asia and Oceania	896.2 (10.5)	1,179.7 (7.4)	-283.5	1,895.2 (10.4)	2,689.5 (11.2)	-794.3	2,652.1 (8.3)	3,552.1 (9.7)	-900.0	2,437.6 (7.4)	3,493.6 (9.1)	-1,056.0
Other OECD countries	208.9 (2.5)	411.4 (2.6)	-202.5	535.6 (3.0)	781.7 (3.2)	-246.1	809.7 (2.5)	1,641.7 (4.5)	-832.0	848.7 (2.6)	1,949.2 (5.1)	-1,100.5
II. OPEC countries	943.0 (11.1)	4,417.7 (27.8)	-3,474.7	1,020.4 (5.6)	3,924.0 (16.3)	-2,903.6	3,081.0 (9.7)	7,649.5 (20.9)	-4,568.5	3,201.4 (9.7)	10,193.9 (26.4)	-6,992.5
III. Eastern Europe	1,881.0 (22.1)	1,640.5 (10.3)	240.5	3,243.2 (17.9)	1,882.2 (7.8)	1,361.0	1,340.1 (4.2)	1,673.9 (4.6)	-333.8	1,069.0 (3.2)	1,086.5 (2.8)	-17.5
IV. Developing countries	1,602.5 (18.9)	2,494.9 (15.7)	-892.4	3,098.7 (17.1)	4,490.4 (18.7)	-1,391.7	9,197.2 (28.9)	8,141.0 (22.2)	1,056.2	9,883.0 (29.9)	8,278.1 (21.5)	1,604.9
Asia	1,113.9 (13.1)	1,807.6 (11.4)	-693.7	2,610.0 (14.4)	3,371.9 (14.0)	-761.9	7,308.3 (23.0)	6,426.4 (17.5)	881.9	7,976.4 (24.1)	6,446.0 (16.7)	1,530.4
SAARC	298.7 (3.5)	177.2 (1.1)	121.5	533.4 (2.9)	131.4 (0.5)	402.0	1,720.7 (5.4)	256.5 (0.7)	1,464.2	1,642.6 (5.0)	242.2 (0.6)	1,400.4
Other Asian developing countries	815.2 (9.6)	1,630.4 (10.3)	-815.2	2,076.6 (11.4)	3,240.5 (13.5)	-1,163.9	5,587.6 (17.6)	6,169.9 (16.8)	-582.3	6,333.8 (19.1)	6,203.8 (16.1)	130.0
Africa	436.7 (5.1)	258.2 (1.6)	178.5	393.6 (2.2)	572.7 (2.4)	-179.2	1,512.5 (4.8)	1,131.5 (3.1)	381.0	1,422.6 (4.3)	1,261.1 (3.3)	161.5
Latin American countries	40.5 (0.5)	383.5 (2.4)	-343.0	95.2 (0.5)	545.8 (2.3)	-450.6	376.4 (1.2)	583.1 (1.6)	-206.7	484.0 (1.5)	571.0 (1.5)	-87.0
Other developing countries	11.4 (0.1)	45.6 (0.3)	-34.2									
V. Others	79.9 (0.9)	57.0 (0.4)	22.9	11.3 (0.1)	2.9 (-)	8.4	18.7 (0.1)	2.9 (-)	15.8	23.4 (0.1)	7.7 (-)	15.7
Total	8,494.9	15,884.8	-7,389.9	18,145.2	24,072.5	-5,927.3	31,797.2	36,677.9	-4,880.7	33,105.7	38,547.8	-5,442.1

P Provisional.

Note: 1. Exports of petroleum products amounting to \$ 31.5 million in 1980-81, \$ 522.7 million in 1990-91, \$ 453.8 million in 1995-96 and \$ 481.7 million in 1996-97 are taken into account in total export, but are not included in country-wise details.

2. Data for German Democratic Republic from 1990-91 onwards are included under Germany, and hence under EU.

3. Figures in brackets relate to percentage to total.

Source: D G C I & S.

CHAPTER X

BALANCE OF PAYMENTS AND INTERNATIONAL FINANCE *

Balance of Payments

The year 1996-97 was marked by resumption of capital flows which, coupled with a surge in surplus under invisibles and a sluggish merchandise trade, resulted in a huge overall surplus in the balance of payments. This was reflected in excess supply conditions in the foreign exchange market throughout the year, especially in the last quarter. In the absence of any significant rise in absorption of external resources, this led to a build-up of the Reserve Bank's foreign currency assets which at end-March 1997 provided an import cover of six months. The viability in the balance of payments was reflected in the onset of stability in the foreign exchange market during 1996-97 after the episode of volatility in the second half of 1995-96. Furthermore, a distinct sustainability in the country's external debt was evident in the downward movement of indicators of debt sustainability.

Merchandise Trade

The sluggishness in merchandise trade reflected a combination of internal and external factors. Export growth, which averaged about 20 per cent over the three-year period 1993-96, decelerated to 4.5 per cent in 1996-97 due to a variety of factors: the slowdown in the world trade growth, sluggishness in prices of manufactures, variations in major exchange rates, deceleration in domestic industrial activity and concern for environmental degradation.

Import growth too decelerated to 5.8 per

cent during 1996-97 from 21.6 per cent growth recorded in the previous year. Import growth would have been even lower but for a surge in POL imports on account of shortfalls in domestic production and refinery throughput as also an increase in international prices. Non-oil Customs imports, in fact, declined by 2.3 per cent which may be attributed to a deceleration both in industrial activity and in export demand.

It may be recalled that Indians returning from abroad have been allowed, with effect from March 1992, to bring in gold and silver as a part of their baggage. Gold and silver brought in under the scheme, which amounted to US \$ 1,079 million in 1992-93, US \$ 1,670 million in 1993-94, US \$ 2,100 million in 1994-95 and US \$ 1,949 million in 1995-96, was provisionally placed at US \$ 2,603 million in 1996-97. Following the recommendations of the 'Technical Group on Reconciling Balance of Payments and DGCI&S Data on Merchandise Trade', imports in the balance of payments table now include such gold and silver brought in by Indians returning from abroad with a contra entry under private transfers. Consequently, while the trade deficit would widen, the net surplus under invisibles would increase by the same magnitude leaving the current account balance unaffected. This treatment has been effected in the balance of payments data from 1992-93, i.e., since the inception of the Scheme.

As the DGCI&S data on imports do not include such gold and silver brought in by the returning Indians in their main table, the divergence between the Reserve Bank data on imports and those of the DGCI&S has further increased. However, exclusive of such gold and silver imports, the difference between the two sources has been rather stable at around US \$ 5,000 million over the last three years.

* This Chapter is based on information/data available upto end-September 1997.

Invisibles

The buoyancy witnessed in invisible earnings, since the launch of structural reforms, gathered momentum during 1996-97. Led by strong growth in private transfers and software exports, the net surplus under invisibles increased by 59 per cent to US \$ 8,686 million. Private transfers ballooned to US \$ 11,583 million (i.e., an increase of 36 per cent over the previous year) as the normal growth in these remittances was buttressed by the transfer of a bulk of the maturing India Development Bonds (IDBs) to residents. Invisible earnings also benefited from the significant rise (of about 40 per cent) in miscellaneous receipts, mainly comprising technology related exports; in particular, software export earnings were estimated at about US \$ 1,100 million in 1996-97 (US \$ 753 million in 1995-96). The growth of tourist earnings was subdued during the year, reflecting the deceleration in tourist arrivals in the country. Contrary to the anticipation of large outgoes in the aftermath of current account convertibility, profits and dividends continued to be re-invested in the country. The increase in net investment income payments to US \$ 3,900 million in 1996-97 (US \$ 3,205 million in 1995-96) was, however, more than offset by the buoyancy in private transfers and non-factor services (Table X-3).

As the strong growth in invisible receipts more than compensated the sluggish growth in merchandise exports, the degree of openness, as measured by the ratio of current receipts to GDP, continued its upward trend. The ratio has improved from 8.5 per cent in 1990-91 to 15.2 per cent in 1995-96 and further to 15.6 per cent in 1996-97 (Table X-1). The ratio of current receipts to GDP assumes a critical importance in determining the viability of a country's external sector; a larger degree of openness exerts a downward pressure on debt service ratio while simultaneously allowing for a higher level of current account deficit.

Current Account

A smaller increase in trade deficit coupled with a sharp rise in surplus under net invisible receipts (net invisibles financed 70 per cent of the trade deficit during 1996-97 as against 48 per cent

in 1995-96) contained the current account deficit at US \$ 3,730 million in 1996-97 as against US \$ 5,899 million in 1995-96. As a proportion of GDP, the CAD narrowed from 1.8 per cent in 1995-96 to 1.0 per cent in 1996-97.

The changing pattern of financing of the current account deficit as well as the comparatively low levels of CAD/GDP ratio (since 1991-92) reflected in the downward movement of debt-GDP ratio from 41.0 per cent in 1991-92 to 28.7 per cent in 1995-96 and further to 26.0 per cent in 1996-97. The debt service ratio which has been on a declining trend, was marginally higher during 1996-97 at 25.4 per cent from 24.3 per cent in 1995-96, the increase in 1996-97 being entirely on account of bullet redemption of IDBs. Excluding IDBs, the debt service ratio would have been sharply lower at 22.7 per cent in 1996-97. As non-debt creating flows acquire a dominant role in external financing, the sustainability of external payment needs to be assessed in terms of total servicing, that is, servicing of both debt and non-debt flows. Total liabilities service ratio, thus defined, has also seen a declining trend since 1990-91 although this ratio, like the conventional debt service ratio, was marginally higher in 1996-97 than in the previous year, again entirely on account of IDBs redemption; this ratio declined from 35.6 per cent in 1990-91 to 24.7 per cent in 1995-96 before increasing marginally to 26.2 per cent in 1996-97 (Table X-1 and X-2).

Capital Account

The capital account continued to exhibit buoyancy during the financial year 1996-97 in tune with the compositional drift towards equity flows (Table X-2 and X-4). While the flow under traditional official channels plateaued, inflows under foreign investment and non-resident deposits continued their upsurge to exceed the external financing requirements. Various domestic and international factors led to strong capital inflows which more than offset the capital repayments scheduled for the year. In the sphere of policy, interest rate under non-resident deposits was substantially relaxed, reserve requirements on NRI deposits eased, foreign investment - both direct and portfolio - allowed in new avenues,

ceiling on external commercial borrowings further liberalised together with deepening and widening of foreign exchange market during 1996-97 to attract capital flows in alignment with overall macro economic policy. Net capital flows amounted to US \$ 10,525 million during 1996-97 which more than doubled from that of the preceding year.

Overall Balance

The narrowing of the current account deficit coupled with the doubling of capital inflows resulted in a large overall surplus of US \$ 6,795 million during the year in contrast to a deficit in the previous year. With IMF repurchases amounting to US \$ 977 million, the Reserve Bank's foreign exchange reserves (excluding valuation changes) increased by US \$ 5,818 million. At the end of March 1997, the foreign exchange reserves at US \$ 26,423 million were equivalent of seven months of imports.

External Assistance

Disbursements under external assistance (net of amortisation and interest payments) during the financial year 1996-97 remained around the same level as during 1995-96. Despite large stock of unutilised balance of committed aid in the face of supply side constraints on absorption, given the varied developmental needs of India, the need for higher concessional assistance from donors continues.

Authorisation

The declining trend in fresh authorisation of external assistance (loans and grants taken together) witnessed since 1988-89 reversed during 1996-97 with the authorisation of total external assistance amounting to US \$ 4,806 million as against US \$ 3,638 million during 1995-96. Authorisation of loans as well as that of grants increased during the year 1996-97. While the loans authorised during the year at US \$ 3,970 million increased by US \$ 731 million, authorisation of grants during 1996-97 amounted to US \$ 836 million, representing an increase of US \$ 437 million over the preceding year (Table X-5 and X-6).

Members of the India Development Forum pledged around US \$ 6.7 billion assistance to India in June 1997 for 1997-98 (July-June) as against US \$ 6.6 billion for 1996-97. Among the bilateral donors, Japan constituted the largest share with the pledged amount of US\$1.2 billion for 1997-98 and among multilateral donors the World Bank group (comprising the IBRD and the IDA) pledged US \$ 2.9 billion during 1997-98 as against US \$ 2.5 billion for 1996-97. Although the aid pledges from the donors have remained in the range of US \$ 6 billion to US \$ 7 billion in recent years, the actual authorisation which remained low at around 50 per cent of the amount pledged till last year improved considerably to about 70 per cent in 1996-97.

Utilisation

Total aid (comprising loans and grants) utilised by India during the year 1996-97 amounted to US \$ 3,374 million as against an amount of US \$ 3,296 million utilised during 1995-96. Utilisation as a proportion to authorisation declined from 91 per cent during 1995-96 to 70 per cent during 1996-97, primarily on account of the significant increase in the fresh authorisations during 1996-97. However, annual utilisation as a proportion to the stock of unutilised balance at the end of the year recorded an increase from 17.7 per cent in 1995-96 to 18.3 per cent during 1996-97.

Debt Service Payments

Debt service payments (i.e. amortisation and interest payments) during the year 1996-97 amounted to US \$ 3,337 million as against US \$ 3,782 million during the year 1995-96. Total disbursements net of total debt service payments exhibited a marginal inflow contrary to the negative transfer of resources during 1995-96.

Cumulative Assistance

Cumulative utilisation of external assistance as a proportion of cumulative authorisation at the end of March 1997 was around the same as that at the end of March 1996, i.e., at around 73 per cent. The share of the World Bank group

(comprising the IBRD and the IDA) and Japan in the cumulative authorisation stood at 42 per cent and 17 per cent, respectively, as at the end of March 1997 as against 43 per cent and 16 per cent, respectively, as at the end of March 1996.

Aid in the Pipeline

Aid available in the pipeline i.e. external assistance committed over the years but remaining undisbursed, (excluding assistance in Roubles from former USSR) rose from Rs. 64,067 crore in 1995-96 to Rs. 66,101 crore in 1996-97. In dollar terms the aid in the pipeline declined to US \$ 18,405 million in 1996-97 from a level of US \$ 18,652 million in 1995-96.

India's Financial Assistance to Other Countries

During 1996-97, fresh commitments under external assistance at Rs. 99 crore were lower by Rs. 81 crore than those extended during the financial year 1995-96. The major beneficiaries of this assistance were Vietnam, Sri Lanka and Uzbekistan which accounted for 66 per cent of the total authorisation.

Utilisation of external assistance during 1996-97 came down significantly by around Rs. 58 crore mainly because of lower utilisation by Uzbekistan.

In cumulative terms, India's external assistance to developing countries amounted to Rs. 3,111 crore of which the loan component amounted to Rs. 1,413 crore. The proportion of cumulative utilisation to cumulative authorisation as at the end of March 1997 amounted to 82.6 per cent as against 84 per cent as at the end of March 1996. Outstanding undisbursed assistance from India stood at Rs. 542 crore as at the end of March 1997 as against Rs. 491 crore as at the end of March 1996.

IMF Transaction

Repurchases from the IMF during 1996-97 under the Stand-by Credit Tranche and Contingency and Compensatory Financing Facility (CCFF) amounted to US \$ 977 million or SDR 678

million.

Commercial Borrowings

The policy on external commercial borrowings was further liberalised during the year to accommodate the rising demand for external finance. Despite sluggish imports, drawals under commercial borrowings increased from US \$ 4,252 million to US \$ 6,650 million following the decision to liberalise end-use of funds, in particular, the decision to allow commercial borrowings to be used for meeting rupee expenditures. Amortisation too was higher at US \$ 6,423 million, mainly on account of the bullet repayment of IDBs, which amounted to US \$ 2,203 million. Consequently, net borrowings at US \$ 227 million were substantially below the last year's level.

The need to finance the rising POL bill resulted in a significant increase in drawals under short-term borrowings. While the drawals increased from US \$ 4,137 million in 1995-96 to US \$ 7,072 million in 1996-97, repayments were also correspondingly higher and as a result, net borrowings amounted to US \$ 833 million (US \$ 49 million in 1995-96) (Table X-2).

Foreign Investment : Emerging Trends

Foreign investment flows continued to dominate the capital account during the year 1996-97, accounting for nearly 50 per cent of external financing need. The large inflows under both foreign direct and portfolio investment into India reflected sound economic fundamentals and a congenial policy environment. Portfolio investments – which often act as a precursor to direct investment flows – responded to both "pull factors" and "push factors". While the "pull factors" included the strength of economic fundamentals and banking and financial sector reforms leading to growing cross border financial integration, the main "push factors" were the continuing slack in certain industrial country markets and swings in asset prices in those countries forcing investors to look for diversification, subdued inflationary conditions in industrial countries prompting investors suffering from "money illusion" to invest in developing

countries in search of higher yields, and world wide access to quality information facilitating investment decisions in global markets.

While the foreign equity investment flows to developing countries rose sharply from US \$ 127.6 billion in 1995 to US \$ 155.2 billion in 1996, India's share of equity investment declined marginally during this period (Table X-9).

Foreign Direct Investment (Foreign Collaboration)

There was an increase in total foreign direct investment flows under various schemes (other than NRI investments) from U.S. \$ 1418 million during 1995-96 to U.S. \$ 2,057 million during 1996-97. A sharp rise of foreign investment was witnessed under proposals approved by Secretariat of Industrial Approvals (SIA)/ Foreign Investment Promotion Board (FIPB) which increased from US \$ 1249 million in 1995-96 to U.S. \$ 1,922 million in 1996-97. The inflows during 1996-97 on account of proposals approved by Reserve Bank of India (RBI) under the automatic route at US \$ 135 million were, however, lower than that of the preceding year (US \$ 169 million). India accounts for a minor share of the total FDI flows to developing countries which was of the order of US \$ 110 billion in 1996 (Table X-9). FDI flows to India at US \$ 2.7 billion (inclusive of NRI Investment) remained much lower in comparison to other developing countries such as China (US \$ 42 billion), Malaysia (U.S. \$ 6.2 billion), Mexico (U.S. \$ 6.4 billion) and Indonesia (U.S. \$ 5.8 billion).

The amount approved for foreign equity participation (excluding the NRI direct investment routed through RBI) rose marginally from U.S. \$ 9,194 million (Rs. 30,880 crore) during 1995 to U.S. \$ 9,225 million (Rs 32,659 crore) during 1996 (Statement 210, Vol II). The steady rise in the value of approvals for foreign direct investment during 1996 vindicated international confidence in the Indian economy and signals prospects of increased foreign investment in coming years.

In terms of number of approvals of collaboration proposals, as against 2,337

collaboration proposals approved during 1995, 2,303 proposals (both financial and technical) were approved during 1996, of which 1,559 were financial and 744 were technical. The aggregate amount of approvals (excluding approvals for NRI direct investment given by RBI) given in the post liberalisation period (from 1991 to March 1997), reached U.S. \$ 25,644 million or Rs.85,777 crore. The actual inflows against these approvals during this period amounted to U.S. \$ 4,380 million or Rs.14,437 crore.

Portfolio Investment

Portfolio investment flows in India have taken a variety of forms such as issuances of Global Depository Receipts (GDRs) by Indian corporates, investment by Foreign Institutional Investors (FIIs) in equity and debt instruments – both corporate and dated Government securities, special investment schemes designed for non-resident Indians and through floating of offshore funds. Portfolio flows enable the lowering of the cost of capital of new issues, enhance overall market discipline, play a catalytic role in the development of institutions and instruments in the financial sector and deepen the foreign exchange market. The improvement in the sentiment in overseas market for Indian GDR issues witnessed in the last quarter of 1995-96 continued during 1996-97 with the market remaining bullish throughout the year. Tight domestic liquidity condition in 1996-97 along with growing international appetite for Indian scrips contributed partly to the increased flows.

While the amount raised by Indian corporates through GDR issues increased from US \$ 683 million or Rs.2,284 crore during 1995-96 to US \$ 918 million or Rs.3,258 crore during 1996-97, the amount of funds remitted to India against GDR issues rose from US \$ 305 million or Rs.1,020 crore during 1995-96 to US \$ 650 million or Rs.2,307 crore during 1996-97.

Fresh inflows of funds under FII investment in India at U.S. \$ 1,926 million during 1996-97 was somewhat lower than the peak level of US \$ 2,009 million recorded during 1995-96 (Table X-10). Inflows under various offshore funds and other schemes fell from U.S. \$ 56 million during 1995-

96 to US \$ 20 million during 1996-97.

NRI Investments and Deposits

Non Resident Indian (NRI) participation in India continued to form an important item under capital inflows during 1996-97. It took place in the form of i) equity participation under special direct investment schemes and portfolio investment schemes and ii) deposits under Foreign Currency Non Resident (Banks) [FCNR(B)] Scheme, Non Resident (External) Rupee Account [NR(E)RA] Scheme and Non Resident (Non Repatriable) Rupee Deposit [NR(NR)RD] Scheme.

Various special schemes designed for attracting direct investment of NRIs are the automatic 100 per cent scheme routed through RBI (in the high priority industries set out in the Statement of Industrial Policy, 1991), the automatic 40 per cent scheme (Oil Exploration, Shipping, Computer Software, Hospitals etc.), other 100 per cent schemes (in Export Oriented Units in Free Trade Zone/ outside Free Trade Zone, Housing and Real Estate Development scheme, Air Taxi Scheme, Sick Units Scheme) and the 24 per cent Scheme.

Under the direct investment schemes routed through the RBI, the amount of actual inflows during 1996-97 amounted to U.S. \$ 639 million (Rs. 2268 crore) (Table X-10). The total value of approvals rose from Rs.6,609 crore in 1995 to Rs.6,792 crore in 1996 (Statement 211, Vol.II).

There was a larger net inflow under all the existing non resident deposit schemes during the year 1996-97, with FCNR(B) deposits, NR(E)RA deposits and NR(NR)RD deposits each recording large increases. The outflows under the discontinued Foreign Currency Non Resident (Accounts) [FCNR(A)] for the financial year 1996-97 amounted to U.S. \$ 1,949 million or Rs.6,919 crore (inclusive of accrued interest) with the outstanding balance declining from US \$ 4,255 million (Rs. 14,615 crore) at the end of March 1996 to U.S. \$ 2,306 million (Rs. 8,282 crore) at the end of March 1997. The outflow under the erstwhile FCNR(A) were, however, more than compensated by inflows under the FCNR(B)

scheme, NR(NR)RD scheme and NR(E)RA scheme of U.S. \$ 1,782 million (Rs.7,258 crore), US \$ 2,253 million (Rs.7,950 crore) and US \$ 1,353 million (Rs.4,434 crore), respectively, during 1996-97. In the preceding year i.e., 1995-96, there was an inflow of U.S. \$ 2,669 million (Rs.10,000 crore) and U.S. \$ 1,279 million (Rs.4,335 crore) under the FCNR(B) scheme and NR(NR)RD scheme, respectively, whereas NR(E)RA scheme had recorded an outflow of US \$ 208 million (Rs.896 crore) (Table X-11).

The outstanding balances under the three existing schemes i.e. FCNR(B), NR(E)RA and NR(NR)RD stood at U. S. \$ 7,505 million (Rs.26,906 crore), U.S. \$ 5,092 million (Rs.17,886 crore) and U.S. \$ 5,611 million (Rs. 20,116 crore), respectively (Table X-12).

The outstanding balances under all the NRI deposit schemes taken together at the end of March 1997 amounted to U.S. \$ 20,514 million (Rs.73,190 crore) compared to U.S. \$ 17,438 million (Rs.59,882 crore) as at the end of March 1996. Total net inflow under all the deposit schemes for NRIs taken together at U.S. \$ 3,439 million or Rs.12,723 crore during 1996-97 was higher than those of U.S. \$ 944 million or Rs. 3,158 crore during 1995-96.

Indian Investment Abroad

Under the existing procedures effective December, 1995 the Reserve Bank acts as a single-window agent for the receipt and disposal of proposals for overseas investment by Indian companies in Joint Ventures (JVs)/ Wholly Owned Subsidiaries (WOSs) up to US \$ 4 million. However, in the case of investment proposals of higher amounts, a Special Committee comprising representatives of the RBI, Ministry of External Affairs and Ministry of Finance is empowered to accord necessary clearance.

As a result of the transparent and more liberal policy framework, 255 approvals were issued during the calendar year 1996 against 230 and 216 approvals issued during the years 1994 and 1995, respectively. A total of 162 proposals were approved by RBI from December 1, 1995 to June

30, 1997 under the fast track route involving U.S. \$ 93 million (of which U.S. \$ 83 million was through equity contribution and loan and U.S. \$ 10 million through corporate guarantee) and 232 proposals were cleared under the normal route (for direct Indian Investment between U.S. \$ 4 million and U.S. \$ 15 million) involving an amount of U.S. \$ 570 million (of which U.S. \$ 376 million was through equity participation and loan and U.S. \$ 194 million was through corporate guarantee). Actual outflows on account of Indian Investment abroad in JVs/ WOSs during the year 1996-97 amounted to US \$ 202 million, of which US \$ 197 million was by way of cash remittance, US \$ 5 million was under exports and US \$ 0.4 million was through other ways of participation. The earnings from project exports in the form of Turnkey Projects, Civil Construction Projects and Consultancy Services continued to show a steady trend as presented in Table below:

Table X-A : Project Exports

(Rupees crore)

Year	Turnkey@ Projects	Civil * construction Project	Consultancy Services*	Total (2+3+4)
1	2	3	4	5
1990-91	669	171	212	1052
1991-92	464	230	720	1414
1992-93	507	212	831	1550
1993-94	1225	137	1369	2731
1994-95	442	260	1700	2402
1995-96	712	312	1800	2824
1996-97# (April-December)	516	285	1500	2301

@ : Represents contracts approved by EXIM Bank

* : Ministry of Commerce, Annual Report 1996-97

: Estimated

Policy and Developments

External Commercial Borrowings (ECBs)

Applications for raising foreign currency loans under US \$ 3 million Scheme and short-term loan/ credit, effective January 30, 1997, would be considered by the Reserve Bank. Effective March 31, 1997, ECBs could be used for rupee expenditure in respect of road (including bridges), ports, industrial parks and urban infrastructure (water supply, sanitation and sewerage projects as defined under section 80 A of Income Tax Act, 1961) besides power, telecommunications and railways as included earlier. This facility has been extended to holding companies/promoters permitting them to raise ECBs up to a maximum of US \$ 50 million equivalent to finance equity investment in a subsidiary company implementing infrastructure projects. Hitherto, interest rate spreads on ECB for project financing have been allowed up to 350 basis points above LIBOR/ US Treasury Bills. With a view to liberalising the interest rate on ECBs, corporates have been allowed to raise 50 per cent of the permissible debt in the form of subordinated debt at a higher interest rate. In order to meet the capital requirements of large borrowers and to improve the maturity profile of ECBs, corporate borrowers are allowed to raise long term resources with an average maturity of 10 years and 20 years with permission to use the ECB proceeds up to US \$ 100 million and US \$ 200 million, respectively, without any end-use restrictions excluding investment in stock markets and real estate. Corporate borrowers are also permitted to raise ECBs to acquire ships and vessels from Indian shipyards. Furthermore, exporters are allowed to raise the ECB up to twice the average amount of annual exports during the previous three years subject to a maximum of US \$ 100 million without end use restrictions (i.e., for meeting general corporate objectives excluding investment in stock markets or real estate). The maximum level of entitlement in any one year would be the cumulative limit as netted out by the debt outstanding under the existing US \$ 15 million exporters scheme. In order to further ease the ECB norms, corporate borrowers who have already raised ECB for the import of capital goods and services through bonds / FRNs / syndicated

loans are permitted to remit funds into India and deploy the same, excluding investment in stock markets or in real estate, till their actual imports of capital goods and services take place or up to 1 year, whichever is less. In case borrowers decide to deploy the funds abroad till the approved end-use requirement arises, they are eligible to do so as per the Reserve Bank's existing guidelines. Guidelines for ECBs were further relaxed during June 1997 whereby : (1) ECBs of average maturity of 10 years and above are considered outside the ECB ceiling and (2) ECB limit for telecom projects has been raised from 35 per cent to 50 per cent of the total project cost (including the license fees). In order to further liberalise the ECB norms and to deepen the foreign exchange market, the proceeds of External Commercial Borrowing (ECB) and Global Depository Receipt (GDR), which are retained abroad, or held in foreign currency accounts in India can be sold forward, effective September 13, 1997. ADs are also permitted to offer forward cover in respect of foreign currency loans raised in any form after obtaining final approval from the Reserve Bank and in respect of GDR issues, once the issue price is finalised after completion of all formalities.

Foreign Investment

In order to ease the restrictions on investments by FIIs in debt securities, necessary changes in the SEBI (FII) Regulations, 1995 have been effected to allow the FIIs to invest up to 100 per cent of their funds in debt instruments of Indian companies through 100 per cent dedicated debt funds, effective January 15, 1997. Furthermore, effective March 8, 1997, FIIs are allowed to invest in Government of India dated securities up to 30 percent.

The norms for disinvestment by non-residents of shares of unlisted and listed companies whose shares are not regularly traded, are further liberalised, effective October 28, 1996.

Under the Automatic route, the ceiling for lumpsum payment of technical know-how fee was increased from Rs. 1 crore to US \$ 2 million, effective November 5, 1996. With a view to liberalising the existing facility for investments by

NRIs in India, it was decided to allow investments by NRIs in establishment of schools and colleges in India subject to certain regulations. With a view to expanding the coverage of investment proposals considered under the Automatic Approval Route effective January 17, 1997, the Government announced the inclusion in Annexure III of the Statement of Industrial Policy 1991 (i) 3 categories of industries/ items relating to mining activities for foreign equity up to 50 per cent, (ii) 13 additional categories of industries/items for foreign equity up to 51 per cent and (iii) 9 categories of industries/items for foreign equity up to 74 per cent.

Indian Investment Abroad

Further liberalisation of policy on overseas Indian investment was announced during June 1997 under which two new fast track windows were made available: (i) through investment from balances under EEFC account (up to US \$ 15 million) and (ii) through GDR route (maximum 50 per cent of the amount raised).

In order to ensure that only reputed Indian companies are allowed to invest in the financial services sector abroad, certain additional norms such as good track record of a minimum of 3 years, registration with SEBI as Category I Merchant banker or with the RBI as Non-Banking Financial Company, minimum net worth of Rs. 15 crore and fulfillment of prudential norms of capital adequacy of 8 per cent, have been prescribed.

Deposits Schemes for Non- Resident Indians

With a view to bringing about an alignment of interest rate of Non- Resident (External) Rupee (NRE) deposits with that on domestic term deposits, interest rate on term deposits of over two years were freed, effective April 4, 1996. Further, effective April 16, 1997 (1) interest rates on term deposits under NRE Account of over one year maturity were freed and (2) the interest rate offered on NRI term deposits of 6 months and up to one year was prescribed at not exceeding the Bank Rate minus 2 percentage points which worked out to not exceeding 9.0 per cent per

annum. Consequent upon the reduction in the Bank Rate from 11 per cent to 10 per cent, effective June 26, 1997, interest rate on term deposits of maturity 6 months and up to one year was reduced to not exceeding 8.0 per cent per annum from the earlier level of not exceeding 9.0 per cent per annum. Furthermore, to provide greater flexibility to the banks in mobilising non-residents deposits, effective September 13, 1997, banks mobilising these deposits were allowed to fix interest rates on the term deposits of all maturities under Non-Resident (External) Rupee (NRE) Accounts scheme. All liabilities under NRE scheme were exempted from Cash Reserve Ratio (CRR), effective fortnight beginning April 13, 1996, and further, SLR on outstanding liabilities under the NRE scheme was reduced from 30 per cent to 25 per cent. As per recommendations of the working group on NRI investments, the Reserve Bank took measures to facilitate ADs to expeditiously credit the amount of dividend/interest to the NRE accounts of NRI investors.

ADs were permitted to use FCNR(B) funds to lend to their resident constituents for meeting their foreign exchange as well as rupee needs. However, banks were not permitted to initiate swaps to generate funds for such lending. Banks were given freedom to decide the tenor as well as interest rates on such lending. Similarly, with a view to giving more flexibility, banks were permitted, effective April 15, 1997, to determine interest rates on FCNR(B) deposits subject to ceilings prescribed by the Reserve Bank of India.

Again with a view to providing level playing field to all deposits with respect to CRR requirements, effective fortnight beginning April 15, 1997, all the scheduled commercial banks (excluding RRBs) were required to maintain a CRR of 10 percent on the increase in liabilities under FCNR(B), NRE and NR(NR)RD schemes over the level outstanding as on April 11, 1997.

External Debt

The consolidation of external debt was carried forward during 1996-97 reflecting the prudence characterising the debt management strategy since 1991-92, the compositional change of capital

account flows as well as cross currency movements. The stock of external debt which had declined from US \$ 99,008 million at the end of March 1995 to US \$ 92,199 million at the end of March 1996 fell further to US \$ 91,379 million at the end of March 1997. While the quantum of debt-creating inflows during the year was US \$ 1,901 million, the appreciation of the US dollar relative to other international currencies resulted in a decline in the overall debt stock in US dollar terms. Thus, excluding valuation changes estimated at US \$ 2721 million, the stock of external debt would have risen by US \$ 1,901 million during 1996-97 to a level of US \$ 94,100 million at the end of March 1997 (Table X-8).

In terms of share in total debt, there was a decline in debt owed to bilateral donors and the International Monetary Fund at the end of March 1997. However, there was a rise in the stock of short term debt, both trade-related and under short-term NRI deposits, debt owed to multilateral institutions, commercial borrowings and long-term NRI deposits at end March 1997 relative to their respective shares at the end of March 1996. There was a decline in the share of concessional debt from 45.5 per cent at the end of March 1996 to 42.8 per cent at the end of March 1997. Furthermore, the share of debt owed by the private sector rose from 41.5 per cent to 45.7 per cent. In terms of maturity structure, the proportion of short term debt moved up to reach a level of 7.4 per cent at the end of March 1997 as compared with 5.5 per cent at the end of March 1996.

There was a marked improvement in the various indicators of debt sustainability as measured by debt-GDP ratio, debt-current receipts ratio and interest payments-current receipts ratio. While the debt-GDP ratio declined from 28.7 per cent at the end of March 1996 to 26.0 per cent at the end of March 1997, debt to current receipt ratio fell from 185.8 per cent during 1995-96 to 164.4 per cent during 1996-97 and interest payments to current receipt ratio declined from 8.8 per cent during 1995-96 to 8.5 per cent during 1996-97. The total debt service payments increased from US \$ 12 billion during 1995-96 to US \$ 14.1 billion during 1996-97 resulting in a marginal increase in the debt-service ratio (debt-

service as a proportion of current receipts less official transfers) from 24.3 per cent during the year 1995-96 to 25.4 per cent during 1996-97. This increase was mainly on account of the bullet repayments of India Development Bonds during 1996-97. But for this repayment, the debt service ratio would have declined to 22.7 per cent during 1996-97.

Management of external debt is an integral part of the overall macro economic policy. Specific attention needs to be given to the management of various facets of debt sustainability as well as compositional patterns in terms of interest composition, maturity composition and currency composition with an emphasis on reduction of volatile and costly elements .

Developments in Foreign Exchange Reserves

India's foreign exchange reserves comprising foreign currency assets of the RBI, gold held by the RBI and Special Drawing Rights (SDRs) held by the Government of India increased from US \$ 21,687 million (Rs. 74,384 crore) as at the end of March 1996 to US \$ 26,423 million (Rs. 94,932 crore) as at the end of March 1997. This increase of US \$ 4,736 million during 1996-97 was mainly on account of the increase in the foreign currency assets and was in sharp contrast to the decline of US \$ 3,499 million recorded during 1995-96. This increase in reserves occurred despite large payments being effected directly from the foreign exchange reserves on account of outflows under FCNR(A) scheme and redemption of IDBs.

The accretion to the foreign currency assets was of the order of US \$ 5,323 million. Excluding the effects of valuation loss on account of depreciation of non-dollar currencies vis-a-vis the US dollar, the increase would have been higher at US \$ 5,818 million. Sluggish import demand conditions together with a rise in private transfers and capital inflows created excess supply conditions in the foreign exchange market, necessitating net intervention purchases of the order of US \$ 7,801 million during 1996-97. During 1996-97, aid receipts of US \$ 1,705 million, withdrawal of deposits under FCNR(A) scheme of US \$ 2,276 million, repayments of US \$ 1,234

million under India Development Bonds from the foreign exchange reserves, purchase of SDR through the IMF to the tune of US \$ 1,019 million and debt service payments of the Government routed through the RBI of US \$ 106 million were the other major transactions which affected the movement of foreign currency assets of the RBI.

SDR balances held by the Government fell by US \$ 80 million from US \$ 82 million (SDR 55.85 million) as at the end of March 1996 to US \$ 2 million (SDR 1.38 million) as at the end of March 1997 on account of (i) payments to the IMF (including charges and valuation effects) of US \$ 1,101 million (SDR 764.59 million) of which US \$ 80 million (SDR 57.76 million) were from the foreign currency assets of the RBI, (ii) the acquisition of SDR through the IMF of US \$ 941 million (SDR 651 million) and (iii) interest receipts of the order of US \$ 2 million (SDR 1.36 million).

The Reserve Bank's gold holdings as at the end of March 1997 remained the same as that of end-March 1996 at 398 tonnes. However, the value of the stock of gold held by the RBI declined by US \$ 507 million (Rs. 1,101 crore) from US \$ 4,561 million as at the end of March 1996 to US \$ 4,054 million as at the end of March 1997 on account of valuation loss over the year resulting from the decline in gold prices in the international market.

There has been a significant increase in foreign exchange reserves during the first six months of 1997-98 mainly in the form of foreign currency assets of the RBI. Foreign exchange reserves as at end September 1997 stood at US \$ 29,435 million, an increase of US \$ 3,012 million compared to end March 1997. While the foreign currency assets of the RBI and SDRs held by the Government increased by US \$ 3,330 million and US \$ 28 million during this period to US \$ 25,697 million and US \$ 30 million, respectively, as at the end of March 1997, the value of the stock of gold held by the Reserve Bank declined from US \$ 4,054 million at end March 1997 to US \$ 3,708 million as at the end of September 1997 on account of valuation losses. Exclusive of valuation factors, the increase in foreign currency assets and SDRs would have been higher at US \$ 3,495 million.

The adequacy of the foreign exchange reserves in the context of the progressive opening up of the Indian trade and financial system has been of paramount importance in evaluating sustainability of the external sector. An open capital account together with large short term and volatile flows, in the form of portfolio investment and an increasingly maturing foreign exchange market has rendered the necessity for modification of the conventional measure of adequacy in terms of months of import cover. While suggesting alternative measures of reserve adequacy, the report of the Committee on Capital Account Convertibility has provided four alternate indicators to be used in the Indian context for evaluating the adequacy of foreign exchange reserves measured in terms of imports, exports/imports augmented for leads and lags, debt service payments, short term debt and portfolio stock and net foreign assets to currency ratio (NFA/Currency ratio). The first measure stipulates that reserves should not be less than six months of imports. Under this formulation, foreign exchange reserves as at the end of March 1997 need to be about US \$ 22.5 billion. The second measure stipulates that reserves should not be less than three months of imports, plus 50 per cent of debt service payments plus one month's exports and imports to account for possibilities of leads and lags. On this basis the requirement would be US \$ 25 billion. The third measure advocates that short term debt and portfolio stock should not exceed 60 per cent of the reserves and that incremental short term debt and portfolio liabilities should be accompanied by equivalent increase in reserves. By this measure the desired level of reserves as at the end of March 1997 would be about US \$ 31 billion. The fourth measure formulates the foreign currency assets to currency ratio (NFA/Currency ratio) to be prescribed by law at not less than 40 per cent, with the desired level kept at around 70 per cent. As at the end of March 1997, as per NFA/currency ratio of a minimum of 40 per cent, foreign currency assets would need to be at least around US \$ 16 billion.

Exchange Rate Developments

In the wake of the policy guided correction in the exchange rate of the rupee in the second

half of 1995-96 in the foreign exchange market, the exchange rate of the rupee remained reasonably stable during 1996-97. It traded in a narrow range of Rs. 35 to Rs. 36 per US dollar between May 1996 and June 1997 as against a wide band of Rs. 31.41 to Rs. 36.63 during April 1995 to February 1996 (Table X-13 and X-14). The resurgence of capital inflows in the absence of any widening of the current account deficit necessitated intervention purchases of US \$ 7,801 million by the RBI in 1996-97. The real exchange rate (in terms of trade based real effective exchange rate) continued to appreciate during the year, rising by 6.4 per cent by March 1997 over its level in March 1996. The persistent real appreciation was on account of significant appreciation of the US dollar against other international currencies (by about 14 per cent against the Yen and about 12 per cent against the DM) and the continuing positive inflation differential in India. The upward movement of the US dollar against non-dollar currencies and the practice of stabilising the exchange rate of the rupee in relation to the US dollar has continued to be an important factor in guiding the conduct of the exchange rate policy.

With a mobile capital account, identifying the course of the exchange rate that adequately reflects the underlying fundamentals by taking into consideration capital account developments as well has assumed importance. In this context, in view of the complexities involved in exactly identifying the course of the equilibrium rate, there is a suggestion for use of bands to represent fundamentals, but this would be inappropriate on credibility grounds. A band could be arrived at by constructing a panel of REER indicators, each representing adjustment of effective nominal exchange rate movements for changes in relative prices, productivity differentials, prices of tradeables and non-tradeables, interest rate differentials/ differences in financial asset prices, tariff and non-tariff reforms, improvements in payment and settlement systems affecting the transaction costs, etc. It needs to be recognised that in view of the difficulties associated with the construction of several REER indicators, the central bank's intervention strategy should primarily be to ensure an orderly exchange market condition by

containing excessive volatility. Movements in the REER, which take into consideration developments in the trade account alone may not be representative of the fundamentals; but it needs also to be noted that the conduct of the exchange rate policy must not be primarily guided by the developments in the capital account of the balance of payments. The Report of the Committee on Capital Account Convertibility recommends a ± 5 per cent band centered around a neutral REER. For the ± 5 per cent band to serve as a guide to policy, identification of a neutral base and the exact lag structure indicating the response of trade flows to REER movements would become relevant. This would suggest a rolling neutral base against which the REER for any current period could be compared. Such a crawling band in which the central level of the exchange rate would alter depending on the lag length and a moving base describing a locus of sustainable external balance positions would have several advantages, particularly in terms of anchoring expectations. The success of the suggested band, however, would be contingent upon the attainment of all the preconditions/sign posts on a sustained basis. In the face of large destabilising capital flows and/or periodic deviations from norms suggested as preconditions, rigid pursuance of such a band could however be costly and distortive.

Developments in World Economy*

The world output expanded by 4.0 per cent in 1996 as compared to 3.7 per cent in 1995. However, the growth performance was not uniform across the world. While the developing Asian countries and the European Union (EU) registered relatively low growth rates compared to the previous years, the economic activity was buoyant in Japan and United States (US) in the advanced economies group and Africa, the Middle East and Europe in the developing countries group in 1996. The world output is projected to grow by 4.4 per cent in 1997 and 1998.

* This section is based upon the information contained in IMF's World Economic Outlook, August, 1997.

Domestic Activity

Advanced Economies¹

The advanced economies as a group registered a moderate recovery in 1996 with output growth of 2.6 per cent as compared to 2.5 per cent in 1995. Output growth in 1997 is estimated to accelerate to 3.2 per cent and is projected to slow down a shade lower at 3.0 per cent in 1998. The marginal recovery in advanced economies as a group during 1996 was attributed to strong output growth in US and Japan.

The US economy grew by 2.4 per cent in 1996 as against 2.0 per cent in 1995. The strong growth reflected prudent macroeconomic policies, exceptionally dynamic private sector and a responsive labour market. The US has been remarkably successful in maintaining a high level of employment while reducing its fiscal deficit and safeguarding low inflation. The budget agreement currently passing through the legislative process provides to bring overall balance in 2002. The output growth in Japan was substantially high at 3.5 per cent in 1996 under the influence of supportive fiscal and monetary policies and a correction of the excessive appreciation of the yen. For 1997, however, the growth is expected to moderate somewhat in response to fiscal consolidations and to pick up in 1998. In Germany and France, growth appears to be picking up in 1997 to around 2 per cent, after a disappointing performance in 1996 (1.5 per cent). The buoyant economic expansion in UK helped a progressive narrowing of the output gap and significant reduction in unemployment since 1993. Growth in UK is expected to be stronger in 1997 (3.3 per cent) than in 1996 (2.3 per cent). Many smaller advanced economies like Ireland, Denmark, Netherlands, etc., have enjoyed relatively solid economic growth in 1996.

Global inflation remained subdued in 1996. The high degree of price stability remained an impressive achievement of almost all of the advanced economies, despite a sharp increase in

¹ A new nomenclature introduced with the additions of Singapore, Hong Kong, Korea, Taiwan Province of China and Israel to the traditional group of 'industrial countries'.

oil prices in 1996. The consumer price inflation in advanced economies declined marginally from 2.6 per cent in 1995 to 2.5 per cent in 1996. During 1996, the highest inflation rate among the major industrial countries was in Italy (4.4 per cent), and the lowest inflation was recorded in Japan (0.1 per cent). Among the advanced economies as a group, Israel recorded the highest inflation rate at 11.3 per cent.

The broad money growth in the advanced economies as a group increased from 4.4 per cent in 1995 to 5.0 per cent in 1996. However, the narrow money growth slid from 5.3 per cent in 1995 to 4.1 per cent in 1996. In the United States, narrow money declined by 4.6 per cent in 1996 (a decline of 1.6 per cent in 1995) and the broad money, however, increased at a higher rate of 4.6 per cent in 1996 (4.0 per cent in 1995). In the case of Japan, the growth rates of both the broad and narrow money decelerated from their 1995 levels. Narrow money decelerated sharply from 13.1 per cent in 1995 to 9.7 per cent in 1996 while broad money declined marginally from 3.3 per cent in 1995 to 3.2 per cent in 1996.

Developing Countries

In the developing countries (excluding the countries in transition), growth in output firmed up to 6.5 per cent in 1996 and it was fifth consecutive year of expansion of around 6 per cent. The median inflation rate slowed to about 7 per cent, the lowest rate in nearly a quarter century. The robust growth trends in the developing countries can be attributed to the success of an increasing number of countries in establishing and maintaining macroeconomic stability and in pursuing outward-oriented, market-based reforms that are enabling them to integrate rapidly into the global economic and financial system. The African countries made significant progress in 1996 and the output growth increased from 2.9 per cent in 1995 to 5.0 per cent in 1996 which was the best performance growth in two decades. Though the growth rate in Asian developing countries was the fastest in the developing countries group, it declined marginally from 8.9 per cent in 1995 to 8.2 per cent in 1996. Among the developing countries of Asia, China recorded the highest

growth at 9.7 per cent in 1996. The lone country which recorded negative growth in the group was Marshall Island. The Middle East and the Europe in the developing countries group achieved a growth of 4.8 per cent in 1996 as against 3.5 per cent achieved in 1995. Islamic Republic of Iran, Jordan, Qatar, Lebanon, Turkey and the United Arab Emirates recorded more than 5 per cent growth in 1996. The output growth in Western Hemisphere increased from 1.3 per cent in 1995 to 3.4 per cent in 1996. Countries like Mexico, Argentina, Antigua and Barbuda, and Uruguay showed a turnaround in their economic activity in 1996 with positive growth as against negative growth recorded in the previous year.

With decline in inflation in the Western Hemisphere followed by Middle East and Europe, the average consumer price inflation for developing countries as a group, declined significantly to 13.3 per cent in 1996 from 22.7 per cent in 1995. The inflation rate declined substantially in Iran, Iraq, Republic of Yemen in the Middle East and Europe group and the countries like Haiti, Honduras, Paraguay, Surinam and Uruguay in Western Hemisphere group. Argentina, Bolivia, Brazil, Nicaragua and Peru which recorded galloping inflation in the past have managed to control the inflation rate. Africa as a group witnessed declining trend in the inflation rate from 33.1 per cent in 1995 to 25.0 per cent in 1996.

Countries in Transition

The contraction in economic activity in the countries in transition appears to have bottomed out in 1996 after six years of deep decline and the output growth turned positive to 0.1 per cent from a negative 0.8 per cent growth recorded in the previous year. Output growth, although quite strong in Albania, Croatia, Armenia, Georgia and the Kyrgyz Republic, moderated somewhat in the Czech Republic, Estonia, Poland and Slovak Republic which mainly reflected weaker exports to the EU. Russian economy continued to register a negative output growth (2.8 per cent in 1996), although signs of turnaround are noticed in early 1997. The progress in the other economies of this region was mixed. In Ukraine, the lack of structural reforms continued to hamper the output growth.

Armenia, Azerbaijan, Georgia, Kazakshtan and the Kyrgyz Republic have maintained tight financial policies and proceeded with structural reforms which enabled them to benefit sustained growth and decline in inflation. The inflation fell to 40.0 per cent on an annual average basis in 1996, the lowest rate since the transition began, as against 119.0 per cent recorded in the previous year. The countries more advanced in the transition process have generally continued to make progress in macroeconomic stabilisation and structural reforms. In 1996, these countries broadly continued to pursue relatively tight monetary policies, and they were generally successful in further reducing inflation. At the same time, significant differences in individual country experiences were evident, related partly to differences in exchange rate regimes and monetary policy instruments and targets. For a number of countries less advanced in transition, efforts at macroeconomic stabilisation were rewarded in 1996 with sustained and significant improvement in growth performance and sharp declines in inflation, except for Russia and Ukraine. Positive growth emerged in Azerbaijan, Kazakshtan, and the former Yugoslav Republic of Macedonia, while Armenia and the Kyrgyz Republic recorded growth above 5 per cent and Georgia above 10 per cent.

International Trade and Payments

The expansion of world trade slowed down in 1996 following the exceptionally rapid growth in the previous two years. The decline in both absolute and relative output growth that occurred in 1995 exceeded expectation, taking the elasticity of trade with respect to output to its lowest level since the mid-eighties. In volume terms, the world trade in goods and services declined markedly from 9.2 per cent in 1995 to 6.0 per cent in 1996 whereas trade in goods slid from 9.9 per cent to 5.7 per cent during this period. Despite the growth of world output, sluggish demand in some of the advanced economies and moderate growth in a number of Asian countries appear to have contributed to the disproportionate slowing down of trade.

The export volume growth in advanced economies slipped to 5.5 per cent in 1996 from a

growth of 9.1 per cent in 1995. The import volume in advanced economies declined to 5.0 per cent in 1996 (9.2 per cent in 1995). The volume growth of exports in developing countries also declined to 7.4 per cent in 1996 as against 12.3 per cent growth in 1995. The import volume growth declined from 12.0 per cent in 1995 to 7.4 per cent in 1996.

The combined surplus in current account of the advanced economies declined to US \$ 7.4 billion in 1996 from US \$ 37.1 billion in 1995. The substantial widening of negative balance in the US current account from US \$ 129.1 billion in 1995 to US \$ 148.2 billion in 1996 is mainly attributed to the shrinking of current account surplus in the advanced economies group. Japan's current account surplus decreased from US \$ 114.4 billion in 1995 to US \$ 65.8 billion in 1996 due to shrinkage in trade surplus reflecting US-Japan trade pact to reduce the surplus. However, the current account surplus of the EU increased from US \$ 55.0 billion to US \$ 81.1 billion during this period.

The combined current account deficit of developing countries declined from US \$ 94.3 billion in 1995 to US \$ 80.3 billion in 1996, reflecting significant decline in deficit in most of the developing country groups. The current account deficit in per cent of exports of goods and services declined to 7.1 per cent in 1996 from 9.2 per cent recorded in 1995. The terms of trade of developing countries improved much in 1996 and the growth increased by 1.6 per cent from 0.6 per cent in 1995.

Developments in Exchange Rates of Major Currencies

Developments in the foreign exchange markets of the advanced economies have reflected changing perceptions of the near-term growth prospects for individual countries, low global inflation, and progress in fiscal consolidation in EU countries. Movements in exchange rate in 1996 have maintained the trend prevailing in 1995, with US dollar appreciating further against most other major currencies, although a marked acceleration in the appreciation of the pound sterling was evidenced during the earlier part of the year.

However, during the later part of 1996, the pound sterling rose against all other major currencies. The continued disparities in relative cyclical divergences among the major economies, which have been reflected in interest rate differentials given the subdued inflation environment in these countries, were attributed to the fluctuations in the exchange rate movements. The exchange rate mechanism (ERM) of the European Monetary System was generally free of significant tensions, with the Finnish markkaa joined and the Italian lire reentering the ERM.

The recent currency crises during 1997 in Thailand, Philippines, Indonesia, Malaysia, Czech and Slovak Republics are due to weak fundamentals like unsustainable current account deficit, sustained real effective exchange rate appreciation, the composition of external financing - particularly the short term private borrowing, and the fragile financial system. It would be worthwhile to underscore the need for utilisation of large capital flows in a way that ensures reasonable return without undermining the financial system. In this respect, it is clear that the 'bubble in asset prices' which attracted a major part of these flows was the prime culprit in triggering such a speculative attack. The rescue packages initiated by the international community led by IMF, for Thailand and Indonesia helped calming the currency markets in East Asian countries.

The currency turmoil which had a strong domino effect, recently spilled over to regions as far as South Korea and Hong Kong. However, a strong defence of the Hong Kong dollar by its monetary authority has restored stability in its currency, although the other affected currencies still remain volatile.

International Reserves

During 1996, the growth in global international reserves (excluding gold) decelerated to 14.7 per cent from 15.2 per cent in the previous year (Table X-15). The reserve holdings of the industrial countries recorded a growth of 12.5 per cent to SDR 548.8 billion in 1996 while the reserves of developing countries grew at the rate of 16.9 per cent to SDR 540.5

billion.

Among the industrial countries, growth in reserves was maximum in respect of Canada, followed by Japan. Among the developing countries, the highest accumulation of reserves was recorded in People's Republic of China (SDR 67.6 billion) followed by Taiwan Province of China (SDR 61.2 billion) and Singapore (SDR 53.4 billion.)

Among the components of international non-gold reserves, foreign exchange reserves totalled SDR 1,032.5 billion at end-1996, a growth of 15.6 per cent over the year. During 1996, the foreign exchange reserves of industrial countries increased by SDR 60.6 billion or 13.8 per cent while those of developing countries increased by SDR 78.3 billion or 17.3 per cent.

The reserve position in the Fund for all member countries increased by SDR 1.3 billion or 3.6 per cent in 1996 as against an increase of SDR 4.9 billion or 15.6 per cent in 1995.

External Debt Situation

By the end of 1996, the total external debt of developing countries (excluding IMF credit) reached US \$ 1,757.4 billion, registering an increase of 3.5 per cent during the year (Table X-16). The solid and steady economic expansion in the developing countries as a group and the gains achieved through stabilisation and reforms in the transition countries resulted in further easing of the overall burden of external debt in 1996 for the fifth consecutive year.

During 1996, almost all the developing country groups witnessed increases in their total external debt. The increase in debt was the highest for Asia (US \$ 30.3 billion), followed by the Western Hemisphere (US \$ 26.0 billion).

The ratio of total debt to export of goods and services of the developing countries maintained its declining trend, coming down to 155.0 per cent in 1996 from 164.9 per cent in 1995. The debt to GDP ratio in respect of all developing countries also declined from 36.4 per

cent in 1995 to 34.1 per cent in 1996.

The debt service ratio for the developing countries as a group, declined marginally to 22.4 per cent in 1996, from 22.5 per cent in 1995. Across regions, this ratio worsened further for Africa and Western Hemisphere. The ratio improved slightly for Asia, the Middle East and Europe.

During 1996, Paris Club creditors made further progress with debt restructuring under the Naples terms. Benin, Bolivia, Burkina Faso, Guyana, Mali and Uganda have already been granted a stock-of-debt operation by the Paris Club on Naples terms in 1996 which are considered to have completed the first stage of Heavily Indebted Poor Countries (HIPC) initiative. The Fund and the Bank have approved in principle assistance under the HIPC initiative for Uganda and the Executive Boards of the Fund and the Bank have also had preliminary discussions on eligibility for Bolivia, Burkina Faso and Cote d'Ivoire. Guyana has established an impressive track record of performance under six successive annual Fund-supported programmes and under the World Bank and the Inter-American Development Bank (IDB) structural adjustment credits which facilitated Guyana to fulfill the necessary conditions for eligibility under the HIPC initiative. A number of countries have also completed debt and debt-service agreements with commercial banks, and substantial progress has been made by some other countries towards resolving their commercial bank debt problems.

International Monetary Fund

Use of IMF Resources

The Fund approved 28 new stand-by, extended and ESAF arrangements in 1996-97, with total resource commitments of SDR 5.3 billion. As on April 30, 1997, 14 stand-by arrangements, 11 extended arrangements and 35 ESAF arrangements were in effect. Total disbursements by the IMF (i.e. members purchases) out of the General Resources Account (GRA) decreased substantially to SDR 4.9 billion during 1996-97 from the 1995-96 level of SDR 10.8 billion.

The gross disbursements under short-term stand-by arrangements declined substantially to SDR 1.8 billion in the financial year 1996-97 from SDR 9.1 billion during 1995-96. Drawings under extended arrangements, however, rose to SDR 2.8 billion from SDR 1.6 billion. Drawings under the Compensatory and Contingency Financing Facility (CCFF) increased to SDR 0.28 billion from SDR 9 million in 1995-96. Second year in succession, Russia was the largest user of Fund resources during 1996-97, drawing SDR 2.1 billion in monthly purchases under an extended arrangement. Ukraine made monthly drawings totalling SDR 0.6 billion under a stand-by arrangement. Other large users of Fund resources were Algeria, Venezuela, Argentina, Bulgaria and Peru.

Gross disbursements to low income countries at concessional terms under the structural Adjustment Facility (SAF) and ESAF arrangements decreased to SDR 0.7 billion during 1996-97 from SDR 1.48 billion a year ago.

Total repurchases in the GRA during 1996-97 amounted to SDR 6.67 billion (Table X-17). The actual level of repurchases in 1996-97 was higher than the scheduled level of SDR 3.9 billion owing mainly to voluntary advance repurchases made by Mexico (SDR 2.6 billion) and Hungary (SDR 140 million).

Taking into account both purchases and repurchases, Fund credit outstanding in the GRA declined for the first time in six years in 1996-97, from SDR 36.3 billion as on April 30, 1996 to SDR 34.5 billion as on April 30, 1997. As at end - April 1997, total Fund credit and loans outstanding were SDR 40.5 billion which included SDR 34.5 billion from the GRA, SDR 1.2 billion from Special Disbursement Account, SDR 4.6 billion under SAF and ESAF arrangements and SDR 90 million under Trust Fund Loans.

Eleventh General Review of Quotas

The work on the Eleventh General Review of Quotas is to be concluded in March, 1998. The Interim Committee held on September 21, 1997 agreed to increase the overall size of the present

quotas by 45 per cent. Accordingly, the present size of the Fund's quotas at SDR 144.46 billion would be increased to SDR 209.46 billion. The distribution of the increased quotas would be predominantly equi-proportional; 75 per cent of the overall increase would be distributed in proportion to present quotas; 15 per cent of the overall increase would be distributed in proportion to members' shares in calculated quotas based on 1994 data, so as to better reflect the relative economic positions of members; and the remaining 10 per cent of the overall increase would be distributed among those members whose present quotas are out of line with their positions in the world economy, of which 1 per cent of the overall increase would be distributed among five members whose current quotas are far out of line with their relative economic positions, and which are in a position to contribute to the Fund's liquidity over the medium term.

SDR Allocation and SDR Interest Rate

The Special Drawing Right (SDR) is an international reserve asset created by the IMF to supplement existing reserve assets and allocated to its members participating in the SDR Department. SDR is also unit of account. Total allocation during the period 1970-81 aggregated to SDR 21.4 billion. Since 1981, no SDR allocation was made. Recently, the Fund has mooted a 'Special Allocation' of SDR instead of a general allocation. As some of the Fund members either did not participate in the past SDR allocations or joined the Fund subsequent to the last allocation, the inequities in the share of SDR allocation as between the members had arisen. To eliminate the inequities, a special allocation or one time allocation of SDR is advocated. This would, however, require an amendment to the Articles of Agreement. The Articles provide only for a general allocation of SDR based on long-term global need. The proposal regarding special allocation of SDR at a common benchmark ratio of 29.32 per cent of the quota was unanimously approved by all the members of the Board. This special allocation would effectively double the amount of SDR that have been allocated to date. After the special allocation of SDR is effected, total SDR allocation would amount to SDR 42.8 billion. India is likely

to get an additional allocation of around SDR 214 million.

The interest/remuneration rate on the SDR has been calculated weekly as a weighted average of interest rates on selected short-term instruments in the five currencies (US, UK, France, Germany and Japan) which are included in the SDR valuation basket. In tandem with the movements in short-term rates in these countries, the SDR interest/remuneration rate, declined from an average of 5.00 per cent for the quarter ended March 1995 to 3.92 per cent for the quarter ended June 1996. For the quarter ended March 1997, the SDR interest rate, on an average, stood at 3.95 per cent, increased to 4.00 per cent for the quarter ended June 1997 (Table X-18).

Rate of Charge, Overdue Obligations and Burden Sharing

At the beginning of the financial year, the Fund sets the rate of charge on the use of its resources as a proportion of the weekly SDR interest rate in order to achieve a target amount of net income to add to its reserves. This method of setting the rate of charge is designed to ensure that the Fund's operational income closely reflects its operational costs, which depend largely on the SDR interest rate, thus minimising the likelihood of the need for a discrete increase in the rate of charge during the financial year. During the fiscal year 1996-97 (May 1996 - April 1997), the basic rate of charge for the use of the Fund's resources was fixed at 109.4 per cent of the SDR interest rate in order to achieve a net income target of SDR 94 million. After actual net income in excess of the target of SDR 11 million was refunded, the proportion of the rate of charge to the SDR interest rate for 1996-97 was reduced to 108.6 per cent. The average rate of charge on the use of the Fund resources in 1996-97 was 4.29 per cent before adjustment for burden sharing (Table X-19).

The Fund pays remuneration to a member country on the amount by which its norm for remuneration exceeds the Fund's holdings of its currency, excluding holdings that reflect the member's use of Fund credit. The rate of remuneration, before the adjustments under the

burden-sharing mechanism, is set equal to the SDR interest rate, which averaged 3.92 per cent in 1996-97.

The level of outstanding financial obligations overdue to the Fund by six months or more increased slightly in 1996-97 to SDR 2.21 billion from SDR 2.17 billion in 1995-96. Seven members viz., Afghanistan, Iraq, Liberia, Somalia, Sudan Federal Republic of Yugoslavia, and Democratic Republic of Congo, were in arrears to the Fund, overdue by six months or more.

Borrowings by the Fund

The Fund has had no outstanding borrowings since it repaid all its remaining debt to lenders in March 1996. The Fund's ability to borrow when supplementary resources are needed to forestall or cope with an impairment of the international monetary system was strengthened by the Board's adoption on January 27, 1997 of a decision on the New Arrangement to Borrow (NAB). The NAB does not replace the existing General Arrangement to Borrow (GAB), which will remain in force. The amount potentially available under the GAB will remain unchanged at SDR 17 billion, plus SDR 1.5 billion under the associated agreement with Saudi Arabia. The amount potentially available under the NAB will be up to SDR 34 billion, which will also be the maximum combined amount available under the GAB and the NAB. As the Fund remains a quota-based institution, it is also authorised to borrow currencies from sources other than the GAB or NAB, in order to provide temporary supplements to its usable quota resources if needed.

World Bank Group*

The performance of World Bank during fiscal 1997 (July 1996 to June 1997) marked by greater selectivity, strengthened partnerships, emphasis on specific needs of the clients, increased result orientation, cost-effectiveness, and a strong commitment to financial integrity. Poverty reduction continues to be the Bank's first priority. Towards this goal the Bank establishes Poverty Reduction and Economic management (PREM)

network. The newly constituted Poverty Sector Board within PREM is responsible for guiding the implementation of the Bank's poverty reduction strategy. One of the year's most significant achievements was the initiative to address the debt of the HIPC's, which combines powerful partnerships to meet new needs, using non-lending and lending services with funding drawn not only from the Bank but from other partners. Uganda was the first country to benefit from this initiative.

The high level of non-governmental organisations' (NGO) participation in Bank-supported development activities was maintained, with 47 per cent of operations approved in fiscal 1997 involving NGO participation in some capacity. To further the NGO contributions to Bank-supported development work at the field level, NGO liaison staff have been appointed in 72 resident missions.

Human Development (HD) plays a crucial role in the Bank's overall strategy to reduce poverty. In fiscal 1997, the Bank focused on (a) lending and increasingly, non-lending services to support population, health, nutrition, and education and (b) efforts to improve the quality of Bank services by working more closely with clients, collaborating with partners, and establishing a human development network to strengthen the Bank's ability to provide quality services. By the end of fiscal 1997, the cumulative lending by the Bank for HD totalled \$ 41.9 billion.

International Bank for Reconstruction and Development (IBRD)

The IBRD is now owned by the governments of 180 countries. Lending commitments of the IBRD during fiscal 1997 declined by 0.9 per cent to US \$ 14,525 million as against a commitment of US \$ 14,656 million during the previous fiscal year. However, the gross disbursements by the IBRD increased by 4.7 per cent to US \$ 13,998 million during the fiscal 1997 as compared to US \$ 13,372 million disbursed during the fiscal 1996 (Table X-20). The net disbursements to all borrowers by the IBRD increased by 72.6 per cent to US \$ 2,094 million during the fiscal 1997 as against the net disbursements of US \$ 1,213

* Source : World Bank Annual Report, 1997.

million during the previous fiscal year.

The three largest borrowers from IBRD were China (US \$ 2,490 million), Russia (US \$ 1,715.6 million) and Argentina (US \$ 1,479.5 million). India received US \$ 626.5 million in the fiscal 1997 (4.3 per cent of total IBRD loans) as compared with US \$ 776.6 million (5.4 per cent) in the fiscal 1996. The sector-wise details of IBRD loans to India are indicated in Table X-21.

At the end of the fiscal 1997, the IBRD's liquidity totalled US \$ 18,107 million as compared with US \$ 15,898 million in 1996. The IBRD employed many available market instruments to raise medium and long term (MLT) debt of US \$ 15.1 billion during 1997, to increase its outstanding short-term debt by US \$ 3.3 billion, to prepay or buy back US \$ 1.8 billion of its securities, and to transform the currency or interest rate characteristics of another US \$ 27.4 billion of its outstanding liabilities.

On June 30, 1997, the total subscribed capital of IBRD stood at US \$ 182.4 billion or 97 per cent of the authorized capital of US \$ 188 billion. During fiscal 1997, twenty seven countries subscribed an aggregate US \$ 1.8 billion to the General Capital Increase (GCI). Total subscriptions under the 1988 GCI were US \$ 79.1 billion from 157 countries.

On June 30, 1997, the reserve position was US \$ 16.3 billion as against US \$ 17.1 billion on June 30, 1996. The reserves-to-loan ratio declined marginally to 14.0 per cent from 14.1 per cent in 1996.

International Development Association (IDA)

Though, all members of the IBRD are eligible to join IDA, only 159 countries have joined as of the fiscal 1997. IDA provides credit to the poorest countries, mainly those with an annual per capita gross national product of US \$ 785 or less. By this criterion, about 70 countries are eligible for credit. During the fiscal 1997, the lending commitments of IDA stood at \$ 4,622 million, a decrease of 32.6 per cent from \$ 6,861 million in the previous year. Disbursements from IDA amounted to

\$ 5,979 million, an increase of 1.6 per cent over \$ 5,884 million in fiscal 1996. India was the largest borrower of IDA credit (\$ 903 million), followed by China (\$ 325 million) and Bangladesh (\$ 321.2 million). The sector-wise composition of IDA loans to India is shown in Table X-22.

IDA is mainly funded by donor contributions and "replenished" by an agreement among donors every three years. Fiscal 1997 was the first year of the 11th replenishment of IDA (IDA-11), the size of which was agreed upon at SDR 14.4 billion, including the Interim Trust Fund (ITF) administered by IDA. The commitment authority of IDA-11 comprises SDR 2.2 billion from donor contributions to the ITF, SDR 1.3 billion from the unreleased portion of contributions carried over from the IDA-10 period, and SDR 6.2 billion from other resources. Total contribution received at the end of fiscal 1997 amount to SDR 1,971 million.

International Finance Corporation (IFC)

The IFC, a member of World Bank group, is the largest multilateral source of loan and equity financing for private sector projects in the developing world. Its share capital is provided by its 172 member countries, which collectively determine the policies and activities. Strong shareholder support and a substantial paid up capital base have allowed the IFC to raise most of the funds for its lending activities through its 'AAA' rated bond issues in the international financial markets.

The IFC approved a total of \$ 6.7 billion financing during fiscal year 1997 (July 96 - June 97), of which \$ 3.4 billion was mobilised through loan syndications, underwriting, and private placements as compared with \$ 8.1 billion and \$ 4.9 billion, respectively during fiscal year 1996. Financing approved for IFC's own account included \$ 2.6 billion in loans, \$ 673 million in equity and quasi-equity investments, and \$ 84 million in guarantees, swaps, and standby arrangements.

The IFC approved 276 projects in 84 countries in the fiscal 1997, up from 264 projects in 76 countries in the previous fiscal year. The IFC invested in eight new countries, including

Tajikistan, Moldova, and Eritrea. In Africa, the IFC continued to focus on expanding support through technical assistance services, capital market work, and direct support to small industry. In Central Asia, the Middle East, and North Africa, the IFC's operational activities focused on supporting efforts to liberalise economies and to foster a dynamic private sector. In Asia, its operational emphasis increasingly shifted to new sectors and markets and to countries with less access to private capital. In Latin America and the Caribbean, it continues to focus on encouraging economic development through domestic private investment in financial institutions and small and medium enterprises. In Europe, it continued to work towards its central objective of advancing the private sector through environmentally sustainable investments.

During the fiscal 1997, total project financing by the IFC to India on various projects accounted for US \$ 212.31 million, comprising IFC loan (\$ 148.0 million), IFC equity (\$ 21.81 million), quasi-equity (\$ 10.0 million), syndications (\$ 30.0 million) and others (\$ 2.5 million). The total Project cost of these projects worked out US \$ 1,014.9 million.

Multilateral Investment Guarantee Agency (MIGA)

The number of member countries of MIGA increased from 134 to 141 in the fiscal 1997. Nineteen countries are in the process of fulfilling membership requirements. MIGA offers guarantees to cover (a) currency transfer restrictions, (b) expropriation in the form of acts by a host government, (c) war and civil disturbances, and (d) breach of contract by a host government.

During the fiscal 1997, MIGA signed seventy guarantee contracts, involving gross maximum contingent liabilities assumed of \$ 614 million which increased the maximum contingent liability outstanding at the end of the fiscal to \$ 2.5 billion. These contracts facilitated investments in 25 developing countries and generated \$ 26.2 million in gross earnings from premiums and commitment fees. MIGA's portfolio outstanding at the end of the fiscal 1997 was \$ 2.5 billion. In addition, MIGA

signed five commitment letters for a total \$ 68.9 million in potential coverage. MIGA issued its first guarantees in 11 countries, bringing the number of developing countries that have benefited from MIGA-insured projects to 52. MIGA continued its efforts to build a sound, diversified guarantee portfolio paying special attention to country and sector distributions as well as capacity constraints. In terms of country diversification, Brazil accounted for the highest share of 8.0 per cent at the end of fiscal 1997 followed by Peru (7.3 per cent) and Argentina (6.8 per cent).

MIGA's Investment Marketing Services and Legal Departments offer technical assistance and legal advisory services to developing member countries and economies in transition, to help them mobilise increased flows of productive foreign investment. During 1997, 92 countries benefited directly by the technical advice of MIGA.

World Trade Organisation (WTO)

The Dispute Settlement Body (DSB) of the WTO has become more active in 1997. Up to August 1997, it received 100 trade disputes for resolution. This works out to 40 disputes a year which reflects a high degree of confidence reposed by members in the improved dispute settlement mechanism of the new organisation. The developing countries have filed 31 cases so far and significantly benefited from the dispute settlement mechanism.

The WTO and the IMF signed an agreement in December 1996 to establish a new mechanism by which the institutions can address each other. It also reflects and builds on a long-standing successful relationship that has always been friendly and largely informal. Further, the WTO and the World Bank moved to strengthen their relations and signed an agreement in April 1997 for future co-operation and collaboration in view of far reaching globalisation of economic activity that has resulted in an ever-growing interdependence among different areas of economic policy. These agreements establish new grounds for cooperation and coherence in global economic policy making, an area where the WTO, the IMF and the World Bank have distinctive roles.

Developments Relating to Exchange Control

Several exchange control restrictions relating to both current and capital transactions were liberalised during the year. Various measures were also instituted to further deepen and widen the exchange market and to carry forward institutional developments.

Non-Resident Indians (NRIs) were allowed to avail rupee loans from Authorised Dealers (ADs) against securities/shares/immovable properties (other than agricultural /plantation property or farm houses) held in India subject to certain conditions. ADs were permitted to offer forward cover in respect of foreign currency loans raised in any form after obtaining final approval from the Reserve Bank and in respect of GDR issues, once the issue price is finalised after completion of all formalities. Outright cancellation of these contracts before the commencement of the draw-down would, however, require prior approval of the Reserve Bank. ADs were also permitted to provide forward cover in respect of net remittable surplus freight collections due to foreign shipping companies for a period not exceeding two months from the date of submission of the remittance application to Reserve Bank, subject to certain conditions. Substitution of an import or export order under forward contract with another was permitted, irrespective of whether the original order was cancelled or not.

ADs were permitted to offer (a) Interest rate swaps, (b) Currency swaps, (c) Coupon swaps, (d) Purchase of interest rate caps/collars and (e) Forward rate agreements to their corporate clients either by booking the transaction overseas or on a back-to-back basis, without prior approval of Government or Reserve Bank. Payment of upfront premia as well as other charges incidental to the hedge transaction could also be effected by ADs without prior approval of the Reserve Bank. ADs were permitted to offer to their customers cost-effective and risk-reduction option strategies like *Range Forwards*, *Ratio Range Forwards*, etc. subject to the condition that there is no net inflow of premium to the customers. Corporates have been allowed to freely book and cancel options. The authorised dealers are permitted to use FCNR(B)

funds to lend to their resident constituents for meeting their foreign exchange as well as rupee needs. However, banks should not initiate swaps to generate funds for such lendings. Banks have been given the freedom to decide the tenor as well as interest rates on such lendings. ADs were allowed to remit dividend/interest on shares / debentures/bonds held by non-residents on repatriation basis subject to fulfillment of the prescribed terms and conditions. Foreign currency borrowers were permitted to open foreign currency accounts with banks either abroad or in India, depending upon the borrower's choice with certain conditions.

With a view to liberalising the existing facility for investments by NRIs in India, it was decided to allow investments by NRIs in establishment of schools and colleges in India with certain regulations. The limit on legal expenses of US \$ 10,000 towards import transactions was removed subject to certain terms and conditions. The limit of US \$ 5,000 for bills received for collection in respect of postal imports by post parcel was removed. The limit of Rs. 25 lakhs for remittances towards import of designs and drawings were also removed. ADs were permitted to allow remittances towards the actual cost of designs and drawings imported by their importer clients subject to fulfillment of prescribed conditions. ADs were permitted to release exchange towards initial expenses of up to the amount not exceeding US \$ 25,000 or its equivalent for opening of non-trading offices abroad and up to US \$ 10,000 or its equivalent for posting representatives abroad, by Indian firms/companies. It was decided to remove these monetary ceilings and accordingly ADs were permitted to release exchange towards initial expenses for the above purpose up to the actual expenses incurred, subject to the applicant satisfying the eligibility criteria. ADs were allowed remittance of actual monthly maintenance expenses incurred/to be incurred by the correspondent /representative posted abroad by the Indian newspapers/news agencies/periodicals as per the terms and conditions of their appointment irrespective of the country of posting and nature of appointment subject to fulfillment of other prescribed conditions. ADs were

permitted to effect transfer of funds between FCNR accounts of different persons maintained with the same AD or other ADs for any purpose, subject to certain conditions. Full-fledged money changers and restricted money changers were allowed to sell *Indian rupees* to foreign tourists against International Credit Cards. Full-fledged money changers were also allowed to (i) freely purchase encashed travelers cheques from other money changers and ADs in foreign exchange or their Exchange Bureau tendered by the latter and (ii) export travelers cheques purchased/acquired by them through ADs. In the context of hedging of loan exposures, it was clarified that ADs could offer a combinations of derivatives with open components built in provided there was no net inflow of premium direct or implied.

FII's were allowed to invest in Government of India dated securities subject to specified limits. The guidelines for Indian direct investment in joint ventures/ wholly owned subsidiaries abroad which came in to effect in August 1995 were modified. ADs were permitted to (i) borrow up to US \$ 10 million from their overseas offices/ correspondents without any conditions on end use and repayment of such borrowings and (ii) invest funds in overseas money market instruments up to US \$ 10 million. With a view to imparting flexibility to corporates and improving liquidity in the forward markets for longer periods (beyond six months) ADs were

allowed to book forward cover for exporters and importers without the requirement of documentary evidence of a firm order or letter of credit, but on the basis of declaration of exposure supported by past performance and business projections. ADs were allowed to run a swap book within their open positions/gap limits and arrange forex-rupee swaps between corporates without prior approval of the Reserve Bank. Residents were allowed to avail the interest free loans for personal purposes or for carrying on business activities on repatriation basis under the automatic approval route within a limit of US\$ 250,000 or its equivalent with a maturity of 7 years subject to certain conditions.

In the Monetary and Credit Policy for the second half of 1997-98 several restrictions on capital transactions were liberalised. Securities and Exchange Board of India (SEBI) registered Indian fund managers, including mutual funds were allowed to invest in overseas markets subject to an individual cap of US \$ 50 million and an overall cap of US \$ 500 million. Exporters and exchange earners were permitted to retain 50 per cent of foreign exchange earnings in the EEFC account. ADs were permitted to undertake forfaiting of medium term export receivables. Banks were allowed to borrow / lend in the overseas money market up to 15 per cent of their unimpaired Tier-1 capital subject to restrictions relating to gap limits.

Table X-1 : External Sector : Key Indicators

Item	Quick Estimates 1996-97	Preliminary Actuals					
		1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
1	2	3	4	5	6	7	8
A. Indicators of Integration and Openness							
i) Exports/GDP (%)	9.5	9.9	8.3	8.8	7.8	7.3	6.2
ii) Imports/GDP (%)	13.0	13.3	11.8	10.4	10.2	8.3	9.4
iii) Current Receipts @ / GDP (%)	15.6	15.2	13.8	13.0	11.4	10.9	8.5
iv) Foreign Investment/GDP (%)	1.5	1.4	1.6	1.6	0.2	0.1	0.03
v) Foreign Investment/Exports (%)	15.9	14.4	17.9	18.7	3.1	0.8	0.6
B. Invisibles Account							
i) Invisible Receipts/GDP (%)	6.2	5.4	5.1	4.4	3.8	3.8	2.5
ii) Invisible Payments/GDP (%)	3.8	3.7	3.3	3.3	3.2	3.1	2.6
iii) Invisible Net/GDP (%)	2.4	1.7	1.9	1.1	0.6	0.7	-0.1
C. Indicators of Sustainability							
i) Import Purchasing Power of Exports (Base: 1978-79=100)	..	530.0	446.0	373.1	283.8	249.3	212.2
Annual Growth Rate (%)	..	(18.8)	(19.5)	(31.5)	(13.8)	(17.5)	(0.2)
ii) Exports Volume Growth (%)	..	31.3	13.7	15.5	6.9	7.5	11.0
iii) Current Receipts Growth (%)@	12.0	18.2	24.9	21.1	1.7	7.2	6.6
iv) Current Receipts @ / Current Payments (%)	93.1	88.9	91.7	95.6	85.4	95.2	71.5
v) CAD/GDP (%)	-1.0	-1.8	-1.1	-0.4	-1.8	-0.4	-3.2
vi) Debt-GDP Ratio (%)	26.0	28.7	32.7	35.9	39.8	41.0	30.4
vii) Debt-Service ratio(%)	25.4	24.3	26.2	25.6	27.5	30.2	35.3
viii) Liability Service ratio (%)	26.2	24.7	26.6	25.9	27.9	30.6	35.6
ix) Import Cover of Reserves (in months)	6.9	6.1	8.5	8.6	5.1	5.6	2.7

@ Excluding official transfers.

.. Not Available.

Table X-2 : India's Overall Balance of Payments

Item	(Rupees crore)							(US \$ million)						
	Quick Estimates	Preliminary Actuals						Quick Estimates	Preliminary Actuals					
		1996-97	1995-96	1994-95	1993-94	1992-93	1991-92		1990-91	1996-97	1995-96	1994-95	1993-94	1992-93
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
A. Current Account														
1. Exports, f.o.b.	119876	108481	84328	71146	54762	44922	33153	33768	32311	26855	22683	18869	18266	18477
2. Imports, c.i.f.	163953	146542	112748	83868	72000	51417	50086	46184	43670	35904	26739	24316	21064	27915
3. Trade Balance	-44077	-38061	-28420	-12722	-17238	-6495	-16933	-12416	-11359	-9049	-4056	-5447	-2798	-9438
4. Invisibles, net	30835	18454	17837	9086	4474	4258	-435	8686	5460	5680	2898	1921	1620	-242
(a) Non factor service	2133	-662	1884	1677	2698	3134	1758	601	-186	602	535	1129	1207	980
(b) Investment Income	-13844	-10716	-10772	-10259	-10503	-9397	-6732	-3900	-3205	-3431	-3270	-3423	-3830	-3752
(c) Private Transfers	41119	28660	25416	16513	11226	9381	3711	11583	8506	8093	5265	3852	3783	2069
(d) Official Transfers	1427	1172	1309	1155	1053	1140	828	402	345	416	368	363	460	461
5. Current Account Balance	-13242	-19607	-10583	-3636	-12764	-2237	-17368	-3730	-5899	-3369	-1158	-3526	-1178	-9680
B. Capital Account														
1. External Assistance, net	4022	3356	4798	5964	5750	7394	3965	1133	883	1526	1901	1859	3037	2210
a) Disbursements	10881	10101	10025	10904	10173	10714	6095	3065	2933	3191	3476	3302	4366	3397
b) Amortisation	-6859	-6745	-5227	-4940	-4423	-3320	-2130	-1932	-2050	-1665	-1575	-1443	-1329	-1187
2. Commercial Borrowings,	805	4548	3238	1905	-1094	3807	4035	227	1275	1030	607	-358	1456	2248
a) Disbursements	23607	14440	13041	9137	3583	7852 #	7630	6650	4252	4152	2913	1167	3133 #	4252
b) Amortisation	-22802	-9892	-9803	-7232	-4677	-4045	-3595	-6423	-2977	-3122	-2306	-1525	-1677	-2004
3. Short Term Credit, net	2957	94	1236	-2412	-3174	-1277	1929	833	49	393	-769	-1079	-515	1075
4. NRI Deposits, net	12208	3821	539	3780	6097	1008	2756	3439	1103	172	1205	2001	290	1536
5. Foreign Investment, net	19021	15624	15087	13283	1700	340	184	5358	4604	4807	4235	557	133	103
6. Rupee Debt Service	-2808	-3105	-3090	-3302	-2335	-2785	-2140	-791	-952	-983	-1053	-878	-1240	-1193
7. Other Capital, Net @	1257	-8780	6934	11197	4937	1024	2168	326	-2284	2211	3569	834	616	1209
8. Total Capital Account	37462	15558	28742	30415	11881	9511	12897	10525	4678	9156	9695	2936	3777	7188
C. Overall Balance [A(5)+B(8)]	24220	-4049	18159	26779	-883	7274	-4471	6795	-1221	5787	8537	-590	2599	-2492
D. Monetary Movements (E+F)	-24220	4049	-18159	-26779	883	-7274	4471	-6795	1221	-5787	-8537	590	-2599	2492
E. IMF, Net	-3461	-5749	-3585	587	3363	2077	2178	-977	-1715	-1143	187	1288	786	1214
F. Reserves and Monetary Gold (Increase, Decrease +)	-20759	9798	-14574	-27366	-2480	-9351	2293	-5818	2936	-4644	-8724	-698	-3385	1278

Includes India Development Bonds.

@ Includes advance payments, delayed export receipts and errors and omission.

Note : 1. In accordance with the provisions of the IMF's Balance of Payments manual (5th edition), gold purchased from the Government of India by the RBI has been excluded from the BOP statistics. Data for the earlier years has, therefore, been amended by making suitable adjustments in 'Other Capital - Receipts' and 'Foreign Exchange Reserves'. Similarly, Item SDR allocation has been deleted from the table.

2. In accordance with the recommendations of the Report of the 'Technical Group on Reconciling Balance of Payments and DGCI&S Data on Merchandise Trade', Imports in this table include gold / silver brought in by Indians returning from abroad. Such Imports are shown under merchandise trade with a contra entry under private transfers.

Table X-3 : Invisibles by Category of Transactions

(US \$ million)

Item	Quick Estimates	Preliminary Actuals					
	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
1	2	3	4	5	6	7	8
I. Non-Factor Service, net	601	-186	602	535	1129	1207	980
Receipts	8922	7357	6135	5264	4730	5022	4551
Payments	8321	7543	5533	4729	3601	3815	3571
i) Travel, net	1475	1546	1547	1725	1713	1512	1064
Receipts	3025	2713	2365	2222	2098	1977	1456
Payments	1550	1167	818	497	385	465	392
ii) Transportation, net	-95	-158	-167	-332	-503	-350	-110
Receipts	2230	2011	1696	1433	982	939	983
Payments	2325	2169	1863	1765	1485	1289	1093
iii) Insurance, net	25	36	-29	-71	12	-18	23
Receipts	200	179	152	124	158	108	111
Payments	175	143	181	195	146	126	88
iv) G.N.I.E., net	-185	-205	-155	-123	-25	-102	-158
Receipts	50	13	10	30	75	17	15
Payments	235	218	165	153	100	119	173
v) Miscellaneous, net	-619	-1405	-594	-664	-68	165	161
Receipts	3417	2441	1912	1455	1417	1981	1986
Payments	4036	3846	2506	2119	1485	1816	1825
II. Investment Income, net	-3900	-3205	-3431	-3270	-3423	-3830	-3752
Receipts	1279	1429	886	395	376	221	368
Payments	5179	4634	4317	3665	3799	4051	4120
III. Private Transfer, net	11583	8506	8093	5265	3852	3783	2069
Receipts	11603	8539	8112	5287	3864	3798	2083
Payments	20	33	19	22	12	15	14
IV. Official Transfers, net	402	345	416	368	363	460	461
Receipts	402	351	421	373	364	461	462
Payments	0	6	5	5	1	1	1
Invisibles, net (I to IV)	8686	5460	5680	2898	1921	1620	-242
Receipts	22206	17676	15554	11319	9334	9502	7464
Payments	13520	12216	9874	8421	7413	7882	7706

Note : Please see note to Table X-2.

Table X-4 : Composition of Capital Account Inflows

Item	Preliminary Actuals						Quick Estimates
	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
1	2	3	4	5	6	7	8
Total Capital Inflows @(net) (US \$ million)	7188	3777	2936	9695	9156	4678	10525
<i>of which: (in per cent)</i>							
1. Non-debt Creating Inflows:	1.4	3.6	14.3	43.6	52.5	100.4	50.7
(a) Foreign Direct Investment	1.3	3.5	8.1	6.0	13.4	41.9	23.6
(b) Portfolio Investment	0.1	0.1	6.2	37.6	39.1	58.5	27.1
2. Debt Creating Inflows	81.8	85.6	44.1	19.5	23.4	56.0	45.9
(a) External Assistance	30.7	77.7	48.4	19.6	16.7	21.6	10.7
(b) External Commercial Borrowings #	31.3	40.0	-9.2	6.3	11.3	29.2	2.2
(c) Short Term Credits	15.0	-13.4	-26.7	-7.9	4.3	0.6	7.9
(d) NRI Deposits # #	21.4	10.6	51.3	12.4	1.9	24.6	32.6
(e) Rupee Debt Service	-16.6	-29.3	-19.7	-10.9	-10.8	-20.0	-7.5
3. Other Capital	16.8	10.8	41.6	36.9	24.1	-56.4	3.4
4. Total (1 to 3)	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Refer to medium-and long-term borrowings.

Including NR(NR) RD.

@ Including errors and omissions.

Table X-5 : External Assistance (Fiscal Years)

(Rupees crore)

Items	AUTHORISATION			UTILISATION			DEBT SERVICE PAYMENTS			Net inflow of aid (7-10)
	Loans	Grants	Total (2+3)	Loans	Grants	Total (5+6)	Amortisation	Interest payments	Total debt services	
I	2	3	4	5	6	7	8	9	10	11
1. a) 1980-81	3,237@ (4,094)	76 (96)	3,313 (4,190)	1,228@ (1553)	397 (501)	1,625 (2,054)	518 (655)	286 (362)	804 (1,017)	821 (1,038)
b) 1981-82	2,767 (3,085)	207 (231)	2,974 (3,316)	1,519 (1,694)	346 (386)	1,865 (2,080)	538 (600)	311 (347)	849 (947)	1,016 (1,133)
c) 1982-83	2,550 (2,638)	423 (438)	2,973 (3,076)	1,909 (1,975)	343 (355)	2,252 (2,330)	587 (607)	360 (372)	947 (979)	1,305 (1,351)
d) 1983-84	1,701 (1,645)	387 (374)	2,088 (2,019)	1,962 (1,898)	303 (293)	2,265 (2,191)	616 (596)	417 (403)	1,033 (999)	1,233 (1,192)
e) 1984-85	4,409 (3,709)	471 (396)	4,880 (4,105)	1,962 (1,650)	397 (334)	2,359 (1,984)	647 (544)	529 (445)	1,176 (989)	1,183 (995)
f) 1985-86	5,337 (4,362)	313 (256)	5,650 (4,618)	2,493 (2,038)	443 (362)	2,936 (2,400)	776 (634)	591 (483)	1,367 (1,117)	1,569 (1,283)
g) 1986-87	5,730 (4,484)	430 (336)	6,160 (4,820)	3,176 (2,485)	429 (336)	3,605 (2,821)	1,176 (920)	853 (668)	2,029 (1,588)	1,576 (1,233)
h) 1987-88	8,203 (6,327)	1,062 (819)	9,265 (7,146)	4,574 (3,528)	478 (368)	5,052 (3,896)	1,581 (1,219)	1,043 (804)	2,624 (2,023)	2,428 (1,874)
i) 1988-89	12,856 (8,877)	214 (148)	13,070 (9,025)	4,739 (3,272)	566 (391)	5,305 (3,663)	1,646 (1,136)	1,300 (898)	2,946 (2,034)	2,359 (1,629)
j) 1989-90	10,106 (6,070)	720 (433)	10,826 (6,503)	5,138 (3,086)	665 (399)	5,803 (3,485)	1,987 (1,193)	1,699 (1,020)	3,686 (2,213)	2,117 (1,272)
k) 1990-91	7,601 (4,236)	522 (291)	8,123 (4,527)	6,170 (3,439)	534 (298)	6,704 (3,737)	2,329 (1,298)	1,953 (1,088)	4,282 (2,386)	2,422 (1,350)
l) 1991-92	11,806 (4,766)	902 (364)	12,708 (5,130)	10,696 (4,318)	919 (371)	11,615 (4,689)	3,650 (1,492)	3,006 (1,228)	6,656 (2,720)	4,959 (1,969)
m) 1992-93	13,082 (4,276)	1,012 (331)	14,094 (4,607)	10,102 (3,302)	880 (287)	10,982 (3,589)	4,788 (1,562)	4,314 (1,408)	9,102 (2,970)	1,880 (619)
n) 1993-94	11,619 (3,717)	2,415 (773)	14,034 (4,490)	10,897 (3,486)	886 (283)	11,783 (3,769)	5,333 (1,707)	4,199 (1,345)	9,532 (3,052)	2,251 (717)
o) 1994-95	12,384 (3,944)	1,076 (343)	13,460 (4,287)	10,024 (3,192)	916 (292)	10,940 (3,484)	5,773 (1,839)	4,635 (1,476)	10,408 (3,315)	532 (169)
p) 1995-96(R)	10,833 (3,239)	1330 (399)	12,163 (3,638)	9,958 (2,977)	1,064 (319)	11,023 (3,296)	7,569 (2,263)	5,080 (1,519)	12,649 (3,782)	-1626 (-486)
q) 1996-97(P)	14,092 (3,970)	2,968 (836)	17,060 (4,806)	10893 (3,068)	1,087 (306)	11,980 (3,374)	7,070 (1,992)	4,775 (1,345)	11,845 (3,337)	135 (37)
2. Amount undisbursed as at the end of March 1997 (P)				55,180 (15,364)	10,921 (3,041)	66,101 (18,405)				

P Provisional.

@ Excludes IMF Trust Fund.

R Revised.

- Note :**
1. Amounts of authorisations and utilisation and debt service payments 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 1997 represent rupee values calculated at the rates prevalent at end March 1997.
 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 at end March 1997 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.

Table X-6 : Loans Authorised and Utilised during 1995-96 and 1996-97 (Fiscal Years)

(Rupees crore)

Country/ Institution	Authorisations		Utilisation		Loans Undisbursed as at the end of	
	1995-96 (R)	1996-97 (P)	1995-96 (R)	1996-97 (P)	March 1996(R)	March 1997 (P)
1	2	3	4	5	6	7
1. IBRD	1,476 (441)	2,348 (662)	1,992 (597)	2,437 (686)	13,172 (3,835)	11,675 (3,251)
2. IDA	3,250 (972)	3,697 (1,042)	2,438 (729)	3,380 (952)	15,848 (4,614)	15,611 (4,346)
3. IFAD	49 (15)	- (-)	29 (9)	48 (14)	360 (105)	310 (86)
4. ADB	833 (249)	2,238 (630)	1,910 (586)	2,275 (641)	8,066 (2,348)	7,548 (2,102)
5. Austria	- (-)	- (-)	- (-)	- (-)	3 (1)	2 (1)
6. Belgium	- (-)	- (-)	- (-)	- (-)	34 (10)	31 (9)
7. United Kingdom	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
8. Denmark	50 (15)	- (-)	- (-)	- (-)	51 (15)	54 (15)
9. France	250 (75)	275 (77)	191 (25)	144 (41)	948 (276)	1,002 (279)
10. Germany	453 (135)	1,341 (378)	606 (195)	472 (133)	1,617 (471)	2,252 (627)
11. Italy	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
12. Japan	4,472 (1,337)	4,193 (1,181)	2,716 (813)	1,972 (555)	15,897 (4,628)	16,216 (4,515)
13. Netherlands	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
14. Sweden	- (-)	- (-)	47 (14)	109 (31)	107 (31)	- (-)
15. Switzerland	- (-)	- (-)	5 (1)	4 (1)	88 (26)	72 (20)
16. Spain	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
17. U.S.A.	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
18. Hungary	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
19. OPEC*	- (-)	- (-)	17 (5)	50 (14)	423 (122)	402 (112)
20. Australia	- (-)	- (-)	10 (3)	2 (..)	7 (2)	5 (1)
Total	10,833 (3,239)	14,092 (3,970)	9,958 (2,977)	10,893 (3,068)	56,621 (16,484)	55,180 (15,364)

* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and OPEC Special Fund.

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 at end March rates.

Table X-7 : Grants@ Authorised and Utilised during 1995-96 and 1996-97 (Fiscal Years)

(Rupees crore)

Country/ Institution	Authorisations		Utilisation		Grants Undisbursed as at the end of	
	1995-96 R	1996-97 P	1995-96 R	1996-97 P	March 1996R	March 1997 P
1	2	3	4	5	6	7
1. Australia	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)
2. Canada	-	76	1	4	712	810
	(-)	(24)	(-)	(1)	(208)	(226)
3. Denmark	-	375	23	23	449	747
	(-)	(106)	(7)	(7)	(131)	(208)
4. France	3	2	2	4	18	15
	(1)	(-)	(1)	(1)	(5)	(4)
5. West Germany	187	198	15	23	523	543
	(56)	(56)	(-5)	(7)	(152)	(151)
6. Japan	204	47	89	108	315	227
	(61)	(13)	(27)	(30)	(92)	(63)
7. Netherlands	293	480	368	119	223	548
	(88)	(135)	(110)	(34)	(65)	(153)
8. Sweden	192	473	67	99	590	897
	(58)	(133)	(20)	(28)	(172)	(250)
9. Norway	-	15	5	15	52	52
	(-)	(4)	(1)	(4)	(15)	(14)
10. Switzerland	1	66	11	25	306	2,010
	(-)	(18)	(3)	(7)	(89)	(560)
11. U.K.	110	975	282	303	2,145	3,086
	(33)	(275)	(85)	(85)	(624)	(859)
12. U.S.A. other than P.L. 480/ P.L.665	139	57	38	23	366	411
	(42)	(16)	(11)	(6)	(107)	(114)
13. E.E.C.	201	131	136	312	1,743	1,497
	(60)	(37)	(41)	(88)	(507)	(417)
14. Other International Institutions	-	-	31	26	-	-
	(-)	(-)	(8)	(7)	(-)	(-)
15. IBRD	-	73	(-)	3	4	78
	(-)	(20)	(-)	(1)	(1)	(22)
TOTAL	1,330	2,968	1,064	1,087	7,446	10,921
	(399)	(836)	(319)	(306)	(2,168)	(3,041)

R Revised. P Provisional.

@ Including debt relief as under:

Country	Authorisations		Utilisations	
	1995-96	1996-97 P	1995-96	1996-97 P
1	2	3	4	5
By way of Grants				
1. Japan	13.4 (4.0)	5.3 (1.5)	8.4 (2.5)	3.0 (0.8)
2. Netherlands	248.0 (74.1)	14.5 (4.1)	248.0 (74.1)	14.5 (4.1)

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 at end March rates.

Table X-8: India's External Debt

(US \$ million)

Item	As at the end of March			
	1997P#	1996	1995	1994
1	2	3	4	5
1. Multilateral	29011	28571	28542	26263
2. Bilateral	17267	18705	20270	17450
3. International Monetary fund	1313	2374	4300	5040
4. Trade Credit	5336	5523	6629	5203
5. Commercial Borrowing	13518	12748	12991	12363
6. NRI & FC(B&O) Deposits (above one year maturity)	11130	11011	12383	12665
7. Rupee Debt*	7078	8233	9624	10084
8. Total Long-term Debt (ItoVII)	84653	87165	94739	89068
9. Short-term Debt**	6726	5034	4269	3627
10. Gross Total	91379	92199	99008	92695
Concessional Debt	39072	41942	44845	41112
as % of Total Debt	42.8	45.5	45.3	44.4
Short term Debt	6726	5034	4269	3627
as % of total Debt	7.4	5.5	4.3	3.9
Debt Indicators:				
Debt stock-GDP Ratio (in per cent)	26.0	28.7	32.7	35.9
Debt Service ratio(%) (For fiscal year (Including debt service on non-civilian credits)	25.4	24.3	26.2	25.6

P Provisional.

* Debt owed to Russia denominated in rupees and converted at current exchange rates, payable in exports.
This also include Rupee suppliers' credit from end-March 1990 onwards.

** This does not include LC-based trade credit for which no estimates are available.
Multilateral loans do not include revaluation of IBRD pooled loans of US \$ 1.32 billion and exchange rate adjustment (Under IDA loans for Pre-1971 credits).

The stock of external debt has been revised from that published earlier in the Annual Report, 1996-97 of the RBI, following revision in the stock of commercial borrowing, bilateral debt and trade credit.

Table X-9 : Private Non-debt Creating Flows to Developing Countries, 1991-96

(U.S. \$ million)

Category	1991	1992	1993	1994	1995	1996*
1	2	3	4	5	6	7
Total private non-debt creating (India's share %)	41 (0.3)	55 (1.0)	112 (3.7)	116 (4.3)	127 (3.9)	155 (3.6)
Foreign direct investment (India's share %)	34 (0.3)	44 (1.0)	67 (0.9)	83 (1.6)	95 (2.4)	110 (2.5)
Portfolio equity investment (India's share %)	7 Neg	11 Neg	45 (7.9)	33 (10.2)	32 (10.1)	45 (6.3)

* Projected.

Neg Negligible.

Source : Global Development Report 1997.

Table X-10 : Foreign Investment Inflows by Category

(US \$ million)

	1993-94	1994-95	1995-96	1996-97
1	2	3	4	5
A. Direct Investment	566	1314	2133	2696
a. Government	280	701	1249	1922
b. RBI	89	171	169	135
c. NRI	217	442	715	639
B. Portfolio Investment	3649	3581	2748	2864
i. GDRs	1602	1839	683	918
ii. FIIs	1665	1503	2009	1926
iii. Offshore Funds and others	382	239	56	20
Total (A+B)	4235	4895	4881	5560

GDRs Global Depository Receipts.

FIIs Foreign Institutional Investors.

Table X-11 : Inflows(+)/ Outflows (-) under Various NRI Deposit Schemes@

(U.S.\$ million)

Items	1994-95	1995-96	1996-97
1	3	4	5
1 FCNR(A)	-2249	-2796	-1949
2 FCNR(B)	1979	2669	1782
3 NR(E)RA	964	-208	1353
4 NR(NR)D	682	1279	2253
5 FC(B&O) D	-558	0	0
Total	818	944	3439

All figures are inclusive of accrued interest.

FCNR(A) Foreign Currency Non-Resident (Accounts).

FCNR(B) Foreign Currency Non-Resident (Banks).

NR(E)RA Non-Resident (External) Rupee Accounts.

NR(NR)RD Non-Resident (Non-Repatriable) Rupee Deposits.

FC(B&O) D Foreign Currency (Banks and others) Deposits.

**Table X-12 : Outstanding Balances under Various NRI Deposits @
(as at the end of March)**

(US \$ million)

Items	1995	1996	1997
1	3	4	5
1 FCNR(A)	7051	4255	2306
2 FCNR(B)	3054	5723	7505
3 NR(E)RA	4556	3916	5092
4 NR(NR)D	2479	3544	5611
TOTAL	17140	17438	20514

All figures are inclusive of accrued interest.

FCNR(A) Foreign Currency Non-Resident (Accounts).

FCNR(B) Foreign Currency Non-Resident (Banks).

NR(E)RA Non-Resident (External) Rupee Accounts.

NR(NR)RD Non-Resident (Non-Repatriable) Rupee Deposits.

**Table X-13 : Exchange Rate of the Indian Rupee
(Annual Averages)* (April-March)**

(Rupees per unit of SDR/Foreign Currency)

Currency	1991-92	1992-93	1992-93	1993-94	1994-95	1995-96	1996-97
	Official rate		Market rate				
1	2	3	4	5	6	7	8
SDR	33.4325	37.1415 (-10.0)	—	43.8863@	45.7906@ (-4.2)	50.4768@ (-9.3)	50.8858@ (-0.8)
U.S.Dollar	24.4700	26.4331 (-7.4)	30.6488	31.3655 (-2.3)	31.3986 (-0.1)	33.4498 (-6.1)	35.4999 (-5.8)
Pound Sterling	42.5200	44.5440 (-4.5)	51.6858	47.2064 (9.5)	48.8211 (-3.3)	52.3526 (-6.7)	56.3646 (-7.1)
Deutsche Mark	14.6200	16.9042 (-13.5)	19.5877	18.7403 (4.5)	20.2017 (-7.2)	23.3993 (-13.7)	22.9244 (2.1)
Japanese Yen	0.1845	0.2124 (-13.1)	0.2459	0.2911 (-15.5)	0.3163 (-8.0)	0.3484 (-9.2)	0.3159 (10.3)
French Franc	4.2985	4.9918 (-13.9)	5.7895	5.4633 (6.0)	5.8551 (-6.7)	6.7486 (-13.2)	6.7665 (-0.3)
Canadian Dollar	21.2666	21.5047 (-1.1)	24.9370	23.9564 (4.1)	22.7251 (5.4)	24.5409 (-7.4)	26.0865 (-5.9)
Swiss Franc	16.6702	18.6825 (-10.8)	21.6690	21.4373 (1.1)	23.9576 (-10.5)	28.6245 (-16.3)	27.4646 (4.2)
Italian Lira	0.0196	0.0203 (-3.4)	0.0236	0.0196 (20.4)	0.0196 (0.0)	0.0208 (-5.8)	0.0228 (-8.8)
Netherlands Guilder	12.9830	15.0199 (-13.6)	17.4190	16.7801 (3.8)	17.9876 (-6.7)	20.8856 (-13.9)	20.4336 (2.2)
Bangladesh Taka	0.6806	0.6892 (-1.2)	0.7992	0.7948 (0.6)	0.7929 (0.2)	0.8341 (-4.9)	0.8446 (-1.2)
Thailand Baht	0.9770	1.0419 (-6.2)	1.2081	1.2398 (-2.6)	1.2539 (-1.1)	1.3376 (-6.3)	1.3912 (-3.9)
Indonesian Rupiah	0.0124	0.0129 (-3.9)	0.0150	0.0149 (0.7)	0.0144 (3.5)	0.0148 (-2.7)	0.0151 (-2.0)
South Korean Won	0.0329	0.0337 (-2.4)	0.0390	0.0389 (0.3)	0.0393 (-1.0)	0.0434 (-9.4)	0.0430 (0.9)
Sri Lankan Rupee	0.5904	0.6021 (-1.9)	0.6985	0.6450 (8.3)	0.6369 (1.3)	0.6461 (-1.4)	0.6311 (2.4)
Pakistan Rupee	1.0214	1.0595 (-3.6)	1.2291	1.0827 (13.5)	1.0240 (5.7)	1.0304 (-0.6)	0.9500 (8.5)
Singapore Dollar	14.4255	16.2180 (-11.1)	18.8046	19.6413 (-4.3)	21.0822 (-6.8)	23.7216 (-11.1)	25.1418 (-5.6)
Hongkong Dollar	3.1534	3.4181 (-7.7)	3.9633	4.0543 (-2.2)	4.0616 (-0.2)	4.3244 (-6.1)	4.5880 (-5.7)
Malaysian Ringgit	8.9883	10.3888 (-13.5)	12.0471	12.0477 (0.0)	12.1853 (-1.1)	13.3338 (-8.6)	14.2063 (-6.1)

* Based on monthly averages.

@ Rupees per SDR is arrived by crossing U.S.dollar/SDR rate with RBI Reference rate.

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 U.S.Dollar rate was the middle rate of the 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 within brackets indicate percentage appreciation / depreciation (-) of the rupee over the preceding year.

Table X-14 : Exchange Rate of the Indian Rupee- Monthly Averages

(Rupees per unit of SDR/Foreign Currency)

Month/Year	FEDAI Indicative Rates				
	SDR	U.S. Dollar	Pound Sterling	Deutsche Mark	Japanese Yen @
1	2	3	4	5	6
March 1995	48.6186	31.6538	50.6595	22.4961	34.8852
1995-96					
April	49.5785 (-1.9)	31.4132 (0.8)	50.5919 (0.1)	22.8559 (-1.6)	37.7235 (-7.5)
May	48.9507 (1.3)	31.4185 (0.0)	49.9048 (1.4)	22.3101 (2.4)	36.9455 (2.1)
June	49.0958 (-0.3)	31.4017 (0.1)	50.0741 (-0.3)	22.4095 (-0.4)	37.1335 (-0.5)
July	48.8673 (0.5)	31.3789 (0.1)	50.0545 (0.0)	22.5936 (-0.8)	35.9832 (3.2)
August	47.7551 (2.3)	31.5808 (-0.6)	49.5849 (0.9)	21.9108 (3.1)	33.5040 (7.4)
September	49.2908 (-3.1)	33.2038 (-4.9)	51.7342 (-4.2)	22.6759 (-3.4)	33.0550 (1.4)
October	51.8556 (-4.9)	34.5372 (-3.9)	54.5095 (-5.1)	24.4238 (-7.2)	34.2758 (-3.6)
November	51.9156 (-0.1)	34.7405 (-0.6)	54.3393 (0.3)	24.5402 (-0.5)	34.1173 (0.5)
December	51.9255 (-0.0)	34.9568 (-0.6)	53.8458 (0.9)	24.2771 (1.1)	34.3349 (-0.6)
January	52.4834 (-1.1)	35.7380 (-2.2)	54.7688 (-1.7)	24.5138 (-1.0)	33.9103 (1.3)
February	53.7062 (-2.3)	36.6343 (-2.4)	56.2717 (-2.7)	24.9893 (-1.9)	34.6312 (-2.1)
March	50.2965 (6.8)	34.3936 (6.5)	52.5512 (7.1)	23.2919 (7.3)	32.4960 (6.6)
1996-97					
April	49.6513 (1.3)	34.2391 (0.5)	51.8774 (1.3)	22.7440 (2.4)	31.8697 (2.0)
May	50.5275 (-1.7)	35.0105 (-2.2)	52.9799 (-2.1)	22.8341 (-0.4)	32.8993 (-3.1)
June	50.4759 (0.1)	34.9803 (0.1)	53.9448 (-1.8)	22.9014 (-0.3)	32.1315 (2.4)
July	51.4748 (-1.9)	35.5050 (-1.5)	55.1538 (-2.2)	23.5763 (-2.9)	32.5274 (-1.2)
August	52.0632 (-1.1)	35.6955 (-0.5)	55.3299 (-0.3)	24.1431 (-2.3)	33.1169 (-1.8)
September	51.7507 (0.6)	35.7284 (-0.1)	55.7217 (-0.7)	23.7672 (1.6)	32.5756 (1.7)
October	51.3199 (0.8)	35.6404 (0.2)	56.4717 (-1.3)	23.3366 (1.8)	31.7402 (2.6)
November	51.9259 (-1.2)	35.7353 (-0.3)	59.3710 (-4.9)	23.6376 (-1.3)	31.8032 (-0.2)
December	51.5446 (0.7)	35.8352 (-0.3)	59.6645 (-0.5)	23.0983 (2.3)	31.4642 (1.1)
January	50.8011 (1.5)	35.8699 (-0.1)	59.8257 (-0.3)	22.4620 (2.8)	30.4934 (3.2)
February	49.6536 (2.3)	35.8892 (-0.1)	58.3429 (2.5)	21.4374 (4.8)	29.2016 (4.4)
March	49.4414 (0.4)	35.8697 (0.1)	57.6915 (1.1)	21.1542 (1.3)	29.2319 (-0.1)
1997-98					
April	49.1152 (0.7)	35.8139 (0.2)	58.3987 (-1.2)	20.9794 (0.8)	28.5547 (2.4)
May	49.6294 (-1.0)	35.8145 (0.0)	58.4707 (-0.1)	21.0424 (-0.3)	30.1870 (-5.4)
June	49.8055 (-0.4)	35.8095 (0.0)	58.8721 (-0.7)	20.7542 (-1.4)	31.3421 (-3.7)

@ Rupees per 100 units of foreign currency.

Note : Figures in brackets indicate percentage appreciation / depreciation(-) of the rupee over preceding month.

**Table X-15 : International Reserves
(Excluding Gold)**

(SDR million)

Country Group	Total Reserves (excluding gold)		SDRs		Reserve Position in the Fund		Foreign Exchange Reserves	
	1995	1996	1995	1996	1995	1996	1995	1996
1	2	3	4	5	6	7	8	9
All Countries	949,947 (15.2)	1,089,329 (14.7)	19,773 (25.5)	18,521 (-6.3)	36,673 (15.6)	38,005 (3.6)	893,511 (15.0)	1,032,549 (15.6)
Industrial Countries	487,693 (12.4)	548,831 (12.5)	14,998 (20.1)	14,521 (-3.2)	31,644 (15.4)	32,610 (3.1)	441,053 (12.0)	501,702 (13.8)
Developing Countries	462,254 (18.4)	540,498 (16.9)	4,775 (45.8)	4,000 (-16.2)	5,029 (16.7)	5,395 (7.3)	452,458 (18.1)	530,847 (17.3)

Note : Figures in brackets indicate percentage change over previous year.

Source : International Financial Statistics, July, 1997.

Table X-16 : External Debt and Debt-Services of Developing Countries

(US \$ billion)

Item	1994	1995	1996
1	2	3	4
External debt			
All Developing Countries	1576.1	1698.2	1757.4
Africa	271.7	289.0	292.2
Asia	501.5	543.3	573.6
Middle East and Europe	216.7	224.0	223.9
Western Hemisphere	586.2	641.9	667.9
External Debt to Export of Goods and Services (In per cent)			
All Developing Countries	180.7	164.9	155.0
Africa	272.2	250.8	231.1
Asia	136.8	120.7	118.3
Middle East and Europe	110.4	102.0	89.8
Western Hemisphere	279.9	262.3	244.7
External debt to GDP (In per cent)			
All Developing Countries	38.2	36.4	34.1
Africa	74.8	67.1	62.8
Asia	32.0	28.9	26.7
Middle East and Europe	37.4	34.3	31.0
Western Hemisphere	36.2	37.8	36.8
Debt Service Ratio (In per cent)			
All Developing Countries	23.2	22.5	22.4
Africa	24.0	21.2	22.1
Asia	16.0	15.7	15.6
Middle East and Europe	16.0	14.6	11.5
Western Hemisphere	42.1	42.7	44.5

Source : World Economic Outlook, IMF, August, 1997.

Table X-17 : Fund Purchases and Repurchases

(SDR billion)

Item	year ended April 30,			
	1994	1995	1996	1997
1	2	3	4	5
1. Total Purchases @	5.24	10.59	10.83	4.94
2. Total Repurchases	4.34	3.98	6.70	6.67
3. Net Purchases (1-2)	0.90	6.61	4.13	-1.73

@ Excludes reserve tranche.

Source : IMF Annual Report, 1997,

Table X-18 : SDR Interest and Remuneration Rates

(Per cent per annum)

For the quarter ended	SDR Interest Rate/ rate of Remuneration @
1	2
June 1996	3.92
September 1996	3.92
December 1996	3.86
March 1997	3.95
June 1997	4.00

@ Average of the weekly rates.

Table X-19 : 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, 1996	4.30	0.24	4.54	3.93	0.55	3.38
October 31, 1996	4.23	0.23	4.46	3.87	0.36	3.51
January 31, 1997	4.26	0.24	4.50	3.89	0.35	3.54
April 30, 1997	4.36	0.21	4.57	3.99	0.24	3.75

* 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.

Table X-20 : Lending by the World Bank – Fiscal 1996 and 1997

(US \$ million)

Item	IBRD		IDA		World Bank	
	1996	1997	1996	1997	1996	1997
1	2	3	4	5	6	7
Lending commitments	14,656	14,525	6,861	4,622	21,517	19,147
	-(13.0)	-(0.9)	(21.0)	-(32.6)	-(4.5)	-(11.0)
Disbursements	13,372	13,998	5,884	5,979	19,256	19,977
	(5.5)	(4.7)	(3.2)	(1.6)	(4.8)	(3.7)

Note : Figures in parentheses indicate percentage variation over previous year.**Source** : World Bank Annual Report, 1997.

Table X-21 : IBRD's Assistance to India – Sector-wise

(US \$ million)

Sector	1995	1996	1997
1	2	3	4
Agriculture and Rural Development	–	–	175.0
Financial Sector	700.0	200.0	–
Power	–	350.0	–
Environment	143.0	–	–
transportation	–	–	451.5
Water Supply and Sanitation	275.8	226.6	–
Total	1,118.8	776.6	626.5
Total Loans Sanctioned by IBRD	12,672.0	14,488.1	14,524.9
Percentage share of India	8.8	5.4	4.3

Source : World Bank Annual Reports.**Table X-22 : IDA's Assistance to India – Sector-wise**

(US \$ million)

Sector	1995	1996	1997
1	2	3	4
Agriculture and Rural Development	526.4	432.9	178.0
Education	260.3	425.2	–
Environment	25.0	–	50.0
Finance	–	5.0	–
Mining and other Extractive	–	63.0	–
Population, Health and Nutrition	133.0	350.0	575.0
Transportation	–	–	100.0
Water Supply and Sanitation	–	25.0	–
Total	944.7	1,301.1	903.0
Total Loans Sanctioned by IDA	5,703.0	6,864.1	4,621.7
Percentage share of India	16.6	19.0	19.5

Source : World Bank Annual Reports.

CHAPTER XI

MAJOR DEVELOPMENTS IN STATES AND UNION TERRITORIES*

This Chapter analyses some of the important economic developments in the States and Union Territories (UTs).

State Domestic Product

The latest data on net State Domestic Product (SDP) relate to the year 1995-96. Annual growth rates in SDP of some States and Union Territories together with those in Net Domestic Product (NDP) at factor cost at 1980-81 prices for all-India for the period 1990-91 to 1995-96 are presented in Table XI-1. The all-India NDP grew by 7.0 per cent in 1995-96 as compared to a growth rate of 7.2 per cent in 1994-95. Data for 1995-96 in respect of Goa, Manipur, Meghalaya, Nagaland, Tripura, Uttar Pradesh, Andaman and Nicobar Islands, Delhi and Pondicherry are not available. Among other States/UTs only one State, viz., Assam recorded a negative growth rate of 11.8 per cent in 1995-96 as against a positive growth rate of 5.5 per cent in 1994-95. All others had positive growth rates and West Bengal and Maharashtra had, in fact, achieved two digit growth rates of 11.4 per cent and 10.3 per cent, respectively (Table XI-1). Excluding these two States, Andhra Pradesh, Arunachal Pradesh, Bihar, Himachal Pradesh and Kerala recorded growth in their NSDP above 5.0 per cent. The States/UTs classified into different size-class categories on the basis of annual compound growth rates of NSDP during the period 1990-91 through 1995-96 are presented below:

Table XI-A
Compound Annual Growth Rates of NSDP
of States/UTs 1990-91 to 1995-96

Sr. No.	Compound Annual Growth Rates, Size-class	No. of States/ Union Territories	Name of States/ Territories
1	2	3	4
1.	Less than 3 per cent	4	Assam, Bihar, Uttar Pradesh® and Pondicherry®
2.	Between 3 per cent and less than 4 per cent	5	Andhra Pradesh, Haryana, Jammu and Kashmir, Madhya Pradesh and Rajasthan
3.	Between 4 per cent and less than 5 per cent	5	Goa®, Himachal Pradesh, Meghalaya®, Punjab & Tamil Nadu
4.	Between 5 per cent and less than 6 per cent	3	Gujarat, Karnataka, and Orissa
5.	Between 6 per cent and less than 7 per cent	6	Kerala, Manipur®, Nagaland®, Tripura®, West Bengal and Delhi®
6.	Between 7 per cent and less than 8 per cent	1	Maharashtra
7.	Over 8 per cent	2	Arunachal Pradesh and Andaman and Nicobar Islands.

® Compound growth rates are calculated between 1990-91 and 1994-95 due to non-availability of data for 1995-96.

®® Compound growth rates are calculated between 1990-91 and 1993-94 due to non-availability of data for 1994-95 and 1995-96.

Note : NSDP data are at constant (1980-81) prices.

Sectoral Growth Rates

Sectoral Growth Rates in different States/UTs

* This Chapter is prepared on the basis of information/data available upto end-October 1997.

during 1994-95 and 1995-96 are presented in Table XI-2. At the all-India level, there was deterioration in 'Agricultural' sector which registered a negative growth of 0.6 per cent in 1995-96 as against a positive growth of 4.6 per cent during the preceding year. State-wise Assam, Bihar, Gujarat, Haryana, Jammu and Kashmir, Karnataka, Orissa, Punjab, Rajasthan and Tamil Nadu recorded deceleration in the growth rate of agricultural sector during 1995-96. Five States recorded growth rates of more than 7 per cent. These were: Arunachal Pradesh, Bihar, Himachal Pradesh, Maharashtra and West Bengal. At the all-India level 'Forestry and Logging' recorded a negative growth of 0.6 per cent in 1995-96. Twelve States viz. Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Kerala, Maharashtra, Punjab, Rajasthan, West Bengal and Jammu and Kashmir recorded positive growth rates in 'Forestry and Logging' whereas the remaining States recorded negative growth rates during 1995-96. At the all-India level 'Fishing' and 'Mining and Quarrying' sectors recorded growth rate of 4.5 per cent and 7.1 per cent, respectively in 1995-96. In the 'Fishing' sector Gujarat, Orissa, Rajasthan and Tamil Nadu recorded negative growth rates and the remaining States/UTs recorded positive growth rates during 1995-96. Except Arunachal Pradesh, Assam, Gujarat, Jammu and Kashmir, Karnataka, Rajasthan and West Bengal which recorded a negative growth rate, all other States/UTs recorded positive growth rates in the 'Mining and Quarrying' sector during 1995-96. The 'Manufacturing' sector recorded a growth rate of 14.4 per cent in 1995-96 at the all-India level. All the States/UTs recorded positive growth rates in 'Manufacturing' and these varied between 1.3 per cent for Assam and 15.5 per cent for Punjab.

The sector-wise compound annual growth rates during the period 1990-91 through 1995-96 are indicated in Table XI-3. The data show that barring Bihar, Gujarat, Tripura and Delhi, the rest of the States/UTs have recorded positive compound growth rates in 'Agriculture'. In regard to 'Fishing', two States viz. Assam and Pondicherry have recorded negative growth rates, whereas in respect of 'Manufacturing' Assam, Bihar and Manipur posted negative growth rates during the period under review.

Shares of Agriculture and Manufacturing

Share of agriculture and manufacturing in the aggregate State Domestic Product (SDP) for the years 1994-95 and 1995-96 are presented in Table XI-4. These data show that output from agriculture provides an important source of income for most of the States/UTs. For nine States/UTs, agricultural output contributed between 30 and 40 per cent of State Domestic Product in 1994-95. The agricultural sector in Haryana, Madhya Pradesh, Punjab, Rajasthan and Uttar Pradesh accounted for more than 40 per cent of the State Domestic Product during 1994-95. For as many as fourteen States, the share of agricultural output in 1995-96 was more than the all-India level of 26.5 per cent. During 1995-96 agricultural sector in Haryana, Madhya Pradesh and Punjab contributed more than 40 per cent of the State Domestic Product. In the case of Maharashtra, the share of agriculture in SDP was 16.6 per cent. The share of the manufacturing sector in the NDP at the all-India level stood at 21.7 per cent during 1995-96. The contribution of manufacturing sector to the SDP in the case of Haryana, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu and West Bengal ranged between 15-30 per cent during the same year. The States/UTs where the contribution of manufacturing sector to their SDP was below 10 per cent were: Arunachal Pradesh, Assam and Jammu and Kashmir.

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 1990-91 to 1995-96, the shares of most of the States in all-India NDP have remained nearly constant. State-wise, Maharashtra led with a share of 15.9 per cent in 1995-96. The other States/UTs whose share in the national NDP was above five per cent were: Andhra Pradesh, Gujarat, Madhya Pradesh, Tamil Nadu and West Bengal.

Agricultural Production

Data on production of selected foodgrains in respect of States/Union Territories are available upto 1995-96 and these are presented in Volume

II of the Report. During 1995-96, ten States registered improvement in the foodgrains output over the level of 1994-95, whereas there was a decline in respect of fifteen States. During the same period, thirteen major States recorded decline in cereal production and nine major States registered a fall in the production of pulses. Rice production in 1995-96 showed an increase over the level reached in the preceding year in many of the States. In the case of wheat production in 1995-96 recorded rise in few States. At the all-India level, however, the production of both rice and wheat in 1995-96 declined marginally.

State-wise data on production of selected non-foodgrains are presented in Statement 22 of Volume II of the Report. Among the States which are major producers of oilseeds almost all the States recorded a rise in output in 1995-96 over that of the previous year excepting Gujarat. In the case of cotton,¹ among the major cotton producing States Andhra Pradesh, Karnataka, Maharashtra, Punjab, Rajasthan and Tamil Nadu recorded increases in output in 1995-96 and only Gujarat and Haryana recorded a decline in output in 1995-96 as compared with the preceding year. In the case of sugarcane,² majority of the major producers of sugarcane such as Andhra Pradesh, Assam, Gujarat, Karnataka, and Tamil Nadu recorded a decline in output in 1995-96 and only Haryana, Maharashtra, Uttar Pradesh and West Bengal recorded an increase in output during the same year. As regards raw jute and mesta³ the major producing States like Andhra Pradesh and Bihar recorded an increase in output in 1995-96 whereas in the case of Assam and West Bengal there was a decline in output in 1995-96.

Area under High Yielding Varieties Programme

The data on State-wise area covered under high yielding varieties (HYV) programme for the

years 1989-90 to 1995-96 and target for 1996-97 have been presented in Table XI-6. The coverage of the area under high yielding varieties programme improved in 1995-96 over that in the preceding year in majority of the States/Union Territories excepting Andhra Pradesh, Gujarat, Punjab, Tamil Nadu, Tripura and Pondicherry. Uttar Pradesh had the highest coverage of the area under high yielding varieties programme at 147.0 lakh hectares followed by Maharashtra (79.2 lakh hectares), Madhya Pradesh (77.7 lakh hectares), Bihar (59.5 lakh hectares), Punjab (53.9 lakh hectares) and West Bengal (41.4 lakh hectares), Andhra Pradesh (43.4 lakh hectares). The total area under HYV for all States/Union Territories for 1995-96 was envisaged at 758.1 lakh hectares though the actual area under HYV was much lower at 721.2 lakh hectares. For 1996-97, the target for all States/Union Territories is placed at 787.5 lakh hectares.

Consumption of Fertilisers

Data on consumption of fertilisers are available for a few States for the year 1996-97. The available data indicate that the consumption of fertilisers showed a rise in 1996-97 in all the States excepting Karnataka, Punjab and Tamil Nadu as compared to the position in 1990-91 (Table XI-7). The per hectare consumption was the highest in Punjab at 158.4 kgs. followed by Andhra Pradesh (139.4 kgs), Haryana (131.0 kgs), Tamil Nadu (110.5 kgs), Uttar Pradesh (108.4 kgs.) and West Bengal (103.2 kgs). In comparison to top rankers, per hectare consumption was low in the case of Assam, Madhya Pradesh and Orissa. Bihar, Gujarat, Karnataka and Maharashtra crossed the level of consumption of fertilisers of 50 kgs. per hectare. Assam recorded the lowest level of consumption of fertilisers at 14.6 kgs. per hectare. In 1996-97 six 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 moved up from 67.5 kgs. per hectare in 1990-91 to 76.8 kgs. per hectare in 1996-97.

Industrial Sector

The main aspects of industrialisation in the States/Union Territories are captured from the data

1. 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 1991-92 to 1995-96.

2. The States are identified on the basis of the annual output of a minimum 1 million tonne a year during the five year ending 1995-96.

3. The States are identified on the basis of mean output of more than 500 thousand bales (of 180 kgs. each) per year during the period 1991-92 to 1995-96.

indicated in the Annual Survey of Industries (ASI) published by the Central Statistical Organisation (CSO). The latest survey pertains to 1993-94. Some of the indicators culled out from the survey are presented in Table XI-8 for two reference years viz., 1989-90 and 1993-94 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 1993-94, Maharashtra had the highest number of factories followed by Tamil Nadu, Andhra Pradesh, Gujarat, Uttar Pradesh, Punjab, Karnataka, West Bengal, Delhi and Kerala. These ten States accounted for over 83 per cent of factories all over India in 1989-90 as well as 1993-94. Manipur had the lowest number of employees in both the reference years. The number of employees in ten States viz., Maharashtra, Tamil Nadu, Andhra Pradesh, West Bengal, Uttar Pradesh, Gujarat, Karnataka, Punjab, Bihar and Kerala accounted for over 83 per cent of the total employees all over India in both the reference years. The number of employees was higher during 1993-94 as compared to 1989-90 in all States/Union Territories excepting in Bihar, Meghalaya, Rajasthan, Tripura, Uttar Pradesh and Chandigarh where the number of employees declined. The total number of employees at the all-India level indicated a rise of 6.9 per cent during 1993-94 over 1989-90. The value of fixed capital installed was the highest in Maharashtra followed by Gujarat, Uttar Pradesh, Andhra Pradesh, Tamil Nadu, West Bengal, and Madhya Pradesh.

In terms of value of output, the top four States during 1993-94 were: Maharashtra, Gujarat, Tamil Nadu and Uttar Pradesh. During the period 1989-90 to 1993-94, the nominal value of output rose in all States/Union Territories. Output in nominal terms nearly doubled at the all-India level. During 1993-94, the nominal net value added was the highest in Maharashtra. The other States which followed in the order were: Tamil Nadu, Gujarat, Bihar, Uttar Pradesh, Madhya Pradesh, West Bengal, Andhra Pradesh and Karnataka.

Some of the structural and technical ratios based on important indicators of the industrial sector are given 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/Union Territories over the period. Similarly, fixed capital per employee, a proxy measure of non-inventory investment to labour ratio had also shown a rise over the five year period excepting the State of Meghalaya. The ratio of fixed capital to output also increased in the case of Andhra Pradesh, Assam, Gujarat, Manipur, Nagaland, Punjab, Uttar Pradesh, West Bengal, Andaman and Nicobar Islands, Dadra and Nagar Haveli and Pondicherry.

The Annual Survey of Industries (ASI) also provides information about share of seven most important industry-groups in the major States. The share of seven industry groups ranged between 65 per cent and 94 per cent of the total industrial output during 1993-94. The industry-groups which had more than 10 per cent share in the value of industrial output in a State during 1993-94 are summarised below:

Table XI-B : Industry-Group with Share of 10 per cent and above in Industrial Output

Sr. No.	Industry Group	States
1	2	3
1.	Food Products	Andhra Pradesh, Assam, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and Delhi
2.	Chemicals and Chemical Products	Andhra Pradesh, Gujarat, Kerala, Maharashtra and Uttar Pradesh
3.	Basic Metals and Alloys	Andhra Pradesh, Bihar, Madhya Pradesh, Orissa, Punjab, and West Bengal
4.	Rubber, Petroleum and Coal Products	Assam, Bihar, Gujarat, Kerala, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal
5.	Cotton Textiles	Tamil Nadu
6.	Electricity	Andhra Pradesh, Bihar, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Uttar Pradesh and West Bengal.
7.	Machinery other than Transport	Haryana, Karnataka, Maharashtra, Uttar Pradesh and Delhi

Of the seven industry groups, 'Food Products' and 'Electricity' were the ones which had considerable presence in most of the selected States. Next in importance were 'Rubber, Petroleum and Coal Products' and 'Basic Metals and Alloys' followed by 'Chemicals and Chemical Products' and 'Machinery other than Transport.'

Banking Developments

Latest data on selected banking indicators available for States/Union Territories pertain to the period ended March 1997. The details of the number of branches of scheduled commercial bank offices, deposits, credit and credit-deposit (CD) ratios, based on BSR data for the two reference years viz., last Friday of March 1992 and March 1997 are indicated in Table XI-10. The number of banks offices in the country as at end-March 1997 was higher at 63,534 as compared with that of 60,690 as at end-March 1992. The growth in the number of offices was the highest in the Northern Region at 7.1 per cent, followed by Southern Region (6.6 per cent), Western Region (5.3 per cent), Central Region (2.6 per cent), Eastern Region (2.3 per cent) and North-Eastern Region (2.2 per cent). As on the last Friday of March 1997, the highest CD ratio was recorded by the Southern Region at 76.1 per cent, followed by Western Region (63.2 per cent). The CD ratio at the all-India level was 57.3 per cent as at end-March 1997. The lowest CD ratio of 31.2 per cent was recorded by North-Eastern Region.

The performance of the banking sector in the States/Union Territories can be assessed on the basis of the data on bank deposits and bank credit per branch (Table XI-11). Bank Deposits per branch moved up in all States/Union Territories during the period under review. Over the period of 5 years, deposits per bank branch went up from Rs.3.8 crore at end-March 1992 to Rs.7.7 crore at end-March 1997 at the all-India level. During the period under review, all the States/Union Territories excepting Maharashtra, Punjab, Tamil Nadu, West Bengal and Delhi recorded more than 100 per cent rise in deposits per branch office. The bank credit per branch office also went up from Rs.2.3 crore at end-March 1992 to Rs.4.4 crore at end-March 1997 at the all-India level. The increase in bank

credit was more than 100 per cent during the period in Jammu and Kashmir, Karnataka, Chandigarh, Daman and Diu and Lakshadweep.

As at end-March 1992, 58.0 per cent of bank branches were located in rural areas. By end-March 1997, the share of bank branches in rural areas decelerated to 52.0 per cent at the all-India level. The share of rural offices in total number of offices declined in all the States/Union Territories excepting Dadra and Nagar Haveli and Lakshadweep where the share remained constant (Table XI-12). Such share as on the last Friday of March 1997 was significantly high in North-Eastern Region (69.1 per cent), Eastern Region (65.0 per cent) and Central Region (62.2 per cent). The share of deposits of rural branches in total deposits of scheduled commercial banks declined from 15.0 per cent in March 1992 to 14.7 per cent in March 1997 at the all-India level. The share of rural credit in total bank credit exceeded the relative shares of deposits with rural offices in North-Eastern Region as on the last Friday of March 1992 and 1997. The performance of scheduled commercial banks in rural areas is indicated in Table XI-13. As regards branch spread, all the regions recorded negative growth rates in rural offices over the five year period. While Jammu and Kashmir, Meghalaya, Sikkim, Andaman and Nicobar Islands and Lakshadweep recorded positive growth rates in rural branches, all the remaining States/Union Territories recorded negative growth rates. Over the period, deposits with rural offices in majority of the States/Union Territories increased substantially. The highest growth rate in bank deposits between end-March 1992 and 1997 was observed in Eastern Region at 122.2 per cent, followed by North-Eastern Region (110.2 per cent), Central Region (108.1 per cent), Western Region (106.2 per cent), Northern Region (101.2 per cent) and Southern Region (97.2 per cent). The all-India growth rate of deposits during the corresponding period was 106.8 per cent. The highest growth rate in bank credit during the period was observed in Southern Region (70.7 per cent) and the lowest in Central Region (38.2 per cent) as against the all-India growth rate of 57.2 per cent.

As on the last Friday of March 1992, credit-deposit ratio of rural offices was the highest in

the Southern Region (87.7 per cent) and the lowest in the Northern Region (46.1 per cent). While the credit-deposit ratio of rural offices continued to be the highest in the Southern Region (76.0 per cent) at end-March 1997, it was the lowest in the Central Region (33.8 per cent).

Priority Sector Advances

The data on State-wise share of priority sector advances by scheduled commercial banks are indicated in Table XI-14. As at the end of March 1996, North-Eastern and Central Regions had achieved the stipulated target of 40 per cent of total advances. The Southern and Eastern Regions were close to the target whereas Western and Northern Regions were far behind the target. All the regions have shown deterioration in their share over March 1994. Majority of the States and Union Territories had achieved the target of 40 per cent lending as at the end of March 1996 excepting Jammu and Kashmir, Chandigarh, Delhi, West Bengal, Goa, Gujarat, Maharashtra, Karnataka, Tamil Nadu and Pondicherry.

The sub-target of 18 per cent of total bank advances 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, Andhra Pradesh and Lakshadweep at the end of March 1996 (Table XI-15). The share of Mizoram, Sikkim, Dadra and Nagar Haveli and Karnataka was close to the target. In Jammu and Kashmir, Chandigarh, Delhi, West Bengal, Andaman and Nicobar Islands, Goa, Maharashtra and Daman and Diu, the share of lending to agricultural sector was below 10 per cent.

Financial Assistance to States by All-India Financial Institutions, Industrial Development Bank of India and State Financial Corporations

The data on State-wise financial assistance sanctioned and disbursed by All-India Financial Institutions and Industrial Development Bank of India for the years 1991-92, 1994-95, 1995-96 and the cumulative position up to end-March 1996 are presented in Table XI-16. The financial assistance sanctioned and disbursed by Industrial

Development Bank of India for the year 1995-96 formed 31.3 per cent of the amount sanctioned and 30.3 per cent of the amount disbursed by All-India Financial Institutions. The share of each State/ Union Territory in financial assistance sanctioned and disbursed by these institutions is indicated in Table XI-17. Maharashtra accounted for 20.4 per cent of the total amount sanctioned by All-India Financial Institutions during 1995-96, followed by Gujarat (14.8 per cent), Tamil Nadu (10.1 per cent), Karnataka (8.7 per cent), Uttar Pradesh (7.9 per cent), Andhra Pradesh (6.3 per cent) and Madhya Pradesh (5.0 per cent). The States which had relatively lower share of less than 1 per cent were: Bihar, Goa, Jammu and Kashmir and Orissa.

As regards disbursements during 1995-96, Maharashtra had the largest share of 20.5 per cent followed by Gujarat (13.2 per cent), Tamil Nadu (9.4 per cent), Uttar Pradesh (8.0 per cent), Andhra Pradesh (6.5 per cent) and Madhya Pradesh (5.1 per cent). As in the case of sanctions, the share of smaller States in the amount of disbursements was very low. The data on cumulative position upto end-March 1996 indicated similar trends. The data on State-wise share of financial assistance sanctioned and disbursed by the Industrial Development Bank of India are indicated in Table XI-18. The State-wise sanctions and disbursals by IDBI indicated similar trends as in the case of All-India Financial Institutions during 1995-96.

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, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Tamil Nadu, Uttar Pradesh, West Bengal and Delhi in 1995-96 over 1991-92 (Table XI-19). In Maharashtra, Tamil Nadu and Uttar Pradesh, the amount sanctioned indicated a sharp increase whereas in Karnataka, the amount sanctioned nearly doubled during 1995-96. Andhra Pradesh, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh crossed the level of amount sanctioned at Rs.100 crore in 1995-96. Bihar had the lowest amount sanctioned at Rs.0.2 crore in 1995-96. Disbursements were higher in 1995-96 in Gujarat,

Haryana, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal and Delhi as compared to those in 1991-92. While the amount disbursed indicated over four-fold rise in Haryana from Rs.51.7 crore in 1991-92 to Rs.232.1 crore in 1995-96, it more than doubled in Maharashtra and Uttar Pradesh. The data on cumulative assistance sanctioned upto March 1996 indicated that Karnataka had the highest cumulative assistance sanctioned at Rs.2,992.8 crore, followed by Tamil Nadu (Rs.2,864.0 crore), Maharashtra (Rs.2,809.0 crore), Gujarat (Rs.2,548.3 crore), Uttar Pradesh (Rs.2,245.3 crore), Andhra Pradesh (Rs.1,614.7 crore) and Rajasthan (Rs.1,330.1 crore). Cumulative disbursements also indicated similar trends.

Small Savings Collections

Gross collections of small savings improved in all the States/Union Territories in 1996-97 over 1993-94 (Table XI-20) excepting Tamil Nadu and Chandigarh where gross collections declined from Rs.2,108 crore and Rs.90.4 crore in 1993-94 to Rs.2,001.0 crore and Rs.77.2 crore, respectively, in 1996-97. Similarly, net collections also recorded a rise in 1996-97 in many States/Union Territories over the year 1993-94 with the exception of Andhra Pradesh, Himachal Pradesh, Kerala, Meghalaya, Mizoram, Orissa, Tamil Nadu, Chandigarh and Delhi. At the all-India level, net collections improved from Rs.7,157.5 crore in 1993-94 to Rs.11,345.9 crore in 1996-97. Maharashtra recorded the highest net collections at Rs.2,990 crore in 1996-97 followed by West Bengal (Rs.2,055.4 crore), Uttar Pradesh (Rs.1,272.4 crore), Gujarat (Rs.915.0 crore), Punjab (Rs.683.1 crore), Bihar (Rs.592.4 crore), Rajasthan (Rs.559.2 crore) and Madhya Pradesh (Rs.450.0 crore). Himachal Pradesh recorded negative net collections at Rs.178.6 crore in 1996-97. Bihar, Maharashtra, Nagaland, West Bengal and Andaman & Nicobar Islands achieved the target of net collections whereas the remaining States/Union Territories were not able to achieve the target of net collections. The States/Union Territories like Arunachal Pradesh, Haryana, Karnataka, Manipur, Punjab and Rajasthan were very close to the target.

Socio-Economic Indicators

Minor Irrigation Facilities

There was an improvement in the total cropped area in all the States/Union Territories excepting Andhra Pradesh, Karnataka, Maharashtra, Manipur and Tamil Nadu during the period 1989-90 to 1995-96. In Tamil Nadu, the total cropped area declined from 68.2 lakh hectares in 1989-90 to 62.7 lakh hectares in 1995-96 whereas in Maharashtra the fall was from 216.7 lakh hectares in 1989-90 to 213.3 lakh hectares in 1995-96. There was a marginal decline in the total cropped area in Andhra Pradesh, Karnataka and Manipur States during the five year period under review. (Table XI-21). The proportion of area covered under minor irrigation moved up in all the States/Union Territories barring Manipur, Nagaland and Pondicherry. In Pondicherry, this proportion was 50 per cent. 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 16,90,936 in 1995-96 followed by Madhya Pradesh (14,19,324), Rajasthan (13,25,687), Andhra Pradesh (12,48,107), Gujarat (7,80,224) and Karnataka (4,73,258). The number of tube wells was the highest in Bihar at 9,68,734 in 1995-96 followed by Punjab (8,75,000), Haryana (5,49,296), Uttar Pradesh (5,25,000), Andhra Pradesh (3,37,304), Karnataka (2,29,958), Madhya Pradesh (1,68,288) and Rajasthan (1,09,745). The number of canals was higher in Bihar, Gujarat, Karnataka, Madhya Pradesh, Meghalaya and Tamil Nadu in 1995-96 as compared to 1989-90. In Pondicherry and Delhi, the number of canals declined from 9,316 and 3,662 in 1989-90 to 8,608 and 2,425, respectively, in 1995-96.

Health Facilities

According to the data on health facilities available for some States/Union Territories, the number of hospitals moved up during the period 1989-90 to 1996-97 in all the States/Union Territories excepting Andhra Pradesh, Goa, Madhya Pradesh, Maharashtra, Mizoram, Nagaland, Orissa, Punjab and West Bengal (Table XI-22). Uttar Pradesh had the highest number of hospitals at

8,408 in 1996-97 followed by Gujarat (2,605), Maharashtra (736), West Bengal (402), Tamil Nadu (382), Madhya Pradesh (344), Andhra Pradesh (327), Karnataka (312), Bihar (310), Rajasthan (219) and Punjab (208). The population covered per hospital in 1996-97 was the highest in Bihar at 3,06,161 while it was the lowest in Goa at 10,295. Gujarat had the highest number of dispensaries at 7,274 followed by Andhra Pradesh (3,082), Karnataka (2,857), Bihar (2,488), Punjab (1,470) and Maharashtra (1,418). In Kerala, population covered per dispensary was the highest at 5,94,423 whereas it was the lowest in Sikkim at 2,748. The number of beds rose in all the States/Union Territories excepting Mizoram during the period under review. The population covered per bed was the highest in Bihar at 2,959 persons in 1996-97 while it was the lowest in Goa at 276 persons.

Educational Institutions and Students' Enrolment in Schools

The data on the number of schools and students' enrolment in schools during the period 1989-90 to 1996-97 (Table XI-23) indicated that the number of primary, middle, secondary/higher secondary schools increased in all the States/Union Territories excepting Goa, Meghalaya, Sikkim, Tamil Nadu, Tripura and West Bengal. During the period 1989-90 to 1996-97, students' enrolment improved in all the States/Union Territories at the primary level excepting Andhra Pradesh, Goa, Kerala, Nagaland, Tamil Nadu, Chandigarh and Pondicherry. At the middle school level, enrolment of students moved up in many of the States/Union Territories barring Goa, Kerala, Nagaland, Sikkim, Tamil Nadu, Tripura, West Bengal and Pondicherry. Similarly, at the secondary/higher secondary level, the enrolment increased in all the States/Union Territories excepting Punjab, Sikkim and West Bengal.

Drinking Water Facilities

The number of villages with drinking water facilities had either remained constant or increased in all the States/Union Territories for which such information was reported for the years 1989-90 and 1996-97 (Table XI-24). In Assam, Haryana,

Himachal Pradesh, Manipur, Sikkim, Tamil Nadu, Lakshadweep and Chandigarh all the villages were reported to have drinking water facilities. In States like Andhra Pradesh, Arunachal Pradesh, Goa, Gujarat, Karnataka, Kerala, Madhya Pradesh, Mizoram, Rajasthan and Pondicherry the coverage of villages with drinking water facilities was close to the total number of villages in 1996-97. In Punjab, the coverage was around 50 per cent.

Rural Road Length

The proportion of rural road length to total road length improved in all the States/Union Territories excepting Andhra Pradesh, Bihar, Karnataka, Manipur, Orissa, Uttar Pradesh and Pondicherry (Table XI-25). Such proportion in Lakshadweep was 100 per cent during 1996-97 followed by Kerala (82.4 per cent), Orissa (82.1 per cent), Haryana (76.3 per cent), Andhra Pradesh (70.4 per cent), Madhya Pradesh (68.5 per cent), Tamil Nadu (67.1 per cent) and Karnataka (61.7 per cent). In Chandigarh, the proportion was the lowest at 4.5 per cent in 1996-97.

Rural Electrification

According to the available information, 100 per cent rural electrification was effected in all the villages of Haryana, Himachal Pradesh, Karnataka, Kerala, Nagaland, Punjab, Sikkim, Chandigarh and Lakshadweep (Table XI-26). In Andhra Pradesh, Goa, Gujarat, Madhya Pradesh, Maharashtra, Mizoram, Tamil Nadu and Pondicherry, the coverage was nearer to the 100 per cent level. In Manipur, Orissa, Rajasthan, Tripura, Uttar Pradesh and West Bengal the coverage of villages under rural electrification was above 70 per cent.

Expenditure on Employment Schemes

The data on expenditure on employment schemes for the years 1989-90 and 1996-97 (Table XI-27) indicated that such expenditure increased in all the States/Union Territories excepting Kerala. Madhya Pradesh had the highest expenditure on Employment Schemes at Rs.565.9 crore in 1996-97 followed by Andhra Pradesh (Rs.414.9 crore), Bihar (Rs.356.0 crore), Karnataka (Rs.283.0 crore), Maharashtra (Rs.255.8 crore),

Punjab (Rs.210.4 crore), Orissa (Rs.197.8 crore) and Rajasthan (Rs.161.8 crore). The expenditure was the lowest at Rs.0.3 crore in Meghalaya during the same year. On Jawahar Rojgar Yojana the expenditure had increased over the period (1990-91 to 1996-97) in Bihar, Karnataka, Kerala, Meghalaya, Orissa, Sikkim, Tamil Nadu and Tripura. However, in the remaining States and Union Territories, there was a decline in such expenditure during the same period. The

expenditure on Jawahar Rojgar Yojana was the highest in Bihar at Rs.499.6 crore, followed by Tamil Nadu (Rs.382.7 crore), Madhya Pradesh (Rs.197.2 crore), Andhra Pradesh (Rs.179.7 crore), Maharashtra (Rs.169.3 crore), Rajasthan (Rs.159.9 crore), Orissa (Rs.144.3 crore), Karnataka (Rs.120.1 crore) and West Bengal (Rs.116.8 crore). The expenditure was the lowest at Rs.0.7 crore in Mizoram during 1996-97.

Table XI-1 : Annual Growth Rates and Compound Growth Rates of Net State Domestic Product at Constant (1980-81) Prices

(Per cent)

States/Union Territories	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	Compound Growth Rates (1990-91 to 1995-96)	Average Growth Rates (1990-91 to 1995-96)
1	2	3	4	5	6	7	8	9
1. Andhra Pradesh	1.6	2.5	-1.2	9.7	-	5.8	3.3	3.1
2. Arunachal Pradesh	26.6	14.3	2.5	14.5	4.3	7.4	8.5	11.6
3. Assam	4.3	4.4	1.0	3.9	5.5	-11.8	0.4	1.2
4. Bihar	10.1	-5.1	-6.4	3.2	8.4	6.9	1.2	2.9
5. Goa	14.0	-0.1	14.3	3.5	-0.2	..	4.2	6.3
6. Gujarat	2.6	-7.2	25.2	-2.8	14.5	0.3	5.3	5.4
7. Haryana	10.5	2.1	-	4.5	7.2	1.9	3.1	4.4
8. Himachal Pradesh	2.5	0.6	4.6	3.5	5.2	7.8	4.3	4.0
9. Jammu and Kashmir	5.9	1.9	4.0	3.9	5.2	4.5	3.9	4.2
10. Karnataka	0.7	12.7	2.1	7.0	2.6	1.6	5.1	4.5
11. Kerala	7.6	1.9	7.2	10.9	7.7	6.2	6.8	6.9
12. Madhya Pradesh	14.4	-7.4	7.4	9.2	3.0	4.0	3.1	5.1
13. Maharashtra	6.0	-0.7	13.4	8.7	6.5	10.3	7.5	7.4
14. Manipur	5.6	8.4	5.0	4.0	..	..	6.3	5.8
15. Meghalaya	10.8	4.5	-5.9	8.4	11.1	..	4.3	5.8
16. Nagaland	10.9	4.1	14.3	1.5	..	..	6.5	7.7
17. Orissa	-17.0	12.7	-1.7	6.4	4.4	4.9	5.2	1.6
18. Punjab	1.9	4.5	4.7	4.3	4.4	3.3	4.2	3.9
19. Rajasthan	15.7	-7.4	15.7	-8.3	19.1	0.2	3.2	5.8
20. Tamil Nadu	10.2	2.8	5.1	4.9	7.3	1.7	4.4	5.3
21. Tripura	7.7	3.3	5.5	10.8	6.3	..	6.4	6.7
22. Uttar Pradesh	6.0	0.4	1.3	3.0	3.3	..	2.0	2.8
23. West Bengal	3.3	6.0	4.3	5.5	6.6	11.4	6.7	6.2
24. Andaman and Nicobar Islands	-3.8	-7.5	29.5	8.3	6.3	..	8.3	6.6
25. Delhi	5.2	11.2	-2.8	9.0	8.5	..	6.3	6.2
26. Pondicherry	3.3	4.7	2.4	-3.3	-14.5	..	-3.0	-1.5
All-India	5.3	0.2	5.2	5.9	7.2	7.0	5.1	5.1

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, 1994-95 and 1995-96

(Per cent)

States/ Union Territories	Agriculture		Forestry and Logging		Fishing		Mining and Quarrying		Manufacturing	
	1994-95	1995-96	1994-95	1995-96	1994-95	1995-96	1994-95	1995-96	1994-95	1995-96
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh	-4.5	6.6	3.1	0.6	9.8	3.6	-2.4	1.0	-0.6	9.0
2. Arunachal Pradesh	-10.4	12.0	32.8	-	5.2	2.9	-32.1	-21.7	9.8	9.8
3. Assam	1.9	-1.7	-30.3	39.5	-1.1	6.3	0.9	-3.0	4.4	1.3
4. Bihar	13.5	11.6	0.4	6.6	-0.2	22.6	-0.6	5.7	10.7	2.6
5. Goa	-2.7	..	13.5	..	-4.0	..	1.7	..	-	..
6. Gujarat	35.5	-19.8	1.6	2.0	20.5	-13.7	22.0	-61.4	8.7	14.3
7. Haryana	8.5	-6.3	5.6	7.0	6.8	16.1	15.0	0.8	9.1	9.1
8. Himachal Pradesh	4.7	8.8	-	9.7	-20.1	9.8	41.4	14.3	7.8	12.6
9. Jammu and Kashmir	8.0	4.5	-3.9	28.0	15.7	11.4	120.6	-24.8	16.7	10.6
10. Karnataka	-1.2	-2.4	4.9	-2.8	-3.8	24.8	23.5	-17.2	4.5	3.7
11. Kerala	2.3	3.3	7.1	12.1	0.9	1.5	9.5	9.5	8.5	6.2
12. Madhya Pradesh	-2.5	-1.5	5.0	-11.6	54.8	15.0	2.7	4.6	12.8	10.5
13. Maharashtra	-3.5	9.5	5.6	5.2	-15.4	35.9	15.2	5.8	11.7	9.1
14. Meghalaya	23.4	..	-51.2	..	-1.9	..	27.1	..	29.1	..
15. Orissa	-1.1	-1.5	1.7	-4.7	36.6	-13.3	6.7	26.4	7.5	15.5
16. Punjab	2.6	-0.3	-0.1	0.8	27.4	8.3	-79.1	15.9	9.5	9.6
17. Rajasthan	33.5	-5.8	1.8	2.0	12.1	-12.0	27.3	-18.1	10.8	6.3
18. Tamil Nadu	8.5	-4.6	-1.4	-1.4	5.9	-0.1	14.5	6.6	8.7	2.1
19. Uttar Pradesh	2.3	..	-25.0	..	5.7	..	1.1	..	3.7	..
20. West Bengal	2.9	11.0	1.6	0.3	5.6	6.3	0.9	-45.6	5.9	5.8
21. Andaman and Nicobar Islands	7.0	..	2.0	..	4.0	..	9.1	..	10.6	..
22. Delhi	-40.4	..	-	..	3.1	..	-57.7	..	12.5	..
All-India	4.6	-0.6	-0.6	-0.6	16.3	4.5	4.3	7.1	10.5	14.4

Note : Computed on the basis of data at Constant (1980-81) prices.**Source** : Data obtained from C.S.O. are based on data compiled by the Directorate of Economics and Statistics of respective State Governments.

**Table XI-3 : Compound Annual Growth Rates, Major Sector-wise (period 1990-91 to 1995-96)
Based on Data at Constant (1980-81) Prices**

(Per cent)

States/Union Territories	Agriculture	Forestry and Logging	Fishing	Mining and Quarrying	Manufac- turing	State Domestic Product
1	2	3	4	5	6	7
1. Andhra Pradesh	2.6	-1.6	7.7	8.0	1.7	3.3
2. Arunachal Pradesh	6.4	10.9	8.4	-2.8	11.4	8.5
3. Assam	1.2	1.2	-0.4	1.3	-0.2	0.4
4. Bihar	-0.2	-0.1	8.4	2.3	-0.8	1.2
5. Goa	3.1	-11.9	14.6	4.4	6.8	4.2
6. Gujarat	-0.3	1.7	4.4	-17.1	8.6	5.3
7. Haryana	1.2	0.8	3.4	8.3	4.2	3.1
8. Himachal Pradesh	0.9	6.9	1.5	-4.9	8.3	4.3
9. Jammu and Kashmir	3.2	-6.2	3.4	54.4	5.5	3.9
10. Karnataka	5.3	0.7	6.9	0.4	3.7	5.1
11. Kerala	2.7	13.1	0.1	1.9	6.0	6.8
12. Madhya Pradesh	1.6	-7.9	17.6	6.3	2.8	3.1
13. Maharashtra	4.0	-1.5	5.7	6.2	8.1	7.5
14. Manipur	4.6	2.3	11.7	-	-13.6	6.3
15. Meghalaya	1.9	-16.3	18.5	-3.7	11.2	4.3
16. Nagaland	5.6	-3.1	2.9	-	6.0	6.5
17. Orissa	3.3	-2.7	11.5	13.4	6.5	5.2
18. Punjab	3.1	0.8	19.1	-22.1	8.8	4.2
19. Rajasthan	0.3	1.7	19.1	11.9	3.8	3.2
20. Tamil Nadu	5.3	-1.9	4.5	7.1	0.8	4.4
21. Tripura	-2.8	-5.9	4.4	2.6	7.9	6.4
22. Uttar Pradesh	1.7	-5.4	7.7	5.0	1.7	2.0
23. West Bengal	5.9	0.9	5.6	-8.1	4.5	6.7
24. Andaman and Nicobar Islands	5.6	6.7	12.6	-10.5	21.8	8.3
25. Delhi	-15.7	-	5.6	-48.0	2.9	6.3
26. Pondicherry	9.3	-	-0.3	-	3.6	-3.0
All- India	2.2	-1.8	7.6	2.7	6.1	5.1

Note : Data in respect of Delhi, Goa, Manipur, Meghalaya, Uttar Pradesh, Tripura, Andaman and Nicobar Islands and Pondicherry have been computed for the years 1990-91 and 1994-95 due to non-availability of data for 1995-96. Similarly, in the case of Nagaland, data have been computed for the years 1990-91 and 1993-94 due to non-availability of data for the years 1994-95 and 1995-96.

Source : Data obtained from C.S.O. are based on data compiled by Directorate of Economics and Statistics of respective State Governments.

Table XI-4 : Share of Real Output from Agriculture and Manufacturing to State Domestic Product(SDP)

(Per cent)

States/Union Territories	1994-95		1995-96	
	Agriculture/ SDP	Manufacturing/ SDP	Agriculture/ SDP	Manufacturing/ SDP
I	2	3	4	5
1. Andhra Pradesh	36.3	10.4	36.5	10.7
2. Arunachal Pradesh	30.6	6.8	31.9	6.9
3. Assam	35.5	5.5	39.6	6.3
4. Bihar	34.3	15.2	35.8	14.6
5. Goa	10.4	34.6	..	..
6. Gujarat	23.2	29.7	18.5	33.8
7. Haryana	44.6	19.7	41.0	21.0
8. Himachal Pradesh	27.9	11.7	28.1	12.2
9. Jammu and Kashmir	34.6	7.1	34.6	7.5
10. Karnataka	34.9	16.5	33.6	16.9
11. Kerala	28.4	14.6	27.6	14.6
12. Madhya Pradesh	42.3	14.8	40.1	15.8
13. Maharashtra	16.7	29.5	16.6	29.2
14. Manipur	30.8	2.6	..	..
15. Meghalaya	24.5	5.4	..	..
16. Nagaland	—	—	—	—
17. Orissa	33.2	10.8	31.2	11.9
18. Punjab	46.6	19.0	45.0	20.2
19. Rajasthan	41.9	10.9	39.4	11.5
20. Sikkim	—	—	—	—
21. Tamil Nadu	24.0	19.9	22.5	20.0
22. Tripura	26.0	5.2	..	..
23. Uttar Pradesh	41.6	14.8	..	..
24. West Bengal	27.2	17.5	27.1	16.6
25. Andaman and Nicobar Islands	39.7	14.2	..	..
26. Delhi	1.1	18.0	..	..
27. Pondicherry	11.0	28.0	..	..
All- India	28.5	20.3	26.5	21.7

Note : Computed on the basis of data at Constant (1980-81) prices.**Source** : Data obtained from C.S.O. are 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)

States/Union Territories	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
1	2	3	4	5	6	7
1. Andhra Pradesh	6.2	6.3	5.9	6.1	5.7	5.7
2. Arunachal Pradesh	0.1	0.1	0.1	0.1	0.1	0.1
3. Assam	1.8	1.9	1.8	1.8	1.7	1.4
4. Bihar	5.4	5.1	4.6	4.5	4.5	4.5
5. Goa	0.3	0.3	0.3	0.3	0.3	..
6. Gujarat	5.8	5.3	6.4	5.8	6.2	5.8
7. Haryana	3.0	3.1	2.9	2.9	2.9	2.7
8. Himachal Pradesh	0.6	0.6	0.6	0.6	0.6	0.6
9. Jammu and Kashmir	0.7	0.7	0.7	0.7	0.7	0.7
10. Karnataka	4.8	5.4	5.2	5.3	5.1	4.8
11. Kerala	2.8	2.8	2.9	3.0	3.0	3.0
12. Madhya Pradesh	5.9	5.4	5.5	5.7	5.5	5.3
13. Maharashtra	14.2	14.1	15.2	15.6	15.5	15.9
14. Manipur	0.2	0.2	0.2	0.2	0.2	..
15. Meghalaya	0.2	0.2	0.2	0.2	0.2	..
16. Nagaland	0.1	0.1	0.1	0.1	..	..
17. Orissa	2.3	2.6	2.4	2.4	2.4	2.3
18. Punjab	3.9	4.1	4.1	4.0	3.9	3.8
19. Rajasthan	4.4	4.1	4.5	3.9	4.4	4.1
20. Sikkim	0.1	0.1	..	..	..	..
21. Tamil Nadu	6.6	6.8	6.8	6.7	6.8	6.4
22. Tripura	0.2	0.2	0.2	0.3	0.3	..
23. Uttar Pradesh	12.0	12.0	11.6	11.2	10.8	..
24. West Bengal	7.5	7.9	7.8	7.8	7.7	8.0
25. Andaman and Nicobar Islands	-	-	-	-	0.1	..
26. Delhi	2.7	3.0	2.8	2.9	2.9	..
27. Pondicherry	0.2	0.2	0.2	0.1	0.1	..
All- India	100.0	100.0	100.0	100.0	100.0	100.0

Source : Data obtained from C.S.O. are based on data compiled by Directorate of Economics and Statistics of respective State Governments.

Table XI-6 : State-wise Total Coverage of the Area under High Yielding Varieties

(Lakh hectares)

States/ Union Territories	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95 (Revised)	1995-96 (Provisional)	1996-97 (Target)
I	2	3	4	5	6	7	8	9
1. Andhra Pradesh	48.4	45.3	46.8	41.5	40.5	48.5	43.4	55.6
2. Arunachal Pradesh	0.2	0.4	0.4	0.4	0.5	0.3	0.3	0.4
3. Assam	13.6	10.9	12.3	12.8	12.6	13.0	13.6	15.4
4. Bihar	34.6	35.4	37.0	34.0	52.0	57.8	59.5	67.5
5. Goa	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
6. Gujarat	26.6	25.7	23.2	26.0	22.5	25.0	23.9	29.8
7. Haryana	27.1	26.9	26.0	26.7	26.8	28.0	28.5	31.1
8. Himachal Pradesh	5.3	5.4	5.6	5.6	5.2	5.7	5.9	5.9
9. Jammu and Kashmir	6.3	4.2	4.2	6.7	4.4	6.7	7.0	7.2
10. Karnataka	20.6	31.7	33.4	31.6	31.7	36.4	39.4	42.2
11. Kerala	1.6	1.6	1.7	1.8	1.7	1.7	—	2.5
12. Madhya Pradesh	58.0	69.8	67.8	66.2	65.9	74.0	77.7	89.5
13. Maharashtra	73.2	76.3	70.9	76.9	79.8	77.3	79.2	82.2
14. Manipur	1.1	0.9	0.9	0.8	0.8	0.8	0.8	0.8
15. Meghalaya	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.7
16. Mizoram	0.1	0.1	0.3	0.1	0.1	0.1	0.3	0.4
17. Nagaland	0.4	0.4	0.4	0.4	0.1	—	0.1	0.1
18. Orissa	23.9	26.1	28.1	28.3	29.4	30.2	31.7	34.7
19. Punjab	51.8	53.8	53.7	53.6	55.2	55.8	53.9	52.2
20. Rajasthan	28.3	30.7	28.0	33.1	29.4	27.4	34.4	36.1
21. Sikkim	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.5
22. Tamil Nadu	25.6	26.6	31.7	30.1	31.2	31.5	28.7	32.6
23. Tripura	1.9	2.1	2.1	1.8	2.1	2.1	2.0	2.6
24. Uttar Pradesh	127.5	137.3	133.4	136.5	138.6	143.1	147.0	154.0
25. West Bengal	33.4	35.8	37.1	37.0	37.0	41.4	41.4	41.9
26. Andaman and Nicobar Islands	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
27. Chandigarh	—	—	—	—	—	—	—	—
28. Dadra and Nagar Haveli	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
29. Daman and Diu	—	—	—	—	—	—	—	—
30. Delhi	0.4	0.6	0.5	0.1	0.6	0.7	0.7	0.7
31. Pondicherry	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3
Total	611.7	649.9	647.3	654.1	669.9	709.3	721.2	787.5

Source : Ministry of Agriculture, Government of India.

**Table XI-7 : Per Hectare State-wise Consumption of Fertilisers (N+P+K)
for Cropped Area during 1990-91 to 1996-97**

(Kg/Ha)

State	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
1	2	3	4	5	6	7	8
1. Andhra Pradesh	127.3	119.9	118.7	121.6	129.6	138.0	139.4
2. Arunachal Pradesh	1.8	1.9	2.0	2.3	2.3	1.5	..
3. Assam	9.9	9.2	6.9	8.8	9.7	12.9	14.6
4. Bihar	57.1	59.5	63.7	60.1	67.0	73.9	80.6
5. Gujarat	66.8	69.8	66.1	62.7	76.7	70.6	76.2
6. Haryana	99.1	114.4	104.0	115.6	112.5	124.5	131.0
7. Himachal Pradesh	35.2	34.4	31.5	29.4	30.0	30.4	..
8. Jammu and Kashmir	40.0	44.4	41.4	39.2	42.9	47.2	..
9. Karnataka	70.8	78.1	67.9	64.8	66.8	75.3	66.4
10. Kerala	80.9	74.3	66.6	58.1	65.5	66.8	..
11. Madhya Pradesh	34.0	35.1	33.3	31.2	36.1	33.3	39.2
12. Maharashtra	59.9	62.9	53.5	65.9	65.2	64.4	62.2
13. Manipur	40.9	46.0	49.0	45.8	43.0	59.4	..
14. Meghalaya	11.0	13.9	12.5	13.4	13.6	11.7	..
15. Mizoram	9.2	8.3	11.8	8.8	8.8	7.3	..
16. Nagaland	5.3	3.3	3.3	5.1	3.0	2.4	..
17. Orissa	20.1	20.0	21.6	21.3	22.6	24.4	25.7
18. Punjab	159.7	165.6	158.8	157.4	168.6	165.8	158.4
19. Rajasthan	19.1	24.4	24.8	26.1	31.3	33.4	..
20. Sikkim	10.1	11.8	8.8	7.8	6.1	8.3	..
21. Tamil Nadu	125.3	120.3	113.1	109.1	122.2	105.6	110.5
22. Tripura	20.0	23.3	20.3	17.1	16.7	18.4	..
23. Uttar Pradesh	88.0	88.9	84.9	89.7	97.1	102.0	108.4
24. West Bengal	86.9	87.2	85.6	85.8	86.8	97.7	103.2
All-India	67.5	69.8	65.5	66.3	72.8	74.4	76.8

Note : Figures from 1993-94 are estimated figures.

Source: Ministry of Agriculture, Fertilizer Division, Government of India.

Table XI-8 : Some Indicators of Industrial Sector

(Value in Rupees crore)

States/ Union Territories	No. of Factories		No. of Employees		Fixed Capital		Value of Output		Net Value Added	
	1989-90	1993-94	1989-90	1993-94	1989-90	1993-94	1989-90	1993-94	1989-90	1993-94
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh	16007	15,227	816613	872999	7576	22244	13653	28375	2180	4909
2. Assam	1585	1435	122063	133562	974	1519	2981	3683	749	860
3. Bihar	3491	3763	363869	340947	6706	11458	11343	19587	2634	6729
4. Goa	207	256	17314	19922	242	570	926	1920	174	377
5. Gujarat	10881	11821	707150	760432	9521	23957	24080	46904	3702	9425
6. Haryana	3162	3509	241884	287223	3157	6006	8023	15400	1176	2116
7. Himachal Pradesh	284	341	52570	59699	988	1862	879	1963	257	810
8. Jammu and Kashmir	228	265	13027	15004	56	89	386	768	51	193
9. Karnataka	5724	6094	415072	449862	4023	7415	10105	18762	2184	4137
10. Kerala	3422	4035	259238	302215	2293	3839	5906	8819	1427	1815
11. Madhya Pradesh	3489	4011	414183	451765	8688	16139	12206	24565	2383	5372
12. Maharashtra	15489	18710	1224122	1315772	18867	38952	49816	92233	9962	21604
13. Manipur	40	32	356	1078	-	14	1	10	1	1
14. Meghalaya	31	29	5508	1943	200	22	29	33	10	9
15. Nagaland	55	96	1900	4320	0	31	28	64	5	10
16. Orissa	1405	1611	159278	184324	5031	8774	4763	8825	1133	1684
17. Punjab	6136	6099	401632	437503	5043	9819	12179	19243	2148	2984
18. Rajasthan	3089	4173	259980	251959	4076	6113	7196	13919	1166	2380
19. Tamil Nadu	13800	18522	938970	1107829	9414	19843	24067	45634	4719	9883
20. Tripura	322	168	15534	7472	71	63	48	76	8	12
21. Uttar Pradesh	9862	10335	797101	777777	11791	23637	22123	40199	4188	5773
22. West Bengal	5384	5881	738028	788549	7362	19751	14062	22886	2310	5358
23. Delhi	3185	4350	133123	156435	522	1160	4232	8640	619	1526
24. Andaman and Nicobar Islands	52	34	5377	6587	8	58	32	76	2	13
25. Chandigarh	284	285	12525	7750	36	55	407	499	63	64
26. Dadra and Nagar Haveli	126	143	5954	6300	103	271	718	1333	48	92
27. Daman and Diu	41	142	1758	5945	10	177	52	781	6	112
28. Pondicherry	211	227	18421	22727	161	576	419	1051	67	184
All- India	107992	121594	8142550	8707909	106928	224413	230659	425744	43373	88434

Table XI-9 : Selected Ratios Relating to the Industrial Sector

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	
	1989-90	1993-94	1989-90	1993-94	1989-90	1993-94	1989-90	1993-94	1989-90	1993-94
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh	1.7	3.2	0.9	2.5	0.6	0.8	0.2	0.2	3.5	4.5
2. Assam	2.4	3.2	0.8	1.3	0.3	0.4	0.3	0.2	1.3	1.8
3. Bihar	3.1	5.7	1.8	3.4	0.6	0.6	0.2	0.3	2.6	1.7
4. Goa	5.4	9.6	1.4	2.9	0.3	0.3	0.2	0.2	1.4	1.5
5. Gujarat	3.4	6.2	1.3	3.1	0.4	0.5	0.2	0.2	2.6	2.5
6. Haryana	3.3	5.4	1.3	2.1	0.4	0.4	0.2	0.1	2.7	2.8
7. Himachal Pradesh	1.7	3.3	1.9	3.1	1.1	0.9	0.3	0.4	3.8	2.3
8. Jammu and Kashmir	3.0	5.1	0.4	0.6	0.2	0.1	0.1	0.2	1.1	0.5
9. Karnataka	2.4	4.2	1.0	1.6	0.4	0.4	0.2	0.2	1.8	1.8
10. Kerala	2.3	2.9	0.9	1.3	0.4	0.4	0.2	0.2	1.6	2.1
11. Madhya Pradesh	3.0	5.4	2.1	3.6	0.7	0.7	0.2	0.2	3.6	3.0
12. Maharashtra	4.1	7.0	1.5	3.0	0.4	0.4	0.2	0.2	1.9	1.8
13. Manipur	0.4	0.9	0.1	1.3	0.3	1.4	0.4	0.1	0.7	13.7
14. Meghalaya	0.5	1.7	3.6	1.1	7.0	0.7	0.3	0.3	20.6	2.3
15. Nagaland	1.5	1.5	0.5	0.7	0.3	0.5	0.2	0.2	1.9	2.9
16. Orissa	3.0	4.5	3.2	4.8	1.1	1.0	0.2	0.2	4.4	5.2
17. Punjab	3.0	4.4	1.3	2.2	0.4	0.5	0.2	0.2	2.3	3.3
18. Rajasthan	2.8	5.5	1.6	2.4	0.6	0.4	0.2	0.2	3.5	2.6
19. Tamil Nadu	2.6	4.1	1.0	1.8	0.4	0.4	0.2	0.2	2.0	2.0
20. Tripura	0.3	1.0	0.5	0.8	1.5	0.8	0.2	0.2	8.5	5.2
21. Uttar Pradesh	2.8	5.2	1.5	3.0	0.5	0.6	0.2	0.1	2.8	4.1
22. West Bengal	1.9	3.1	1.0	2.7	0.5	0.9	0.2	0.2	3.2	3.7
23. Delhi	3.2	5.5	0.4	0.7	0.1	0.1	0.2	0.2	0.8	0.8
24. Andaman and Nicobar Islands	0.6	1.2	0.2	0.9	0.3	0.8	0.1	0.2	4.3	4.5
25. Chandigarh	3.3	6.4	0.3	0.7	0.1	0.1	0.2	0.1	0.6	0.8
26. Dadra and Nagar Haveli	12.1	21.1	1.7	4.3	0.1	0.2	0.1	0.1	2.1	2.9
27. Daman and Diu	2.9	13.1	0.6	3.0	0.2	0.2	0.1	0.1	1.6	1.6
28. Pondicherry	2.3	4.6	0.9	2.5	0.4	0.5	0.2	0.2	2.4	3.1
All-India	2.8	4.9	1.3	2.6	0.5	0.5	0.2	0.2	2.5	2.5

* In Rupees lakhs.

Table XI-10 : State-wise Distribution of the Number of Reporting Offices, Aggregate Deposits and Gross Bank Credit of All Scheduled Commercial Banks

(Rupees crore)

States/Union Territories	As on the last Friday of March 1992				As on the last Friday of March 1997			
	No. of Offices	Bank Deposits	Bank Credit	Credit Deposit Ratio (per cent)	No. of Offices	Bank Deposits	Bank Credit	Credit Deposit Ratio (per cent)
I	2	3	4	5	6	7	8	9
I. Northern Region	9250	47603	28218	59.3	9904	108755	58593	53.9
Haryana	1267	4342	2455	56.5	1378	10354	4422	42.7
Himachal Pradesh	734	1591	530	33.3	761	3676	861	23.4
Jammu and Kashmir	784	2012	864	42.9	795	4717	1829	38.8
Punjab	2148	11064	4669	42.2	2349	23043	9015	39.1
Rajasthan	3057	6159	3426	55.6	3239	14055	6215	44.2
Chandigarh	115	1591	1036	65.1	146	4061	3574	88.0
Delhi	1145	20844	15238	73.1	1236	48847	32676	66.9
II. North-Eastern Region	1859	3729	1657	44.4	1899	8102	2529	31.2
Arunachal Pradesh	69	174	25	14.4	68	394	42	10.7
Assam	1217	2424	1191	49.1	1238	5084	1789	35.2
Manipur	84	109	79	72.5	85	264	152	57.6
Meghalaya	167	382	77	20.2	179	892	127	14.2
Mizoram	74	107	23	21.5	78	285	40	14.0
Nagaland	70	227	89	39.2	71	490	118	24.1
Tripura	178	306	173	56.5	180	694	262	37.8
III. Eastern Region	11236	33967	17146	50.5	11497	65254	28285	43.4
Bihar	4872	9960	3936	39.5	4952	21222	6467	30.5
Orissa	2092	3023	2183	72.2	2160	7153	3504	49.0
Sikkim	29	105	28	26.7	42	240	42	17.5
West Bengal	4218	20815	10978	52.7	4312	36450	18241	50.0
Andaman and Nicobar Islands	25	65	21	32.3	31	189	30	15.9
IV. Central Region	12865	31031	15467	49.8	13194	66432	24755	37.3
Madhya Pradesh	4365	8492	5411	63.7	4443	18127	9486	52.3
Uttar Pradesh	8500	22539	10056	44.6	8751	48304	15269	31.6
V. Western Region	9292	68453	40948	59.8	9785	135134	85465	63.2
Goa	258	1660	512	30.8	280	3834	957	25.0
Gujarat	3394	13717	7345	53.6	3518	29059	14449	49.7
Maharashtra	5623	52987	33067	62.4	5967	101954	69998	68.7
Dadra and Nagar Haveli	7	19	9	47.4	7	82	15	18.3
Daman and Diu	10	70	14	20.0	13	206	45	21.8
VI. Southern Region	16188	48303	38775	80.3	17255	108552	82610	76.1
Andhra Pradesh	4642	12167	9816	80.7	4912	25850	20061	77.6
Karnataka	4300	11217	8793	78.4	4509	26357	18842	71.5
Kerala	2853	9386	4868	51.9	3123	22995	10783	46.9
Tamil Nadu	4316	15153	15121	99.8	4628	32487	32597	100.3
Lakshadweep	8	12	1	8.3	9	31	3	9.7
Pondicherry	69	368	176	47.8	74	831	324	39.0
All-India	60690	233086	142211	61.0	63534	492227	282237	57.3

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)

(Rupees crore)

States/ Union Territories	Bank Deposits		Bank Credit	
	1992	1997	1992	1997
1	2	3	4	5
1. Andhra Pradesh	2.6	5.3	2.1	4.1
2. Arunachal Pradesh	2.5	5.8	0.4	0.6
3. Assam	2.0	4.1	1.0	1.4
4. Bihar	2.0	4.3	0.8	1.3
5. Goa	6.4	13.7	2.0	3.4
6. Gujarat	4.0	8.3	2.2	4.1
7. Haryana	3.4	7.5	1.9	3.2
8. Himachal Pradesh	2.2	4.8	0.7	1.1
9. Jammu and Kashmir	2.6	5.9	1.1	2.3
10. Karnataka	2.6	5.8	2.0	4.2
11. Kerala	3.3	7.4	1.7	3.4
12. Madhya Pradesh	1.9	4.1	1.2	2.1
13. Maharashtra	9.4	17.1	5.9	11.7
14. Manipur	1.3	3.1	0.9	1.8
15. Meghalaya	2.3	5.0	0.5	0.7
16. Mizoram	1.4	3.6	0.3	0.5
17. Nagaland	3.2	6.9	1.3	1.7
18. Orissa	1.4	3.3	1.0	1.6
19. Punjab	5.1	9.8	2.2	3.8
20. Rajasthan	2.0	4.3	1.1	1.9
21. Sikkim	3.6	5.7	1.0	1.0
22. Tamil Nadu	3.5	7.0	3.5	7.0
23. Tripura	1.7	3.9	1.0	1.5
24. Uttar Pradesh	2.6	5.5	1.2	1.7
25. West Bengal	4.9	8.4	2.6	4.2
26. Andaman and Nicobar Islands	2.6	6.1	0.8	1.0
27. Chandigarh	13.8	27.8	9.0	24.5
28. Dadra and Nagar Haveli	2.7	11.7	1.3	2.1
29. Daman and Diu	7.0	15.8	1.4	3.5
30. Delhi	18.2	39.5	13.3	26.4
31. Lakshadweep	1.5	3.4	0.1	0.3
32. Pondicherry	5.3	11.2	2.5	4.4
All-India	3.8	7.7	2.3	4.4

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	
	1992	1997	1992	1997	1992	1997
1	2	3	4	5	6	7
I. Northern Region	56.8	50.7	16.5	14.5	12.8	9.6
Haryana	58.5	50.2	28.2	22.5	30.7	21.3
Himachal Pradesh	89.1	85.0	70.4	62.4	69.4	68.9
Jammu and Kashmir	72.3	72.2	31.1	36.9	17.0	14.4
Punjab	54.7	47.3	28.7	24.3	30.3	25.3
Rajasthan	66.5	59.5	21.5	21.3	25.4	22.1
Chandigarh	10.4	6.8	2.3	1.6	1.1	0.8
Delhi	6.2	4.5	1.7	1.6	0.4	0.4
II. North-Eastern Region	74.0	69.1	26.9	26.1	33.8	36.7
Arunachal Pradesh	98.6	98.5	98.8	98.7	100.0	99.3
Assam	72.6	67.9	24.7	24.1	31.8	35.3
Manipur	66.7	58.8	18.4	15.5	27.9	37.4
Meghalaya	76.0	73.2	17.8	20.2	35.1	36.5
Mizoram	89.2	78.2	20.6	12.9	39.1	26.8
Nagaland	65.7	56.3	18.9	8.7	23.6	16.7
Tripura	72.5	68.3	26.1	28.4	45.6	46.7
III. Eastern Region	69.0	65.0	18.8	21.7	20.1	18.2
Bihar	76.0	71.3	30.7	31.5	40.3	34.0
Orissa	77.5	74.8	28.5	31.6	34.3	35.7
Sikkim	86.2	78.6	30.5	32.9	21.4	34.5
West Bengal	56.7	52.7	11.5	14.0	10.1	9.2
Andaman and Nicobar Islands	64.0	54.8	24.6	24.1	23.8	28.4
IV. Central Region	68.9	62.2	26.6	25.8	27.1	23.4
Madhya Pradesh	70.6	61.9	21.7	20.3	23.7	18.6
Uttar Pradesh	68.0	62.4	28.4	27.9	29.0	26.4
V. Western Region	47.3	41.5	7.0	7.3	6.8	5.5
Goa	59.7	55.0	32.0	31.0	21.5	19.3
Gujarat	50.0	44.5	16.6	16.4	16.7	13.4
Maharashtra	45.1	39.0	3.7	3.8	4.4	3.6
Dadra and Nagar Haveli	100.0	100.0	100.0	100.0	100.0	100.0
Daman and Diu	10.0	7.7	2.9	3.3	2.5	1.9
VI. Southern Region	46.8	40.2	14.1	12.3	15.4	12.3
Andhra Pradesh	57.6	50.3	17.6	15.2	21.0	17.3
Karnataka	55.5	49.9	17.3	16.1	18.1	14.9
Kerala	19.3	11.0	8.1	5.2	8.7	6.3
Tamil Nadu	44.8	39.8	12.4	12.1	12.2	9.8
Lakshadweep	100.0	100.0	100.0	100.0	100.0	100.0
Pondicherry	40.6	31.1	15.3	10.3	16.4	11.4
All-India	58.0	52.0	15.0	14.7	14.5	11.5

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 1992 and 1997			Credit Deposit Ratio as on Last Friday of	
	No. of Offices	Bank Deposits	Bank Credit	March 1992	March 1997
1	2	3	4	5	6
I. Northern Region	-4.5	101.2	55.4	46.1	35.6
Haryana	-6.6	90.4	25.2	61.5	40.4
Himachal Pradesh	-1.1	104.8	61.3	32.8	25.9
Jammu and Kashmir	1.2	178.2	79.7	23.4	15.1
Punjab	-5.5	76.6	61.7	44.5	40.7
Rajasthan	-5.2	126.2	57.3	65.7	45.7
Chandigarh	-16.7	84.5	144.9	31.6	42.0
Delhi	-21.1	120.8	152.5	16.8	19.1
II. North-Eastern Region	-4.6	110.2	65.8	55.8	44.0
Arunachal Pradesh	-1.4	126.5	68.9	14.5	10.8
Assam	-4.9	104.9	66.5	63.3	51.4
Manipur	-10.7	102.3	155.7	109.7	138.6
Meghalaya	3.1	163.6	69.7	39.9	25.7
Mizoram	-7.6	66.5	25.0	38.8	29.2
Nagaland	-13.0	-1.1	-4.5	47.7	46.1
Tripura	-4.7	147.3	57.7	97.4	62.1
III. Eastern Region	-3.7	122.2	49.3	54.2	36.4
Bihar	-4.6	118.7	38.4	51.9	32.9
Orissa	-0.3	162.6	67.3	87.0	55.5
Sikkim	32.0	150.6	127.0	20.4	18.5
West Bengal	-5.1	111.7	52.2	45.9	33.0
Andaman and Nicobar Islands	6.2	179.2	76.0	30.0	18.9
IV. Central Region	-7.3	108.1	38.2	50.9	33.8
Madhya Pradesh	-10.7	99.3	37.7	69.7	48.1
Uttar Pradesh	-5.5	110.6	38.5	45.5	29.9
V. Western Region	-7.7	106.2	67.5	58.3	47.3
Goa	-	123.6	67.9	20.7	15.5
Gujarat	-7.6	108.7	58.0	53.9	40.8
Maharashtra	-8.3	96.3	75.4	73.8	65.9
Dadra and Nagar Haveli	-	327.6	72.3	46.0	18.6
Daman and Diu	-	197.8	150.0	15.0	12.6
VI. Southern Region	-8.4	97.2	70.7	87.7	76.0
Andhra Pradesh	-7.6	82.9	67.9	96.1	88.2
Karnataka	-5.6	118.5	75.8	82.3	66.2
Kerala	-37.5	56.6	60.7	55.4	56.9
Tamil Nadu	-4.7	108.9	72.4	98.4	81.2
Lakshadweep	12.5	168.5	84.4	12.8	8.8
Pondicherry	-17.9	52.7	28.7	51.2	43.2
All-India	-6.3	106.8	57.2	58.7	44.6

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 1994	March 1995	March 1996
I	2	3	4
I. Northern Region	27.3	25.7	26.5
Haryana	62.9	67.2	59.9
Himachal Pradesh	57.0	55.1	56.9
Jammu and Kashmir	29.0	27.4	35.6
Punjab	52.4	49.8	51.5
Rajasthan	51.0	48.7	50.8
Chandigarh	16.9	11.3	9.4
Delhi	12.0	12.8	13.5
II. North-Eastern Region	60.4	58.2	56.8
Arunachal Pradesh	46.5	48.5	52.9
Assam	58.3	56.5	54.5
Manipur	81.2	73.7	62.5
Meghalaya	52.7	45.7	53.2
Mizoram	69.6	71.4	65.4
Nagaland	67.0	71.4	83.3
Sikkim	46.5	38.9	40.0
Tripura	70.1	67.9	63.9
III. Eastern Region	40.3	37.2	35.2
Bihar	62.0	58.8	54.4
Orissa	58.0	54.5	52.4
West Bengal	30.3	27.9	26.4
Andaman and Nicobar Islands	58.9	52.4	48.0
IV. Central Region	56.3	54.6	51.5
Madhya Pradesh	51.5	47.2	44.7
Uttar Pradesh	59.1	59.1	56.0
V. Western Region	23.8	22.4	22.7
Goa	31.3	29.0	31.2
Gujarat	37.0	36.6	34.9
Maharashtra	21.0	19.5	20.1
Dadra and Nagar Haveli	63.5	55.6	58.3
Daman and Diu	97.8	90.0	79.5
VI. Southern Region	39.6	39.0	37.8
Andhra Pradesh	44.1	40.1	40.9
Karnataka	38.4	41.1	38.4
Kerala	42.4	43.6	44.2
Tamil Nadu	36.4	35.8	33.8
Lakshadweep	69.9	100.0	133.3
Pondicherry	40.9	36.9	35.3
All-India	33.8	32.0	31.5

Table XI-15 : Priority Sector Advances for Agriculture and Allied Activities – March 1996

(Rupees crore)

States/Union Territories	Direct and Indirect Finance for Agriculture and Allied Activities	Total Bank Credit	Percentage of Col. 2 to Col.3
1	2	3	4
I. Northern Region	4704	56644	8.3
Haryana	904	3905	23.2
Himachal Pradesh	106	763	13.9
Jammu and Kashmir	113	1489	7.6
Punjab	1753	8289	21.2
Rajasthan	1181	5249	22.5
Chandigarh	222	5204	4.3
Delhi	425	31745	1.3
II. North-Eastern Region	348	2139	16.3
Arunachal Pradesh	10	34	29.4
Assam	232	1568	14.8
Manipur	15	120	12.5
Meghalaya	13	94	13.8
Mizoram	4	26	15.4
Nagaland	30	102	29.4
Sikkim	6	40	15.0
Tripura	38	155	24.5
III. Eastern Region	2632	24971	10.5
Bihar	1040	5095	20.4
Orissa	601	2927	20.5
West Bengal	989	16924	5.9
Andaman and Nicobar Islands	2	25	8.0
IV. Central Region	4307	21127	20.4
Madhya Pradesh	1713	8429	20.3
Uttar Pradesh	2594	12698	20.4
V. Western Region	4462	81361	5.5
Goa	61	842	7.3
Gujarat	1521	13212	11.5
Maharashtra	2877	67256	4.3
Dadra and Nagar Haveli	2	12	16.7
Daman and Diu	1	39	2.6
VI. Southern Region	11035	70156	15.7
Andhra Pradesh	3525	16616	21.2
Karnataka	2366	15333	15.4
Kerala	1259	8632	14.6
Tamil Nadu	3839	29266	13.1
Lakshadweep	1	3	33.3
Pondicherry	45	306	14.7
All-India	27488	256398	10.7

Table XI-16 : State-wise Financial Assistance Sanctioned and Disbursed by All-India Financial Institutions* and IDBI

(Rupees crore)

States/Union Territories	All India Financial Institutions (AIFIs)								Industrial Development Bank of India (IDBI)							
	1991-92		1994-95		1995-96		Cumulative upto end - March 1996		1991-92		1994-95		1995-96		Cumulative upto end-March 1996**	
	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
1. Andhra Pradesh	1259.5	1254.4	2905.0	1802.4	3917.2	2272.7	18674.8	12611.4	544.7	546.8	1375.0	954.4	1470.0	875.0	9065.0	6351.2
2. Arunachal Pradesh	0.5	1.4	3.8	3.1	4.3	2.5	29.5	23.7	0.1	0.8	2.3	1.7	1.6	0.4	18.4	14.0
3. Assam	67.0	124.8	136.4	89.8	716.5	121.7	1779.1	925.7	29.4	56.1	31.2	26.6	70.5	43.8	583.8	486.1
4. Bihar	364.0	310.2	152.1	247.7	433.8	249.2	3883.3	2854.5	204.1	116.4	58.6	76.2	261.7	79.5	1804.4	1205.9
5. Goa	136.6	108.5	250.7	208.1	236.2	116.4	1759.4	1173.3	56.6	48.2	29.5	38.5	86.8	29.6	772.9	545.3
6. Gujarat	2156.6	1657.1	9802.6	4102.5	9201.2	4582.3	43299.3	24003.2	536.2	571.6	3672.1	1639.6	3113.9	1716.3	16268.9	9959.1
7. Haryana	455.8	349.9	921.5	559.4	1408.9	813.6	6547.5	4293.7	177.9	143.0	366.4	212.3	446.7	245.6	2852.8	1918.3
8. Himachal Pradesh	312.1	127.5	844.3	477.9	857.0	253.8	3240.5	1853.3	59.8	49.6	479.7	331.6	394.2	108.7	1685.7	1102.6
9. Jammu and Kashmir	39.0	40.4	13.4	12.2	39.1	30.8	530.8	437.4	4.6	13.4	6.9	8.3	24.7	11.7	408.0	336.2
10. Karnataka	1198.9	677.2	3744.8	1602.2	5411.0	2374.1	18876.7	10949.1	365.2	245.3	1257.4	577.2	1632.7	733.5	7215.5	4612.8
11. Kerala	350.4	264.0	406.3	280.3	642.7	357.9	3826.7	2853.6	140.1	111.6	164.4	88.2	185.8	115.6	2054.7	1555.3
12. Madhya Pradesh	959.4	721.7	2042.2	1367.0	3115.2	1775.6	13763.2	9170.7	412.0	345.0	698.8	638.1	1145.8	606.1	5907.1	4360.9
13. Maharashtra	4224.8	3070.1	12481.9	7354.1	12656.2	7134.3	64862.1	41905.8	1309.1	1046.3	3964.3	2449.5	3555.8	1993.9	20754.5	13178.4
14. Manipur	3.0	4.4	0.2	0.2	2.3	4.3	43.1	39.8	0.1	1.0	-	-	-	-	31.2	26.2
15. Meghalaya	7.7	4.9	5.5	4.4	2.1	2.0	100.1	84.6	5.9	2.6	3.4	2.4	-	-	75.1	62.4
16. Mizoram	1.6	1.8	0.1	0.1	0.5	0.4	29.9	26.4	-	0.4	-	-	-	-	27.5	24.2
17. Nagaland	6.1	2.5	1.5	1.4	7.0	6.1	50.9	47.1	4.0	1.0	0.1	0.1	1.6	1.1	32.9	30.6
18. Orissa	246.3	323.3	1175.6	308.9	519.1	237.3	5096.3	3212.1	90.9	145.2	403.4	143.2	169.1	105.5	2405.0	1873.4
19. Punjab	477.3	349.2	1101.8	648.5	980.9	680.3	6406.1	4514.1	213.9	138.3	351.5	197.7	358.6	222.5	2849.4	1907.2
20. Rajasthan	693.8	564.2	1863.1	1370.4	2355.0	1717.2	11004.0	8148.3	143.0	242.8	711.0	537.4	653.0	475.4	4683.1	3575.6
21. Sikkim	2.6	4.5	1.2	0.4	3.9	10.0	38.9	39.3	-	2.5	-	-	-	-	24.7	20.9
22. Tamil Nadu	1988.0	1160.1	5286.2	2565.6	6291.6	3280.4	26295.4	16449.7	688.3	413.7	2225.4	927.1	1619.2	1281.0	10480.9	7310.3
23. Tripura	2.5	1.9	1.8	1.1	3.9	8.4	43.7	37.1	0.1	-	-	-	-	-	27.2	20.1
24. Uttar Pradesh	1086.7	1054.1	2539.5	2040.7	4911.2	2769.8	21279.9	13992.3	404.8	385.2	788.7	763.7	2059.6	858.8	9676.5	6288.1
25. West Bengal	1591.1	485.7	1918.2	778.5	2615.3	1063.7	12849.3	7491.0	286.5	233.7	932.3	418.9	706.9	308.4	5037.2	3152.5
26. Delhi	670.6	538.8	2431.1	1326.6	2028.5	1591.4	9568.2	6124.7	285.5	238.1	649.4	375.6	1230.7	570.7	3284.6	1971.2
27. Union Territories	122.7	120.8	827.4	256.3	894.9	360.2	2781.4	1348.7	47.8	47.4	295.7	109.3	180.3	153.6	1041.0	649.8
Total	20820.6 *	14748.7	55872.9	30657.4	61967.0	34736.5	294926.8 @	188461.9 *	6010.6	5146.0	18467.5	10517.6	19369.2	10536.7	109068.0	72538.6

S - Sanctioned. D - Disbursed.

The expression All-India Financial Institutions (AIFIs) refer to All-India Development Banks (AIDBs) viz., IDBI, IFCI, ICICI, SIDBI, IRBI and SCICI, Specialised Financial Institutions viz., RCTC, TDICI and TFICI and investment institutions viz., LIC, UTI and GIC.

* Includes assistance of Rs. 1.7 crore sanctioned and disbursed by ICICI to Malaysia.

@ Includes assistance of Rs. 30.3 crore and Rs. 30.2 crore sanctioned by ICICI to Malaysia and Saudi Arabia, respectively.

** Inclusive of assistance to small scale sector up to end - March 1990.

Source : IDBI Report on Development Banking in India, 1995-96.

Table XI-17 : State-wise Share of Financial Assistance Sanctioned and Disbursed by All-India Financial Institutions

(Per cent)

States/Union Territories	1991-92		1994-95		1995-96		Cumulative upto end- March 1996	
	S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9
1. Andhra Pradesh	6.2	8.5	5.2	5.9	6.3	6.5	6.3	6.7
2. Arunachal Pradesh	-	-	-	-	-	-	-	-
3. Assam	0.3	0.8	0.2	0.3	1.2	0.4	0.6	0.5
4. Bihar	1.7	2.1	0.3	0.8	0.7	0.7	1.3	1.5
5. Goa	0.7	0.7	0.4	0.7	0.4	0.3	0.6	0.6
6. Gujarat	10.3	11.2	17.5	13.4	14.8	13.2	14.7	12.7
7. Haryana	2.2	2.4	1.6	1.8	2.3	2.3	2.2	2.3
8. Himachal Pradesh	1.5	0.9	1.5	1.6	1.4	0.7	1.1	1.0
9. Jammu and Kashmir	0.2	0.3	-	-	0.1	0.1	0.2	0.2
10. Karnataka	5.8	4.6	6.7	5.2	8.7	6.8	6.4	5.8
11. Kerala	1.7	1.8	0.7	0.9	1.0	1.0	1.3	1.5
12. Madhya Pradesh	4.6	4.9	3.6	4.5	5.0	5.1	4.7	4.9
13. Maharashtra	20.3	20.8	22.3	24.0	20.4	20.5	22.0	22.2
14. Manipur	-	-	-	-	-	-	-	-
15. Meghalaya	-	-	-	-	-	-	-	-
16. Mizoram	-	-	-	-	-	-	-	-
17. Nagaland	-	-	-	-	-	-	-	-
18. Orissa	1.2	2.2	2.1	1.0	0.8	0.7	1.7	1.7
19. Punjab	2.3	2.4	2.0	2.1	1.6	2.0	2.2	2.4
20. Rajasthan	3.3	3.8	3.3	4.5	3.8	4.9	3.7	4.3
21. Sikkim	-	-	-	-	-	-	-	-
22. Tamil Nadu	9.5	7.9	9.5	8.4	10.1	9.4	8.9	8.7
23. Tripura	-	-	-	-	-	-	-	-
24. Uttar Pradesh	5.2	7.1	4.5	6.7	7.9	8.0	7.2	7.4
25. West Bengal	7.6	3.3	3.4	2.5	4.2	3.1	4.4	4.0
26. Delhi	3.2	3.7	4.3	4.3	3.3	4.6	3.2	3.2
27. Union Territories	0.6	0.8	1.5	0.8	1.4	1.0	0.9	0.7

S Sanctioned.

D Disbursed.

Table XI-18 : State-wise Share of Financial Assistance Sanctioned and Disbursed by IDBI

(Per cent)

States/Union Territories	1991-92		1994-95		1995-96		Cumulative upto end- March 1996	
	S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9
1. Andhra Pradesh	9.1	10.6	7.4	9.1	7.6	8.3	8.3	8.8
2. Arunachal Pradesh	-	-	-	-	-	-	-	-
3. Assam	0.5	1.1	0.2	0.2	0.4	0.4	0.5	0.7
4. Bihar	3.4	2.3	0.3	0.7	1.4	0.8	1.7	1.7
5. Goa	0.9	0.9	0.2	0.4	0.5	0.3	0.7	0.7
6. Gujarat	8.9	11.1	19.9	15.6	16.1	16.3	14.9	13.7
7. Haryana	3.0	2.8	2.0	2.0	2.3	2.3	2.6	2.6
8. Himachal Pradesh	1.0	1.0	2.6	3.2	2.0	1.0	1.5	1.5
9. Jammu and Kashmir	0.1	0.3	-	0.1	0.1	0.1	0.4	0.5
10. Karnataka	6.1	4.8	6.8	5.5	8.4	7.0	6.6	6.4
11. Kerala	2.3	2.2	0.9	0.8	1.0	1.1	1.9	2.1
12. Madhya Pradesh	6.9	6.7	3.8	6.1	5.9	5.6	5.4	6.0
13. Maharashtra	21.8	20.3	21.5	23.3	18.4	18.9	19.0	18.2
14. Manipur	-	-	-	-	-	-	-	-
15. Meghalaya	0.1	0.1	-	-	-	-	0.1	0.1
16. Mizoram	-	-	-	-	-	-	-	-
17. Nagaland	0.1	-	-	-	-	-	-	-
18. Orissa	1.5	2.8	2.2	1.4	0.9	1.0	2.2	2.6
19. Punjab	3.6	2.7	1.9	1.9	1.9	2.1	2.6	2.6
20. Rajasthan	2.4	4.7	3.9	5.1	3.4	4.5	4.3	4.9
21. Sikkim	-	-	-	-	-	-	-	-
22. Tamil Nadu	11.5	8.0	12.1	8.8	8.4	12.2	9.6	10.1
23. Tripura	-	-	-	-	-	-	-	-
24. Uttar Pradesh	6.7	7.5	4.3	7.3	10.6	8.2	8.9	8.7
25. West Bengal	4.8	4.5	5.0	4.0	3.6	2.9	4.6	4.3
26. Delhi	4.7	4.6	3.5	3.6	6.4	5.4	3.0	2.7
27. Union Territories	0.8	0.9	1.6	1.0	0.9	1.5	1.0	0.9

S Sanctioned.

D Disbursed.

Table XI-19 : State-wise Financial Assistance Sanctioned and Disbursed by State Financial Corporations

(Rupees crore)

States/Union Territories	1991-92		1994-95		1995-96		Cumulative upto end- March 1996	
	S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9
1. Andhra Pradesh	219.1	158.9	139.7	86.3	180.0	117.0	1614.7	1488.1
2. Assam	7.7	10.6	5.3	4.7	1.1	3.7	106.3	96.1
3. Bihar	27.6	14.0	0.5	0.3	0.2	0.1	737.7	411.5
4. Gujarat	282.5	155.2	239.4	175.1	306.4	240.0	2548.3	1773.5
5. Haryana	92.5	51.7	248.7	128.2	244.5	232.1	1108.4	866.0
6. Himachal Pradesh	15.8	14.1	16.5	15.2	22.5	20.0	190.3	175.5
7. Jammu and Kashmir	42.4	34.6	0.5	1.6	2.0	0.8	312.3	292.9
8. Karnataka	328.6	248.5	454.9	389.7	613.7	484.6	2992.8	2688.6
9. Kerala	69.1	60.6	109.3	75.4	234.1	139.8	1011.6	735.8
10. Madhya Pradesh	47.9	38.9	55.2	39.9	91.1	59.1	668.1	589.2
11. Maharashtra	236.9	158.5	388.4	262.8	569.7	388.7	2809.0	1861.5
12. Orissa	49.4	50.8	38.9	35.1	84.4	54.5	771.7	697.8
13. Punjab	71.9	66.0	38.1	70.3	72.6	69.2	772.4	668.7
14. Rajasthan	162.1	104.7	173.7	120.7	159.6	131.7	1330.1	1144.2
15. Tamil Nadu	233.1	161.5	388.9	246.9	632.7	320.8	2864.0	1858.0
16. Uttar Pradesh	218.7	146.0	322.7	175.9	590.7	389.3	2245.3	1894.3
17. West Bengal	64.7	43.3	44.9	30.7	68.0	47.9	528.7	460.3
18. Delhi	20.3	18.9	36.8	22.1	46.2	40.9	281.4	250.0
Total	2190.3	1536.8	2702.4	1880.9	3919.5	2740.2	22893.1	17952.0

S – Sanctioned.

D – Disbursed.

Table XI-20 : Small Savings Collections

(Rupees crore)

States/Union Territories	1993-94			1996-97		
	Target*	Gross Collections	Net Collections	Target*	Gross Collections	Net Collections
1	2	3	4	5	6	7
1. Andhra Pradesh	400.0	1425.5	600.3	800.0	1594.4	157.4
2. Arunachal Pradesh	2.5	7.2	2.5	5.0	11.0	4.6
3. Assam	175.0	447.9	142.3	280.0	726.9	206.1
4. Bihar	225.0	1411.1	242.2	550.0	1982.8	592.4
5. Goa	25.0	52.9	7.1	40.0	70.0	12.8
6. Gujarat	650.0	1715.7	455.7	1300.0	2705.3	915.0
7. Haryana	200.0	785.0	196.5	400.0	1050.8	394.0
8. Himachal Pradesh	50.0	420.2	151.2	150.0	811.5	-178.6
9. Jammu and Kashmir	70.0	226.8	95.9	200.0	268.6	109.1
10. Karnataka	350.0	1116.4	313.3	350.0	1284.9	322.2
11. Kerala	150.0	760.0	307.5	400.0	906.4	160.6
12. Madhya Pradesh	200.0	830.6	198.3	700.0	1234.7	450.0
13. Maharashtra	850.0	2684.5	215.1	1800.0	3439.5	2990.0
14. Manipur	3.0	11.5	5.8	15.0	26.6	14.4
15. Meghalaya	20.0	33.7	13.2	20.0	37.4	9.4
16. Mizoram	4.0	10.3	4.7	6.0	15.6	0.5
17. Nagaland	2.0	7.2	1.0	3.0	13.5	8.0
18. Orissa	200.0	604.9	163.5	350.0	675.2	126.6
19. Punjab	350.0	1139.5	414.9	750.0	1532.8	683.1
20. Rajasthan	375.0	1146.9	416.4	600.0	1632.2	559.2
21. Sikkim	1.5	4.5	0.9	6.0	7.3	3.9
22. Tamil Nadu	570.0	2108.0	523.6	500.0	2001.0	282.4
23. Tripura	20.0	70.5	19.4	45.0	88.3	24.4
24. Uttar Pradesh	1100.0	3723.6	1168.2	2000.0	4449.3	1272.4
25. West Bengal	700.0	2997.6	1246.6	2000.0	4422.6	2055.4
26. Andaman and Nicobar Islands	1.5	6.0	2.1	2.0	8.6	2.6
27. Chandigarh	40.0	90.4	11.0	20.0	77.2	-6.8
28. Daman and Diu	1.5	1.8	-	2.0	4.9	1.1
29. Delhi	125.0	841.1	227.5	700.0	1187.8	162.3
30. Lakshadweep	1.0	0.2	-	1.0	0.5	-
31. Base@	-	42.7	8.0	-	67.3	8.6
32. Pondicherry	30.0	10.3	2.7	5.0	14.7	2.9
Total	6892.0	24734.3	7157.5	14000.0	32349.4	11345.9

* The target relates to net collections.

@ Base stands for collections through Army Post Offices.

Source : Office of the National Savings Commissioner, Government of India, Ministry of Finance.

Table XI-21 : Minor Irrigation Facilities

(Area : Lakh hectares)

States / Union Territories	Total Cropped Area		Area Covered by Minor Irrigation Facilities		Percentage of column (4 to 2) (5 to 3)		Number of					
	1989-90	1995-96	1989-90	1995-96	1989-90	1995-96	Wells		Tube Wells		Canals	
							1989-90	1995-96	1989-90	1995-96	1989-90	1995-96
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Andhra Pradesh	132.6	130.4	29.9	32.5	22.5	24.9	1229828	1248107	130533	337304	93	93
2. Arunachal Pradesh	1.8	1.9	0.6	0.8	34.5	43.2	..	..	..	..	..	..
3. Assam	34.0	34.0	1.4	3.0	4.1	9.0	..	58	..	222	..	154
4. Bihar	104.0	..	44.3	55.4	42.6	..	84360	124000	626331	968734	2640	3122
5. Goa	1.5 *	1.6	..	..	..	..	..	..	..	..	..	..
6. Gujarat	107.4	112.5 **	24.8	30.9 **	23.1	27.5 **	781990	780224 **	18113	29350 **	1158	1211 **
7. Haryana	56.5	59.9 **	..	..	..	..	..	..	457856	549296	..	..
8. Karnataka	121.2	119.6	15.3	16.1	12.9	13.5	440438	473258	51157	229958	107	128
9. Kerala	39.2	..	1.4	2.1	4.7	-	11647	13600	315	1179	-	-
10. Madhya Pradesh	225.6	251.6	21.4	42.9	9.5	17.1	1177976	1419324	52262	168288	2862	3785
11. Maharashtra	216.7	213.3	5.5	6.4	2.6	3.0	..	..	..	..	..	..
12. Manipur	2.0	1.3	0.7	0.3	35.5	23.4	..	..	..	..	..	..
13. Meghalaya	2.4	2.5	0.2	0.3	8.3	11.4	625	625	5	5	94	105
14. Mizoram	0.8	1.1	-	0.1	-	9.7	..	..	..	..	..	..
15. Nagaland	1.9	2.4 **	0.6	0.6 **	31.5	26.7 **	..	..	..	..	..	..
16. Orissa	94.5	96.7	3.7	7.2	4.0	7.4	..	..	..	..	3257	..
17. Punjab	73.9	77.0	..	..	..	..	..	..	742000	875000	..	..
18. Rajasthan	179.0	193.8	44.6	58.2	24.9	30.0	1178506	1325687	74688	109745	..	..
19. Sikkim	0.5	0.5	0.2	0.3	40.7	50.9	..	..	..	..	..	..
20. Tamil Nadu	68.2	62.7	24.4	25.9	35.8	41.3	1657905	1690936	86476	137316	2290	2322
21. Tripura	4.4	..	0.4	..	10.1	..	..	..	240	..	..	..
22. Uttar Pradesh	172.3	173.2 **	71.5	85.3 **	41.5	49.3 **	191000	204000 **	429000	525000 **	8623	..
23. West Bengal	84.0 *	87.5	26.4 *	29.9	31.5 *	34.2	4306 *	7170	7053 *	9171	3248 *	..
24. Pondicherry	0.4	0.4	0.2	0.2	52.4	50.0	-	-	12520	13796	9316	8608
25. Delhi	0.7	0.7	0.5	0.6	71.4	85.7	34630	42306	33662	41055	3662	2425

* Data relates to 1991-92.

* * Data relates to 1994-95.

Table XI-22 : Health Facilities Available

States / Union Territories	No. of Hospitals		Population covered per Hospital		No. of Dispensaries		Population covered per Dispensary		No. of Beds		Population covered per Bed	
	1989-90	1996-97	1989-90	1996-97	1989-90	1996-97	1989-90	1996-97	1989-90	1996-97	1989-90	1996-97
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Andhra Pradesh	347	327 **	192824	219297	3579	3082 **	18695	23267	30519	33795 **	2192	2122
2. Arunachal Pradesh	12	12 *	72500	80000	31	38 *	28065	25263	2288	2539 *	380	378
3. Assam	118	161 *	191355	152857	317	315 *	71230	78127	11768	12868 *	1919	1913 *
4. Bihar	229	310	380000	306161	1994	2488	43641	38147	27820	32070	3128	2959
5. Goa	127	122 *	9317	10295 *	..	..	..	..	4070	4558 *	291	276 *
6. Gujarat	1760	2605 *	23613	17125	6265	7274 *	6634	6133	58264	73201 *	713	609
7. Haryana	78	79 *	212692	228734	230	232 *	72130	77888	10515	11328 *	1578	1595
8. Himachal Pradesh	69	72	75362	77917	960	1129	5417	4969	7958	9525	653	589
9. Karnataka	288	312	157013	154006	1975	2857	22896	16818	41607	53882	1087	892
10. Kerala	140	150	208857	206067	51	52	573333	594423	27570	29879	1061	1035
11. Madhya Pradesh	370	344	180108	209709	332	125	200723	577120	27826	29194	2395	2471
12. Maharashtra	768	736 **	103450	116712	1896	1418 **	41904	60578	108469	124701 **	732	689
13. Manipur	89	99	20787	225556	472	462	3920	4394	1848	1975	1001	1098
14. Meghalaya	8	9 **	223750	217778	21	20 **	85238	98000	1771	2352 **	1011	833
15. Mizoram	10	7 *	70000	112857	33	38 *	21212	20789	890	726 *	787	1088
16. Nagaland	30	29 *	40666	47931	67	65 *	18209	21385	1440	1454 *	847	956
17. Orissa	186	180	171290	190389	173	150 *	184162	228467	12607	13664 *	2527	2508
18. Punjab	219	208 *	93105	103846	1473	1470 *	13842	14694	24179	25032 *	843	863 *
19. Rajasthan	208	219	213125	220091	477	278	92935	173381	28867	36702	1536	1313
20. Sikkim	5	5	82000	94000	148	171	2770	2748	725	815	566	577
21. Tamil Nadu	267	382 **	209925	152592	884	313 **	63405	186230	44901	47638	1248	1224
22. Tripura	10	17 *	278000	179412	446	471 *	6233	6476	1830	2171 *	1519	1405
23. Uttar Pradesh	6988	8408 *	20029	17854	..		..	63564	73771	*	2202	2035
24. West Bengal	410	402 *	167000	182264	551	566 *	124265	129452	65662	68907 *	1043	1063
25. Delhi	79	82	120633	133780	609	675	15649	16252	17538	19813	543	554
26. Chandigarh	1	4	650000	195000	35	46	18571	16957	530	2200	1226	355
27. Lakshadweep	2	2	25000	30000	3	3	16667	20000	140	200	357	300
28. Pondicherry	8	8	101250	110000	122	140	6639	6286	1981	2087	409	422

* Data relates to 1995-96.

** Data relates to 1994-95.

Table XI-23 : Educational Institutions and Students' Enrolment in Schools

States / Union Territories	Number of Schools						Students' Enrolment in School					
	Primary		Middle		Secondary/Higher Secondary		Primary		Middle		Secondary/Higher Secondary	
	1989-90	1996-97	1989-90	1996-97	1989-90	1996-97	1989-90	1996-97	1989-90	1996-97	1989-90	1996-97
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Andhra Pradesh	47252	48899	5827	7733	6648	8271	5683000	5635000	1910000	2130000	3015000	3507000
2. Arunachal Pradesh	1101	1251 *	241	291 *	108	154 *	118635	171658 *	24829	38189 *	15029	22363 *
3. Assam	28875	30140 *	5703	7237 *	3126	3970 *	2860000	3049954 *	1125000	1296767 *	933348	1392541 *
4. Bihar	53252	53652	13170	13834	3992	4149	5868311	7028741	4042464	4296523	1715917	1838513
5. Goa	1285 **	1281 *	441 *	458 *	388 **	439 *	105123 **	98966 *	82327 **	79023 *	88547 **	90905 *
6. Gujarat	13356	14159 *	17448	18960 *	5008	5713 *	1362592	1544917 *	5417011	5759238 *	1595516	1925083 *
7. Haryana	4922	5474 *	1321	1499 *	2266	2998 *	1689000	1896000 *	691000	818000 *	350000	407000 *
8. Himachal Pradesh	7340	9142	977	1006	1008	1176	649200	726000 @	341100	400410 *	172900	228400 *
9. Karnataka	23539	24671	16318	20345	4793	7641	4721000	5544000	2044000	2670000	1251000	1661000
10. Kerala	6813	6728	2893	2968	2437	2581	2527068	2140510	1895249	1789890	1460399	1603824
11. Madhya Pradesh	67789	78694	14369	19328	4003	6788	7410000	9614000	2603000	3187000	1511000	1947000
12. Maharashtra	57158	63170	9480	13339	1580	3310	10115000	11924000	5615000	6738000	335000	1149000
13. Manipur	2934	2548 *	422	535 *	402	539 *	184946	232179 *	69960	103228 *	128770	..
14. Meghalaya	4231	4099 \$	777	816 \$	412	392 \$	236050	278120 \$	55630	73550 \$	71720	40120 \$
15. Mizoram	1084	1254 *	522	694 *	192	321 *	98023	99730 *	42925	47408 *	23136	30983 *
16. Nagaland	1286	1422 *	341	421 *	133	245 *	140818	133101 *	76270	75243 *	71407	117275 *
17. Orissa	39793	42104 *	9232	11510 *	4311	5808 *	3555000	3887000 *	982000	1270000 *	770000	822000 *
18. Punjab	12374	12587 *	1425	1686 *	2743	3142 *	1904000	2082000 *	185000	953000 *	1289000	706000 *
19. Rajasthan	30264	33801	8629	12692	3733	4905	3102929	3613737 *	2090744	3011170 *	1559413	2069319 *
20. Sikkim	512	1260	127	121	68	96	34203	83413	24667	21955	34823	11662
21. Tamil Nadu	29491	30619	5651	5503	4949	6308	5446096	4586276	2997620	2571890	3824452	5231561
22. Tripura	2063	2026 *	428	437 *	454	518 *	386621	426910 *	141011	124229 *	75233	81072 *
23. Uttar Pradesh	74275	86498 *	14549	19148 *	5946	6988 *	13006000	13347000 *	2930000	2992000 *	4590000	5016000 *
24. West Bengal	51019	51021	3157	2779	6727	7523	8820000	9006000	3767000	2641000	1750000	1505000
25. Delhi	1837	2184 @	441	559 @	1084	1318 @	686695	1042447 @	123475	490465 @	1007869	1053221 @
26. Chandigarh	49	50	27	33	75	104	13613	13315	11352	13461	73051	113184
27. Lakshadweep	19	19 *	4	4 *	12	14 *	6945	7140 *	3334	3343 *	2618	5204 *
28. Pondicherry	343	339 *	105	121 *	101	138 *	49848	43120 *	49992	46859 *	79379	117462 *

@ Data relates to 1994-95.

* Data relates to 1995-96.

* * Data relates to 1990-91.

\$ Data relates to 1993-94.

Table XI-24 : Number of Villages Having Drinking Water Facilities

States/Union Territories	Total No. of Villages		No. of Villages where drinking water is available	
	1989-90	1996-97	1989-90	1996-97
1	2	3	4	5
1. Andhra Pradesh	27379	27379	21835	25064
2. Arunachal Pradesh	3257	3649 *	2446	3295 *
3. Assam	21995	24685	19816	24685
4. Bihar	67566	205436	67293	174104
5. Goa	419	383 *	329	347 *
6. Gujarat	18114	18569	16995	18288
7. Haryana	6745	6759 *	5924	6759 *
8. Himachal Pradesh	16807	16807	14905	16807
9. Karnataka	29386	29193	26483	27066
10. Kerala	1219	1384 *	1218	1358 *
11. Madhya Pradesh	71352	71526	66899	70937
12. Manipur	2035	2182	1749	2182
13. Mizoram	721	911	93	856
14. Nagaland	1112	1225	..	950 *
15. Orissa	42221	80387	36296	69217
16. Punjab	12342	12428 *	3548	6409 *
17. Rajasthan	34968	37889	32525	37366
18. Sikkim	453 @	1679	440 @	1679
19. Tamil Nadu	75780	66631	72380	66631
20. Uttar Pradesh	112566	112804 *	95138	107846 *
21. West Bengal	38024	80377	18834	49276
22. Lakshadweep	10	10	10	10
23. Pondicherry	292	264	291	263
24. Chandigarh	22	18	22	18

@ Data relates to 1993-94.

* Data relates to 1995-96.

Table XI-25 : Rural Roads Length

States/Union Territories	Total Road Length (Km)		Rural Road Length (Km)		Percentage of Col. 4 to Col.2	Percentage of Col.5 to Col.3
	1989-90	1996-97	1989-90	1996-97	1989-90	1996-97
1	2	3	4	5	6	7
1. Andhra Pradesh	125770	147734 *	88948	103971 *	70.7	70.4 *
2. Arunachal Pradesh	10246	12250 *	902	1464 *	8.8	12.0 *
3. Assam	30086	..	..	2366 *	-	-
4. Bihar	31868	39006	13699	16589	43.0	42.5
5. Goa	7202	7543 *	..	..	..	..
6. Gujarat	65565	71260 *	15610	18991 *	23.8	26.7 *
7. Haryana	21562	22657	16177	17279	75.0	76.3
8. Karnataka	128882	136517 *	87247	84176 *	67.3	61.7 *
9. Kerala	125633	129783 *	96951	106920 *	77.2	82.4 *
10. Madhya Pradesh	88654	97872 *	58193	67052 *	65.4	68.5 *
11. Maharashtra	172869	187090 *	62621	70751 *	36.2	37.8 *
12. Manipur	4835	6068 **	2415	2518 **	50.0	41.5 **
13. Mizoram	..	140	..	58	..	41.3
14. Nagaland	7168	..	4711	..	65.7	..
15. Orissa	208337	218395	176368	179236	84.6	82.1
16. Rajasthan	56956	73729	28289	40316	49.7	54.7
17. Tamil Nadu	165734	174645 *	102515	117207 *	61.9	67.1 *
18. Tripura	5708	5725 **	..	..	..	..
19. Uttar Pradesh	67478	86679 *	12158	14417 *	18.0	16.6 *
20. West Bengal	14758	15159	8519	8854	58.0	58.0
21. Lakshadweep	14	76	14	76	100.0	100.0
22. Pondicherry	2328	2191 *	1488	1136 *	63.9	51.8 *
23. Chandigarh	1457	1614	42	73	2.9	4.5

* Data relates to 1995-96.

** Data relates to 1994-95.

Table XI-26 : Rural Electrification

States/Union Territories	Total No. of Villages		No. of Villages Electrified		Percentage of Col. 4 to Col.2	Percentage of Col. 5 to Col.3
	1989-90	1996-97	1989-90	1996-97		
1	2	3	4	5	6	7
1. Andhra Pradesh	27379	26586	27358	26565	99.9	99.9
2. Arunachal Pradesh	3257	3649 *	1057	1827 *	32.5	50.1 *
3. Assam	23101	25590 *	20984	16771 *	90.8	65.5 *
4. Bihar	77848	78469	45603	47187	58.6	60.1
5. Goa	419	383 *	377	377 *	90.0	98.4 *
6. Gujarat	18114	18114 *	17897	17985 *	98.8	99.3 *
7. Haryana	6745	6759	6745	6759	100.0	100.0
8. Himachal Pradesh	16807	16807	16807	16807	100.0	100.0
9. Karnataka	27024	27066	26483	27066	98.0	100.0
10. Kerala	1219	1384	1219	1384	100.0	100.0
11. Madhya Pradesh	71352	71526	60027	67496	84.1	94.4
12. Maharashtra	39413	40412 *	39413	39413 *	100.0	97.5 *
13. Manipur	2035	2182	1257	1590 **	61.8	72.9 **
14. Meghalaya	4902	5484	2170	2508	44.3	45.7
15. Mizoram	721	698	332	672	46.1	96.3
16. Nagaland	1112	1225	1101	1225	99.0	100.0
17. Orissa	46992	46907	30086	32866	64.0	70.1
18. Punjab	12342	12428 *	12342	12428 *	100.0	100.0 *
19. Rajasthan	34968	37889	26965	34015	77.1	89.8
20. Sikkim	405	414	363	414	89.6	100.0
21. Tamil Nadu	15831	16780	15813	15822	99.9	94.3
22. Tripura	4727	4727	2628	3640 *	55.6	77.0 *
23. Uttar Pradesh	112566	112804 *	80358	85657 *	71.4	75.9 *
24. West Bengal	38024	38024	26392	29271	69.4	77.0
25. Chandigarh	22	18	22	18	100.0	100.0
26. Lakshadweep	10	10	10	10	100.0	100.0
27. Pondicherry	292	264	291	263	99.7	99.6

* Data relates to 1995-96.

** Data relates to 1994-95.

Table XI-27 : Expenditure on Employment Schemes

(Rupees crore)

States/Union Territories	Expenditure on Employment Schemes		Expenditure on Jawahar Rojgar Yojana	
	1989-90	1996-97	1990-91	1996-97
1	2	3	4	5
1. Andhra Pradesh	252.9	414.9	193.2	179.7
2. Arunachal Pradesh	-	0.5 *	2.3	0.1 *
3. Assam	..	..	..	95.8 *
4. Bihar	97.1	356.0	426.5	499.6
5. Gujarat	52.5 **	76.1	80.8	62.8
6. Haryana	-	4.9	4.2	2.7
7. Karnataka	..	283.0	106.9	120.1
8. Kerala	85.1	20.6	68.2	83.5
9. Madhya Pradesh	75.5	565.9	242.3	197.2
10. Maharashtra	231.5	255.8	192.1	169.3
11. Manipur	1.0	15.5	4.9	1.1
12. Meghalaya	0.1	0.3	3.5	3.7
13. Mizoram	0.2	0.5	8.3	0.7
14. Nagaland	-	-	6.2	..
15. Orissa	31.9	197.8	128.4	144.3
16. Punjab	26.5	210.4 *	12.2	11.0 *
17. Rajasthan	-	161.8	170.9	159.9
18. Sikkim	2.0	3.2	2.0	4.0
19. Tamil Nadu	-	-	196.6	382.7
20. Tripura	3.4	5.0 *	5.2	8.5 *
21. West Bengal	11.6	..	170.2	116.8
22. Pondicherry	-	-	1.6	1.5

* Data relates to 1995-96.

** Data relates to 1988-89.

APPENDIX - I
IMPORTANT EXPORT CONTROL / PROMOTION ANNOUNCEMENTS
(April 1996 - March 1997)

Sr. No.	Item	Month	Details
1	2	3	4
1.	Wheat	April 1996	Interim ceiling of 10 lakh Metric Tonnes (M. T.) of wheat was released of which quantity earmarked for Durum wheat should not exceed 1/3 of the 1995/96 ceiling. The entire quantity is placed at the disposal of Agriculture Products Exports Development Authority (APEDA).
2.	Brown Sea Weeds	June 1996	Ceiling for export of Brown Sea Weeds of Tamil Nadu Coast Origin has been placed at the disposal of Jt. DGFT Mumbai and Chennai at 150 Metric Tonnes each for the year 1996-97.
3.	All Items of Export from India	August 1996	Forty three Latin American Countries (Argentina, Brazil and Mexico etc.) have been notified for entitlement of double weightage in respect of the exports made to these countries. The total value of exports made to these notified countries will entitle exporters to avail of recognition as Export / Trading / Star Trading / Super Star Trading House.
4.	Iron and Steel	August 1996	Value based Input and Output norms have been published for Engineering Products Export Replenishment Scheme (EPRS). This will encourage Indian exporters of steel products to access Iron and Steel from Domestic Markets. The norms have been divided as sensitive and non-sensitive. Sensitive items can be imported upto the quantity shown against each item within the value limit fixed. The unutilised value of sensitive items can be utilised for import of non-sensitive items.
5.	Supplies of Goods and Spares to Power, Oil and Gas Sectors	August 1996	Supplies of goods and spares made to Power, Oil and Gas Sectors have been made eligible for entitlement of "Deemed Exports" benefits to be claimed by domestic suppliers.
6.	Carpets	August 1996	Govt. has decided to reintroduce the registration of contracts entered by the exporters with Carpets Exports Promotion Council (CEPC) prior to their actual exports. This will help to boost carpet exports as CEPC will allow branding carpets with "Kaleen" logo as a commitment to the production of carpets without use of child labour.
7.	Discharge of Export Obligation under EPCG scheme	August 1996	Exports made through one or more third parties, against one and the same licence, towards fulfillment of export obligation under EPCG scheme, are now allowed.
8.	Carbonised Coconut Shell	August 1996	Export of carbonised coconut shell, in lump or its charcoal granules or powder, is now freely allowed.
9.	Grant of Export House Status to one Corpn. of each State Government	September 1996	Govt. of India has decided to grant recognition as Export House to one Corporation of each State Govt. although the said corporation may not fulfill the minimum eligibility norms for recognition as Export House.
10.	Durum Wheat and non-Durum Wheat	September 1996	The overall ceiling separately earmarked for export of non-Durum wheat and Durum wheat shall not exceed 10 lakh M.T. and 5 lakh M.T. respectively under any circumstances.
11.	Coarse Grains and flour of Barley, Maize, Bajra and Jowar	October 1996	Export of coarse grains and flour of Barley, Maize, Jowar and Bajra, the ceiling of which was fixed earlier at 50,000 M.T. was enhanced to 100,000 MT for the year 1996-97.
12.	Supplies made to Fertilizer Plants under Expansion / Revamping / Fortification / Modernisation.	October 1996	Supplies of spares etc. made to fertiliser plants undergoing modernisation / expansion / revamping and or fortification will henceforth be eligible for Deemed Exports benefits.
13.	Printed empty gunny bags with markings bearing product of Indian Basmati Rice	January 1997	Export of empty gunny bags with markings bearing "Product of Indian Basmati Rice" is prohibited, except when exported alongwith consignments of Basmati Rice.
14.	Wheat and Wheat Products	January 1997	No new "Registration-cum-Allocation certificates" for the purpose of exports will be issued for 1.50 lakh M.T. of wheat and wheat products. This quota was released earlier vide order dated 1st October 1996. Licenses issued earlier may not be renewed or revalidated.

APPENDIX - I

IMPORTANT EXPORT CONTROL / PROMOTION ANNOUNCEMENTS
(April 1996 - March 1997)

Sr. No.	Item	Month	Details
1	2	3	4
15.	Powdered (Skimmed / Full Cream / whole) Milk or Infant Milk Food	January 1997	Ceiling earmarked for export of powdered milk has been reduced from 20,000 M.T. to 10,000 M.T. out of which 25 percent is earmarked for eligible exporters holding EPCG licences.
16.	Sugar	February 1997	Export of sugar is allowed, subject to quantitative ceilings as may be notified by DGFT from time to time. Registration-cum-Allocation Certificate for the purpose of exports will be issued by APEDA .
17.	Duty Exemption Scheme	March 1997	Value Based Licencing (VABAL) was abolished and a new "Duty Entitlement Pass Book " (DEPB) scheme was introduced. Now exporters entitled for Duty Drawback will get respective credits in a pass book (DEPB), which can be utilised to set off the import duties .
18.	EPCG Scheme	March 1997	Export Promotion of Capital Goods (EPCG) scheme was extended to Service Sector Industries and Software Exports Industries. The threshold limit has been reduced to Rs. 5 crores of FOB value for exports made by Agriculture and allied industries.
19.	Export Oriented Units and Export Processing Zones	March 1997	Norms have been further liberalised for EOUs and EPZs in the Agriculture and allied sectors, upto which they can sell their products in Domestic Tariff Area.
20.	Pass Book Scheme	March 1997	Exporters can now exercise their option to pay the additional Customs Duty either in cash or by debiting their Pass Books (DEPB) and later claim Modvat or Drawbacks, as the case may be.
21.	Special Import Licence	March 1997	Items, which can be imported under SIL , have now been reclassified as freely importable, restricted imports and importable only under SIL .

APPENDIX – II
IMPORTANT ANNOUNCEMENTS WITH REGARD TO IMPORT CONTROL POLICY
(April 1996 - March 1997)

Sr. No.	Item	Month	Details
1	2	3	4
1.	Roasted, salted or flavoured almonds	May 1996	Almonds of any variety are now freely importable in any packaging including consumer packs.
2.	Transfer of 23 items from Negative list of imports to OGL	August 1996	In order to encourage trade among SAARC countries, twenty-three items which were hitherto under " Negative List of Imports " are now importable under OGL .
3.	Transfer of 8 items from Negative list of imports to SIL	August 1996	In order to encourage trade among SAARC countries, eight items which were hitherto not importable, have now been put under SIL category.
4.	Labels, Price tags, Hangers and trimming materials such as Buttons, Belts etc.	August 1996	Import of labels, price tags, hangers, and trimming materials such as belts, buttons etc. is now allowed freely by the exporters from their overseas buyers against specific orders of export.
5.	Import of Car under "Transfer of cases residence"	August 1996	Import of one two-wheeler in lieu of a car is now allowed for persons returning to India under "Transfer of Residence" category.
6.	Paints, Varnishes, Plastic Goods, Hand Tools, Shaving Systems, Locks and Batteries etc.	September 1996	Fifty three items, viz. paints, varnishes, plastic goods, hand tools, shaving systems, locks and batteries etc., have been put under SIL. These items command a rate of premium in the domestic markets, hence import thereof only under SIL would act as an incentive for the exporters.
7.	Import in bulk of Cloves, Cinamon and cassia.	September 1996	Only a Licence holder of cloves, cinamon and cassia shall be permitted to import the same in bulk for other Licence holders alongwith import of his own goods.
8.	Marble	September 1996	Issue of Advances licences for Duty-free import of marble under DEEC scheme, has been stopped. But Duty-free import of marble is allowed, for Advance licences already issued, so long as the goods imported are broadly in conformity [colour, size, thickness etc.] with the exports already made.
9.	Urea	October 1996	In addition to Minerals and Metals Trading Corporation, which was the sole canalising agency for import of Urea, State Trading Corporation and Indian Potash Ltd. have been recognised as canalising agencies for import of urea only.
10.	Wheat	December 1996	Import of wheat by Roller flour mills is now freely allowed under Actual User Condition and for sale in domestic markets only, after registering these contracts with APEDA .
11.	Spares for ship repairing / ship building units	December 1996	Spares required for ship repairing / ship building units are now freely importable subject to Actual User Condition and without condition of SIL .
12.	Gold	January 1997	The maximum quantity of gold, that can be imported under Foreign Trade Order 1993 shall not exceed ten kilograms per passenger.
13.	Plastic waste	January 1997	Import of virgin plastic waste or new material, which can be recycled without generating effluents, is allowed only against a Licence.
14.	News Print in rolls and sheets and Glazed News Print and other News Print	January 1997	Import of Newsprint is permitted, subject to Actual User Condition , to those, who hold a 'Certificate of Entitlement to import Newsprint'.

APPENDIX - III

**IMPORTANT TRADE AGREEMENTS/TRADE PROTOCOLS, ETC., SIGNED BETWEEN INDIA AND OTHER COUNTRIES
(APRIL 1996 - MARCH 1997)**

Sr No.	Country	Date of Agreement / Trade Protocol and Duration thereof	Major Items of Exports and Imports to/from India	Commodities of Exports/ Imports covered under the Protocol	Remarks
1	2	3	4	5	6
1.	Bulgaria	Agreement between the Govt. of the Republic of India and the Govt. of the Republic of Bulgaria on Trade and Economic Cooperation signed on 4th December 1996. The Agreement shall remain in force for a period of five years from the date of its entry into force and shall be extended for a further period of five years. This agreement may be terminated at any time by either contracting party giving a written notice to the other contracting party six months in advance, of its intent to terminate the Agreement	India's Exports Drugs, fine chemicals and pharmaceuticals Cotton yarn, fabric made-up etc. RMG cotton including accessories India's Imports Inorganic chemicals Non-ferrous metals Machinery	Natural and judicial persons of the contracting parties shall be free to import and export goods and services with each other, at international prices on the basis of counter trade, compensation agreements or any other internationally recognized forms of business cooperation in accordance with the governing regulations of the two countries.	The contracting parties shall accord to each other most favoured nation treatment in respect of import and export licences, custom duties and all other charges and taxes applicable to importation, exportation or transit of products. Any advantages, favour, privilege or immunity granted by either of the contracting parties to any product originating in the territory of a third country or destined for its territory shall be granted immediately and unconditionally to the like product originating in the territory of either of the contracting parties or destined to be imported into its territory. The contracting parties shall encourage and facilitate contracts between natural and judicial persons, inter alia, thorough exchange of visits of delegations and businessmen and participation in trade fairs and exhibitions, and sharing of information. They shall encourage opening of branch offices of foreign trade organisations, commercial banks, companies firms etc. in each other's territory in accordance with the laws and regulations of the respective country.
2.	Czech Republic	Protocol of the Second Session of the Indo-Czech Joint Committee on Trade and Economic Cooperation signed on 6th February 1997. The next session of the Indo - Czech Joint Committee on Trade and Economic Cooperation will be held in Prague in 1998, the exact time of which will be decided through diplomatic channels.	India's Exports Coffee Cotton Yarn, fabrics madeups etc. Manmade yarn, fabrics, madeups etc. RMG cotton including accessories India's Imports Machinery Iron and Steel Other crude minerals Textile yarn, fabrics made-up articles	The Joint Committee looked into the possibilities of developing cooperation in the following sectors: Transport, particularly Railways, Steel, Engineering Electronics and Computer Software, Telecommunications, Chemicals and Fertilizers, Processed and Un-processed Agricultural Products, Cooperation in the Plantation Sector, Trade, Banking and Finance, Technical Development Aid from Czech Republic, Trade fair and	Both sides reviewed the Protocol of the First Session of the Indo - Czech Joint Committee on Trade and Economic Cooperation and identified areas of cooperation of mutual interest. The two sides reviewed the bilateral trade volume and agreed that major initiatives and continuous rigorous efforts are needed to boost bilateral trade. The two sides exchanged views on products which would be explored for increasing bilateral trade turnover. The Czech side suggested textiles, machine tools, tannery and shoe making machines, printing presses, measuring and control equipment etc.; the Indian side suggested items such as

1	2	3	4	5	6
				Exhibitions, Tourism.	coffee, cotton yarn, soya bean meal, electronic and software, pharmaceuticals, leather items auto parts and spares cosmetics and light engineering products etc.; for exports from India.
3. Croatia	Protocol of the Second Session of the Indian-Croatian Committee on Trade and Economic cooperation signed on 23rd October 1996. The next meeting of the committee will be held in Zagreb in 1997. The exact date of the meeting will be decided and agreed upon through diplomatic channels.	India's Exports Tobacco unmanufactured Cotton yarn, fabrics and madeups etc.; Transport Equipment India's Imports Professional instruments except electronic Organic chemicals	India's Exports Tobacco unmanufactured Cotton yarn, fabrics and madeups etc.; Transport Equipment India's Imports Professional instruments except electronic Organic chemicals	Offer made by the Indian side in the field of Electronics : Consumer electronics, Industrial electronics, Computer systems, Communication and Broadcast equipment, Components. Offer made by the Croatian side in the Electronic Sector: Stationary radio broadcasting and communication transmitters, Mobile radio broadcasting and communication transmitters, Digital watt-hour meters and accessories, Special purpose Program, House Electronics and Telecommunication components. The Croatian side also offered cooperation in the food processing industry, chemicals, Petrochemicals and Pharmaceutical industries.	The two sides reviewed the bilateral trade and agreed that continuous efforts are needed to be made by both sides to diversify and augment bilateral trade. Both sides agreed to set a two-way trade target of US\$ 100 million to be achieved by 1998. The Joint Committee looked into the possibilities of developing cooperation the following sectors: Railway, Tourism, Electronics and software, Chemicals and fertilizers, Trade fairs and Exhibitions, Ship-building, Shipping and Port Management, Trade Information, Telecommunications, Engineering, Processed and Unprocessed agricultural products, Joint Ventures, Cooperation in textile industry, Setting up marketing centre and warehouse.
4. Romania	Protocol of the XII-th Session of the Indian-Romanian Governmental Joint Commission for Economic, Technical and Scientific Co-operation signed on 11th February 1997. The next Session will be held in Bucharest in 1998, at a date to be mutually agreed upon through diplomatic channels.	India's Exports Tobacco unmanufactured Oil meals Iron Ore RMG cotton Including accessories Drugs, pharmaceuticals and fine chemicals India's Imports Inorganic chemicals Iron and steel Machinery Transport equipment	India's Exports Tobacco unmanufactured Oil meals Iron Ore RMG cotton Including accessories Drugs, pharmaceuticals and fine chemicals India's Imports Inorganic chemicals Iron and steel Machinery Transport equipment	Offer of items from the Indian side for exports to Romania: 1) Consumer electronics 2) Industrial electronics 3) Computer systems 4) Communications and broadcast equipment 5) Components 6) Engineering goods 7) Steel 8) Processed and unprocessed agricultural products 9) Textiles Offer of items from the Romanian side for exports to India: 1) Equipment for power plants, nuclear, thermal, hydro and diesel, rotors and casings for steam and	Both sides reviewed the protocol of the XI-th Session of the Indian - Romanian Governmental Joint Commission for Economic, Technical and Scientific Cooperation along with the Minutes of the Inter-Session consultations of the Indian - Romanian Governmental Joint Commission for Economic, Technical and Scientific Cooperation. Both sides expressed their satisfaction for the initialing of the Agreement on Maritime Transport between the Govt. of Romania and the Govt. of Republic of India. The Romanian side proposed to the Indian side for initiating a negotiation for signing a new Agreement on Air Transport between Tarom and Air India. The Romanian side presented to the Indian side the draft of an

1	2	3	4	5	6
				gas turbines, electronic control systems for power plants, other components, 2) Metallurgical equipment, sintering plants, hydraulic, forging presses, rolling mills, electric arc furnaces, steel converters, other equipment; 3) Equipment for construction and building material industry; cement plants, crushers, supporting rolls, gears and bearings, road construction equipment etc.;	Agreement on Plant Quarantine and Protection with a view to start negotiations in order to be signed in the near future.
5. Slovak	Protocol of the Second Session of the Indo-Slovak Joint Committee on Economic and Commercial Cooperation signed on December 13, 1996. The next session of the Joint Committee will be held in Bratislava in 1997, the exact time of which will be decided through diplomatic channels.	India's Exports Coffee, Cotton, fabrics and madeups etc.; India's Imports Iron and steel, Artificial resins, Plastic materials etc. Organic chemicals, Medicinal and pharmaceutical products, Non-ferrous metals, Machinery except electric and electronic.		The two sides exchanged views on products which would be explored for increasing bilateral trade. While the Slovak side suggested steel products, chemicals, pharmaceuticals, railway equipments, turbines and boilers for power stations, medical equipment as items with good export potential from Slovak Republic, the Indian side suggested items such as coffee, cotton yarn, Soya bean meal, textiles, electronic & software, leather items, auto parts and spares, pharmaceuticals, cosmetics and light engineering products for exports from India.	Both sides reviewed the Protocol of the First Session of the Indo-Slovak Joint Committee on Economic and Commercial Cooperation and identified areas of co—operation of mutual interest. The two sides reviewed the bilateral trade volume and agreed that major initiatives and continuous rigorous efforts need to be made to revive the trade. The Joint Committee looked into the possibilities of developing cooperation in the following sectors: Railways, Engineering, Electronics & Software, Telecommunications, Geological research and mining, Chemicals and Fertilizers, Construction, Textile Industry, Processed and Unprocessed agricultural products, Plantations Sector, Trade, Banking and Finance, Trade Fair and Exhibitions, Tourism.
6. Slovenia	Protocol of the Second Session of the Indo-Slovenian Joint Committee on Trade and Economic Cooperation signed on 4th February 1997. The next Session of the Joint Committee will be held in Ljubljana in 1998, the exact time of which will be decided through diplomatic channels.	India's Exports Coffee, Cotton yarn, fabric made-up etc.; Natural silk yarn, fabric, made-up etc. RMG cotton India's Imports Paper board and manufactures Iron & steel Machinery except electric and electronic		The Joint Committee looked into the possibilities of developing cooperation in the following sectors: Railways, Engineering Sector, Steel, Electronic and Software, Telecommunications Chemicals and Pharmaceuticals, Textiles, Bio-technology, Agricultural Products, Health and family welfare, Non-conventional energy sector, Civil aviation, Maritime cooperation and Warehouse and display centre.	Both sides reviewed the Protocol of the First Session of the Indo - Slovenian Joint Committee on Trade and Economic Cooperation and identified areas of cooperation and mutual interest. The two sides reviewed the bilateral trade and agreed that major initiatives and continuous rigorous efforts need to be made to revive the trade.

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