

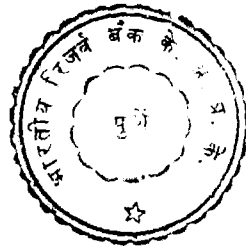
FOREWORD

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 1997-98

१९९७-९८



VOLUME I
ECONOMIC REVIEW

RESERVE BANK OF INDIA

389.50954

RBI

4079

Price { Inland Rs.175
Foreign US \$ 50 } Postage free

Chapter	Page No.
I : Review and Perspectives	I-1 – 8
II : National Income, Saving and Investment	II-1 – 6
III : Agricultural Production	III-1 – 40
IV : Industry	IV-1 – 46
V : Monetary and Banking Developments	V-1 – 62
VI : Financial Markets	VI-1 – 58
VII : Commodity and Bullion Prices	VII-1 – 12
VIII : Fiscal Developments	VIII-1 – 29
IX : Foreign Trade	IX-1 – 18
X : Balance of Payments and International Finance	X-1 – 42
XI : Major Developments in States and Union Territories	XI-1 – 32

Chapter	Page No.
I : REVIEW AND PERSPECTIVES	I-1 to I-8
II : NATIONAL INCOME, SAVING AND INVESTMENT	II-1 to II-6
Trends in National Product	1
Trends in Domestic Saving and Investment	2
III : AGRICULTURAL PRODUCTION	III-1 to III-40
An Overview	1
Trends in Production	1
Public Distribution System	4
Production of Major Crops	5
Foodgrains	5
Non-foodgrains	6
Measures to Promote Production	12
IV : INDUSTRY	IV-1 to IV-46
Major Policy Developments	1
Performance of Industrial Sector	8
Manufacturing Sector	9
Use-Based Classification	9
Performance of Infrastructure Industries	10
Performance of Public Sector Enterprises in India	15
Performance of Selected Industries	15
Employment in Organised Sector	18
V : MONETARY AND BANKING DEVELOPMENTS	V-1 to V-62
Monetary Developments	1
The Working Group on Money Supply	4
Banking Developments	7
Advances to Priority Sector	9
Primary (Urban) Co-operative Banks	10

Selective Credit Controls	13
Institutional Finance for Agriculture and Allied Activities	13
High Level Committee on Agricultural Credit through Commercial Banks	15
National Bank for Agriculture and Rural Development	15
Rural Infrastructural Development Fund	19
National Cooperative Development Corporation	20
Annexure I : Chronology of Major Policy Measures	22
Annexure II : Performance of Special Employment and Anti-Poverty Programmes	37
Annexure III : Selective Credit Controls	38
 VI : FINANCIAL MARKETS	 VI-1 to VI-58
Money Market	1
Capital Market	7
Primary Market	12
New Issues Market	13
Secondary Market	15
Operations of All Financial Institutions	20
Housing Finance	25
Government Securities Market	26
Open Market Operations	31
Foreign Exchange Market	32
Integration of Financial Markets	34
Annexure : Progress of Financial Sector Reforms	36
 VII : COMMODITY AND BULLION PRICES	 VII-1 to VII-12
Commodity / Group-wise Trend	2
Weighted Contribution of Major Groups	2
Consumer Price Indices	3
Trends in Administered Prices	4
Bullion Prices	5

VIII : FISCAL DEVELOPMENTS	VIII-1 to VIII-29
Budgetary Operations of the Central Government	1
Budgetary Operations of the State Governments	8
Combined Budgetary Operations of the Centre and States	15
Finances of Departmental Undertakings	16
IX : FOREIGN TRADE	IX-1 to IX-18
Overall Trend	1
Commodity-wise Performance of Exports	1
Commodity-wise Performance of Imports	4
Direction of Trade	5
Developments in Trade Policy	6
X : BALANCE OF PAYMENTS AND INTERNATIONAL FINANCE	X-1 to X-42
Balance of Payments	1
External Assistance	2
India's Financial Assistance to Other Countries	3
IMF Transaction	3
Commercial Borrowings	3
Foreign Investment : Emerging Trends	4
Policy and Developments	6
External Debt	11
Developments in Foreign Exchange Reserves	13
Exchange Rate Developments	14
Developments relating to Exchange Control	16
Developments in World Economy	17
International Monetary Fund	21
World Bank Group	23
World Trade Organisation	25

XI : MAJOR DEVELOPMENTS IN STATES AND UNION TERRITORIES	XI-1 to XI-32
State Domestic Product	1
Sectoral Growth Rates	1
Agricultural Production	2
Industrial Sector	3
Banking Developments	4
Priority Sector Advances	5
Financial Assistance to States by All-India Financial Institutions, Industrial Development Bank of India and State Financial Corporations	6
Small Savings Collections	7
Socio-Economic Indicators	7
APPENDICES	
I. Important Export Control / Promotion Announcements	IX-A - 1
II. Important Announcements with regard to Import Control Policy	IX-A - 3
Subject Index	i-iv

Graph No.	Title	Page No.	
III-1	Productivity Growth in Indian Agriculture	III-2, 3	
IV-1	National Housing and Habitat Policy, 1998	IV-4	
IV-2	High Level Committee on Credit to SSI	IV-5	
IV-3	White Paper on Railway Projects	IV-14	
V-1	Measures of Financial Aggregates	V-6	
V-2	Report of the High-Level Committee on Agricultural Credit through Commercial Banks	V-17, 18	
VI-1	Report of L.C. Gupta Committee on Derivatives	VI-10, 11	
VI-2	Linkages between Primary and Secondary Markets	VI-14	
VI-3	Linkages between Domestic and International Capital Markets	VI-16, 17	
VI-4	Buy-back of Shares	VI-18, 19	
VI-5	Government Securities Auctions: Techniques and Issues	VI-28	
VII-1	Core Inflation	VII-6	
VIII-1	Major Changes in Tax Structure	VIII-4	
VIII-2	Fiscal Consolidation	VIII-7	
IX-1	WTO on India's Trade Policy	IX-7	
X-1	Policy for External Commercial Borrowings: An Update	X-6, 7	
X-2	Facilities available for FIIs and NRIs/OCBs/PIOs	X-9,10	
X-3	Deposit Schemes for Non-Resident Indians	X-11	
X-4	Report of the Technical Group on External Debt	X-14	

Graph No.	Title	Page No.
I-1	Index Numbers of Industrial Production	I-4
I-2	Yield to Maturity Curve on Central Government Securities based on Primary Auctions	I-5
I-3	Annual Mean and Standard Deviation of WPI	I-7
II-1	Sectoral Saving Rates	II-3
II-2	Percentage Distribution of Household Financial Saving	II-4
III-1	Stock of Foodgrains	III-5
V-1	Year-on-Year M_3 Growth Rate	V-1
V-2	Changing Sources of Reserve Money	V-2
V-3	Sectorisation of Monetary and Financial Accounts	V-5
V-4	Year-on-Year increase in Aggregate Deposits and Non-food Credit	V-7
VI-1	New Capital Issues by Non-Government Public Limited Companies	VI-13
VI-2	Monthly Averages of BSE Sensitive, NSE-50 and RBI Indices	VI-17
VI-3	P/E Ratio – BSE Sensitive Index	VI-17
VI-4	Operations of All Financial Institutions	VI-21
VI-5	Term Structure of Interest Rates on Government Dated Securities	VI-29
VI-6	Implicit Yield on 14-Day Auction Treasury Bills	VI-30
VI-7	Cut-off Yield on 91-Day Auction Treasury Bills	VI-30
VI-8	Implicit Yield on 364-Day Treasury Bills	VI-31
VI-9	Secondary Market Transactions (SGL) in Government Securities	VI-32
VI-10	Secondary Market Transactions (SGL) in Government Securities	VI-32
VI-11	(a) Treasury Bills and Call Money Rates	VI-34
	(b) Treasury Bills, Certificates of Deposit and Commercial Paper	VI-34
	(c) Treasury Bills, Deposits and Lending Rates	VI-34
	(d) Treasury Bills, Call Money Rates and Forward Premiums	VI-34
VII-1	Annual Inflation Rate	VII-1
VII-2	Annual Variations in WPI	VII-2
VII-3	Weighted Contribution of Major Groups	VII-2
VIII-1	Central Government's Deficit Indicators	VIII-1
IX-1	India's Foreign Trade	IX-2

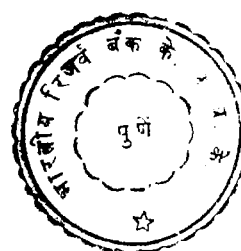


Table	Title No.	Page No.
II-1	Trends in Sectoral Growth Rates and Composition of Real GDP	II-6
III-1	Production of Major Agricultural Commodities	III-15
III-2	Foodgrains: Area, Production and Yield (Commodity – Group-wise)	III-16
III-3	Foodgrains: Area, Production and Yield (Season-wise)	III-17
III-4	Cereals: Area, Production and Yield (Season-wise)	III-18
III-5	Rice: Area, Production and Yield (Season-wise)	III-19
III-6	Wheat: Area, Production and Yield	III-20
III-7	Coarse Cereals: Area, Production and Yield (Season-wise)	III-21
III-8	Pulses: Area, Production and Yield (Season-wise)	III-22
III-9	Availability of Foodgrains	III-23
III-10	Procurement and Minimum Support Prices	III-24
III-11	Procurement of Foodgrains	III-25
III-12	Central Issue Prices of Foodgrains	III-25
III-13	Off-Take of Foodgrains	III-26
III-14	Stocks of Foodgrains	III-27
III-15	Total Oilseeds: Area, Production and Yield (Season-wise)	III-28
III-16	Nine Major Oilseeds: Area, Production and Yield	III-29
III-17	Cotton (Lint): Area, Production and Yield	III-32
III-18	Supply-Demand Position of Cotton (CAB's Estimates)	III-33
III-19	Raw Jute and Mesta: Area, Production and Yield	III-34
III-20	Supply-Demand Position of Raw Jute and Mesta	III-35
III-21	Sugarcane – Area, Production and Yield	III-36
III-22	Tea: Area, Production and Yield	III-36
III-23	Coffee: Area, Production and Yield	III-37
III-24	Tobacco: Area, Production and Yield	III-37
III-25	Area Under High Yielding Varieties (HYV)	III-38
III-26	Fertiliser Consumption	III-38
III-27	Trends in Consumption of Selected Agricultural Inputs	III-39
III-28	Development of Irrigation Potential	III-39
III-29	Financial Outlays on Major, Medium and Minor Irrigation	III-40
III-30	Achievements under Command Area Development Programme	III-40
IV-1	List of Industries for which Industrial Licensing is Compulsory	IV-19
IV-2	Proposals and Reported Implementation of State-wise Report of Industrial Entrepreneur Memorandum	IV-20
IV-3	Position of Sick Small-Scale Industries	IV-21
IV-4	Trends in Index of Industrial Production	IV-22

IV-5	Growth in Index of Seventeen Major Groups of Manufacturing Sector	IV-23
IV-6	Use-based Classification of Industrial Production	IV-24
IV-7	Trends in Production of Infrastructure Industries	IV-24
IV-8	Target and Generation of Electricity	IV-25
IV-9	Demand and Supply of Electricity	IV-25
IV-10	Installed Plant Capacity – Power Sector	IV-26
IV-11	Crude Oil and Petroleum Refinery Products	IV-26
IV-12	Performance of Coal Industry	IV-27
IV-13	Performance of Cement Industry	IV-28
IV-14	Production of Iron and Steel	IV-29
IV-15	Software Industries and Revenue	IV-30
IV-16	Small Scale Sector – Performance	IV-30
IV-17	Performance of Central Public Sector Enterprises	IV-31
IV-18	Status of Central Projects	IV-32
IV-19	Period-wise Distribution of Approved Projects	IV-33
IV-20	Distribution of Delayed Projects	IV-34
IV-21	Causes for the Delay in the Project Completion	IV-35
IV-22	Cost Overrun due to Delay	IV-35
IV-23	Production of Major Chemicals and Chemical Products	IV-36
IV-24	Output of Selected Heavy Mechanical Industries	IV-37
IV-25	Output of Selected Light Mechanical Engineering Industries	IV-38
IV-26	Output of Selected Electrical Engineering Industries	IV-38
IV-27	Performance of Rubber Industry	IV-39
IV-28	Production of Tyres, Tubes and Footwear	IV-40
IV-29	Paper, Paper Boards and Newsprint – Production	IV-40
IV-30	Performance of Different Types of Yarn	IV-41
IV-31	Production, Consumption and Stock Position of Cotton and Man-made Textiles	IV-42
IV-32	Performance of Jute Textiles	IV-43
IV-33	Performance of Iron Ore Industry	IV-44
IV-34	Balance Sheet of Sugar	IV-44
IV-35	Sugar Releases during 1995-96, 1996-97 and 1997-98 Seasons	IV-45
IV-36	Employment in Organised Sector	IV-46
V-1	Variations in Monetary Aggregates	V-39
V-2	Total Flow of Non-Food Resources to Commercial Sector	V-39
V-3	Variations in Net Reserve Bank Credit to the Central Government	V-40
V-4	Selected Movements in the Monetised Deficit: A Summary Profile	V-41
V-5	Select Monetary Ratios	V-41
V-6	Important Banking Variables	V-42
V-7	Bank Group-wise share of Deposits, Credit and Investments in Government Securities	V-42
V-8	Public Sector Banks: Advances to Priority Sector	V-43

V-9	Export Credit Refinance and General Refinance to Scheduled Commercial Banks	V-43
V-10	Progress of Primary (Urban) Co-operative Banks	V-44
V-11	Centre-wise Number of PCBs Earning Profits and Incurring Losses	V-44
V-12	Gross Non-Performing Assets of PCBs	V-44
V-13	Selective Credit Controls and Banks Advances	V-45
V-14	Scheduled Commercial Banks' Outstanding Advances against Selected Commodities	V-46
V-15	Security-wise Advances to Mills/Factories and Industrial Users	V-47
V-16	Direct Institutional Finance for Agriculture and Allied Activities	V-48
V-17	Indirect Institutional Finance for Agriculture and Allied Activities	V-49
V-18	Bank Group-wise Disbursement of Credit by Scheduled Commercial Banks	V-49
V-19	Purpose-wise Disbursement of Credit by Scheduled Commercial Banks	V-50
V-20	Region-wise and Term-wise Disbursement of Credit by Scheduled Commercial Banks	V-51
V-21	Priority Sector Advances of Public Sector Banks	V-51
V-22	NABARD's Credit to State Co-operative Banks, Regional Rural Banks and State Governments	V-52
V-23	Agency-wise Disbursements of Investment Credit by NABARD	V-53
V-24	Purpose-wise Disbursements of Investment Credit by NABARD	V-53
V-25	Region-wise Disbursements of Investment Credit by NABARD	V-54
V-26	NABARD's Rate of Interest on Refinance to State Co-operative Banks for Short-term Seasonal Agricultural Operations (SAO)	V-54
V-27	NABARD's Structure of Interest Rates of Interest Loans	V-55
V-28	Sanction and Disbursement of Loans under RIDF by NABARD	V-55
V-29	Purpose-wise Number of Schemes and Amount Sanctioned under RIDF-I, RIDF-II and RIDF-III	V-56
V-30	State-wise Projects Sanctioned and Loans Disbursed under RIDF-I	V-57
V-31	State-wise Projects Sanctioned and Loans Disbursed under RIDF-II	V-58
V-32	State-wise Projects Sanctioned and Loans Disbursed under RIDF-III	V-59
V-33	Expected Benefits from RIDF	V-60
V-34	Disbursements by National Co-operative Development Corporation	V-61
V-35	Progress fo Comprehensive Crop Insurance Scheme	V-62
VI-1	RBI All India Index Numbers of Ordinary Share Prices and Yield	VI-57
VI-2	Important Indicators on National Stock Exchange (Capital Market Segment)	VI-57
VI-3	Financial Assistance Extended by All Financial Institutions	VI-58
VII-1	Major Inflation Indicators	VII-8
VII-2	Frequency Distribution of Annualised Inflation Rate	VII-8
VII-3	Major Group-wise Inflation Rate	VII-8
VII-4	Weighted Contributions to Inflation	VII-9
VII-5	Three Phases of Variations in Wholesale Price Index during 1995-96 to 1997-98	VII-9
VII-6	Consumer Price Indices	VII-9
VII-7	Weighted Contribution of Food and Non-food in WPI and CPI-IW	VII-10

VII-8	Centre-wise Frequency Distribution of Inflation Rate	VII-10
VII-9	Hike in the Administered Prices	VII-11
VII-10	Average Prices of Gold and Silver	VII-11
VII-11	Imports of Gold to India	VII-12
VII-12	Imports of Gold by Non-resident Indians	VII-12
VIII-1	Key Fiscal Indicators of Government of India	VIII-19
VIII-2	Fortnightly levels of Centre's Budget Deficit, Net RBI Credit and Loans and Advances to Central Government	VIII-20
VIII-3	Key Deficit Indicators of State Governments	VIII-21
VIII-4	Overall Budgetary Position of State Governments	VIII-22
VIII-5	Financing Pattern of Gross Fiscal Deficit of State Governments	VIII-23
VIII-6	Combined Deficits of Central and State Governments	VIII-24
VIII-7	Trends in Budgetary Deficits and Net RBI Credit to Governments	VIII-25
VIII-8	Expenditure on Social Sector	VIII-26
VIII-9	Market Borrowings of Central and State Governments and their Sponsored Institutions	VIII-27
VIII-10	Coupon Rates on Central and State Governments Securities	VIII-28
VIII-11	Combined Domestic Liabilities of Central and State Governments	VIII-29
IX-1	India's Foreign Trade	IX-13
IX-2	India's Exports of Principal Commodities	IX-14
IX-3	India's Export Volume and Unit Value Realisation of Selected Commodities	IX-15
IX-4	India's Imports of Principal Commodities	IX-16
IX-5	India's Import Volume and Unit Value Payment of Selected Commodities	IX-17
IX-6	Direction of India's Foreign Trade	IX-18
X-1	India's Balance of Payments : Key Indicators	X-26
X-2	India's Balance of Payments	X-27
X-3	Invisibles by Category of Transactions	X-28
X-4	Composition of Capital Account Inflows	X-29
X-5	External Assistance (Fiscal Years)	X-30
X-6	Loans authorised and utilised during 1996-97 and 1997-98 (Fiscal Years)	X-31
X-7	Grants Authorised and Utilised during 1996-1997 and 1997-98 (Fiscal Years)	X-32
X-8	India's External Debt	X-33
X-9	Private Non-Debt Creating Flows to Developing Countries, 1991-97	X-34
X-10	Foreign Investment Inflows by Category	X-34
X-11	Inflows and Outflows under various NRI Deposit Schemes	X-35
X-12	Outstanding balances under various NRI deposits	X-35
X-13	Exchange Rate of the Indian Rupee	X-36
X-14	Exchange Rate of the Indian Rupee – Monthly Averages	X-37
X-15	Overview of the World Economic Outlook	X-38
X-16	International Reserves	X-38
X-17	Net Resource Flows to the Developing Countries	X-39

X-18	External Debt of the Developing Countries	X-39
X-19	Fund Purchases and Repurchases	X-40
X-20	Disbursement of IMF Credit by Facility-wise	X-40
X-21	Outstanding IMF Credit by Facility-wise	X-40
X-22	Rate of Charge and Remuneration	X-41
X-23	SDR Interest and Remuneration Rates	X-41
X-24	Lending by the World Bank	X-41
X-25	IBRD's Assistance to India – Sector-wise	X-42
X-26	IDA's Assistance to India – Sector-wise	X-42
XI-1	Annual Growth Rates and Compound Growth Rates of Net State Domestic Product at Constant (1980-81) Prices	XI-9
XI-2	Sectoral Growth Rates – 1995-96 and 1996-97	XI-10
XI-3	Compound Annual Growth Rates, Major Sector-wise (period 1991-92 to 1996-97) Based on Data at Constant (1980-81) Prices	XI-11
XI-4	Share of Real Output from Agriculture and Manufacturing to State Domestic Product (SDP)	XI-12
XI-5	State-wise Percentage Share in All-India NDP at Constant (1980-81) Prices	XI-13
XI-6	State-wise Coverage of the Area under High Yielding Varieties	XI-14
XI-7	Per Hectare State-wise Consumption of Fertilisers for Cropped Area during 1991-92 to 1997-98	XI-15
XI-8	Some Indicators of Industrial Sector	XI-16
XI-9	Selected Ratios relating to the Industrial Sector	XI-17
XI-10	State-wise Distribution of the Number of Reporting Offices, Aggregate Deposits and Gross Bank Credit of All Scheduled Commercial Banks	XI-18
XI-11	Per Office Bank Deposits and Credit	XI-19
XI-12	Share of Rural to Total Offices, Deposits and Credit of Scheduled Commercial Banks	XI-20
XI-13	Performance of Scheduled Commercial Banks in Rural Areas	XI-21
XI-14	State-wise Share of Priority Sector Advances Relating to Scheduled Commercial Banks in Total Bank Credit	XI-22
XI-15	Priority Sector Advances for Agriculture and Allied Activities – March 1997	XI-23
XI-16	State-wise Financial Assistance Sanctioned and Disbursed by All India Financial Institutions and IDBI	XI-24
XI-17	State-wise Share of Financial Assistance Sanctioned and Disbursed by All-India Financial Institutions	XI-25
XI-18	State-wise Share of Financial Assistance Sanctioned and Disbursed by IDBI	XI-26
XI-19	State-wise Financial Assistance Sanctioned and Disbursed by State Financial Corporations	XI-27
XI-20	Small Savings Collections	XI-28
XI-21	Minor Irrigation Facilities	XI-29
XI-22	Educational Institutions and Students' Enrolment in Schools	XI-30
XI-23	Rural Roads Length	XI-31
XI-24	Expenditure on Employment Schemes	XI-32



A

AAI	Airports Authority of India
ACTI	Advisory Council on Trade and Industry
ACU	Asian Clearing Union
ADR	Asset Development Reserve
ADs	Authorised Dealers
ADB	Asian Development Bank
ADF	Asian Development Fund
AGL	Aggregate Gap Limit
AIDBs	All India Development Banks
AIFIs	All India Financial Institutions
ALM	Asset Liability Management
APEDA	Agricultural and Processed Food Products Exports Development Authority
APL	Above Poverty Line
ARC	Asset Reconstruction Company
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
BFRS	Board for Financial Regulation and Supervision
BIFR	Board for Industrial and Financial Reconstruction

BFS	Board for Financial Supervision
BIS	Bank for International Settlements
BOP	Balance of Payments
BOLT	Build-Own-Lease-Transfer
BOT	Build-Operate-Transfer
BPL	Below Poverty Line
BRBNMPL	Bharatiya Reserve Bank Note Mudran Private Limited
BSE	Bombay Stock Exchange
BSR	Basic Statistical Returns
BTR	Basic Travel Quota

C

CAs	Chartered Accountants
CAB	Cotton Advisory Board
CAC	Capital Account Convertibility
CACP	Commission for Agricultural Costs and Prices
CAD	Current Account Deficit
CADP	Command Area Development Programme
CAMELS	Capital Adequacy, Asset Quality, Management, Earning, Liquidity and System
CARE	Credit Analysis and Research Limited
CAS	Central Accounts Section
CCB	Central Co-operative Bank
CCFF	Compensatory and Contingency Financing Facility
CCI	Cotton Corporation of India
CCIS	Comprehensive Crop Insurance Scheme
CD Ratio	Credit-Deposit Ratio
CD	Certificates of Deposit
CG	Capital Goods
CIF	Cost, Insurance and Freight
CIL	Coal India Limited

CIP	Central Issue Price
CIS	Commonwealth of Independent States
CLDBs	Central Land Development Banks
CMA	Credit Monitoring Arrangement
CMNAP	Common Minimum National Action Plan
CMPDIL	Central Mines Planning and Design Institute Ltd.
COFEI	Coffee Futures Exchange of India Ltd.
CONCOR	Container Corporation of India
CP	Commercial Paper
CPI	Consumer Price Index
CPI-AL	Consumer Price Index for Agricultural Labourers
CPI-IW	Consumer Price Index for Industrial Workers
CPI-UNME	Consumer Price Index for Urban Non-Manual Employees
CR	Contingency Reserve/Current Receipts
CRAR	Capital to Risk-Weighted Assets Ratio
CRDC	Central Record Documentation Centre
CRISIL	Credit Rating Information Services of India Limited
CRR	Cash Reserve Ratio
CSO	Central Statistical Organisation
CSS	Centrally Sponsored Scheme

D

DAC	Development Assistant Committee
DAP	Di Ammonium Phosphate
DAPM	Department of Administration and Personnel Management
DBOD	Department of Banking Operations and Development
DBS	Department of Banking Supervision
DCCB	District Central Co-operative Bank
DCM	Department of Currency Management

DDP	Desert Development Programme
DEAP	Department of Economic Analysis and Policy
DEFTY	Dollar Denominated Nifty
DEL	Direct Exchange Lines
DEPB	Duty Entitlement Pass Book
DES	Duty Exemption Scheme
DFC	Department of Financial Companies
DFHI	Discount and Finance House of India Ltd.
DFIs	Development Financial Institutions
DGCI&S	Directorate General of Commercial Intelligence and Statistics
DGFT	Directorate General of Foreign Trade
DGTD	Directorate General of Trade and Development
DHAP	District Housing Action Plans
DIT	Department of Information Technology
DMCs	Developing Member Countries
DOT	Department of Telecommunications
DPAP	Drought Prone Area Programme
DPs	Depository Participants
DRI	Differential Rate of Interest
DSB	Dispute Settlement Body
DSR	Debt Service Ratio
DTA	Domestic Tariff Area
DTL	Demand and Time Liabilities
DVP	Delivery Versus Payment

E

EBR	Export Bills Abroad
ECB	External Commercial Borrowing
ECGC	Export Credit Guarantee Corporation
ECS	Electronic Clearing Service
ECU	European Currency Unit
EEA	Exchange Equalisation Account
EEC	European Economic Community
EEFC	Exchange Earners' Foreign Currency

EFF	Extended Fund Facility	FCRI	Fluid Control Research Institute
EFR	Exchange Fluctuation Reserve	FDI	Foreign Direct Investment
EFT	Electronic Funds Transfer	FEDAI	Foreign Exchange Dealers Association of India
EHTP	Electronic Hardware Technology Park	FEMA	Foreign Exchange Management Act
EL/HP	Equipment Leasing and Hire Purchase Finance Companies	FERA	Foreign Exchange Regulation Act
EMU	European Economic and Monetary Union	FGP	Farmgate Prices
EOUs	Export Oriented Units	FIs	Financial Institutions
EPCCG	Export Promotion Capital Goods	FIIIs	Foreign Institutional Investors
EPCGS	Export Promotion Capital Goods Scheme	FIPB	Foreign Investment Promotion Board
EPRS	Engineering Products (Replenishment of Iron and Steel Intermediates) Scheme	FIMMDA	Fixed Income Money Market and Derivatives Association
EPS	Earning Per Share	FOB	Free on Board
ESCB	European System of Central Banks	FOR	Free on Rail
EPZs	Export Processing Zones	FRN	Floating Rate Note
ERM	Exchange Rate Mechanism	FSQ	Free Sale Quota
ESAF	Enhanced Structural Adjustment Facility	FTR	Fast Track Route
EU	European Union	FSS	Farmers' Service Societies
EWS	Early Warning System		
EXIM Policy	Export Import Policy		

F

FAO	Food and Agricultural Organisation
FC(B&O)D	Foreign Currency (Banks & Others) Deposit Scheme
FCCBs	Foreign Currency Convertible Bonds
FCI	Food Corporation of India
FCCCI	First Commodity Clearing Corporation of India Ltd.
FCNRA/FCNR	Foreign Currency Non-Resident Accounts
FCNR(A)	Foreign Currency (Non-Resident) Accounts
FCNR(B)	Foreign Currency (Non-Resident) Accounts (Banks)
FC(O)NR	Foreign Currency (Ordinary) Non-Repatriable Deposit Scheme

G

GAAP	Generally Accepted Accounting Principles
GAB	General Arrangement to Borrow
GAIL	Gas Authority of India
GATT	General Agreement on Tariffs and Trade
GCI	General Capital Increase
GDPC	Gross Domestic Capital Formation
GDP	Gross Domestic Product
GDRs	Global Depository Receipts
GDS	Gross Domestic Saving
GFD	Gross Fiscal Deficit
GFMS	Gold Fields Mineral Services
GIC	General Insurance Corporation of India
GIR	General Index Register
GLC	General Line of Credit
GNIE	Government Not Included Elsewhere
GNP	Gross National Product

GPD	Gross Primary Deficit	IDB	Inter-American Development Bank
GRA	General Resources Account	IDBI	Industrial Development Bank of India
GRF	General Refinance Facility	IDBs	India Development Bonds
GSBR	Government Sector Borrowing Requirements	IDFC	Infrastructure Development Finance Company

H

HD	Human Development	IDRBT	Institute for Development and Research in Banking Technology
HDFC	Housing Development Finance Corporation Ltd.	IFAD	International Fund for Agricultural Development
HFCs	Housing Finance Companies	IEBR	Internal and Extra Budgetary Resources
HHEC	Handicraft and Handloom Export Corporation	IEM	Industrial Entrepreneur Memorandum
HIPC	Heavily Indebted Poor Countries	IFC	International Finance Corporation
HRDD	Human Resources Development Department	IFCI	Industrial Finance Corporation of India
HRIS	Human Resource Information System	IIBI	Industrial Investment Bank of India
HUDCO	Housing and Urban Development Corporation Ltd.	IIP	Index of Industrial Production
HYV	High Yielding Varieties	IL & FS	Infrastructure Leasing and Financial Services Ltd.
HYVP	High Yielding Varieties Programme	IMF	International Monetary Fund
HZL	Hindustan Zink Limited	IOC	Indian Oil Corporation

I

IATA	International Air Transport Association	IPAs	Investment Promotion Agencies
IBA	Indian Banks Association	IPM	Integrated Pest Management
IBRD	International Bank for Reconstruction and Development	IPRs	Intellectual Property Rights
ICAI	Institute of Chartered Accountants of India	IRBI	Industrial Reconstruction Bank of India
ICDP	Intensive Cotton Development Programme	IRDP	Integrated Rural Development Programme
ICDs	Inter-Corporate Deposits	ISC	International Standard Classification
ICICI	Industrial Credit and Investment Corporation of India Ltd.	ISQ	Internal Sale Quota
ICRA	Investment Information and Credit Rating Agency of India Ltd.	ITF	Interim Trust Fund
IDA	International Development Association		

J

JCI	Jute Corporation of India
JVs	Joint Ventures

K

KVIC	Khadi and Village Industries Commission

KWH Kilo Watts Hour

L

LABs Local Area Banks

LAMPs Large-sized Adivasi Multi-Purpose Societies

LDPE Low Density Polyethylene

LDS Loan Delivery System

LERMS Liberalised Exchange Rate Management System

LIBOR London Inter-Bank Offered Rate

LIC Life Insurance Corporation of India

LIG Lower Income Group

LNG Liquefied Natural Gas

LOI Letter of Intent

LPG Liquefied Petroleum Gas

LRMC Long-run Marginal Cost

M

M_0 Monetary Base

M_1 Narrow Money

M_3 Broad Money

M&As Mergers and Acquisitions

MCI Monetary Conditions Index

MFA Multi-fibre Arrangements

MFs Mutual Funds

MD Monetised Deficit

MGP Minimum Guarantee Price

MICR Magnetic Ink Character Recognition

MIGA Multilateral Investment Guarantee Agency

MISU Market Intelligence and Surveillance Unit

MMMFs Money Market Mutual Funds

MMTC Minerals and Metals Trading Corporation of India

MODVAT Modified Value Added Tax

MOP Murate of Potash

MoU Memorandum of Understanding

MPA Mono Ammonium Phosphate

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

NASSCOM National Association of Software and Service Companies

NAV Net Asset Value

NBCs Non-Banking Companies

NBFCs Non-Banking Financial Companies

NBFIs Non-Banking Financial Institutions

NCDC National Co-operative Development Corporation

NCI New Capital Issues

NDDB National Dairy Development Board

NDP Net Domestic Product

NDTL Net Demand and Time Liabilities

NEER Nominal Effective Exchange Rate

NELP New Exploration Licensing Policy

NFA Net Foreign Exchange Assets

NFD Net Fiscal Deficit

NFE Net Foreign Exchange

NGO Non-governmental Organisation

NHB National Housing Bank

NHC(LTO) National Housing Credit (Long Term Operations) Fund

NIBM	National Institute of Bank Management
NICs	Newly Industrialised Countries
NIC(LTO) Fund	National Industrial Credit (Long Term Operations) Fund
NJMC	National Jute Manufacturers Corporation
NNP	Net National Product
NOF	Net Owned Funds
NPA	Non-Performing Assets
NPD	Net Primary Deficit
NPDP	National Pulses Development Project
NPK	Nitrogen, Phosphate & Potassium
NPP	Nitrogen Phosphate Potash
NRE	Non-Resident External
NR(E)RA	Non-Resident (External) Rupee Account
NRI	Non-Resident Indian
NRC(LTO) Fund	National Rural Credit (Long Term Operations) Fund
NRF	National Renewal Fund
NR(NR)RD	Non-Resident (Non-Repatriable) Rupee Deposit
NSCC	National Securities Clearing Corporation
NSDP	Net State Domestic Product
NSDL	National Securities Depository Limited
NSE	National Stock Exchange
NSIC	National Small Industries Corporation
NTP	National Telecom Policy

O

OBC	Other Backward Classes
OCBs	Overseas Corporate Bodies
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OECF	Overseas Economic Co-operation Fund

OGL	Open General Licence
OIL	Oil India Ltd.
OMO	Open Market Operations
ONGC	Oil and Natural Gas Corporation
OPEC	Organisation of Petroleum Exporting Countries
OPMS	On-line Position Monitoring System
OPP	Oilseeds Production Programme
OTC	Over the Counter
OTCEI	Over the Counter Exchange of India
OYWS	Own-Your-Wagon-Scheme

P

PACS	Primary Agricultural Credit Societies
PAD	Public Accounts Department
PAN	Permanent Account Number
PB	Primary Balance
PCB	Primary Co-operative Bank
PCFC	Pre-shipment Credit in Foreign Currency
PCRI	Pollution Control Research Institute
PDO	Public Debt Office
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
PSEs	Public Sector Enterprises
PSG	Payment Systems Group
PSUs	Public Sector Undertakings
PTLRs	Prime Term Lending Rates
PWCS	Primary Weavers' Co-operative Societies

Q

QRs Quantitative Restrictions

R

RBI Reserve Bank of India
 RCTC Risk Capital and Technology Finance Corporation Ltd.
 RCS Registrar of Co-operative Societies
 RD Revenue Deficit
 R&D Research and Development
 RE Revised Estimates
 REC Rural Electrification Corporation
 REER Real Effective Exchange Rate
 Repos Repurchase Obligations
 RFCA Resident Foreign Currency (Returning Indians)
 RFIs Rural Financial Institutions
 RIBs Resurgent India Bonds
 RIDF Rural Infrastructure Development Fund
 RPS Retention Price Scheme
 RRBs Regional Rural Banks
 RTGS Real Time Gross Settlement

S

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
 SCARDBS State Co-operative Agriculture and Rural Development Banks
 SCRA Securities Contracts (Regulations) Act
 SDF Sugar Development Fund
 SDD Special Development Programme
 SDDS Special Data Dissemination Standards

SDP State Domestic Product
 SDs Satellite Dealers
 SDRs Special Drawing Rights
 SEBI Securities and Exchange Board of India
 SEBs State Electricity Boards
 SEEUY Scheme for Self Employment for Educated Unemployed Youth
 SENSEX Sensitive Index
 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
 SLDBs State Land Development Banks
 SLR Statutory Liquidity Ratio
 SPNS Shared Payment Network System
 SMP Statutory Minimum Price
 SRS Systems Requirement Specifications
 SRTUs State Road Transport Undertakings
 SSCBs Scheduled State Co-operative Banks
 SSE Small Scale Enterprise
 SSI Small Scale Industry
 SSP Single Super Phosphate
 STCI Securities Trading Corporation of India
 STP Software Technology Park
 STPLRs Short-term Prime Lending Rates
 SUME Scheme of Urban Micro Enterprises
 SWIFT Society for Worldwide Inter-bank Financial Telecommunication

T

TB	Treasury Bill
TDICI	Technology Development and Investment Company of India Ltd.
TDS	Tax Deduction at Source
TFCI	Tourism Finance Corporation of India
TPDS	Targeted Public Distribution System
TRAI	Telecom Regulatory Authority of India

U

UBD	Urban Banks Department
UCBs	Urban Co-operative Banks
UK	United Kingdom
UNCTAD	United National Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States
UTs	Union Territories
UTI	Unit Trust of India

V

VABAL	Value-based Advance Licence

VAT

Value Added Tax

VDIS

Voluntary Disclosure of Income Scheme

VSAT

Very Small Aperture Terminal

VSNL

Videsh Sanchar Nigam Limited

W**WAN**

Wide Area Network

WDM

Wholesale Debt Market

WDT

World Debt Tables

WGC

World Gold Council

WGMS

Working Group on Money Supply

WMA

Ways and Means Advances

WOs

Wholly-owned subsidiaries

WPI

Wholesale Price Index

WTO

World Trade Organisation

Y**Y2K**

Year 2000

YTM

Yield To Maturity



CHAPTER I

Developments during 1997-98

In 1997-98, the Indian economy performed remarkably well in terms of output growth, price stability, banking sector performance, and the balance of payments position. The real GDP growth, at the estimated 5.1 per cent in 1997-98, though lower than 7.5 per cent registered in 1996-97 was still impressive by the standards of performance of most other Asian economies. This rate of growth was achieved despite negative agricultural growth. This was rendered possible by the high growth rate recorded by the services sector whose share in real GDP has gone up to 48.6 per cent in 1997-98 from 47.1 per cent in 1996-97.

The decline in the index of **agricultural production** by 5.9 per cent was marked in contrast to the rise of 9.6 per cent in the 1996-97. Total foodgrains production declined by 3.1 per cent to 193.1 million tonnes from the previous peak of 199.3 million tonnes in 1996-97. Among non-foodgrain crops, oilseeds, sugarcane and fibres registered declines in output as compared with the previous year. This is the third time in the last seven years that agricultural production index declined. As a result, the average annual increase in agricultural output between 1991-92 and 1997-98 was only 2.3 per cent. Notwithstanding this adverse development, public procurement of rice and wheat was placed higher at 23.8 million tonnes, an increase of 18.9 per cent over 20.0 million tonnes during 1996-97. Total off-take of rice and wheat, however, was lower at 19.1 million tonnes as compared with 25.7 million tonnes in the previous year, mainly due to the 13.2 per cent decline in off-take under the Public Distribution System/Targeted Public Distribution System, and steep reduction in open market sales of foodgrains to 0.06 million tonnes in 1997-98, from 4.59 million tonnes in 1996-97. As a result, foodgrains stocks at the end of

1997-98 stood at 18.1 million tonnes, 1.7 million tonnes higher than the level a year ago.

The index of **Industrial production** on a revised base of 1993-94=100 registered a higher growth of 6.6 per cent in 1997-98, as against 5.6 per cent in the previous year, reflecting the significant contributions to it of 'mining and quarrying' and 'electricity generation'. In terms of use-based classification of industries, the 'basic goods' and 'consumer goods', the two groups with a total weight of 63.874 per cent, registered positive growth, 'intermediate goods' with a weight of 26.439 per cent showed steady growth, while 'capital goods' with a weight of 9.687 per cent recorded a low growth as compared with the previous year. The six infrastructure industries, viz., coal, saleable steel, cement, electricity, petroleum crude, and petroleum refinery products recorded a growth of 4.9 per cent in 1997-98 as compared with 3.6 per cent in 1996-97.

The primary and secondary segments of the **capital market** exhibited divergent trends during 1997-98. While resource mobilisation from the primary market declined, share prices in the secondary market staged a recovery, though modest. New capital issues by non-Government public limited companies, Government companies, public sector undertakings, banks and financial institutions at Rs.7,639 crore showed a sharp decline of 59.4 per cent over the previous year. During 1997-98, banks, financial institutions and public and private sector companies mobilised Rs.27,069 crore through the private placement as compared with Rs.15,066 crore during 1996-97. Resource mobilisation by all mutual funds during 1997-98 was of the order of Rs.3,305 crore, as compared with the outflow of Rs.1,981 crore during 1996-97. Resource mobilisation by way of Euro-issues at Rs.4,009 crore was lower by 28.3 per cent over the previous year. On the other hand, the financial assistance sanctioned and disbursed during 1997-98 by All-India Financial Institutions (AIFIs)

* 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.

was higher at Rs.79,947 crore and Rs.51,855 crore, respectively, by 48.7 per cent and 28.5 per cent. In the secondary market, the share prices staged a modest recovery. The yearly average of 30-scrip BSE Sensitive Index (Base:1978-79=100) at 3812.86 registered an increase of 9.9 per cent over the previous year, notwithstanding a decline of 20 per cent in investments by Foreign Institutional Investors (Rs.5,994 crore) in the secondary market.

The **gross fiscal deficit** was placed at Rs.86,345 crore (6.1 per cent of GDP) overshooting the budget estimates of Rs.65,454 crore (4.5 per cent of GDP). The revenue deficit was placed at Rs.43,686 crore (3.1 per cent of GDP) exceeding the budget estimates of Rs.30,266 crore (2.1 per cent of GDP). This resulted in the overshooting of gross primary deficit to Rs.20,645 crore (1.5 per cent of GDP) from the budgeted primary surplus of Rs.2,546 crore. The monetised deficit increased to Rs.12,914 crore (0.9 per cent of GDP) at end-March 1998 as against Rs.1,934 crore at end-March 1997 (0.2 per cent of GDP). The WMA limit for the fiscal year 1997-98 was set at Rs.12,000 crore for the first half and at Rs.8,000 crore for the second half. The average utilisation of WMA for the year was Rs.514 crore and the outstanding WMA was placed at Rs.2,000 crore at end-March 1998.

The **broad money** (M_3) expansion was placed higher at 17.6 per cent during 1997-98 as compared with 15.9 per cent in 1996-97. Bank deposits increased by 19.4 per cent as compared with 17.4 per cent in previous year. Growth in time deposits, facilitated by interest rate deregulation in respect of short-term time deposits was an important feature of 1997-98. The high rate of increase in M_3 during 1997-98 was a result of increases in both domestic credit and net foreign exchange assets of the banking sector. Bank credit to commercial sector increased by 14.9 per cent as compared with 9.2 per cent in the previous year. The increase in net bank credit to Government was also higher at 14.6 per cent as against 12.0 per cent in the previous year. Net foreign exchange assets of the banking sector expanded by 20.0 per cent on top of an increase of 28.4 per cent in the previous year. Reserve money growth at Rs.26,248 crore (13.1 per cent) was

substantially higher than that of Rs.5,528 crore (2.8 per cent) in 1996-97.

Banking developments during 1997-98 were characterised by a sharp accretion to deposits, especially of time deposits for the second year in succession, and a pick-up in credit expansion. The growth in scheduled commercial banks credit was substantially higher at 16.4 per cent as compared with 9.6 per cent in 1996-97. Food credit as well as non-food credit increased substantially than that in the previous year. The total flow of resources to the commercial sector from the commercial banks, both in terms of bank credit and investments in commercial papers, debentures, bonds and shares of companies, was higher at Rs.54,442 crore during 1997-98 as compared with Rs.30,951 crore in the previous year.

The **price situation** achieved a distinct moderation during 1997-98, notwithstanding a relatively high order of monetary expansion and an increase in the administered prices of certain petroleum products. The annual inflation rate, measured in terms of variation in the Wholesale Price Index (WPI), on a point-to-point basis, declined to 5.3 per cent from 6.9 per cent in 1996-97. On an average basis, the inflation rate was lower at 4.8 per cent than that of 6.4 per cent in the preceding year and a double-digit rate during 1990-91 to 1995-96. The variation in consumer price index for industrial worker (CPI-IW) was also lower than in 1996-97 on both point-to-point and average basis. However, the rate of increase in CPI-IW in 1997-98 was higher than that in WPI during the year under review.

Total **exports** during 1997-98 at US \$ 33,980 million recorded only a marginal growth of 1.5 per cent as compared with 5.3 per cent during 1996-97. The deceleration in the rate of growth of exports is attributed to slackening of world trade, sizeable fall in international prices of major traded goods and slowdown in domestic economic activities. Total **imports** during the year increased by 4.2 per cent to US \$ 40,779 million as compared with 6.7 per cent registered during the preceding year. Oil imports declined by 18.1 per cent in 1997-98, while non-oil imports increased by 11.9 per cent. The trade deficit was, as a result,

higher at US \$ 6,799 million in 1997-98 than US \$ 5,663 million in 1996-97.

Notwithstanding the deterioration on trade account, the **external sector** position of the economy remained strong. It was also able to withstand the external uncertainties and foreign exchange market pressures attributable to South-East Asian financial crisis. The balance of payments recorded an overall surplus of US \$ 4,511 million (1.2 per cent of GDP) in 1997-98 and foreign exchange reserves during 1997-98 increased by US \$ 2,944 million to US \$ 29,367 million at end-March 1998, equivalent to seven months of imports from US \$ 26,423 million at the end of March 1997. The foreign exchange reserve level of seven months of imports and current account deficit to GDP ratio of 1.7 per cent in 1997-98 provided the needed international confidence in the Indian economy, and strengthened the macroeconomic environment.

Developments during 1998-99

Economic developments during 1998-99 so far have been influenced by considerable uncertainties on the external front and the continued concern about the strength of economic recovery. While the South-East Asian crisis has shown some signs of relative containment, other external developments such as, the overall global economic slowdown, the inadequacy of stimulus in the Japanese economy and the Russian economic problems have made the external environment uncertain and unfavourable for growth. On the domestic front, agricultural and industrial performance have not shown indications of a strong recovery, though latest available indications suggest that agricultural output will be significantly higher than in the previous year. Up to end of October 1998, industrial growth turned out to be significantly lower than previous year at 3.6 per cent only as compared with 6.2 per cent in the corresponding period of last year. The slow growth in industry has clouded the prospect of achieving a rate of growth of 6 per cent, which was visualised at the time of the Mid-Term Review of Credit Policy in October '98.

Agriculture

Latest indications show that due to

incidence of heavy rains, floods, and cyclones, *Kharif* crop may not yield as much outturn as was originally expected. However, the favourable South-West monsoon during the latter part of the season and the resultant comfortable reservoirs position, assuring adequate availability of water for irrigation, is expected to benefit the *Rabi* crops. In case of non-food crops, the production of sugarcane and cotton during 1998-99 (October-September) is likely to be higher at 280.6 million tonnes, and 14.6 million bales, as compared with 262.2 million tonnes and 11.2 million bales, respectively, in 1997-98. The output of jute and mesta, however, is estimated to show a modest decline in 1998-99 from 11.1 million bales recorded in 1997-98. The total production of nine oilseeds during the 1998-99 *Kharif* season is expected to be 14.3 million tonnes, as compared with 14.2 million tonnes in the previous *Kharif* season.

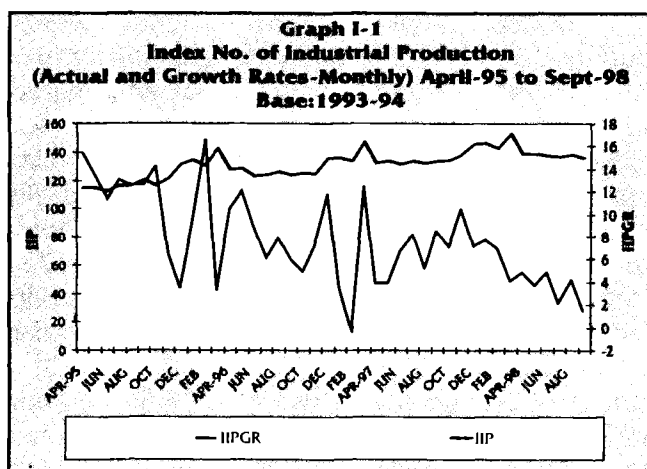
Procurement operations of foodgrains continued to be high, indicating the availability of marketable surpluses. Procurement of wheat during the 1998-99 marketing season (April-March) upto November 27, 1998 aggregated 12.6 million tonnes which was higher by 3.3 million tonnes as compared with the similar period in 1997-98. Procurement of rice (in terms of paddy) during the current marketing season 1998-99 (October 1- November 27, 1998) is expected to be lower than that in 1997-98. With the off-take of rice and wheat during the current year so far being lower, total stocks of foodgrains at the end of September 1998 stood higher at 24.2 million tonnes comprising 9.0 million tonnes of rice and 15.2 million tonnes of wheat. This not only provides considerable comfort in regard to food security but also acts as a real saving of the economy.

Industry

The industrial sector performance, as measured by the movements in the index of industrial production (IIP: Base 1993-94 = 100), recorded a growth rate of 3.6 per cent during April-October 1998, which was substantially lower than that of 6.2 per cent registered in the corresponding period of preceding year. The matter of concern is that 'manufacturing' group has posted a lower growth rate of 3.8 per cent compared with 6.2 per cent during the same

period despite a strong showing by the 'electricity generation' group. In terms of the use-based classification, 'capital goods' sector recorded a higher growth at 10.3 per cent during the first seven months of the current financial year as compared with 7.9 per cent in the corresponding period of the previous year. All other sectors registered decelerated growth, in particular 'basic' and 'consumer' goods sectors.

It is, however, important to recognise that the level and variability of industrial output are not correlated (Graph I-1). It implies that if the variability could be contained and uni-directional movements are reversed, it is possible to improve the industrial performance. This will require, given the financing, elimination of bottlenecks such as, infrastructure and constraints that have a bearing on potential gains arising from utilisation of economies of scale and of scope and technology applications.



Capital Market

Reflecting the perception about the evolution in regard to domestic output and the uncertainties in international markets, primary and secondary markets remained subdued in the first seven months of 1998-99. The new capital issues by non-Government public limited companies, Government companies, public sector undertakings, banks and financial institutions (in the public sector) aggregating to Rs.4,407 crore during the first seven months of the current financial year was higher by a mere 2.5 per cent as compared with the corresponding period of the previous year. The

resources mobilised by the non-Government public limited companies showed an increase of 115.0 per cent over the similar period of the previous year. However, many corporates continue to raise large amount of resources through private placement, mostly in terms of debt instruments. There was only one Euro-issue floated for an amount of Rs.63 crore during this period as compared with four issues amounting to Rs.2,268 crore during the corresponding period of the previous year. The resources raised by all mutual funds (including UTI) during this period at Rs.2,300 crore were lower by 47.2 per cent over the corresponding period of the previous year.

The primary market was influenced by the bearish trend displayed by the secondary market during the first eight months of 1998-99. The monthly average of 30-scrip BSE Sensitive Index (SENSEX) (Base: 1978-79=100) which stood at 4114.66 in April 1998 fell to 2912.39 by November 1998. Besides, the bearish trend was accompanied by increased volatility in stock prices and the co-efficient of variation of SENSEX at 13.2 per cent was substantially higher than that of 6.6 per cent recorded during the corresponding period of the previous year. The investment by the FIIs during the first seven months (April-October 1998) was negative at Rs.2,060 crore in contrast to a net investment of Rs.5,665 crore during the corresponding period of the previous year.

The financial assistance by All India Financial Institutions (AIFIs), on the other hand, showed distinct improvement during the first seven months of 1998-99 (April-October) as sanctions at Rs.50,947 crore registered an increase of 39.6 per cent, while disbursements at Rs.27,248 crore showed an increase of 23.3 per cent over the corresponding period of the previous year.

Fiscal Developments

The ratio of Gross Fiscal Deficit (GFD) to Gross Domestic Product (GDP) in the Union Budget for 1998-99 is projected at 5.6 per cent as compared with 6.1 per cent in 1997-98. The revenue deficit-GDP ratio has been budgeted to decline to 3.0 per cent from 3.1 per cent while the gross primary deficit-GDP ratio has

been projected to move down to 1.0 per cent from 1.5 per cent in the preceding year.

The financial position of the Centre during the current fiscal year so far (April-October 1998) reflects a sharp rise of 28.5 per cent in revenue expenditure while the growth in revenue receipts was only 11.7 per cent. The revenue deficit at Rs.30,590 crore in the first seven months amounted to about 64 per cent of the budget estimates of Rs.48,068 crore for the whole year. Tax revenue (net) during the first seven months of 1998-99 recorded a sluggish growth of 8.6 per cent, much lower than 17.8 per cent projected in the budget. Aggregate expenditure, on the other hand, recorded a substantial increase of 29.0 per cent as compared with 16.6 per cent during the corresponding period of the previous year and 13.9 per cent envisaged in the budget estimates. Disinvestment receipts were budgeted at Rs.5,000 crore for the fiscal year 1998-99, but there has so far been (up to end-October 1998) no evidence of receipts on this account.

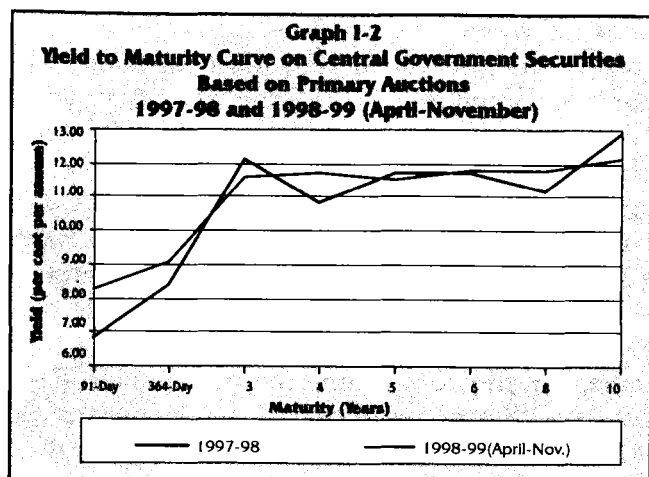
The Centre's Ways and Means Advances (WMA) limit for the current fiscal year (1998-99) was fixed at Rs.11,000 crore for the first half (April-September) and Rs.7,000 crore for the second half (October-March) as against Rs.12,000 crore and Rs.8,000 crore, respectively, in the previous year. During the current fiscal year so far, owing to stress on the revenue account, the Central Government had to resort to WMA on several occasions. Including WMA, the net RBI credit to the Centre for the first half averaged Rs.6,121 crore and was higher at Rs.11,543 crore during the second quarter. Up to November 20, 1998, net RBI credit to centre showed a rise of Rs.16,429 crore.

During 1998-99 so far (up to December 8, 1998), net borrowings raised aggregated Rs.54,617 crore (i.e., 113.02 per cent of the budgeted amount) against the estimated amount of Rs.48,326 crore while gross borrowings amounted to Rs.80,453 crore (i.e., 101.36 per cent of the budgeted amount). The devolvement on the Reserve Bank in the auctions of dated securities during the current year so far is placed at 17.4 per cent, and including the private placement with the Reserve

Bank, it would rise to 39.9 per cent of total subscription as against 19.6 per cent during the corresponding period of the previous year. These actions helped to ensure that liquidity pressures are not placed on the market early in the year, and interest rate expectations are contained. Debt management strategies have also been directed at lengthening the maturity structure of government borrowings as reflected in the placement of 79.7 per cent of the gross issues at the longer end of the market (i.e., bonds with a maturity period of 5-20 years). It is, however, necessary to contain market borrowings within reasonable limits in view of its bearing on risk perceptions and thereby on the rate of interest in the economy and its implications on private sector investment as well as on the movement of capital.

The generally easy liquidity conditions during the year helped to contain longer term interest rates from moving upward sharply, notwithstanding the Government's larger market borrowing programme. The cut-off yield on a 10-year government stock, which was 12.15 per cent in March 1998, moved down to 12.10 per cent in the second half of June before edging up to 12.25 per cent in September. During the current financial year so far (up to December 7, 1998), the coupon rates ranged between a minimum of 11.10 per cent (5-year maturity) and a maximum of 12.60 per cent (20-year maturity). At the short end of the market, however, the cut-off yields moved up. The yields on 364-day Treasury Bills moved sharply from 7.98 per cent in the first week of July to 10.72 per cent by October 9, 1998 before declining to 10.51 per cent by December 4, 1998, while 91-day Treasury Bills were in the range of 7.17-10.05 per cent in the primary auctions. In the process, the yield to maturity curve showed much less steepness than in the preceding year (Graph I-2).

The consolidated finances of the State Governments during 1998-99 also reflect a sharp deterioration over the previous year, as is evidenced by the rise in almost all the major deficit indicators, the revenue deficit, the gross fiscal deficit (GFD) as well as the primary deficit. The sharp deterioration in the deficit indicators of the State Governments in 1997-98 breaks the past trend witnessed since 1990-91. Some



of the State Governments have already recognised need to initiate appropriate steps to raise resources mainly through appropriate pricing and fixation of the user costs on electricity, transport, irrigation facilities, etc. The States have also been facing problems with liquidity management, with many States resorting to overdrafts from the Reserve Bank in 1998 so far.

Monetary and Banking Trends

Money supply, measured in terms of broad money (M_3), grew by 19.5 per cent on a year-on-year basis during 1998-99 (up to November 20, 1998). Excluding Resurgent India Bonds proceeds, the year-on-year broad money expansion stood at 17.2 per cent, close to the long-term trend. The increase in M_3 is driven largely by the sharp accretion to scheduled commercial banks' deposits, especially time deposits. The main source of M_3 expansion so far has been the large increase in net bank credit to the Government, reflecting the large borrowing programme of the Government. Bank credit to the commercial sector too increased sharply during the current financial year (up to November 20, 1998) by Rs.13,542 crore (3.1 per cent) compared with Rs.10,261 crore during the corresponding period of 1997-98. Food credit during the current financial year so far has been higher (Rs.4,217 crore) than that in the comparable period of last year (Rs.3,972 crore). Including scheduled commercial banks' other investments in commercial paper, bonds/debentures, equities, etc., the total flow of resources has been placed higher at 5.5 per cent during the financial year, 1998-99 (up to

November 20) than 5.0 per cent recorded in the corresponding period of the preceding year.

Reserve Money expansion this year has been higher than last year mainly on account of sharp increase in Centre's monetised deficit and a large refinance support to commercial banks, especially for export credit refinance purposes.

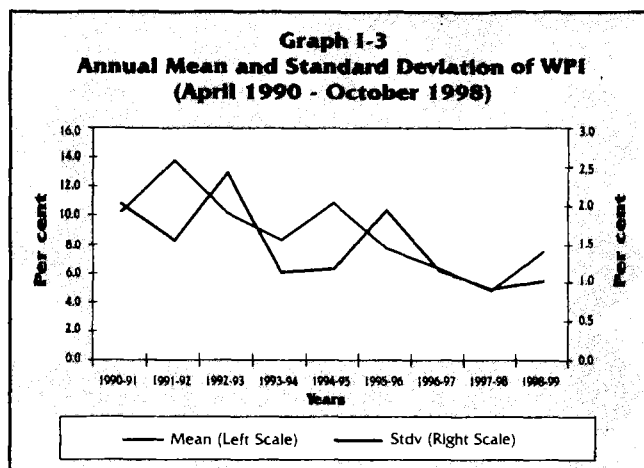
Price Situation

The rate of inflation during the current financial year in terms of Wholesale Price Index (WPI), on point-to-point basis, has consistently exceeded the inflation rate during the corresponding period of the previous year. As on November 28, 1998, the rate of inflation stood at 6.35 per cent (provisional), significantly higher than that of 3.84 per cent in the previous year. The upward movement in the inflation rate during the current year so far reflected the sharp rise in the prices of primary articles, particularly fruits and vegetables, pulses, cereals and oilseeds.

The composite index of food items up to November 21, 1998 increased substantially by 15.3 per cent as against a rise of 2.9 per cent in the comparable period a year ago. As a result, the weighted contribution of the composite index of food items was 71.1 per cent in the total rise as against 23.9 per cent in the corresponding period of the previous year. As on November 21, 1998, the average weighted contribution of the 'primary' articles group to the total price rise was as high as 70.2 per cent (with the share of fruits and vegetables being 34.0 per cent) as compared with 26.8 per cent in the corresponding period of the previous year. The contributions of 'manufactured products' group and 'fuels' group were 30.9 per cent and (-)1.2 per cent, as against 44.5 per cent and 29.4 per cent, a year ago.

The Consumer Price Index for Industrial Workers (CPI-IW), on a point-to-point basis, increased sharply by 13.9 per cent by end-October 1998 over March 1998 as compared with 4.0 per cent during the same period of the preceding year, reflecting the upward trend in the prices of food articles.

The inflation concentration in essential commodities reflects the major supply bottlenecks which need to be addressed. What is important to note is that deseasonalised inflation and its variability show a very close co-movement (Graph I-3). This implies that inflation has to be addressed on different fronts, in particular by focussing on structural and institutional causes.



External Sector

Provisional data available from the Directorate General of Commercial Intelligence and Statistics (DGCI & S) indicate that exports measured in US dollar terms, declined by 5.1 per cent during the period April-October 1998 in contrast to a rise of 5.2 per cent in the corresponding period of 1997-98. Non-oil imports, on the other hand, increased by 18.7 per cent during the first seven months of 1998-99 as compared with an increase of 11.8 per cent recorded in the corresponding period of the previous year. This seems to be attributable in part to gold imports, the policy regarding which has been substantially liberalised. POL imports declined sharply during the first half of the current financial year. Consequently, the trade deficit widened from US \$ 2,677 million in 1997-98 (April- October) to US \$ 5,797 million in 1998-99 (April- October).

Available information on capital flows indicates that foreign investment flows in the first six months of 1998-99 (April- October) at US \$ 644 million were much lower than those in the corresponding period of 1997-98 (US \$ 3,489 million), as a result of net outflows

of US \$ 672 million under portfolio investment during 1998-99 in sharp contrast to net inflows of US \$ 1,484 million in 1997-98. Direct investment inflows at US \$ 1,316 million during the seven months of 1998-99 (April- October) were also lower than those in the corresponding period of the previous year (US \$ 2,055 million). Over the first seven months of 1998-99, inflows under non-resident deposits were around US \$ 765 million as compared with US \$ 560 million in the comparable period of 1997-98. Commercial borrowings, on the other hand, were high mainly due to Resurgent India Bond sale proceeds equivalent of US \$ 4.16 billion. Official Aid receipts will be near the last year's level, notwithstanding the US sanctions imposed in June (since relaxed). The substantial inflows on account of Resurgent India Bonds helped to build up India's foreign exchange reserves to US \$ 29,667 million, as at end-November 1998, an increase of US \$ 300 million compared to the end-March 1998 level of US \$ 29,367 million.

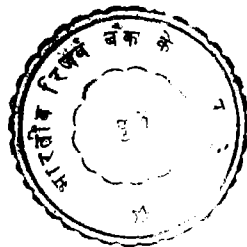
The exchange rate of the rupee *vis-a-vis* the US dollar moved in a close range during April 1998 and the first half of May, 1998. Subsequently, when the rupee felt the pressure, the Reserve Bank took quick measures in June 1998 to stabilise the rupee. These measures helped to contain the contagion effects of the South-East Asian Currency crisis. The rupee again felt the pressure in August when strong corrective actions were taken by the Reserve Bank. They included *inter alia*, hike in CRR, increases in repo rate, liberalisation of forward cover for foreign institutional investors, and withdrawal of the facility of rebooking of cancelled contracts for imports. By and large, exchange markets have been quite orderly during the year, despite a number of negative developments, including US sanctions, downgrading by rating agencies, some withdrawal of FII investments and decline in exports, etc. These episodes provide important clues about the criticality of external stability for ensuring that confidence in the economy is maintained and for providing support to the domestic policies. Forward premia moved downward since August 1998. The three month forward premia declined from 8.87 per cent in August to 6.24 per cent in November 1998, while the six month forward premia moved

down from 9.16 per cent to 7.39 per cent over the same period.

Overall Assessment

The increase in prices of primary commodities and the rate of inflation increased uncertainty about output growth and the high growth of money supply (despite substantial increase in CRR and short term interest rates during the year) are matters of serious concern.

The external sector developments, particularly in respect of trade, also continue to be sources of concern. Against this background, it is even more necessary to pursue policies that encourage growth with external stability and to enhance the competitiveness of the economy. For this, all round economic reforms and productivity improvements have to be pursued in a time-sequenced and balanced manner so that macroeconomic and structural policies are mutually supportive.



CHAPTER II

The Indian economy witnessed a slowdown in 1997-98 compared to the high growth performance of the previous three years, reflecting the sluggish performance of the commodity producing sectors. The overall real GDP growth rate declined to 5.1 per cent in 1997-98 from 7.5 per cent registered in 1996-97. 'Agriculture and allied activities' showed a *negative* growth of 1.5 per cent compared to the high rate of 7.9 per cent in 1996-97. Industrial growth decelerated to 5.8 per cent from 6.6 per cent experienced in 1996-97. The adverse impact of such sluggish performance of these two sectors on the overall growth momentum was only partially compensated by the services sector, which improved its performance by registering a growth of 8.3 per cent in 1997-98 as against 7.8 per cent recorded in the preceding year.

Consistent with the high growth rate, there was a bright performance on the saving front in 1996-97. The overall saving rate, measured as the ratio of Gross Domestic Saving (GDS) to Gross Domestic Product (GDP) at current market prices, improved from 25.6 per cent in 1995-96 to a high of 26.2 per cent in 1996-97, reflecting high growth and relatively subdued inflation. Economic and financial measures that have been initiated since 1991-92 have helped to improve the saving rate of the household sector which moved sharply to 20.4 per cent by 1996-97. The household sector's saving rate in financial instruments improved substantially to 10.8 per cent in 1996-97 from 8.9 per cent in 1995-96 and more than compensated for the decline in the physical saving rate to 9.6 per cent from 10.3 per cent. However, the saving rates of both private corporate and public sectors moved down to 3.9 per cent and 1.9

per cent, respectively, in 1996-97 from 4.2 per cent and 2.3 per cent, respectively, registered in the previous year. As per provisional information available, the household saving rate in financial assets could improve further to 11.4 per cent in 1997-98 due primarily to a substantial rise in bank deposits and in contractual saving.

Trends in National Product

Performance during 1997-98 at 1980-81 Prices

According to the revised estimates of the Central Statistical Organisation (CSO), released in July, 1998, the real GDP at factor cost for 1997-98 aggregated at Rs. 3,11,887 crore, which meant a lower growth of 5.1 per cent compared to over 7 per cent growth rates witnessed in the past three years (Table II-1). 'Agriculture and allied activities' suffered a *decline* in its gross value added and registered a *negative* growth of 1.5 per cent as against a healthy growth of 7.9 per cent achieved in 1996-97. Industrial growth continued its deceleration further to 5.8 per cent from 6.6 per cent in 1996-97. On the other hand, the services sector (including construction) improved its growth to 8.3 per cent from 7.8 per cent in 1996-97. The growth rate of manufacturing deteriorated perceptibly to 5.8 per cent from 7.4 per cent in 1996-97. 'Mining and quarrying' exhibited a turnaround to a positive growth of 4.0 per cent from (-) 0.3 per cent and 'electricity, gas and water supply' accelerated its growth to 6.6 per cent in 1997-98 from 5.0 per cent experienced in the preceding year. Within the services, 'community, social and personal services' improved its growth rate sharply to 14.5 per cent from 6.4 per cent in 1996-97 and 'financing, insurance, real estate and business services' accelerated its growth rate to 9.7 per cent from 8.7 per cent. However, the growth rates of 'trade, hotels, transport, storage and communication' and 'construction' deteriorated to 5.2 per cent

* This chapter is based on data/information available up to November 1998.

Depending on the availability of data, the analysis of macro variables in this chapter covers up to the following periods, viz., (i) trends in national product (up to 1997-98), (ii) aggregate saving and investment (up to 1996-97), and (iii) household saving in financial instruments (up to 1997-98).

and 3.6 per cent, respectively, from 8.6 per cent and 5.2 per cent experienced in 1996-97. As far as sectoral composition of real GDP is concerned, the share of 'agriculture and allied activities' moved down to 24.5 per cent from 26.1 per cent in 1996-97. The shares of industry and services improved to 26.9 per cent and 48.6 per cent, respectively, in 1997-98 from 26.7 per cent and 47.1 per cent, respectively, in 1996-97.

The CSO's revised estimates of Gross National Product (GNP) at factor cost (at 1980-81 prices), which take into account *net* factor income from abroad show that it also deteriorated to 5.2 per cent in 1997-98 from 7.7 per cent in 1996-97 (Statement 5, Volume II). Net National Product (NNP) (at 1980-81 prices) or real national income, which accounts for both *net* factor income from abroad and depreciation, showed a growth of 4.9 per cent in 1997-98 as against 7.7 per cent experienced in the preceding year. Accordingly, the real per capita income at Rs. 2,848 grew by a relatively low rate of 3.1 per cent in 1997-98 as compared with 5.9 per cent in 1996-97.

Growth Performance in the Post-Reform Period

Notwithstanding the setback in 1997-98, the average overall growth in the post reform period (1992-93 to 1997-98) at 6.5 per cent remained higher than that achieved in the 'eighties (Table II-1). A sector-wise analysis of real GDP growth achieved in the post-reform period *vis-à-vis* the 'eighties brings out three main features.

- First, except for the year 1996-97, the high growth in the 'nineties especially since 1992-93 was achieved with less dependence on agriculture unlike the experience of the 'eighties. The average growth rate of 'agriculture and allied activities' deteriorated to 3.0 per cent in the post-reform period from 3.4 per cent attained in the latter half of the 'eighties, while the services expanded at a higher rate of 7.7 per cent from 7.2 per cent. The average growth rate for industry during the period 1992-93 to 1997-98 at 8.1 per cent was marginally higher than that in the latter

half of the 'eighties (8.0 per cent). On the services front, there was an improved trend in growth rate from 7.2 per cent achieved in the latter half of the 'eighties to 7.7 per cent in the post-reform period.

- Secondly, the growth rates of commodity producing sectors have not been smooth and steady in the post-reform period. 'Agriculture and allied activities' performed well in 1992-93, 1994-95 and 1996-97 registering growth rate of 6.1 per cent, 5.1 per cent and 7.9 per cent, respectively, but during the years 1993-94, 1995-96 and 1997-98, the growth rates turned out to be low / negative at 3.7 per cent, (-)3.0 per cent and (-)1.5 per cent, respectively. The industrial sector had registered a high growth rate of 11.2 per cent in 1994-95 followed by an all-time peak growth rate of 12.9 per cent in 1995-96, but in the subsequent two years suffered a slowdown with the growth rates dipping to 6.6 per cent and 5.8 per cent in 1996-97 and 1997-98, respectively.
- Thirdly, with sturdy performance exhibited by the services sector throughout the post-reform period the poor performance by either of the commodity producing sectors has not affected the overall growth momentum.

Trends in Domestic Saving and Investment 1996-97

Aggregate Saving and Investment, 1996-97

As per the CSO's *Quick Estimates*, released in February 1998, the rate of Gross Domestic Saving (GDS) had increased from 25.3 per cent of GDP in 1995-96 to attain a high rate of 26.1 per cent in 1996-97.¹ Since February 1998, the data pertaining to household financial saving were revised, as a result of which, the rate of GDS is now estimated to rise from 25.6 per cent in 1995-96 to 26.2 per cent in 1996-97 (Statement 12, Volume II). Though there has been a deceleration in *net* foreign inflow, the rate of aggregate investment increased from 27.4 per cent in 1995-96 to 27.8 per cent in 1996-97.

1. All the rates in the section are proportions with respect to GDP at current market prices.

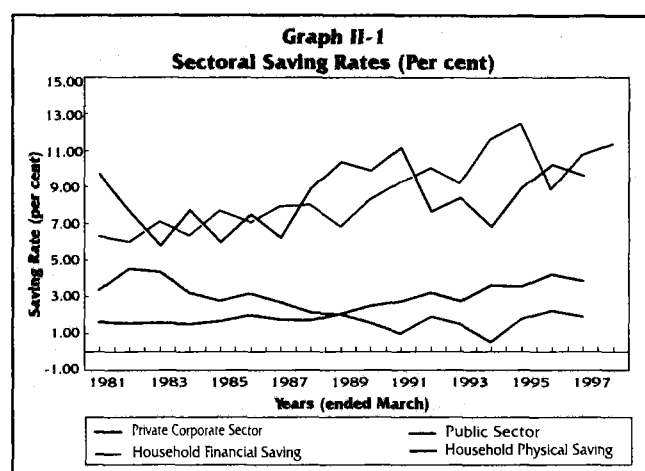
Component-wise, the high saving rate in 1996-97 was rendered possible by a significant step-up in the rate of household saving in financial assets which more than compensated for the deterioration suffered in the rest of the components of GDS viz., household physical saving, private corporate saving and public sector saving (Graph II-1). The rate of public sector saving deteriorated to 1.9 per cent from 2.3 per cent in 1995-96, primarily on account of increased dissavings of government administration. The rate of private corporate saving moved down to 3.9 per cent from 4.2 per cent recorded in 1995-96. As for the household sector, the composition of saving continued in favour of the financial assets. Household saving in financial assets increased from 8.9 per cent in 1995-96 to 10.8 per cent in 1996-97 while physical saving declined from 10.3 per cent to 9.6 per cent. The rise in household financial saving was due to an increase in the sector's accretions of financial assets of bank deposits and non-bank deposits and reduction in the liabilities to the banks.

Aggregate Saving and Investment in the Post-Reform Period (1992-93 to 1996-97)²

An examination of the trends in saving rates in the post-reform period, 1992-93 to 1996-97, *vis-à-vis* the first and second halves of the 'eighties reveals certain notable features.

- There has been a persistent deterioration in the public sector saving. The rate of public sector saving which was 3.7 per cent during the first half of the 'eighties, came down to 2.4 per cent during the second half of the 'eighties and further to 1.6 per cent in the post-reform period. In fact within the public sector saving, the saving of the government administration deteriorated from 1.3 per cent of GDP (during the first half of 'eighties) to (-) 1.4 per cent (during the second half of 'eighties) and further to (-) 2.4 per cent (during the post-reform period).
- Savings of both private corporate sector and household sector, on the other hand,

2. The examination of aggregate saving and investment rates in the *post-reform period* has to be restricted till the year 1996-97 as data of only household financial saving are available for the year 1997-98.



improved during the post-reform period. The rate of private corporate saving improved from 1.6 per cent (during the first half of the 'eighties) to 2.0 per cent (during the second half of the 'eighties). The pace of increase, in fact, improved further during the post-reform period with the rate of corporate saving touching 3.6 per cent. The household sector's savings improved uninterruptedly from 14.1 per cent in the first half to 16.2 per cent in the second half of the 'eighties and further to 19.4 per cent during the post-reform period.

- With the exception of 1995-96, the post-reform period has been associated with household sector preferring to invest in financial assets as against physical assets. The growing financial intermediation and the preference for contractual saving by the households do give a hope that the financial sector could widen further, and preference for saving in physical assets could remain steady, if not decline. It has been found that the rates of return on financial assets have been continuously higher than the rates of return earned from physical assets since 1992-93³. An added

3. The annual rate of change in the deflator of household saving in physical assets has been taken as a proxy for the rate of return on such assets. In case of financial saving, the interest rate on time deposits of maturity between 1-3 years has been taken as the proxy for return on household financial saving, while the yield rate on units of UTI has been taken as another proxy.

explanation of this shift towards financial assets could be found in the withdrawal of wealth tax on various forms of financial assets in the *Union Budget, 1992-93*.

- Though there has been an inverse relationship between rates of public sector saving and household financial saving, there is no evidence of a crowding out between saving of non-departmental undertakings of the public sector and household financial saving. Furthermore, there has been a strong negative relationship between Gross Fiscal deficit-GDP ratio and the rate of public saving in the post-reform years. The rising household financial saving rates would help to ensure that 'crowding out' phenomenon may not be present if the public sector is committed to reduce its deficit to GDP ratio.

Aggregate investment rates have crossed the 27 per cent mark for the preceeding three years ending 1996-97. There has been a step-up in the rate of capital formation in the private corporate sector. The average rate of private corporate sector's capital formation, which had moved up marginally from 4.3 per cent in the first half of the 'eighties to 4.5 per cent in the second half of the 'eighties, increased substantially to 7.4 per cent in the post-reform period. On the other hand, the rate of capital formation in the public sector, which had improved from 10.2 per cent in the first half of the 'eighties to 10.5 per cent in the second half of the 'eighties, declined to 8.4 per cent in the post-reform period. Therefore, the increased pace of capital formation *vis-à-vis* the saving in the case of private corporate sector has led to a widening of this sector's saving-investment position in the post-reform period as compared with the second half of the 'eighties. On the other hand, the saving-investment gap had narrowed in the case of public sector, as its saving rate declined in the post-reform period, and its rate of capital formation came down more sharply. The rate of inflow of foreign resources has remained below 2.0 per cent of GDP at current market prices during the period 1993-94 to 1996-97.

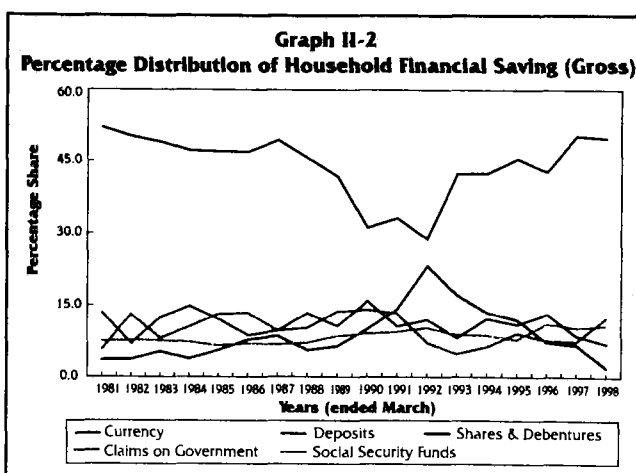
Household Savings in Financial Instruments – 1997-98

Provisional data, on the basis of available information at present, indicate a further increase in household saving in financial assets (net of liabilities) from 10.8 per cent of GDP at current market prices in 1996-97 to 11.4 per cent in 1997-98. There has been an increase in the accretion of financial assets as household financial saving (gross) moved up from 12.3 per cent of GDP in 1996-97 to 12.8 per cent in 1997-98. Further, the financial liabilities of the household sector moved down marginally from 1.5 per cent of GDP in 1996-97 to 1.4 per cent in 1997-98 (Statement 11, Volume II). As regards the financial portfolio of the household sector in 1997-98, there has been a shift towards bank deposits and away from capital market instruments (Graph II-2).

Financial Assets

Currency: Currency with households continued to decline. In 1995-96, the currency holdings of the household sector were Rs.16,525 crore or 1.5 per cent of GDP. These holdings declined to Rs.13,643 crore or 1.1 per cent of GDP in 1996-97 and further to Rs.12,532 crore or 0.9 per cent in 1997-98.

Bank Deposits: Bank deposits with the household sector increased from Rs.39,995 crore in 1995-96 to Rs.57,367 crore in 1996-97, and further to Rs.82,346 crore in 1997-98. This was facilitated by deregulation of interest rates (especially short term) and increased risks associated with deposits with non-banking



financial companies. As a result, the share of bank deposits in household financial savings (gross) increased from 36.4 per cent in 1996-97 to 45.6 per cent in 1997-98 and as a percent of GDP from 4.5 per cent to 5.8 per cent.

Non-banking deposits: Household saving in the form of non-banking deposits of financial and non-financial companies including deposits with electricity boards, which had earlier increased from Rs.13,198 crore in 1995-96 to a peak of Rs.21,411 crore in 1996-97, are estimated to have declined to Rs.7,775 crore in 1997-98. The share of these deposits in household financial savings (gross) had increased from 10.6 per cent to 13.6 per cent before falling to 4.3 per cent during the same period.

Social Security Funds: The contractual savings of household sector in the forms of life insurance and provident and pension funds moved up from Rs.36,186 crore in 1995-96 to Rs.42,436 crore in 1996-97 and further to Rs.52,181 crore in 1997-98. Their share in household financial assets (gross), however, had declined from 28.9 per cent in 1995-96 to 27.0 per cent in 1996-97 but somewhat recovered to 28.9 per cent in 1997-98. In relation to GDP at current market prices, these savings have increased steadily from 3.2 per cent to 3.3 per cent and further to 3.7 per cent during the same period.

Claims on Government: Household sector's claims on Government is estimated to increase from Rs. 9,588 crore in 1995-96 to Rs.11,701 crore in 1996-97 and further to Rs.22,315 crore in 1997-98. The share of the claims on government in households financial saving (gross) has substantially improved to 12.4 per cent in 1997-98 from the rates of 7.4 per cent in 1996-97 and 7.7 per cent in 1995-96.

Investment in shares and debentures including units of the Unit Trust of India (UTI): Household sector's investment in shares and debentures relative to the sector's total financial saving has been dwindling since 1995-

96, even though there has been some increase in the absolute amounts from Rs. 9,101 crore in 1995-96 to Rs.10,472 crore in 1996-97. In 1997-98, however, the household investment in these instruments plunged sharply to Rs.3,637 crore, reflecting the sharply subdued conditions in the new issues market and lack of buoyancy in the secondary market. As a percentage to GDP at current market prices, investment in shares and debentures (including units of UTI) has declined sharply to 0.3 per cent in 1997-98 from 0.8 per cent in the preceding two years.

Households' investment in the units of UTI, which had recovered from Rs. 262 crore in 1995-96 to Rs.3,776 crore in 1996-97, is estimated to have slumped to Rs 595 crore in 1997-98. This was primarily due to redemption of seven of the close-ended income schemes (which were predominantly held by individuals) on their maturity in 1997-98.⁴

Direct investment by households in the shares and debentures of private corporate sector continued to decline from Rs. 8,221 crore in 1995-96 to Rs.5,781 crore in 1996-97 and further to Rs.2,095 crore in 1997-98. Savings under public sector bonds, after experiencing a rise from Rs.163 crore in 1995-96 to Rs.221 crore in 1996-97, declined to Rs. 144 crore in 1997-98.

Financial Liabilities

Household sector's financial liabilities had declined from Rs.25,466 crore in 1995-96 to Rs.19,404 crore in 1996-97, but marginally increased to Rs.19,497 crore in 1997-98. In terms of percentage to GDP at current market prices, financial liabilities registered a decline from 2.3 per cent in 1995-96 to 1.5 per cent in 1996-97 and to 1.4 per cent in 1997-98. The major portion of liabilities of the household sector was from the banks in the form of 'bank advances' during this period. The liability of households to banks had dropped sharply from Rs.22,642 crore in 1995-96 to Rs.16,476 crore in 1996-97 and then Rs.16,304 crore in 1997-98 (Statement 11, Vol. II).

4. It may be noted that in the case of the UTI, the annual accounting period ends on June 30 for the respective years.

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

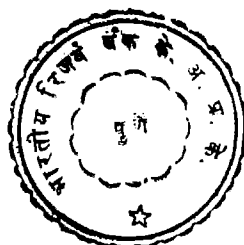
(Per cent)

Item	Period I (80-81 to 84-85)	Period II (85-86 to 89-90)	Period III (90-91 to 94-95)	1992-93	1993-94P	1994-95P	1995-96P	1996-97*	1997-98#	Period IV (92-93 to 97-98)
I	2	3	4	5	6	7	8	9	10	11
1. Agriculture and Allied Activities	5.7 (37.2)	3.4 (32.6)	3.3 (29.9)	6.1 (30.2)	3.7 (29.5)	5.1 (28.8)	-3.0 (26.0)	7.9 (26.1)	-1.5 (24.5)	3.0 (27.5)
1.1 Agriculture	6.2 (34.0)	3.6 (30.1)	3.4 (27.8)	6.6 (28.1)	3.8 (27.5)	5.2 (26.9)	-3.4 (24.2)	8.2 (24.4)	—	—
2. Industry	6.5 (22.0)	8.0 (24.1)	5.5 (25.0)	4.3 (24.5)	7.6 (24.8)	11.2 (25.6)	12.9 (27.0)	6.6 (26.7)	5.8 (26.9)	8.1 (25.9)
2.1 Mining & Quarrying	8.2 (1.7)	9.0 (1.8)	4.6 (1.9)	1.1 (2.0)	1.7 (1.9)	5.9 (1.8)	8.4 (1.9)	-0.3 (1.7)	4.0 (1.7)	3.5 (1.8)
2.2 Manufacturing	6.2 (18.5)	7.7 (20.2)	5.4 (20.6)	4.2 (20.0)	8.4 (20.4)	11.9 (21.2)	14.0 (22.5)	7.4 (22.5)	5.8 (22.7)	8.6 (21.5)
2.3 Electricity, Gas & Water Supply	7.9 (1.8)	9.5 (2.1)	8.1 (2.5)	8.4 (2.5)	6.3 (2.5)	9.4 (2.6)	7.3 (2.6)	5.0 (2.5)	6.6 (2.6)	7.2 (2.5)
3. Services	5.4 (40.9)	7.2 (43.3)	6.1 (45.1)	5.2 (45.3)	7.1 (45.7)	7.6 (45.6)	10.3 (47.0)	7.8 (47.1)	8.3 (48.6)	7.7 (46.6)
3.1 Trade, Hotels, Transport & Communication	5.7 (16.8)	7.1 (17.8)	6.3 (18.3)	6.2 (18.2)	7.2 (18.4)	10.8 (18.9)	13.3 (20.0)	8.6 (20.2)	5.2 (20.2)	8.6 (19.3)
3.2 Financing, Insurance, Real Estate & Business Services	5.3 (8.9)	8.3 (9.8)	8.2 (11.2)	4.6 (11.1)	12.5 (11.8)	7.2 (11.7)	9.7 (12.0)	8.7 (12.1)	9.7 (12.7)	8.7 (11.9)
3.3 Community, Social & Personal Services	5.2 (10.4)	7.3 (11.1)	4.1 (11.1)	5.0 (11.4)	3.9 (11.1)	3.3 (10.7)	6.0 (10.6)	6.4 (10.4)	14.5 (11.4)	6.5 (10.9)
3.4 Construction	5.0 (4.7)	5.2 (4.5)	4.9 (4.5)	3.4 (4.6)	0.9 (4.4)	6.2 (4.3)	9.7 (4.4)	5.2 (4.3)	3.6 (4.3)	4.8 (4.4)
4. Total Gross Domestic Product (1+2+3)	5.7 (100.0)	6.0 (100.0)	5.1 (100.0)	5.3 (100.0)	6.2 (100.0)	7.8 (100.0)	7.2 (100.0)	7.5 (100.0)	5.1 (100.0)	6.5 (100.0)

P Provisional.

* Quick Estimates, February, 1998.

Revised Estimates, July, 1998.

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



CHAPTER III

An Overview

After displaying an impressive performance in 1996-97, agricultural production suffered a setback during 1997-98. Production of foodgrains and also major commercial crops, except plantation crops, is estimated to have declined during 1997-98 from the respective levels of previous year due largely to the adverse agro-climatic conditions prevailing in the country during the year. Although the overall rainfall during the South-West monsoon 1997 was reported to have been slightly above normal, the inter-temporal and inter-spatial distribution was sub-optimal, causing extensive damages to the crops. Notwithstanding the lower output levels, total procurement of wheat and rice by the public sector agencies during 1997-98 stood higher, facilitated partly by the higher production in the previous year and partly by positive price support. On the other hand, total off-take of rice and wheat during 1997-98 fell due essentially to the lower off-take under the Public Distribution System (PDS)/Targeted Public Distribution System (TPDS) as also to negligible open market sales. Higher procurement of foodgrains amid lower off-take had resulted in higher level of stocks at the end of March 1998. In the wake of significantly increased procurement of wheat in 1998-99, the grain inventory continued to increase further.

The Ministry of Agriculture had fixed the target for foodgrains output during 1998-99 at 204 million tonnes which means an annual rate of growth of around 5 per cent. According to the latest indications, actual production would fall short of the target because of deficient rainfall in Orissa and East Madhya Pradesh, and incessant and heavy rains and consequent widespread floods in Assam, Bihar, Eastern Uttar Pradesh and Gangetic West Bengal, causing extensive damages to the crops.

Trends in Production

The Index Number of Agricultural Production for all-crops for 1997-98 placed at 165.7 (Base: Triennium-ending 1981-82=100) reflects a decline of 5.9 per cent as against a growth of 9.5 per cent in 1996-97. The primary contributor to this position during 1997-98 was the non-foodgrains, the index for which showed a sharper decline of 10.1 per cent as compared to foodgrains which was lower by 2.8 per cent (Table III-1).

The performance of foodgrains as well as non-foodgrains crops during the 1990s demonstrates the problems involved in sustaining a high growth level. There is a need to build on past achievements and introduce corrective measures wherever performance is less satisfactory. The area under foodgrains has almost remained stagnant during the 'nineties so far. With land resources being fixed, the growth of agricultural output in future would solely depend upon improvements in yield per hectare. Hence, the recent deceleration in yield growth is certainly a cause of concern for future output growth (Box-III.1).

Production of Foodgrains

Foodgrains production in 1997-98 declined to 193.1 million tonnes, which was lower by 6.2 million tonnes (3.1 per cent) than the last year's record output of 199.3 million tonnes (Table III-2).

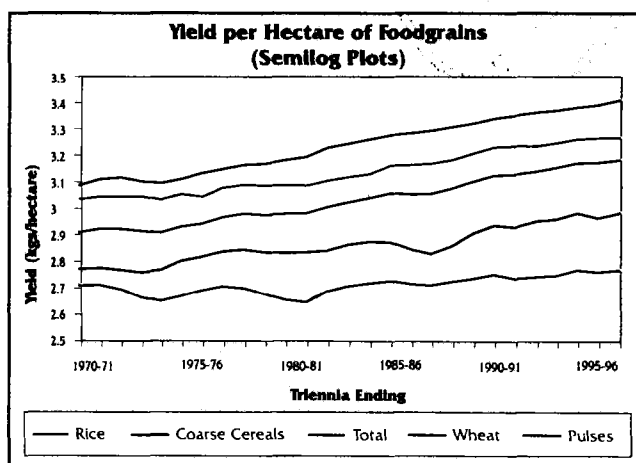
The lower foodgrains production during 1997-98 was due mainly to the sharp negative growth in the yield levels (2.5 per cent to 1,561 kgs. per hectare), as also due to the marginal decline in area under cultivation (0.6 per cent to 123.7 million hectares). It may be noted that in 1996-97, the average yield per hectare of foodgrains had risen appreciably by 7.4 per cent to 1,601 kgs., while the area under foodgrains had risen by 2.9 per cent over those of 1995-96.

* This chapter is based on data/material available up to September 1998.

Box- III.1: Productivity Growth in Indian Agriculture

Since the advent of the Green Revolution in the late-sixties, the increase in crop productivity (yield per hectare) has been the critical factor in the growth of agriculture. During the 'seventies, productivity growth was appreciably higher in respect of a few crops e.g., *rabi* rice (2.9%), wheat (2.3%), and cotton (3.2%). During the 'eighties, the growth rate in productivity was more pronounced and broad-based, across both crops and regions. However, the scenario changed during the 'nineties when productivity growth slackened for all major crops, particularly rice, coarse cereals and pulses (Table and Chart). Nevertheless, over the years, gains in yield had contributed more than 90 per cent of the incremental output of foodgrains.

The yield per hectare critically depends upon the adoption of modern technology as also upon the coverage and effectiveness of irrigation. During the 'nineties, the growth rate in the coverage of area under irrigation slowed down to 2.2 per cent from 2.7 per cent in the 'eighties. The growth rates in respect of other critical inputs had also decelerated. Area under HYV seeds, which had recorded a growth rate of 4.2 per cent per annum during the 'eighties, rose by only 2.9 per cent in the 'nineties; the growth rate in the consumption of



Yield per Hectare of Important Agricultural Crops in India

Crops	All-India Yield (kgs.) per Hectare (Average for Triennia Ended)				Annual Compound Growth Rates (Percentages)		
	1970-71	1980-81	1990-91	1996-97	1970-71 to 1980-81	1980-81 to 1990-91	1990-91 to 1996-97
Rice	1091	1246	1725	1862	1.34	3.30	1.29
Wheat	1228	1545	2215	2584	2.32	3.67	2.60
Coarse Cereals	596	689	879	977	1.47	2.46	1.79
Pulses	515	458	575	595	-1.17	2.31	0.57
Total Foodgrains	819	974	1353	1546	1.74	3.35	2.24
Oilseeds	525	539	779	875	0.28	3.75	1.96
Sugarcane	48893	52105	64000	68518	0.64	2.08	1.14
Cotton	117	159	226	255	3.17	3.57	2.01
Jute and Mesta	1002	1165	1606	1769	1.51	3.27	1.62

Source : Ministry of Agriculture, Government of India.

chemical fertilizers dropped sharply to 2.3 per cent in the 'nineties from 8.6 per cent during the 'eighties. Stagnation in the fertilizer use and imbalances in plant nutrients consumption also exerted a depressing effect on crop productivity. Finally, even though the monsoons were 'normal' during the 'nineties so far, intermittent and extensive incidence of floods, cyclones and near-drought conditions in several parts of the country caused extensive damages to crops, thereby hamstringing accretions to crop productivity thresholds.

The slowdown in the coverage of irrigation may partly be attributed to the fall in public investment. Public investment for capital formation in agriculture at constant prices (1980-81) had declined during the 'eighties from Rs.1,796 crore in 1980-81 to Rs.1,156 crore in 1989-90; it contracted further to Rs.1,132 crore in 1996-97. The relative share of expenditure under irrigation and flood control in the total Plan Outlay of the Governments (Centre, States and Union Territories) dropped sharply to 6.3 per cent in the 'nineties from 8.8 per cent in the 'eighties.

Other major factors which worsened crop productivity include: extension of crop cultivation to less fertile (marginal) lands; urbanisation; industrialisation and public infrastructure projects encroaching upon fertile lands; increasing incidence of water-logging and salinity; planting of high-value crops such as basmati rice (whose average yield is considerably lower than ordinary varieties of rice) on increasing scale in Punjab, Haryana and Western Uttar Pradesh.

An impression is gaining ground in some quarters that crop productivity levels in India have reached a plateau. Available evidence on crop productivity growth in India, as noted earlier, shows a deceleration but negates the plateauing thesis. The yield growth rates continued to be positive, *albeit*, at slower pace in the 1990s. The yield per hectare of foodgrains rose from 1,353 kgs. during the triennium ending (TE) 1990-91 to 1,546 kgs. in TE 1996-97, recording a growth rate of 2.2 per cent per annum; the yield in respect of *rabi* foodgrains moved

(Contd. on page 3)

(Contd. from page 2)

up from 1,602 kgs. in TE 1990-91 to 1,867 kgs. in TE 1996-97, at a rate of 2.6 per cent per annum. The major non-foodgrains such as oilseeds and cotton also posted yield growth rates of around 2.0 per cent.

There is considerable scope for raising the overall productivity levels by bridging the 'yield gaps' - the differences between the potential yields and actual yields, notably in rainfed areas. In this regard, special mention may be made to the development and management of irrigation water and strategic research and extension support. Affirmative actions could improve the productivity growth in agriculture. Technological advances and institutional support in conjunction with appropriate policy initiatives are critical for boosting the yield thresholds of crops. Setting productivity targets for different crops and their achievement are essential. Region-wise, States with low yields could be the focal point for increasing the

Season-wise analysis shows that the *kharif* foodgrains output at 101.6 million tonnes during 1997-98 was 2.8 million tonnes lower than the previous year's peak output of 104.4 million tonnes. The *rabi* output at 91.5 million tonnes was 3.4 million tonnes lower than the last year's record *rabi* foodgrains output of 94.9 million tonnes. Thus, the shortfall in total foodgrains production during 1997-98 represented the combined outcome of poor performance of both the *kharif* and *rabi* harvests (Table III-3).

Production of Non-foodgrains

The sharp fall in the output of all major commercial crops, except tea, coffee and rubber, worsened the outlook for agrarian sector during 1997-98. The decline in non-foodgrains production emanated from lower output of oilseeds (in particular, rapeseed/mustard, linseed, safflower and cottonseed), cotton, sugarcane, potato and onion. The output of nine major oilseeds dropped by 10.9 per cent to 22.2 million tonnes in 1997-98 from the record level of 25.0 million tonnes in 1996-97. Among nine major oilseeds, the output of groundnut, sesamum, rapeseed/mustard, linseed, safflower and sunflower declined by 16.0 per cent, 11.0 per cent, 28.9 per cent, 24.0 per cent, 64.8 per cent and 12.1 per cent, respectively, while that of soyabean increased notably by 25.4 per cent to 6.5 million tonnes (Table III-16). Cotton crop was affected by extensive spread of plant

yield. Necessary measures may have to be taken to allocate resources to such States. In this regard, the Eastern States with huge untapped yield potentials should receive special attention.

References :

1. Bhaduri, Amit and Rune Skarstein (eds) (1997), *Economic Development and Agricultural Productivity*, Edward Elgar Publishing Ltd.
2. Desai, Bhupat M. (eds) (1997), *Agricultural Development Paradigm for the Ninth Plan under New Economic Environment*, Oxford and IBH Publishing Co. Pvt. Ltd.
3. Government of India, *Economic Survey 1997-98*.
4. Islam, Nurul (eds) (1995), *Population and food in the Early Twenty-first Century: Meeting Future Food Demand of an Increasing Population*, International Food Policy Research Institute.

diseases in all major cotton-growing States. Cotton production at 11.1 million bales reflected almost 22 per cent decline over the previous year's output of 14.3 million bales. However, jute and mesta performed slightly better than last year - a growth of about 1.0 per cent to 11.1 million bales in 1997-98. Sugarcane production also registered a decline of 5.4 per cent to 262.2 million tonnes during 1997-98. Production of potato slumped sharply by 27.4 per cent, while that of onion shrank by 3.5 per cent during 1997-98. However, the production of beverage crops during the year was encouraging: while tea grew by 3.9 per cent to 810.6 million kgs. in the calendar year 1998, coffee which had declined during the previous year increased appreciably by 11.2 per cent to 228.0 million kgs. in 1997-98 (Table III-1).

Availability of Foodgrains¹

The net availability of foodgrains during 1997 at 177.2 million tonnes showed marked improvement over that of 165.2 million tonnes in 1996, due essentially to record production of foodgrains during agricultural year 1996-97. In the wake of improved production performance, net imports as also the depletion of stocks with the Government were reported lower during the year. Per capita per day availability of foodgrains improved significantly from 485.8 grams in 1996 to 512.1 grams in 1997, and was the highest level attained so far (Table III-9). Per capita availability of both cereals and pulses increased during the year as compared to their respective

1. Data on the availability of foodgrains relate to calendar year.

levels of previous year. However, the per capita availability of pulses at 38.4 grams in 1997 was lower than that of 41.6 grams in 1991, while that of cereals at 473.7 grams during 1997 marked a new peak.

Minimum Support Prices

The Central Government fixes the Minimum Support Prices (MSP) of various agricultural crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP) as well as the views of the State Governments and the concerned Central Ministries. In order to provide requisite incentives to farmers to raise agricultural production, MSP of *kharif* crops for 1998-99 were raised by Rs.25-Rs.120 per quintal and those of *rabi* crops by Rs.40-Rs.80 per quintal (Table III-10). Further, the Government has decided to reclassify paddy crop into two varieties, known as paddy 'Common' and Grade 'A' variety, instead of three varieties hitherto.

Public Distribution System

The Public Distribution System (PDS) constitutes an important mechanism of food management policy of the Government. The PDS is managed with the medium to short run objective of regulating open market prices of certain essential commodities and ensuring availability of foodgrains at affordable prices to the vulnerable sections of the population, thereby assuring food security to the population in the long run. Under PDS, the Central Government supplies essential commodities *viz.*, wheat, rice, sugar, edible oils and kerosene to the States and Union Territories for distribution at uniform prices, i.e., Central Issue Price (CIP). The PDS commodities are being made available to about 16 crore families through a country-wide network of about 4.5 lakh fair price shops. The CIP for foodgrains are fixed by the Central Government keeping in view the increase in procurement price, procurement incidentals, etc. However, these prices are deliberately kept below the economic cost of the commodities in order to safeguard the interest specifically of the vulnerable sections of the society. This intervention measure entails subsidy which is borne by the Central Government. While CIP for coarse grains, which are mostly consumed by

the poor, has remained unchanged at Rs.199 per quintal since October 1, 1990, a dual pricing structure was introduced for rice and wheat under the Targeted Public Distribution System since June 1, 1997. Under the new pricing arrangement, consumers Below Poverty Line (BPL) are supplied with a limited quantity of foodgrains (10 kgs. per month per family) at prices, which are around one-half of CIP fixed for the consumers Above Poverty Line (APL). Consequent upon the decision of the Government to classify paddy into two categories instead of three varieties, CIP for rice was restructured with effect from December 1, 1997, the details of which are presented in Table III-12.

Procurement

During 1997-98, higher quantities of foodgrains - both rice and wheat - were procured by the public sector agencies from the farmers (Table III-11). Total procurement of rice and wheat amounted to 23.82 million tonnes, 18.8 per cent higher than that of 20.04 million tonnes in 1996-97. The procurement of rice at 14.51 million tonnes during 1997-98 was 22.3 per cent higher than that of 11.87 million tonnes in the previous year. Punjab and Andhra Pradesh, which are the main contributors of rice to the Central Pool, made substantial contribution to rice procurement during the year.

During the quarter April-June 1998, total procurement of rice and wheat aggregated 14.33 million tonnes, showing a sharp rise of 29.6 per cent over 11.06 million tonnes during the corresponding period of the previous year. The increase in the procurement accrued mostly from wheat. Almost the entire procurement of wheat crop for the whole of the marketing season is completed in the April-June quarter itself. Despite lower production of wheat crop during the agricultural year 1997-98, the procurement of wheat during April-June 1998 at 12.63 million tonnes was remarkably high (36.0 per cent) as compared with 9.29 million tonnes during April-June 1997. Higher procurement reflected largely the relatively greater attractiveness of MSP of wheat *vis-à-vis* its open market price and the enhanced procurement efforts made by public sector agencies.

Off-take

During 1997-98, total off-take of foodgrains aggregated 19.13 million tonnes [including 16.98 million tonnes under PDS/TPDS, 1.92 million tonnes under the Jawahar Rozgar Yojana and other welfare schemes, and small quantities under open market sale scheme of the Food Corporation of India (FCI)]. This was considerably lower, by 25.6 per cent, than the off-take of 25.70 million tonnes in the previous financial year. Commodity-wise analysis shows that during 1997-98, off-take of rice at 11.36 million tonnes and that of wheat at 7.76 million tonnes were lower showing a moderate fall of 8.7 per cent in the case of former and a steep decline of 41.4 per cent in the latter over the previous year. Apart from the relatively improved availability and easy price situation of foodgrains in the open market, the decline in off-take under TPDS, which became effective since June 1, 1997, may be attributed partly to the revisions carried out in the Central Issue Prices (CIP), bringing in force a dual pricing structure. While off-take for BPL consumers at lower price was restricted by quantity stipulation (10 kgs. per month per family), for APL consumers, the price was high and less attractive *vis-à-vis* the open market price.

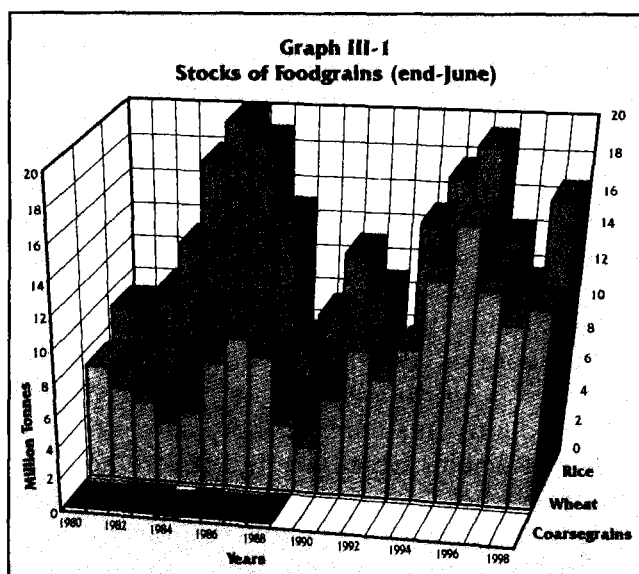
The aforesaid trend continued during the quarter April-June 1998 as well. Total off-take of foodgrains at 4.16 million tonnes was lower by 19.1 per cent than the offtake of 5.14 million tonnes in the corresponding quarter of the previous year (Table III-13).

Stocks

Foodgrains inventory with the public sector agencies rose considerably in the wake of higher procurement and lower off-take during 1997-98. Total stocks at the end of March 1998 stood at 18.12 million tonnes which were higher by 10.4 per cent over the stocks maintained a year ago (16.41 million tonnes). While the stocks of rice at 13.05 million tonnes at the end of March 1998 were marginally lower compared with the level of 13.17 million tonnes a year ago, those of wheat rose sharply to 5.08 million tonnes at the end of March 1998 from 3.24 million tonnes at the end of March 1997. At this level, total stocks of both rice and wheat

were above the prescribed minimum buffer stock norms of 10.8 million tonnes and 3.7 million tonnes, respectively. At the end of June 1998, total stocks of foodgrains stood at 28.52 million tonnes comprising 12.04 million tonnes of rice and 16.48 million tonnes of wheat. These were considerably higher compared with that of 22.37 million tonnes (comprising 10.95 million tonnes of rice and 11.42 million tonnes of wheat) at the end of June 1997 (Table III-14 and Graph III-1).

Excess stocks with FCI bring into sharp focus the urgent need to improve the delivery mechanism of the entire public distribution system and of open sales to contain price rise in agricultural commodities.



Production of Major Crops

Foodgrains

Rice

Total production of rice in 1997-98 attained a new peak at 82.1 million tonnes. The previous peak at 81.8 million tonnes was reached in 1994-95. The aggregate output of both *kharif* (autumn and winter) and *rabi* (summer) rice during 1997-98 was higher than last year: the former at 71.9 million tonnes was higher by 0.7 per cent as compared with 71.4 million tonnes in 1996-97 and the latter at 10.2 million tonnes by 2.9 per cent as compared with 9.9 million tonnes last year. Though heavy losses in rice production were reported by states like Andhra Pradesh and Madhya Pradesh, these were more

than compensated by better production performance in Orissa, Tamil Nadu, West Bengal and Punjab.

The increase in the production of rice during 1997-98 over 1996-97, both *kharif* and *rabi*, reflects essentially the rise in the yield levels (Table III-5). While the yield per hectare increased by 1.4 per cent to 1,906 kg. per hectare in 1997-98, the area cultivated under rice fell fractionally by 0.5 per cent to 43.1 million hectares. It is pertinent to emphasise that over the past several years, the gross cropped area under rice cultivation has remained more or less stagnant at around 43 million hectares. Besides, there has not been perceptible improvement in the yield over the level achieved in 1993-94 (1,888 kgs).

Wheat

Wheat output fell by 3.22 million tonnes (4.7 per cent) to 66.1 million tonnes during 1997-98 from the record level of 69.3 million tonnes attained in 1996-97 despite an expansion in cultivated area by 1.3 per cent to 26.3 million hectares (Table III-6). The unseasonal North-East monsoon rains during November-December 1997 in the North-Western and Central States of the country resulted in inordinate delay in sowing of wheat, which exerted severe adverse impact on wheat crop-productivity levels. In fact, in many areas affected by incessant rains, wheat had to be resown. Consequently, the average yield rate of wheat during 1997-98 fell sharply by 5.9 per cent to 2,515 kgs. per hectare from 2,671 kgs. per hectare in 1996-97. Incidentally, it is also observed that in recent years, except 1995-96, there had been a steady expansion in the area under wheat cultivation suggesting positive response of farmers to the Government's price policy. Further, over the years, the output of wheat had grown at a pace significantly faster than that of other cereals.

Coarse Cereals

The total output of coarse cereals (comprising jowar, bajra, maize, ragi, small millets and barley) during 1997-98, placed at 31.6 million tonnes, was lower by 7.8 per cent over 34.3 million tonnes in 1996-97. The fall in output

emanated both from the reduction in cultivated area, by 3.1 per cent to 31.1 million hectares and a decline in the yield, by 4.9 per cent, to 1,016 kgs. per hectare. In the wake of the unfavourable North-East monsoon rains during 1997, the productivity of *rabi* coarse cereals suffered heavy losses, though the area under *rabi* coarse cereals was marginally higher. The lower production of *kharif* coarse cereals reflected the combined impact of both reduced area and lower yields (Table III-7).

Pulses

The production of pulses at 13.4 million tonnes during 1997-98, showed a decline of 1.1 million tonnes (7.7 per cent) over 14.5 million tonnes in 1996-97, reflecting mainly the heavy losses suffered by *kharif* pulses, as *rabi* pulses output remained near their last year's level. Production decreased due primarily to the sharp fall in the average yield (Table III-8). Grown largely on marginal and sub-marginal lands, mostly under rain-fed conditions, and highly susceptible to pests attacks, the production of pulses had been widely fluctuating from year to year, depending essentially upon the overall behaviour of monsoon and climatic conditions. In order to accelerate the production of pulses, the National Pulses Development Project (NPDP), which envisaged 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. The impact of this measure, as yet, is not visible.

Non-foodgrains

Oilseeds

Production

In India, three major oilseeds, *viz.*, groundnut, rapeseed/mustard and soyabean, account for over four-fifths of total oilseeds output. After the setting up of the Technology Mission on Oilseeds in 1986, oilseeds output has recorded steady improvement. The output of nine major oilseeds witnessed a substantial rise and reached a record level of 25.0 million

tonnes during 1996-97 from 10.8 million tonnes in 1985-86. However, during 1997-98, the output of oilseeds suffered a severe set-back and was placed lower by 10.9 per cent to 22.2 million tonnes essentially due to adverse climatic conditions. The area coverage and yields of oilseeds were adversely affected by long dry spells during *kharif* season, coupled with prolonged cloudy weather, and rains in November and December 1997 during *rabi* season, thereby bringing about reduction in the production of both *kharif* and *rabi* oilseeds. During *kharif* season 1997, the output at 14.2 million tonnes recorded a decline of 3.0 per cent, while in the *rabi* season, the output at 8.1 million tonnes was substantially lower by 22.0 per cent (Table III-15).

With a view to achieving the targeted increase in the production of oilseeds, the Ministry of Agriculture continued to provide financial and technical assistance to States to provide input supply and support services to farmers under Oilseeds Production Programme (OPP), which is functional in 331 districts of 22 States. During 1998-99, the scheme has been extended to the State of Nagaland as well.

Among the major oilseeds, the production of groundnut declined substantially to 7.6 million tonnes during 1997-98, recording a fall of 16.0 per cent over the previous year. Besides groundnut, the output of rapeseed/mustard, sunflower, sesame, safflowerseed, linseed and nigerseed also registered decreases. However, a substantial increase in soyabean and marginal rise in castorseed production helped in moderating the overall decline in oilseeds production (Table III-16).

Price Policy

The Government enhanced the Minimum Support Price (MSP) per quintal for *kharif* oilseeds, such as groundnut (in shell), sunflower seed, soyabean yellow, soyabean black, sesame and nigerseed from Rs.980, Rs.1,000, Rs.750, Rs.670, Rs.950 and Rs.800 in 1997-98, to Rs.1,040, Rs.1,060, Rs.795, Rs.705, Rs.1,060 and Rs.850, respectively, in 1998-99 (Table III-10). The MSP of *rabi* oilseeds, namely, mustard/rapeseed and safflower were also raised to Rs.940 and Rs.910 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 stock. The NDDB procured 68,224 tonnes of oilseeds during 1997-98 through the network of Regional Oilseeds Growers Co-operative Unions and Federations in different States. However, since the Oil Projects are running in losses, the NDDB has decided to closely associate itself with the Unions and Federations in their revival and also help them with the issuance of additional share capital, rescheduling of loan repayments, interest waivers, rehabilitation grants and manpower support.

Foreign Trade in Edible Oils

In spite of significant rise in the production of oilseeds and edible oils in the past couple of years, the country has not been able to meet the growing domestic demand for edible oils. As a result, in order to bridge demand-supply gap and stabilise prices, the Government had to resort to larger imports in recent times. During 1997-98, 12.8 lakh tonnes of edible oils were imported as against 14.6 lakh tonnes in 1996-97.

Cotton

Production

According to the Ministry of Agriculture, after having displayed an uptrend for three consecutive years, production of cotton during 1997-98 would be significantly lower by 21.8 per cent to 11.15 million bales as compared to an all-time high of 14.25 million bales in the previous year. The lower production during the year reflected reduced area under cultivation accompanied by lower yields due to unseasonal rains and incidence of pests and disease. The area under cotton crop during 1997-98 estimated at 8.86 million hectares was lower by 2.9 per cent, compared with 9.12 million hectares in the previous year (Table III-17).

Average yield per hectare of cotton crop during 1997-98 was extremely low at 214 kg. As a consequence of poor performance in cotton production and productivity in recent years in the face of considerable growth in the potential demand for cotton, the Government has proposed to set up a technology mission on cotton with special emphasis on productivity and research.

The Cotton Advisory Board (CAB) had placed the cotton output for 1997-98 season at 15.33 million bales, lower by 13.8 per cent as compared to 17.79 million bales for the 1996-97 season. According to the CAB, the total supply/availability of cotton during 1997-98 at 18.77 million bales (comprising an opening stock of 3.04 million bales, estimated production of 15.33 million bales, and imports of 0.40 million bales) was lower by 13.7 per cent than 21.74 million bales in 1996-97. On the demand side, mill consumption in 1997-98 was placed at 14.60 million bales, lower by 2.9 per cent than the previous season's consumption of 15.04 million bales. Both small spinners' consumption and non-mill consumption were placed lower at 0.65 million bales and 0.90 million bales, respectively, compared with 0.79 million bales and 1.19 million bales of the previous season. Exports during 1997-98 dropped dramatically by 76.2 per cent to 0.40 million bales from 1.68 million bales in the previous year. Thus, total off-take during 1997-98 was placed at 16.55 million bales, showing a fall of 11.5 per cent over the previous year. Closing stocks at the end of 1997-98 season stood at 2.22 million bales which were considerably lower as compared to 3.04 million bales during the last season (Table III-18).

Price Policy

During 1997-98 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) from Rs. 1,180 per quintal and Rs. 1,380 per quintal, applicable for the 1996-97 season to Rs.1,330 per quintal and Rs. 1,530 per quintal, respectively (Table III-10). For 1998-99 season, the MSPs

of cotton varieties F-414/ H-777 were raised by Rs.110 to Rs.1,440 per quintal, while the same for H-4 was up by Rs.120 to Rs.1,650 per quintal.

Procurement Operations

During 1997-98 season, the Cotton Corporation of India (CCI) purchased 0.80 million bales of cotton, much less compared with 1.12 million bales during 1996-97. 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) undertakes procurement operations under the Monopoly Procurement Scheme at the guaranteed prices (fixed by the Maharashtra Government), which are generally higher than the MSP fixed by the Central Government. The CCI does not make any purchases in Maharashtra. The Scheme which had expired on June 30, 1997 was extended by the Central Government for a period of one year upto June 30, 1998. Under the Scheme, the MSCCGMF procured 1.79 million bales, compared with 3.11 million bales during 1996-97 season.

Intensive Cotton Development Programme

During 1997-98, the Intensive Cotton Development Programme which aims at enhancing production and productivity of cotton, continued to be implemented in 11 major cotton growing states. Total outlay under the scheme during 1997-98 was Rs.22.01 crore, compared with Rs.18.00 crore during the previous year.

Raw Jute and Mesta

Production

The production of raw jute and mesta during 1997-98 scaled a new high at 11.10 million bales, though it showed only a marginal increase of 1.0 per cent over the previous record output of 10.99 million bales in 1996-97 (Table III-19).

According to the Directorate of Jute Development, Ministry of Agriculture, 12.79 million bales of jute and mesta (comprising opening stock of 1.85 million bales, production of 10.84 million bales and imports of 0.10 million bales) were available for distribution during 1997-98 season as against 11.82 million bales during 1996-97 season. The increase in total availability during 1997-98 is attributed to the higher opening stocks of 1.85 million bales during the 1997-98 season. Off-take for domestic consumption during 1997-98 was estimated higher by 0.9 million bales at 9.20 million bales than that in the previous year. There were no exports during 1997-98. The closing stocks at the end of June 1998 were placed higher at 3.59 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.510 per quintal for the 1996-97 season to Rs.570 for the 1997-98 season and further to Rs.650 per quintal for 1998-99 season. The corresponding MSPs of different varieties and grades of jute/mesta in different jute/mesta growing states were notified by the Jute Commissioner (Table III-10).

Marketing Operations

The Jute Corporation of India (JCI) has been acting as the nodal agency for undertaking price support operations for raw jute since 1972-73. It maintains the minimum support price to protect the interest of the growers and also undertakes import and export of raw jute as and when required. Earlier, it also undertook commercial purchases when fibre prices ruled above the support level to meet the requirement of the mills of the National Jute Manufacturers' Corporation (NJMC). But owing to fund crunch and higher prices of the commodity, the organisation, virtually, had to remain idle. During the 1997-98 season, as per the available information, JCI had procured 9.85 lakh bales under price support operations. Owing to stringent financial crisis and high price of the commodity, the Corporation does not have any raw jute buffer stock policy during the current

season. 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.

Special Jute Development Programme (SJDP)

In order to achieve the targeted raw jute production during 1997-98 season, the efforts of the State Governments were supplemented through implementation of the Centrally Sponsored Scheme on Special Jute Development Programme (SJDP) on jute/mesta/sunhemp/ramie which is fully financed by the Central assistance. The programme has continued to remain in operation in eight leading jute/mesta growing States, namely, Assam, Bihar, Meghalaya, Orissa, Tripura, Uttar Pradesh, West Bengal and Andhra Pradesh on the pattern of financial assistance existing during 1996-97. During 1997-98, under the programme, 2,589 quintals of certified jute seeds, 14 quintals of quality mesta seeds and 452 quintals of sunhemp seeds were distributed in the programme area. Technology demonstrations were laid out on 4,387 hectares under jute cultivation, 2,550 hectares under mesta and 544 hectares under sunhemp in the SJDP area to convince the farmers about the potential of the production technology to achieve higher yields. Besides, 16,750 essential nutrient minikits containing NPK were distributed. A total of 2.12 lakh packets of fungal culture were also distributed in the SJDP areas for improving the quality of barky jute.

Sugarcane

Production

The production of sugarcane in 1997-98 had declined for the second year in succession to 262.2 million tonnes from 281.1 million tonnes in 1995-96 and 277.3 million tonnes in 1996-97. The fall in output essentially represented the outcome of reduction in area under sugarcane cultivation in the major sugarcane growing States of Andhra Pradesh, Karnataka, Tamil Nadu, Maharashtra and Uttar Pradesh in the wake of non-payment of sugarcane dues by sugar-mills to the growers in the previous years. The average crop productivity, however, remained stagnant at 66.5 tonnes per hectare during 1996-97 and

1997-98. Anticipating a turnaround in the production in line with the cyclical trend observed for sugar production, the Planning Commission has fixed the target of sugarcane output at 300 million tonnes for 1998-99. According to the Ministry of Agriculture, sugarcane production is likely to be around 280 million tonnes in 1998-99, which would be around 7 per cent higher than last year production (Table III-21).

Statutory Minimum Prices (SMP)

The SMP of sugarcane fixed by the Government of India for 1997-98 season was higher at Rs.48.45 per quintal compared with Rs.45.90 per quintal for 1996-97. It has been raised further to Rs.52.70 per quintal for 1998-99 crop, linked to a basic recovery rate of 8.5 per cent and subject to a premium of Rs.0.62 for every 0.1 percentage point increase in recovery above that level (Table III-10). Higher SMP for sugarcane acts not only as an incentive to farmers, but also has an impact on demand for sugarcane by sugar mills and *khandsari* units. In this regard, it may be noted that while the share of sugarcane utilised for production of white sugar has declined to nearly 47 per cent in 1996-97 from around 62 per cent in 1995-96, the proportion of sugarcane crushed by *gur* and *khandsari* manufacturers has increased to nearly 41 per cent in 1996-97 from about 27 per cent in 1995-96.

Sustainable Development of Sugarcane Based Cropping System

For increasing production and productivity of sugarcane, a Centrally Sponsored Scheme called "Sustainable Development of Sugarcane Based Cropping System" (SUBACS) was initiated in 1995-96, which continued to be implemented on 75:25 sharing basis between the Central and State Governments in 1997-98. The scheme covers 20 States and one Union Territory, namely, 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, enhancing seed productions, drip irrigation, and productivity awards, etc. During 1997-98, a sum of Rs.11.06 crore has been released to the implementing agencies as the Centre's share out of the total allocation of Rs.24.99 crore.

Tea

Production

Production of tea during the calendar year 1997 touched an all time high of 810.6 million kgs., 3.9 per cent higher than the previous year output of 780.0 million kgs.; the increase contributed mainly by improvement in yield per hectare (Table III-22). Further, the increase largely emanated from South India plantations where the output rose substantially to 205.6 million kgs. during 1997 from 180.4 million kgs. in the previous year. Despite higher production, the prices of tea during 1997 rose sharply by 37.7 per cent at Indian Auctions due mainly to higher demand – both export and domestic. Due to the failure of Kenya's tea crop, exports from India rose. However, since February 1998, tea prices in India have shown a declining trend.

The all-India output of tea between January and June 1998 was estimated higher at 320.9 million kgs. compared with 277.2 million kgs. in the comparable period of the last year. On account of favourable weather conditions, the production in North India during January-June 1998, was markedly higher by around 21 per cent at 219.0 million kgs. from 181.1 million kgs. during the corresponding period of the previous year, mainly due to improved production levels attained in Darjeeling and Assam Valley. However, the production in South India rose only by 6 per cent to 101.9 million kgs. compared with 96.1 million kgs. during the same period last 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 2001-02. Bulk of the incremental production is expected to come from increased productivity in the existing plantations for which creation of proper irrigation and drainage facility is an important step. With

a view to improving production, financial subsidy is being provided under the "Rejuvenation and Consolidation" scheme.

Coffee

Production

Coffee is cultivated mainly in three Southern States, namely, Karnataka, Kerala and Tamil Nadu; of these, Karnataka alone contributes about 70 per cent of the total coffee produced in the country. Production of coffee, after suffering a severe setback in 1996-97, registered an increase of 11.2 per cent to scale an all-time high of 228 million kgs. in 1997-98 (Table III-23). Variety-wise, production of Arabica was placed higher at 98 million kgs. and that of Robusta at 130 million kgs. However, the output of coffee could have been still higher, but winter rains as well as white stem-borer and berry-borer diseases damaged the crop in Karnataka. The Coffee Board has fixed a higher target of 240 million kgs. for the year 1998-99.

Development Strategy

The strategy being followed by the Government of India to enhance coffee production focuses upon the consolidation of existing coffee growing areas. A comprehensive coffee development scheme is being implemented to enhance productivity in traditional areas by way of providing timely credit with special emphasis on replanting, developing water resources, and quality upgradation.

The Coffee Board is the apex institution which co-ordinates various production and marketing programmes/activities relating to coffee. The major strategies adopted by the Board are as follows :

- a) Improvement in production by providing improved planting material (seeds and clones) of coffee. Seeds of improved varieties of arabica and robusta and robusta plants generated through clonal multiplication were distributed to the growers for improving productivity.
- b) An automatic weather station is established at the Central Coffee Research Institute, Chikmagalur district in Karnataka for identifying the critical weather factors influencing the growth

and yield of coffee and to forecast outbreak of pests and diseases.

- c) Various research studies are initiated for development of efficient water management models for coffee by adopting new irrigation technology viz., micro irrigation system, evaluation of sprinkler and drip irrigation methods.

In addition to the coffee development schemes, the Coffee Board is now intensifying its efforts to develop coffee cultivation by adopting special area programmes for the North-Eastern Region and other tribal sectors, and providing financial assistance as capital subsidy for installation of coffee processing equipment. The Board also established the Market Intelligence Unit, and initiated steps for setting-up of new Auction Centres and establishment of three modern warehouses in Hassan, Koglagu and Chikmagalur districts, besides upgradation of existing warehouses at Cochin and Mangalore.

Marketing/Exports of Coffee

Nearly three-fourths of total coffee production in India is exported. Following the liberalisation of global coffee market (International Coffee Agreement, 1989), exports from India have shown an increasing trend. However, despite higher coffee output in 1997-98, the export of coffee declined to 1.73 lakh tonnes from the record export of 1.81 lakh tonnes in 1996-97. Efforts to promote coffee exports are being intensified. Coffee trade has been totally deregulated since September 1996. Growers are now free to sell their entire produce in the domestic or export market without any quantitative restrictions or compulsory pooling for sale to the Coffee Board. The Government has put the import of decaffeinated/roasted coffee on OGL. A futures exchange in coffee, Coffee Futures Exchange of India Limited (COFEI) incorporated in December 1997, became operational in June 1998 at Bangalore, which would be beneficial for growers, traders and exporters through better supply response of Indian coffee.

Tobacco

Production

According to the Ministry of Agriculture, the production of tobacco during 1997-98 declined

by 4.3 per cent to 573.6 million kgs. from the record level of 599.1 million kgs. in 1996-97 (Table III-24). Notably, the production of Virginia tobacco during 1997-98 was estimated at 170.3 million kgs., 24.9 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 1996-97.

Price Policy

The MSP for F2 Grade was raised by 7.9 per cent to Rs. 20.50 per kg., while for L2 grade of VFC tobacco, it was increased by 6.8 per cent to Rs. 23.50 per kg. (Table III-10). The Tobacco Board, on the basis of the MSPs of F2 and L2 varieties of tobacco and the standard price differentials, fixed the MSPs for other grades of tobacco.

Development Strategy

The measures initiated by the Central Government for the development of tobacco cultivation mainly include : (i) Financial assistance to State Governments and farmers, and (ii) supply of major inputs, like coal, fertilizers and seeds and seedlings. Additionally, the Tobacco Board has taken up various extension, developmental and technical schemes which encourage the production of VFC tobacco, which is exportable variety of tobacco, grown in light soil of Andhra Pradesh and Karnataka, and black soil of Andhra Pradesh.

Measures to Promote Production

During the Ninth Plan, a regionally differentiated agricultural development strategy based on agronomic, climatic and environment-friendly conditions has been adopted. 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:

High Yielding Varieties Programme (HYVP)

The implementation of the HYVP, which revolutionized 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 increased from 1.89 million hectares in 1966-67 to 75.0 million hectares during 1996-97. For 1997-98, a higher target of 76.0 million hectares has been fixed. Crop-wise details of area under HYV are given in Table III-25.

Seeds

Seed is a vital input for attaining growth in agricultural production in that the efficacy of other agricultural inputs like water, fertilizers and pesticides is critically dependent on the quality of seeds. The various elements of quality control of seed (such as, notification of kinds/varieties of seeds, seed certification, seed testing and seed law enforcement) and all regulatory measures in the seed sector are enforced by the State Governments, while their progress is monitored by the Government of India. In the post-GATT period, there is an urgent need to augment facilities for registration of varieties. The target for production of breeder seeds and foundation seeds for 1997-98 was set higher at 0.450 lakh quintals and 6.84 lakh quintals, compared with the anticipated production of 0.446 lakh quintals and 5.76 lakh quintals, respectively, during 1996-97. The distribution of certified/quality seeds was targeted at 75.5 lakh quintals in 1997-98 as against the anticipated distribution of 70.0 lakh quintals during 1996-97 (Table III-27).

The centrally sponsored Integrated Seeds Development Scheme, launched in 1995-96, was discontinued in 1997-98.

Fertilizers

A more extensive and balanced use of fertilizer should prove to be a critical component of the strategy followed for improving crop productivity. Fertilizer consumption in nutrient terms, which stagnated at around 12.5 million tonnes during the three-year period (1991-92 to 1993-94), rose steadily in the subsequent years. During 1997-98, the consumption of chemical fertilizers rose by 15.4 per cent to 16.5 million tonnes (Table III-26). The consumption of both Di-Ammonium Phosphate (DAP) and Muriate of Potash (MOP), which had decreased following their decontrol in 1992, picked up remarkably during 1997-98. Though the fertilizer consumption has grown over the years, the existing level of fertilizer use is low with reference

to consumption levels prevailing in other countries, including some of the developing countries in Asia.

The imbalance in the fertilizer consumption mix [i.e., the ideal ratio of application of the three plant nutrients – Nitrogen (N), Phosphate (P) and Potash (K)], however, continues to be a cause of increased concern. According to the Ministry of Agriculture, though the NPK consumption ratio for the year 1997-98 at 8.5:2.6:1 marks a marginal improvement over that of 10:2.9:1 in 1996-97, it still shows a substantial variance from the ideal mix of 4:2:1. Thus, the fertiliser consumption continues to be biased in favour of the nitrogenous fertilizers, the prices of which are significantly lower as compared to other two fertilizers due to the distortions in the pricing policy. Urea is the main nitrogenous fertilizer constituting about 60 per cent of the total fertilizer consumption in the country.

During 1997-98, urea continued to be controlled in regard to its price, distribution and movement in order to keep the consumer price at an affordable level. As a result of this, a heavy subsidy burden was borne by the Government towards consumption of urea. Following a 10 per cent increase in its price with effect from February 28, 1997, the farmgate price of urea was fixed at Rs.3,660 per tonne, excluding local levies. As against this, the prices of other decontrolled fertilizers continued to rule high. During the period 1992-93 to 1997-98, the price of phosphatic fertilizers rose sharply from Rs.4,680 to Rs.8,300 per tonne and those of potassic ones from Rs.1,700 to Rs.3,700 per tonne. However, the maximum retail prices of DAP, MOP and Complexes, which were hitherto fixed by the State Governments, were fixed by the Ministry of Agriculture and Co-operation during 1997-98 with a view to bringing about uniformity in prices and ensuring better availability throughout the country. In August 1998, the Government decided to free the retail prices of phosphatic and potassic fertilizers, but keeping in view the interest of the farming community, it was decided by the Ministry that the MRP of the above-mentioned fertilizers for *rabi* 1998-99 would remain at the level of *kharif* 1998.

The Centrally sponsored scheme for

"Balanced and Integrated Use of Fertilizers", launched during 1991-92, continued to be implemented during 1997-98. The scheme promotes the balanced use of NPK fertilizers in conjunction with the organic manures, compost, green manures, and bio-fertilizers with added emphasis on the use of micro-nutrients in high fertilizer consuming, intensely cultivated regions.

Recognising the importance of bio-fertilizers as a cost effective and pollution-free source of plant nutrient, the National Project on Development and Use of Bio-fertilizers is being continued in 1997-98 with the aim of promoting, producing and distributing bio-fertilizers. During 1997-98, six bio-fertilizers units of the State Governments/Institutional Agencies have been strengthened by releasing Rs.80 lakh as one time non-recurring grant-in-aid for boosting the production and organising large number of training camps and field demonstrations. The Centrally sponsored scheme, titled 'National Project on Development of Fertilizer 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 fertilizer 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.

A High Powered Fertilizer Pricing Policy Review Committee was set up under the Chairmanship of Professor C.H. Hanumantha Rao, to review the system of subsidisation of urea and to suggest an alternative broad based, scientific and transparent methodology for fertilizer pricing. The Committee submitted its Report in April 1998 which is under examination of the Government.

Plant Protection and Pesticides

Plant protection activities are aimed at surveillance and monitoring of pests and diseases on various crops, locust monitoring in scheduled desert areas, training in plant protection with special emphasis on Integrated Pest Management (IPM) approach, which combines all available methods - cultural, mechanical, biological and chemical, with a view to minimising the use of chemical pesticides. The expenditure during 1997-98 was Rs.7.09

crore as against Rs.7.99 crore in 1996-97. 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. The development and promotion of biological means of pest control would receive special attention during the Ninth Plan period in order to maintain the balance in the agro-ecosystem.

Irrigation Schemes

Creation of additional irrigation potential and its optimum utilisation is crucial to agriculture and as such, continues to receive high priority in agricultural development programmes. Irrigation is an effective tool against the vagaries of monsoon and also helps in increasing the cropping intensity. The irrigation potential created up to the end of the Eighth Five Year Plan (1992-97) was 89.44 million hectares, consisting of 32.83 million hectares through major and medium irrigation projects, and 56.61 million hectares through the minor irrigation schemes (Table III-28). Minor irrigation schemes covering both surface and ground water were given preference as they have shorter gestation period and need relatively lower investments. During the Eighth Five-Year Plan, 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. In the Eighth Five-Year Plan, out of the total outlay for irrigation at Rs.31,904 crore, minor irrigation received an amount of Rs.10,421 crore (Table III-29).

With a view to ensuring early completion of the irrigation projects, Rural Infrastructure Development Fund (RIDF) has been in operation since 1995-96, and in 1996-97, the Government of India launched another programme called 'Accelerated Irrigation Benefit Programme (AIBP)' 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 leveling 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 (Table III-30). To reduce the gap between the irrigation potential created and utilised, the Command Area Development Programme (CADP) has been under operation since 1974-75. During 1996-97, an amount of Rs. 138.36 crore was released to States as central assistance under the programme.

Area Development Measures

Drought Prone Areas Programme (DPAP)

The DPAP was started in 1973-74 to tackle the special problems faced by drought prone areas by creating durable public assets. Under DPAP, a target of 5,622 projects was fixed, out of which, 4,364 watershed projects were taken up in 1997-98. During 1997-98, an amount of Rs. 322.5 crore was allocated for DPAP. At present, DPAP is operational in 155 districts in 13 States. The corresponding physical area for treatment under the programme works out to 7.45 lakh square kilometers.

Desert Development Programme (DDP)

The DDP was started in 1977-78 with a view to mitigating the adverse impact of desertification on crops, human and livestock population. In view of not very encouraging results, the programme was reviewed. The Technical Committee on DPP and DPAP, constituted in 1993-94 under the Chairmanship of Professor C.H. Hanumantha Rao submitted its Report in April 1994. Based on the recommendations of the Committee, a fresh set of guidelines was made applicable in 1995-96. Under DDP, 36 districts in 7 States were covered. Since its inception till March 1998, an expenditure of Rs. 8.45 crore has been incurred on the programme. During 1995-96, the allocation for the programme was Rs. 105.85 crore. Out of the total allocation, 1,695 watershed projects were targeted to be developed during 1995-96 to 1998-99.

Table III-1: Production of Major Agricultural Commodities

Detail	Unit	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98 P
1	2	3	4	5	6	7	8	9
Index								
I. All Crops (1+2)	Index (Triennium ending 1981-82=100)	145.5	151.5	157.3	165.2	160.8	176.1	165.7
1. Foodgrains	-do-	137.6	144.3	150.2	155.9	146.1	160.8	156.3
2. Non-foodgrains	-do-	158.8	163.7	169.4	180.9	185.6	202.0	181.6
Output								
II. Foodgrains	Million tonnes	168.38	179.48	184.26	191.50	180.42	199.32	193.12
Season-wise								
Kharif	-do-	91.59	101.47	100.40	101.09	95.12	104.43	101.64
Rabi	-do-	76.79	78.01	83.86	90.41	85.30	94.90	91.48
Commodity Groupwise								
Cereals	-do-	156.36	166.66	170.95	177.46	168.11	184.86	179.77
Rice	-do-	74.68	72.86	80.30	81.81	76.98	81.31	82.12
Wheat	-do-	55.69	57.21	59.84	65.77	62.10	69.27	66.05
Coarse Cereals	-do-	25.99	36.59	30.81	29.88	29.03	34.27	31.60
Pulses	-do-	12.02	12.82	13.31	14.04	12.31	14.46	13.35
III. Non-foodgrains								
Oilseeds	-do-	18.60	20.11	21.50	21.34	22.10	24.96	22.24
Kharif	-do-	9.31	12.03	12.35	11.95	13.09	14.60	14.16
Rabi	-do-	9.29	8.08	9.15	9.39	9.01	10.36	8.08
Sugarcane	-do-	254.00	228.03	229.66	275.54	281.10	177.25	262.19
Cotton	Million bales of 170 kg. each	9.71	11.40	10.74	11.89	12.86	14.25	11.15
Raw jute and Mesta	Million bales of 180 kg. each	10.29	8.59	8.42	9.08	8.80	10.99	11.10
Tobacco	Million kg.	584.40	596.50	562.90	566.70	535.20	599.10	573.60
Coffee	-do-	208.00	169.40	208.00	180.00	223.00	205.00	228.00
Tea	-do-	754.19	703.93	760.83	752.90	753.92	780.03	810.61

P Provisional.

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 (Commodity – Group-wise)

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	100.83 (0.33)	173.50 (0.58)	177.46 (3.81)	1760 (3.47)
1995-96	98.73 (-2.08)	176.50 (1.73)	168.11 (-5.27)	1703 (-3.25)
1996-97	101.32 (2.62)	178.50 (1.13)	184.86 (9.96)	1825 (7.15)
1997-98L	100.46 (-0.85)	185.00 (3.64)	179.77 (-2.75)	1790 (-1.92)
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	22.28 (-3.26)	15.50 (0.00)	12.31 (-12.32)	553 (-9.37)
1996-97	23.19 (4.08)	15.00 (-3.23)	14.46 (17.47)	624 (12.86)
1997-98L	23.28 (0.41)	15.00 (0.00)	13.35 (-7.68)	573 (-8.06)
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	123.86 (0.90)	189.00 (0.53)	191.50 (3.93)	1546 (3.00)
1995-96	121.01 (-2.30)	192.00 (1.59)	180.42 (-5.79)	1491 (-3.57)
1996-97	124.51 (2.89)	193.50 (0.78)	199.32 (10.48)	1601 (7.37)
1997-98L	123.74 (-0.62)	200.00 (3.36)	193.12 (-3.11)	1561 (-2.51)

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	75.19	106.33	101.09	1344
	(-0.82)	(0.79)	(0.69)	(1.52)
1995-96	73.60	107.50	95.12	1292
	(-2.11)	(1.10)	(-5.91)	(-3.88)
1996-97	75.69	104.00	104.43	1380
	(2.84)	(-3.26)	(9.79)	(6.76)
1997-98 L	74.16	105.50	101.64	1370
	(-2.02)	(1.44)	(-2.67)	(-0.67)
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	90.41	1857
	(3.69)	(0.21)	(7.81)	(3.97)
1995-96	47.42	84.50	85.30	1799
	(-2.58)	(2.21)	(-5.65)	(-3.15)
1996-97	48.82	89.50	94.90	1944
	(2.97)	(5.92)	(11.25)	(8.04)
1997-98 L	49.58	94.50	91.48	1845
	(1.55)	(5.59)	(-3.60)	(-5.07)
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	123.86	189.00	191.50	1546
	(0.90)	(0.53)	(3.93)	(3.00)
1995-96	121.01	192.00	180.42	1491
	(-2.30)	(1.59)	(-5.79)	(-3.57)
1996-97	124.51	193.50	199.32	1601
	(2.89)	(0.78)	(10.48)	(7.38)
1997-98 L	123.74	200.00	193.12	1561
	(-0.62)	(3.36)	(-3.11)	(-2.51)

L Likely.

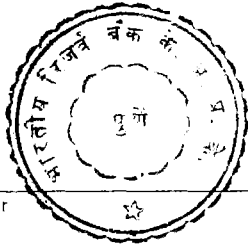
Note : Figures in brackets are percentage variations over the previous year. Totals may not tally due to rounding off.**Source**: Ministry of Agriculture, Government of India.

Table III-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	64.68	100.33	96.42	1491
	(-0.30)	(0.83)	(1.47)	(1.78)
1995-96	63.39	101.50	90.54	1428
	(-1.99)	(1.17)	(-6.10)	(-4.19)
1996-97	64.77	98.00	98.89	1527
	(2.18)	(-3.45)	(9.23)	(6.90)
1997-98 L	63.54	99.50	97.20	1530
	(-1.90)	(1.53)	(-1.71)	(0.19)
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	81.04	2242
	(1.49)	(0.23)	(6.73)	(5.16)
1995-96	35.34	75.00	77.57	2195
	(-2.25)	(2.50)	(-4.28)	(-2.09)
1996-97	36.54	80.50	85.97	2353
	(3.41)	(7.33)	(10.83)	(7.18)
1997-98 L	36.91	85.50	82.57	2237
	(1.01)	(6.21)	(-3.96)	(-4.92)
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	100.83	173.50	177.46	1760
	(0.33)	(0.58)	(3.81)	(3.46)
1995-96	98.73	176.50	168.11	1703
	(-2.08)	(1.73)	(-5.27)	(-3.25)
1996-97	101.32	178.50	184.86	1825
	(2.62)	(1.13)	(9.97)	(7.16)
1997-98 L	100.46	185.00	179.77	1790
	(-0.85)	(3.64)	(-2.75)	(-1.92)

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.



AGRICULTURAL PRODUCTION

III-19

Table III-5: 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	68.50	66.37	1676
	(-0.28)	(4.26)	(0.08)	(0.35)
1992-93	38.90	68.75	65.24	1677
	(-1.74)	(0.36)	(-1.70)	(0.04)
1993-94	39.14	69.50	70.72	1807
	(0.61)	(1.09)	(8.40)	(7.74)
1994-95	39.44	70.00	72.60	1841
	(0.77)	(0.72)	(2.66)	(1.87)
1995-96	39.44	71.00	67.88	1721
	(0.00)	(1.43)	(-6.51)	(-6.51)
1996-97	39.65	71.50	71.42	1801
	(0.52)	(0.70)	(5.21)	(4.65)
1997-98 L	39.50	71.50	71.94	1821
	(-0.38)	(0.00)	(0.73)	(1.13)
Rabi				
1991-92	3.06	8.00	8.31	2716
	(2.34)	(0.00)	(4.27)	(1.88)
1992-93	2.87	8.50	7.62	2655
	(-6.21)	(6.25)	(-8.30)	(-2.23)
1993-94	3.40	8.50	9.58	2818
	(18.47)	(0.00)	(25.72)	(6.12)
1994-95	3.37	8.50	9.21	2731
	(-0.79)	(0.00)	(-3.85)	(-3.08)
1995-96	3.40	9.00	9.10	2678
	(0.68)	(5.88)	(-1.25)	(-1.92)
1996-97	3.64	9.50	9.90	2720
	(7.13)	(5.56)	(8.80)	(1.56)
1997-98 L	3.59	9.50	10.18	2837
	(-1.32)	(0.00)	(2.91)	(4.29)
Total (Kharif + Rabi)				
1991-92	42.65	76.50	74.68	1751
	(-0.09)	(3.80)	(0.52)	(0.62)
1992-93	41.78	77.25	72.86	1744
	(-2.04)	(0.98)	(-2.44)	(-0.41)
1993-94	42.54	78.00	80.30	1888
	(1.82)	(0.97)	(10.21)	(8.24)
1994-95	42.81	78.50	81.81	1911
	(0.64)	(0.64)	(1.89)	(1.24)
1995-96	42.84	80.00	76.98	1797
	(0.05)	(1.91)	(-5.91)	(-5.97)
1996-97	43.28	81.00	81.31	1879
	(1.04)	(1.25)	(5.63)	(4.54)
1997-98 L	43.09	81.00	82.12	1906
	(-0.46)	(0.00)	(0.99)	(1.45)

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: 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	25.01 (-2.68)	60.00 (2.56)	62.10 (-5.58)	2483 (-2.98)
1996-97	25.93 (3.69)	65.00 (8.33)	69.27 (11.56)	2671 (7.59)
1997-98 L	26.26 (1.28)	68.50 (5.38)	66.05 (-4.66)	2515 (-5.86)

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-7: 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 (-8.11)	28.55 (2.33)	20.80 (-24.94)	765 (-18.31)
1992-93	27.64 (1.66)	28.50 (-0.18)	30.60 (47.12)	1107 (44.72)
1993-94	25.74 (-6.87)	30.00 (5.26)	24.30 (-20.59)	944 (-14.73)
1994-95	25.24 (-1.95)	30.33 (1.10)	23.81 (-2.02)	943 (-0.07)
1995-96	23.95 (-5.11)	30.50 (0.56)	22.66 (-4.83)	946 (0.29)
1996-97	25.13 (4.90)	26.50 (-13.11)	27.48 (21.27)	1094 (15.60)
1997-98 L	24.05 (-4.30)	27.50 (3.77)	25.27 (-8.05)	1051 (-3.92)
Rabi				
1991-92	6.23 (-7.43)	5.45 (0.93)	5.19 (4.01)	833 (12.36)
1992-93	6.78 (8.83)	5.75 (5.50)	5.99 (15.41)	883 (6.05)
1993-94	7.07 (4.34)	6.00 (4.35)	6.51 (8.68)	920 (4.16)
1994-95	7.08 (0.06)	6.17 (2.83)	6.07 (-6.76)	858 (-6.81)
1995-96	6.93 (-2.07)	6.00 (-2.76)	6.37 (4.94)	919 (7.16)
1996-97	6.97 (0.58)	6.00 (0.00)	6.80 (6.75)	975 (6.13)
1997-98 L	7.06 (1.25)	6.00 (0.00)	6.33 (-6.85)	897 (-8.00)
Total (Kharif + Rabi)				
1991-92	33.42 (-7.98)	34.00 (2.10)	25.99 (-20.52)	778 (-13.62)
1992-93	34.43 (3.02)	34.25 (0.74)	36.59 (40.78)	1063 (36.66)
1993-94	32.82 (-4.68)	36.00 (5.11)	30.81 (-15.80)	939 (-11.66)
1994-95	32.32 (-1.52)	36.50 (1.39)	29.88 (-3.03)	924 (-1.54)
1995-96	30.88 (-4.44)	36.50 (0.00)	29.03 (-2.83)	940 (1.68)
1996-97	32.10 (3.93)	32.50 (-10.96)	34.28 (18.08)	1068 (13.62)
1997-98 L	31.11 (-3.09)	33.50 (3.08)	31.60 (-7.81)	1016 (-4.87)

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-8: 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 (-3.87)	6.00 (0.00)	4.67 (-13.23)	444 (-9.80)
1995-96	10.21 (-2.86)	6.00 (0.00)	4.58 (-1.95)	448 (0.90)
1996-97	10.91 (6.93)	6.00 (0.00)	5.53 (20.87)	507 (13.14)
1997-98 L	10.62 (-2.72)	6.00 (0.00)	4.43 (-19.88)	417 (-17.64)
Rabi				
1991-92	11.30 (-14.20)	9.40 (-1.05)	7.60 (-14.12)	673 (-1.09)
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)	9.37 (18.15)	748 (6.82)
1995-96	12.08 (-3.55)	9.50 (0.00)	7.73 (-17.47)	640 (-14.44)
1996-97	12.28 (1.68)	9.00 (-5.26)	8.93 (15.46)	727 (13.55)
1997-98 L	12.67 (3.16)	9.00 (0.00)	8.92 (-0.12)	704 (-3.18)
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 (3.49)	15.50 (0.00)	14.04 (5.46)	610 (1.90)
1995-96	22.28 (-3.23)	15.50 (0.00)	12.31 (-12.31)	552 (-9.38)
1996-97	23.19 (4.09)	15.00 (-3.23)	14.46 (17.47)	623 (12.85)
1997-98 L	23.28 (0.39)	15.00 (0.00)	13.35 (-7.68)	573 (-8.03)

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-9: 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 (in 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
1992	168.4	147.3	-0.4	-1.6	148.5	434.5	34.3	468.8
1993*	179.5	157.5	3.1	10.3	149.8	427.9	36.2	464.1
1994*	184.3	161.2	1.1	7.5	154.8	434.0	37.2	471.2
1995*	191.5	167.6	0.4	-1.7	169.8	469.6	38.1	507.7
1996*	180.4	157.9	-1.2	-8.5	165.2	452.9	32.9	485.8
1997*	199.3	174.4	1.0	-1.8	177.2	473.7	38.4	512.1

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

Source: Economic Survey, 1997-98 and Ministry of Food, Government of India.

Table III-10: Procurement and Minimum Support Prices
(Marketing Year)

				(Rupees per quintal)						
Sr. No.	Commodity	Season	Type	Variety	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
1		2	3	4	5	6	7	8	9	10
Foodgrains										
1	Paddy	Oct.-Sept.	P	Common	310	340	360	380	415	440
2	Paddy	Oct.-Sept.	P	Fine	330	360	375	395	435	470
3	Paddy	Oct.-Sept.	P	Super Fine	350	380	395	415	455	470
4	Wheat	April-March	P	FAQ	330 \$	350	360	380	415	455
5	Jowar	Oct.-Sept.	P	FAQ	260	280	300	310	360	390
6	Bajra	Oct.-Sept.	P	FAQ	260	280	300	310	360	390
7	Maize	Oct.-Sept.	P	FAQ	265	290	310	320	360	390
8	Ragi	Oct.-Sept.	P	FAQ	260	280	300	310	360	390
9	Barley	April-March	M	FAQ	260	275	285	295	305	350
10	Gram	April-March	M	FAQ	600	640	670	700	740	815
11	Moong	April-March	M	FAQ	700	760	800	840	900	960
12	Urad	April-March	M	FAQ	700	760	800	840	900	N.A.
13	Tur	April-March	M	FAQ	700	760	800	840	900	960
Non-foodgrains										
14	Groundnut (in shell)	Nov.-Oct.	M	FAQ	800	860	900	920	980	1040
15	Soyabean	Nov.-Oct.	M	BLACK	525	570	600	620	670	705
16	Soyabean	Nov.-Oct.	M	YELLOW	580	650	680	700	750	795
17	Sunflowerseed	Nov.-Oct.	M	FAQ	850	900	950	960	1000	1060
18	Rapeseed/Mustard	April-March	M	FAQ	760	810	810	860	890	940
19	Toria	April-March	M	FAQ	725	780	800	825	855	905
20	Safflowerseed	April-March	M	FAQ	720	760	760	800	830	910
21	Copra	Jan.-Dec.	M	FAQ	2150	2350	2500	2500	2700	N.A.
22	Cotton	Sept.-Aug.	M	F-414\H-777	900	1000	1150	1180	1330	1440
23	Cotton	Sept.-Aug.	M	H-4	1050	1200	1350	1380	1530	1650
24	Jute	July-June	S	TD-5	450	470	490	510	570	650
25	Sugarcane @	Oct-Sept.	S	FAQ	34.50	39.10	42.50	45.90	48.45*	52.70*
26	Tobacco	March-Feb.	M	VFC-F2	1800	1850	1900	1900	2050	N.A.
27	Tobacco	March-Feb.	M	L-2	2000	2100	2150	2200	2350	N.A.

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 46 paise for every 0.1 percentage point increase in the recovery above that level up to 10 per cent, and 60 paise for every 0.1 percentage point increase in the recovery above 10 per cent.

Source: Ministry of Agriculture, Government of India.

Table III-11: Procurement of foodgrains

(Million tonnes)

Year (April-March)	Procurement			Procurement as Percentage of Production	
	Rice	Wheat	Total	Rice	Wheat
				5	6
1	2	3	4	5	6
1991-92	9.41 (-21.27)	7.75 (-29.94)	17.16 (-25.44)	12.60	13.92
1993-94	13.56 (18.65)	12.84 (101.18)	26.40 (48.21)	18.17	21.71
1994-95	13.12 (-3.26)	11.87 (-7.53)	24.99 (-5.33)	16.04	18.05
1995-96	9.91 (-24.47)	12.33 (3.86)	22.24 (-11.02)	12.87	19.85
1996-97	11.87 (19.72)	8.16 (-33.83)	20.04 (-9.87)	14.59	11.78
1997-98 (P)	14.51 (22.27)	9.30 (13.99)	23.82 (18.83)	17.67	14.08
April-June 1997	1.77	9.29	11.06	—	—
April-June 1998	1.70 (-3.95)	12.63 (35.95)	14.33 (29.57)	—	—

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-12: 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* (—)
Dec. 28, 1991	377 (30.45)	437 (25.21)	458 (23.78)	280 (19.66)
Jan. 11, 1993	437 (15.92)	497 (13.73)	518 (13.10)	330 (17.86)
Feb. 1, 1994	537 (22.88)	617 (24.14)	648 (25.10)	402 (21.82)
June 1, 1997	—	650	750	450
APL	350	350	—	250
	Common		Grade A	
Dec 1, 1997	550\$		700	450
APL	350		350	250
BPL				

* Effective May 1, 1990

\$ Applicable only to Jammu and Kashmir, Himachal Pradesh and hilly areas of N E States including Sikkim and Uttar Pradesh.

APL Above Poverty Line.

BPL Below Poverty Line.

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

Table III-13: Off-take of foodgrains

(Million tonnes)

Year (April-March)	Rice *	Wheat* @	Total
1	2	3	4
1991-92	10.26 (30.66)	10.48 (27.48)	20.74 (29.04)
1992-93	9.89 (26.04)	8.06 (-1.90)	17.96 (11.75)
1993-94	9.46 (0.25)	9.14 (18.43)	18.61 (8.43)
1994-95	8.85 (-6.50)	10.59 (15.86)	19.44 (4.49)
1995-96	14.00 (58.20)	12.82 (21.01)	26.82 (37.94)
1996-97	12.44 (-11.13)	13.26 (3.40)	25.70 (-4.17)
1997-98	11.36 (-8.71)	7.76 (-41.44)	19.13 (-25.58)
1997 (April-June)	3.13	2.01	5.14
1998 (April-June)	2.54 (-18.85)	1.62 (-19.40)	4.16 (-19.07)

* Including negligible quantity under Jawahar Rozgar Yojana, Employment Guarantee Scheme, etc.

@ Including open market sales. Totals may not tally due to rounding off. Figures in brackets are percentage variations over the previous year/quarter.

Source: Ministry of Food, Government of India.

Table III-14: 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 (-13.16)	2.21 (-60.59)	11.07 (-29.96)	82.07	59.62	76.34
1993	9.93 (12.04)	2.74 (24.16)	12.67 (14.45)	91.95	74.03	87.38
1994	13.55 (36.40)	7.00 (155.49)	20.54 (62.15)	125.43	189.14	141.68
1995	18.08 (33.49)	8.72 (24.61)	26.80 (30.46)	167.43	235.68	184.84
1996	13.06 (-27.77)	7.76 (-10.99)	20.82 (-22.31)	120.93	209.78	143.60
1997	13.17 (0.84)	3.24 (-58.26)	16.41 (-21.19)	121.94	87.57	113.17
1998 P	13.05 (-0.93)	5.08 (56.64)	18.12 (10.44)	120.81	137.16	124.99
June 1997	10.95	11.42	22.37	119.02	87.18	100.31
June 1998 P	12.04 (9.95)	16.48 (44.27)	28.52 (27.50)	130.86	125.77	127.90

NORMS OF STOCKS

Norms for Eighth Five Year Plan Period			
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

Revised Norms Ninth Five Year Plan Period			
As on	Rice	Wheat	Total
April 1	11.80	4.00	15.80
July 1	10.00	14.30	24.30
October 1	6.50	11.60	18.10
January 1	8.40	8.40	16.80

P: Provisional.

* Including coarse grains.

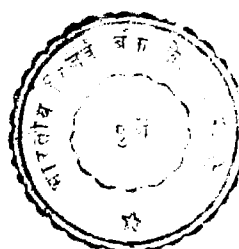
Note : Figures in paranthesis are percentage variations over the previous year.**Source**: Ministry of Food, Government of India.

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

Year (November-October)	Area under cultivation (lakh hectares)	Production Target (lakh tonnes)	Production (lakh tonnes)	Yield per hectare (kgs.)
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	156.78 (4.60)	129.00 (3.20)	130.94 (9.57)	835 (4.76)
1996-97	161.20 (2.82)	134.00 (3.88)	146.02 (11.52)	906 (8.46)
1997-98 P	155.23 (-3.70)	149.00 (11.19)	141.58 (-3.04)	912 (0.69)
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	102.87 (-0.27)	96.00 (1.05)	90.12 (-3.99)	876 (-3.73)
1996-97	106.91 (3.93)	96.00 (0.00)	103.59 (14.95)	969 (10.60)
1997-98 P	106.59 (-0.30)	106.00 (10.42)	80.81 (-21.99)	758 (-21.76)
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	259.64 (2.61)	225.00 (2.27)	221.06 (3.60)	851 (0.97)
1996-97	268.11 (3.26)	230.00 (2.22)	249.60 (12.91)	931 (9.34)
1997-98 P	261.82 (-2.35)	255.00 (10.87)	222.39 (-10.90)	849 (-8.76)

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

Oilseeds Year (November - October)	Area under cultivation (lakh hectares)	Production (lakh tonnes)		Yield per hectare (kgs.)
		Target	Achievement	
1	2	3	4	5
Groundnut (in shell)				
1991-92	86.68 (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	75.24 (-4.14)	84.00 (1.20)	75.79 (-5.99)	1007 (-1.93)
1996-97	78.14 (3.85)	80.00 (-4.76)	90.24 (19.07)	1155 (14.65)
1997-98 P	71.98 (-7.88)	89.00 (11.25)	75.80 (-16.00)	1053 (-8.81)
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	65.46 (8.02)	57.00 (0.00)	60.00 (4.20)	917 (-3.53)
1996-97	68.56 (4.74)	61.00 (7.02)	69.42 (15.70)	1013 (10.47)
1997-98 P	67.09 (-2.14)	67.00 (9.84)	49.35 (-28.91)	736 (-27.35)
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	50.35 (16.60)	43.00 (7.50)	50.96 (29.64)	1012 (11.18)
1996-97	52.28 (3.83)	50.00 (16.28)	52.02 (2.08)	995 (-1.69)
1997-98 P	57.94 (10.83)	59.00 (18.00)	65.23 (25.39)	1126 (13.14)

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

Oilseeds Year (November - October)	Area under cultivation (lakh hectares)	Production (lakh tonnes)		Yield per hectare (kgs.)
		Target	Achievement	
1	2	3	4	5
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	21.21 (6.16)	15.00 (7.14)	12.58 (3.28)	593 (-2.71)
1996-97	19.95 (-5.94)	14.00 (-6.67)	13.15 (4.53)	659 (11.13)
1997-98 P	20.43 (2.41)	15.00 (7.14)	11.56 (-12.09)	566 (-14.16)
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	18.26 (-7.36)	9.00 (0.00)	5.31 (-9.54)	291 (-2.36)
1996-97	20.60 (12.81)	8.00 (-11.11)	6.73 (26.74)	327 (12.35)
1997-98 P	17.95 (-12.86)	8.00 (0.00)	5.99 (-11.00)	334 (2.14)
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	7.89 (1.28)	7.00 (0.00)	7.77 (-8.05)	985 (-9.21)
1996-97	7.48 (-5.20)	8.00 (14.29)	8.91 (14.67)	1191 (20.96)
1997-98 P	7.16 (-4.28)	8.00 (0.00)	8.95 (0.45)	1250 (4.94)

Table III-16: Nine Major Oilseeds: Area, Production and Yield (concl'd.)

Oilseeds Year (November - October)	Area under cultivation (lakh hectares)	Production (lakh tonnes)		Yield per hectare (kgs.)
		Target	Achievement	
1	2	3	4	5
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	6.80 (-14.03)	4.00 (0.00)	3.83 (-9.46)	563 (5.32)
1996-97	7.07 (3.97)	4.00 (0.00)	4.32 (12.79)	611 (8.49)
1997-98 P	6.22 (-12.02)	4.00 (0.00)	1.52 (-64.81)	244 (-60.01)
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	8.46 (-10.76)	3.50 (-12.50)	2.92 (-9.60)	345 (1.30)
1996-97	8.45 (-0.12)	3.00 (-14.29)	3.25 (11.30)	385 (11.43)
1997-98 P	7.75 (-8.28)	3.00 (0.00)	2.47 (-24.00)	319 (-17.14)
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	6.01 (1.52)	2.00 (0.00)	1.90 (0.00)	316 (-1.50)
1996-97	5.59 (-6.99)	2.00 (0.00)	1.57 (-17.37)	281 (-11.16)
1997-98 P	5.30 (-5.19)	2.00 (0.00)	1.52 (-3.18)	287 (2.11)

P Provisional.

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

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

Year (October - September)	Area under Cultivation (million hectares)	Target (million bales of 170 kgs. each)	Production (million bales of 170 Kgs. each)	Yield (kg/hectare)
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 (-4.16)
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	9.04 (14.87)	13.00	12.86 (8.16)	242 (-5.84)
1996-97	9.12 (0.88)	13.00	14.25 (10.81)	266 (9.84)
1997-98 P	8.86 (-2.85)	14.80	11.15 (-21.75)	214 (-19.46)

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)

Item	(October - September)		
	1995-96	1996-97	1997-98
1	2	3	4
I. Supply (1+2+3)	19.32	21.74	18.77
	(12.85)	(12.53)	(-13.66)
1. Opening Stock	2.35	3.92	3.04
	(-12.31)	(66.81)	(-22.45)
2. Crop	16.92	17.79	15.33
	(22.17)	(5.14)	(-13.83)
3. Imports	0.05	0.03	0.40
	(-91.53)	(-40.00)	(1233.33)
II. Demand (7+8)	16.23	18.70	16.55
	(19.16)	(15.22)	(-11.50)
4. Mill Consumption	13.83	15.04	14.60
	(15.83)	(8.75)	(-2.93)
5. Small Spinners' Consumption	0.65	0.79	0.65
	(4.84)	(21.54)	(-17.72)
6. Ex-Factory Consumption@	0.95	1.19	0.90
	(0.00)	(25.26)	(-24.37)
7. Total Domestic Consumption (4+5+6)	15.43	17.02	16.15
	(14.21)	(10.30)	(-5.11)
8. Exports	0.80	1.68	0.40
	(627.27)	(110.00)	(-76.19)
III. Closing Stock (I-II)	3.09	3.04	2.22
	(-11.71)	(-1.62)	(-26.97)

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

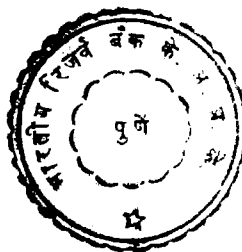
Note : Figures in brackets are percentage variations over the year.**Source**: Cotton Advisory Board.

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

Year (July-June)	Area under Cultivation (million hectares)	Target (million bales of 180 kgs. each)	Production (million bales of 180 Kgs. each)	Yield (kg/hectare)
1	2	3	4	5
1990-91	1.02	9.00	9.23	1634
1991-92	1.11 (9.59)	9.10	10.29 (11.47)	1662 (1.71)
1992-93	0.93 (-16.26)	9.20	8.59 (-16.49)	1658 (-0.27)
1993-94	0.89 (-5.07)	9.30	8.43 (-1.88)	1713 (3.37)
1994-95	0.93 (4.87)	9.30	9.08 (7.69)	1760 (2.69)
1995-96	0.93 (-0.28)	9.30	8.81 (-2.97)	1712 (-2.69)
1996-97	1.08 (16.48)	9.00	10.99 (24.81)	1835 (7.15)
1997-98 P	1.10 (1.53)	9.75	11.10 (0.95)	1824 (-0.57)

P Provisional.

Note : Figures in brackets are percentage variation 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)

	1994-95	1995-96	1996-97	1997-98
I	2	3	4	5
I. Supply (1+2+3)	10.84 (-0.37)	9.97 (-8.03)	11.82 (18.56)	12.79 (8.21)
1. Opening Stock *	1.43 (-35.00)	0.90 (-37.06)	0.50 (-44.44)	1.85 (270.00)
2. Crop	9.08 (7.08)	8.90 (-1.98)	11.08 (24.49)	10.84 (-2.17)
3. Imports	0.33 (65.00)	0.17 (-48.48)	0.24 (41.18)	0.10 (-58.33)
II. Demand (6+7)	8.58 (-1.94)	8.68 (1.17)	9.11 (4.95)	9.20 (0.99)
4. Mill Consumption	7.98 (-2.09)	8.08 (1.25)	8.46 (4.70)	8.55 (1.06)
5. Other Domestic Consumption	0.60 (-7.69)	0.60 (0.00)	0.65 (8.33)	0.65 (0.00)
6. Total Domestic Consumption (4+5)	8.58 (-1.94)	8.68 (1.17)	9.11 (4.95)	9.20 (0.99)
7. Exports	0.00 (—)	0.00 (—)	0.00 (—)	0.00 (—)
III. Closing Stock (I-II)	2.26 (6.10)	1.29 (-42.92)	2.71 (110.08)	3.59 (32.47)

* Opening stock figures for all years are taken according to the latest balance sheet issued by the Office of the Jute Commissioner.

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

Source: Office of the Jute Commissioner.

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

Year (October- September)	Area under Cultivation (million hect.)	Target (million tonnes)	Production (million tonnes)	Yield per hectare (000 kg.)
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	4.15 (7.17)	255.00 (2.00)	281.10 (2.02)	67.78 (-4.81)
1996-97	4.17 (0.49)	270.00 (5.88)	277.25 (-1.37)	66.52 (-1.85)
1997-98 P	3.94 (-5.47)	280.00 (3.70)	262.19 (-5.43)	66.55 (0.04)

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 (January- December)	Area under Cultivation (lakh hect.)	Production Target (million kgs.)	Production (million kgs.)	Yield (kg./hectare)
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	4.27 (0.25)	780.00 (1.30)	756.02 (0.41)	1770 (0.16)
1996	4.30 (0.61)	790.00 (1.28)	780.03 (3.18)	1815 (2.55)
1997	4.32 (0.61)	N.A.	810.61 (3.92)	1875 (3.29)

N.A. Not available.

Note : Figures in brackets are percentage variations over the year.**Source**: Tea Board.

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

Year (October- September)	Area under Cultivation (lakh hect.)	Production Target (million kgs.)	Production (million kgs.)	Yield @ (kg./hectare)
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	3.04 (-0.33)	242.00 (7.56)	205.00 (-8.07)	674 (-7.77)
1997-98	3.06 (0.66)	225.00 (-7.02)	228.00 (11.22)	745 (10.49)

@ 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 (kgs./hect.)
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 (-8.16)	562.90 (-5.63)	1463 (2.75)
1994-95	3.81 (-0.99)	566.70 (0.68)	1487 (1.68)
1995-96	3.95 (3.67)	535.20 (-5.56)	1355 (-8.91)
1996-97	4.32 (9.37)	599.10 (11.94)	1387 (2.35)
1997-98 P	4.01 (-7.18)	573.60 (-4.26)	1430 (3.15)

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 hectare)

Crop	1991-92		1994-95		1995-96*		1996-97		1997-98
	Area Under HYV	Percentage of HYV area to total cropped area	Area Under HYV	Percentage of HYV area to total cropped area	Area Under HYV	Percentage of HYV area to total cropped area	Area Under HYV	Percentage of HYV area to total cropped area	(Target)
1	2	3	8	9	10	11	12	13	14
Paddy	28.0 (2.2)	65.7	31.0 (7.3)	74.6	33.2 (7.1)	72.9	32.0 (-3.6)	73.9	32.2 (0.6)
Wheat	20.5 (-2.4)	88.1	23.3 (5.9)	90.7	23.3 (0.0)	93.2	22.5 (-3.4)	86.8	23.0 (2.2)
Jowar	6.8 (-4.2)	55.0	7.1 (4.4)	60.2	9.0 (26.8)	79.6	9.0 (0.0)	77.9	9.0 (0.0)
Bajra	5.4 (-5.3)	53.8	5.4 (5.9)	53.4	6.9 (27.8)	74.2	7.0 (1.4)	70.0	7.0 (0.0)
Maize	2.8 (7.7)	47.8	3.4 (25.9)	54.9	3.5 (2.9)	58.5	3.5 (0.0)	56.0	3.6 (2.9)
Ragi	1.2 (0.0)	56.3	1.1 (-8.3)	58.4	1.2 (9.1)	67.8	1.0 (-16.7)	54.6	1.2 (20.0)
Total	64.7 (-0.5)		71.3 (6.9)		75.0 (5.2)		75.0 (0.0)		76.0 (1.3)

* Provisional.

Note : Figures in brackets are percentage variations over the previous year.**Source** : Ministry of Agriculture, 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	9.8 (3.16)	2.9 (0.00)	1.2 (9.09)	13.9 (2.96)
1996-97 P	10.3 (5.10)	3.0 (3.45)	1.0 (-16.67)	14.3 (2.88)
1997-98 E	11.1 (7.77)	4.0 (33.33)	1.4 (40.00)	16.5 (15.38)

P Provisional.

E Estimated.

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

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

Item	Unit	1980-81	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98 Target
1	2	3	4	5	6	7	8	9	10	11
A. Production/distribution of seeds										
i) Production of breeder seeds	Thousand quintal	5.27	33.89	33.90	35.98	36.28	40.11	43.36	44.62	45.00
ii) Foundation seed production	Lakh quintal	—	3.35	3.74	3.93	4.04	4.73	4.76	5.76	6.84
iii) Distribution of certified/ quality seeds	Lakh quintal	25.01	57.10	57.50	60.33	62.20	65.86	69.90	70.00	75.50
B. Consumption of Pesticides (Technical Grade Material)	Thousand tonnes	45.00	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)

Item	Created			VIII Plan			Created upto the end of VIII Plan (1992-97)P
	Ultimate irrigation Potential	upto VII Plan (1985-90)	upto end of A. Plan 1990-92	Created during 1992-96	Created during 1996-97P	Total Created 1992-97P	
1	2	3	4	5	6	7	8
A. Major and medium irrigation	58.50	29.92*	30.74	1.56	0.53	2.09	32.83
B. Minor irrigation	55.00	46.60	50.35	5.18	1.08	6.26	56.61
a) Surface water	15.00	10.98	11.46	—	—	—	—
b) Ground water	40.00	35.62	38.89	—	—	—	—
Total (A+B)	113.50	76.52	81.09	6.75	1.61	8.35	89.44

* Reappraised figures.

P Provisional.

Source : Ministry of Water Resources, Government of India.

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

(Rupees crore)

Item	VII Plan (1985-90)	Annual Plans 1990-92	VIII Plan		
			During 1992-93 to 1995-96	During 1996-97 (A)	Total (A)
1	2	3	4	5	6
A. Major and Medium Irrigation	11107.29	5459.15	15921.24	5562.02	21483.26
B. Minor Irrigation	6179.30	3030.07	8210.82	2209.95	10420.77
i) Government Sector	3118.35	1680.48	4636.13	1542.95	6179.08
ii) Institutional Sector	3060.95	1349.59	3574.69	667.00	4241.69
Total (A+B)	17286.59	8489.22	24132.06	7771.97	31904.03

A Anticipated.

Source: Ministry of Water Resources, Government of India.

Table III-30: Achievements under Command Area Development Programme

(Million hectare)

Item	VII Plan (1985-86 - 1989-90)		Targets for VIII Five Year Plan	Cumulative Achievement till 1996-97	1997-98 (Targets)
	Target	Achievement			
1	2	3	4	5	6
1. Construction of Field Channels	4.99	3.17	1.53	13.95	0.36
2. Land Levelling	0.81	0.38	3.30	8.64	0.41
3. Warabandi	6.19	3.74	0.40	0.77	0.03
4. Field Drains	0.15	0.42	0.30	2.10	0.02

Source: Ministry of Water Resources, Government of India.

CHAPTER IV

Policy initiatives geared to free the Indian industry from excessive Government regulation and control were continued during 1997-98. An environment conducive to ensure freer access to capital, technology, product choice, and markets in order to boost industrial efficiency and international competitiveness, was thus maintained. However, to facilitate geographically balanced development, emphasis was placed on the development of backward areas. Recognising the critical role of infrastructure, its development received special attention.

The performance of the industrial sector during 1997-98, however, was modest.

Major Policy Developments

General

Industrial Licensing

In consonance with the policy of continuing reforms, licensing rigidities were reduced during 1997-98. The prior licensing requirement was done away with in respect of five industries viz., animal fats and oils, asbestos and asbestos based products, chamois leather and tanned or dressed fur skin, paper and newsprint, and entertainment electronics. Thus, the number of industries requiring prior licence was only nine as at end-March 1998 (Table IV-1). Even in these nine industries, it is the safety, security or environment requirements, and not the capacity regulation, which is the prime guiding objective for granting a licence. Consequently, less than 10 per cent of manufacturing activities now require a prior licence.

In respect of delicensed industry, no approval is required from the Government. However, entrepreneurs are required to submit an Industrial Entrepreneur Memorandum (IEM)

to the Secretariat for Industrial Assistance (SIA) which acknowledges receipt. Since the announcement of the new industrial policy till end-March 1998, 32,918 IEMs involving an estimated investment of Rs.6,09,184 crore and employment of more than 56.5 lakh persons were filed. Of this, 3,235 units (9.8 per cent) have formally intimated the commencement of commercial production involving an investment of Rs.1,13,781 crore (18.7 per cent) and employment of 5.82 lakh people (10.3 per cent) (Table IV-2).

Locational Policy

Major amendment in the industrial location policy was effected during the year. The requirement of obtaining industrial approvals from the Central Government (except for the industries under compulsory licensing) for establishing units at locations not falling within 25 kms of the periphery of cities having a population of more than 1 million had been dispensed with. However, notified industries of a non-polluting nature such as electronics, computer software and printing, may be located within 25 kms of the periphery of cities with more than 1 million population. Other industries are permitted only if they are located in designated industrial areas set up prior to July 25, 1991. Zoning and Land Use Regulations as well as Environmental Legislation continue to regulate industrial locations.

Special Policy Package for North-East Region

A new Industrial Policy for the North-Eastern Region to effectively reverse the continuing industrial underdevelopment of the region was formulated during 1997-98. The major area of focus of the policy were:

- i) The entire expenditure on Growth Centres (subject to a ceiling of Rs.15 crore) would be funded through Central assistance. Growth Centres are to be provided with basic infrastructural facilities like power,

* This chapter is based on data / information available up to end-August 1998.

- water, telecommunications and banking, enabling them to attract industries;
- ii) The funding pattern for Integrated Infrastructure Development Centres (IIDCs) between the Government of India (GOI) and Small Industries Development Bank of India (SIDBI) was changed from 2:3 to 4:1;
 - iii) Transport subsidy scheme was extended upto end-March 2007 and the amount would be disbursed through the North-East Development Financial Corporation; and
 - iv) The Growth Centres and IIDCs were made total tax-free (income-tax and excise) zones for setting up of industries; in addition, they are eligible to 15 per cent subsidy in plant and machinery subject to a ceiling of Rs.30 lakh and comprehensive insurance scheme for industrial units, with 100 per cent premium subsidy for 10 years.

Institutional

Economic and Trade Councils

In the last week of August 1998, the Government formed two councils - the Economic Advisory Council and Council on Trade and Industry - with a view to enhancing awareness and refashion policy instruments for achieving the desired economic goals and to impart momentum to the growth process.

The Advisory Council on Trade and Industry (ACTI) would draw up action plans within a month to move on a high growth path of 7 to 8 per cent with lower inflation. For this purpose, ACTI set up on September 8, 1998, six groups, each for food and agro - industry management, infrastructure, capital markets and financial sector initiative, knowledge based industries, service industries, administrative and legal simplification, to consider and recommend implementation of action plans to kick start the economy and to revive demand.

Tariff Commission

A Tariff Commission was set up in September 1997 as an independent body for

looking into the tariff-related issues to give further boost to the industrial sector. The terms of reference of the Tariff Commission are as follows :

- to render advice and make recommendations on matters referred to it by the Government regarding fixation of tariff and all tariff-related issues in relation to traded goods, keeping in view the interest of the industrial and production sectors, export and import, trade and consumers;
- to render advice on issues referred to it by the Government on classification of goods and products along with the applicable tariffs on such goods and products;
- to carry out technical studies on cost of production of different goods and services and their competitiveness in relation to other countries so as to generate data and parameters relevant for tariff fixation;
- to undertake such other tasks as may be assigned by the Government from time to time; and
- to present annual report to the Government of its activities.

Research and Development (R&D) and Technology Upgradation

Recognising the need for technology upgradation to attain international levels of competitiveness, efforts are intensified by entering into collaboration with reputed foreign manufacturers, forming joint ventures, in-house R&D efforts, and through interaction with various research organisations. For pursuing research in newer technologies, five institutes have been set up with UNIDO/UNDP assistance. These are: Fluid Control Research Institute (FCRI), Pollution Control Research Institute (PCRI), Centre for Electric Transportation Technology (CETT), Ceramic Technological Institute (CTI), and Welding Research Institute (WRI).

A new centre for providing training and common facilities for software SSIs at a cost

of Rs.25 crore was cleared in principle for being set up at Delhi. A NSIC software technology park at Chennai was sanctioned for providing technology support services to SSIs.

Infrastructure

In order to accelerate the pace of industrial development and to provide basic infrastructure support, the Investment Promotion and Infrastructure Development (IP&ID) Cell was constituted with effect from November 15, 1996 under the Ministry of Industry. The IP & ID Cell had operationalised the facilitation window for effective interaction with the prospective investors.

Some other institutions or mechanisms set up in this regard included the following :

- * the Infrastructure Development Finance Company (IDFC) as a private company with public funding to provide long-term finance for the infrastructure sector;
- * the Telecom Regulatory Authority of India (TRAI) started functioning from February 20, 1997;
- * the Tariff Authority for major ports set up in April 1997;
- * the Act for the setting up of Central Electricity Regulatory Commission at the Centre and State Electricity Regulatory Commissions in the States was passed with the primary objective of rationalising electricity tariffs;
- * capital base of National Highway Authority of India was raised substantially to Rs.500 crore; and
- * to improve the infrastructure support to the SSI sector, Government has been implementing a plan scheme of Integrated Infrastructure Development for SSIs. Seventeen projects have been sanctioned during 1997-98 at a total cost of Rs.85 crore.

Sectoral

Infrastructure Industry

In view of the constraint on public investment to meet the increasing demand for

quality infrastructure, measures were taken to encourage greater private provision of infrastructure facilities. A series of tax incentives and other concessions were announced. Regulations and procedures were simplified to facilitate investment in this sector.

Development of Infrastructure in the Backward Areas

For the development of infrastructure in the backward areas, a centrally sponsored scheme of Growth Centres was initiated in the Eighth Five-Year Plan. The scheme envisaged the setting up of 71 centres. So far, 66 centres were approved. Each growth centre is estimated to cost Rs.25 crore to Rs.30 crore. The funding of growth centres was to come from the Central Government, State Governments, Financial Institutions and borrowings from market, but eventually as it turned out, the scheme is being funded by the Central and State Governments. Central assistance to the tune of Rs.25 crore was released during 1997-98.

The Government has also extended the transport subsidy scheme of 1971 upto March 31, 2000 in order to facilitate industrialisation of the hilly, remote and other inaccessible regions. Under the scheme, an amount of around Rs.360 crore has been, so far, reimbursed to States / Union Territories.

Information Technology

Recognising the crucial importance of Information Technology for India, a National Information Technology Task Force headed by the Deputy Chairman, Planning Commission was set up to formulate a National Informatics Policy. The Task Force had since given its recommendations and the Union Cabinet had approved 108 point Information Technology Action Plan recommended by the Commission. The Task Force had announced the formation of a panel on 'Promotion of Research Development and manufacturing of information technology hardware' in the country.

As part of sweeping policy changes in the information technology sector to boost its potential performance, the Government is

ensuring the sector's easier access to bank credit, unshackling the internet services (to pave the way for hassle-free entry of private internet service providers) and permitting overseas acquisitions of software companies by software exporters.

Housing Sector

The housing sector was brought within the ambit of infrastructure industries to give boost to the housing activities. The Ministry of Urban Affairs and Employment had announced the National Housing and Habitat Policy in July 1998 (Box IV-1).

Box IV-1: National Housing and Habitat Policy, 1998

The Ministry of Urban Affairs and Employment announced the National Housing and Habitat Policy on July 29, 1998. The salient features of the policy are presented below:

Background

Based on the 1991 Census figures, the estimated housing shortage was at 22.90 million units. More than 90 per cent of the shortage was in respect of the poor and low-income categories. This deficit, along with the autonomous growth in the needs of housing during the Ninth Plan, would require an investment of Rs.1,51,000 crore. It was estimated that urban infrastructure alone would need Rs.2,50,000 crore in the next 10 years. Only 10 per cent of this would be available from Government sources.

Objectives of the Policy

The main objectives of the National Housing and Habitat policy are the following :

- i) providing quality and cost effective housing and shelter options to the citizens, especially the vulnerable group and the poor;
- ii) creation of surpluses in housing stock either on rental or ownership basis;
- iii) guiding urban and rural settlements so that there is planned and balanced growth;
- iv) planning for urban transport as an integral part of the Urban Master Plan;
- v) using the housing sector to generate more employment and to achieve skill up-gradation in housing and building activity;
- vi) ensuring easy accessibility to basic sanitation facilities and water for all dwelling units;
- vii) removing legal, financial and administrative barriers for facilitating access to land, finance and technology;
- viii) progressive shift from a subsidy based housing scheme to cost sharing or cost recovery-cum-subsidy scheme for rural housing;
- ix) forging strong partnership between private, public and co-operative sectors to enhance the capacity of the construction industry to participate in every sphere of housing and habitat;
- x) involving women at all levels of decision making and enabling them in the formulation and implementation of the housing policies and programmes; and
- xi) establishing a Management Information System in the housing sector to strengthen monitoring building activity in the country.

Role of Government and Other Agencies

The objectives of the policy would be carried out through time bound initiatives at all levels of Governments.

According to the policy, the Central Government would have the following role :

- taking steps to bring about legal reforms including formation of effective foreclosure laws;
- creating and promoting secondary mortgage market;
- enabling the flow of resources to housing and infrastructure; and
- providing fiscal concessions for the sector and innovative materials and methods.

The role envisaged for the State Governments are:

- liberalising the legal and regulatory regime;
- promoting private sector and co-operatives in undertaking housing construction;
- ensuring easy access to land; and
- facilitating training of construction workers.

Local Authorities will have the following important roles:

- identifying specific shortage and prepare District Housing Action Plans for rural areas;
- planning expansion of both urban and rural infrastructure services; and
- enforcing effectively regulatory measures for planned development.

The role of Public and Private Housing Finance Companies would be :

- developing a debt market for housing, which would be fully integrated with the financial markets;
- promoting asset securitisation and a secondary mortgage market;
- attracting resources from provident, insurance and mutual funds;
- setting up of National Shelter Fund to finance housing for the poor;
- setting up of a Risk Fund to underwrite or cover the risk in financing the rural and urban poor; and
- encouraging investment in housing from NRIs and welcoming FDI consistent with national interest.

Small-Scale Industries

The Government continued to provide protection and to promote the growth and development of the small-scale sector through a policy of reserving items for exclusive manufacture in the small-scale sector. However, in order to attain efficient overall industrial performance, fifteen items including ice cream, biscuits, corrugated paper and boards, poultry feed, rice / dal milling, etc., were de-reserved. Consequently, the number of items now reserved for manufacture in this sector stood at 821. Investment limits for small-scale and ancillary industrial undertakings were raised to Rs.3 crore from Rs.60 lakh and Rs.75 lakh, respectively. Correspondingly, the limit for tiny sector was revised to Rs.25 lakh from Rs.5 lakh. The Government had also issued a notification allowing 24 per cent equity participation by other industrial undertakings in SSI units.

In order to relieve SSI from shortage of working capital arising from delayed payments, an Act on the payment of interest was enacted.

Kapur Committee on Credit to SSI

The Reserve Bank of India has been closely monitoring the flow of credit to the SSI sector and in order to help smoothen the flow of credit, it has issued guidelines from time to time to commercial banks in the matter. However,

there were deficiencies in certain respects in compliance, at the operational level. The Bank, therefore, appointed a one-man Committee to look into various problems, germane to credit flow to SSI sector and suggest appropriate measures for their redressal. Some details are presented in the Box IV-2.

Public Sector Enterprises (PSEs)

During 1997-98, a major initiative was taken to grant substantial autonomy, including full powers to incur capital expenditure, to nine selected PSEs called *Navaratnas*, with the view to assisting them to become globally competitive. Later, two more enterprises, i.e., Gas Authority of India Limited (GAIL) and Mahanagar Telephone Nigam Limited (MTNL) were added to this list. In order to award more functional autonomy to PSEs and to distance the Government from issues of micro management, 696 guidelines, issued for PSEs over the last three decades were withdrawn. With a view to giving greater autonomy to PSEs and at the same time making them accountable for achieving their objectives, the concept of Memorandum of Undertaking (MoU) was introduced and implemented by the Government. Out of 110 PSEs who were assigned MoUs in 1996-97, the performance of 46 were rated as excellent, 27 were very good, 19 good, 11 fair and 7 poor.

Box IV-2: High Level Committee on Credit to SSI

The Reserve Bank of India had appointed a one-man High Level Committee headed by Shri S.L. Kapur, (IAS, Retd.), Former Secretary, Government of India, Ministry of Industry to suggest measures for improving the delivery system and simplification of procedures for credit to SSI Sector.

The terms of reference of the Committee were as under:

- i) To review the working of credit delivery system for small-scale industries with a view to making the system more effective, simple and efficient to administer.
- ii) To make suggestions for simplification and improvements in systems and procedures.
- iii) To consider the ways and means of strengthening the existing internal mechanism in banks for redressal of customer grievances.

The Committee has submitted its report to the Governor on June 30, 1998. The Committee has made in all 126 recommendations. Important recommendations cover :

- i) Delegation of more powers to branch manager to grant *ad hoc* limits,

- ii) Simplification of application forms,
- iii) Freedom to banks to decide their own norms for assessment of credit requirements,
- iv) Opening of more specialised SSI, *from 10 to 15*
- v) Enhancement in the limit for composite loans to Rs.5 lakh,
- vi) Strengthening the recovery mechanism,
- vii) Banks to pay more attention to the backward States,
- viii) Special programmes for training branch managers for appraising small projects, and
- ix) Banks to make customers' grievance machinery more transparent and simplify the procedures for handling complaints and monitoring thereof.

The RBI has decided to accept 35 recommendations. The remaining recommendations are under examination in consultation with Government of India (Ministry of Finance/ Ministry of Industry), SIDBI, NABARD, etc.

Sugar Industry

In order to ensure that genuine investors would be able to set up new units, sugar industry was de-licensed in August 1998. With delicensing, the entrepreneurs would be required to file only an Industrial Entrepreneur Memorandum (IEM) for the setting up new units. New sugar units would be allowed to sell their entire production in the open market instead of off-loading 40 per cent as levy sugar to the Government.

The minimum economic size for a new sugar unit which was earlier 2,500 TCD (tonne cane crushed per day) was done away with, and the minimum distance criterion between a new sugar factory and the existing one was lowered from 25 kms. to 15 kms.

Foreign Direct Investment Policy

The liberalisation of Foreign Direct Investment (FDI) Policy was continued and sustained during 1997-98. The list of industries eligible for foreign direct equity investment under RBI's automatic approval route was expanded. Equity investment upto 100 per cent by NRIs/OCBs was permitted in high priority industries. Foreign equity investment in mining (3 categories of industries) has also been allowed upto 100 per cent for NRIs/OCBs.

To provide greater transparency to the approval process, the Government has issued a set of guidelines for the consideration of proposals by the Foreign Investment Promotion Board (FIPB) so as to make prospective investors aware of the issues, which are considered by the FIPB while deciding proposals. The Government has also announced that henceforth all approvals of FDI would be based on the National Industrial Classification (NIC), 1987 of all industrial activities which is based on International Standard Classification (ISC).

Structural Transformation of the Industrial Sector :

Disinvestment / privatisation

Reforms in the industrial sector had envisaged, *inter alia*, disinvestment of part of Government share holdings in selected Public

Sector Undertakings (PSUs) so as mainly to impart financial discipline and to improve their performance. The Disinvestment Commission constituted by the Government in August 1996, was entrusted with the task of prescribing modalities of disinvestment. Till March 1998, the Commission had submitted seven reports covering 41 enterprises. It had recommended disinvestment at varying levels for 12 PSUs, and strategic sales of various proportion for 21 enterprises. It recommended no disinvestment, at present, for eight enterprises. These recommendations are presently under various stages of implementation by the Government which had also decided that, in general, it should reduce its shareholding in PSUs to 26 per cent. The interest of workers should, however, be protected in all cases.

Since the beginning of the disinvestment process in 1991-92 till 1995-96, 153.45 crore of shares in 39 PSUs were disinvested through auction method for Rs.9,962 crore. The method of disinvestment was widened in 1996-97 when disinvestment of Government equity is effected through both GDR route and public issue in the domestic market for individual PSUs. Upto 1997-98, a total of 160.84 crore shares in 39 PSUs were disinvested realising approximately Rs.11,257 crore.

The Central Budget (1998-99) has taken credit for a receipt of Rs.5,000 crore from disinvestment in the current year. In order to expedite the process, the Government has decided to disinvest specified portions of equity from Indian Oil Corporation (IOC), Gas Authority of India Limited (GAIL), Videsh Sanchar Nigam Limited (VSNL) and Container Corporation of India (CONCOR). Besides, accepting the recommendations of the Disinvestment Commission in its Eighth Report, as part of an overall strategy to restructure Indian Airlines (IA) and to expand its capacity, the Government has decided to restructure the capital of Indian Airlines and also to undertake a phased disinvestment in this company over three years, bringing the Government's equity holding down to 49 per cent. Incidentally, the Disinvestment Commission has recommended that the Government should divest completely, through a trade sale, in Central Electronics Limited (CEL).

Mergers and Acquisitions

Take overs through open offers extend good exit option for the minority shareholders of the target companies, as the offer is at a price higher than the prevailing market price. Also, the announcement of take over results in an increase in the price of the scrip. However, the price of the scrip usually crashes once the offer is closed for subscription. Mergers within a group of companies and mergers of the companies with similar product line impact economies of scale.

The Indian corporates opt for mergers and amalgamations more for consolidation of their business activities and diversification into new business areas than for take overs by substantial acquisition of shares. Companies vulnerable for take over bids had responded to this trend by resorting to various restructuring exercises like increasing promoters stake in the company, divestment of non-core activities, de-mergers, and focussing on the main line business.

With the liberalisation of the Indian economy and SEBI's (Substantial Acquisition of Shares and Take overs) Regulations, 1997 in place, there has been a healthy uptrend in Mergers and Acquisitions (M&A) activity. A spate of M&A activity was seen in the Indian corporate sector during 1997-98. As per the indicative figures, there were as many as 127 M&A proposals during 1997-98. While take overs involved industrial groups like cement, electrical / electronics, finance, computer software and pharmaceuticals, mergers were noticed in textiles, electricals / electronics, aluminium, steel, finance, and pharmaceuticals.

The year witnessed some hostile take overs. A few cases of reverse mergers were also reported wherein a profit making company merged into a loss making company / unit and subsequently undergone change in name to avail of tax benefits.

During the quarter April-June 1998, 49 proposals of M&A deals worth Rs.53 billion were reported which is an indication of the growing importance of these activities.

SEBI had reconstituted Bhagwati Committee to reconsider certain provisions of SEBI

(Substantial Acquisition of Shares and Take overs) Regulations, 1997 relating to creeping acquisitions, threshold limit and acquisitions during the open offer period etc., to plug the loopholes in the take over code and avoid its misinterpretation in future.

On the basis of the recommendations of the review committee, SEBI announced some changes in the take over code on October 24, 1998. The creeping acquisition limit per year is raised from earlier 2 per cent to 5 per cent of the total equity of any company. This provision of creeping acquisition is extended to even those who are holding more than 51 per cent stake in a company, but should be below 75 per cent. The threshold limit to trigger the take over code has also been hiked from earlier 10 per cent to 15 per cent. On purchases by the acquirer during the offer period, the SEBI rule now permits such purchases through negotiated deals or otherwise, only up to the last day of the revision period, that is, seven days before the closing of the open offer.

Industrial Sickness

Taking serious note of the adverse impact of industrial sickness on production and employment, the Government of India as well as the Reserve Bank have been constantly endeavouring to bring down the incidence of sickness in industry.

On the part of the Reserve Bank, great importance continues to be attached to the detection of sickness at the incipient stage and on timely formulation of rehabilitation packages in respect of units potentially and commercially viable. Towards this end, the Reserve Bank have been issuing guidelines aimed mainly at guiding the banks and moulding their approach towards industrial rehabilitation by adopting preventive, rehabilitation and recovery measures. In pursuance of this approach, detailed guidelines were issued in respect of rehabilitation of sick / weak industrial units and on various related aspects as also on the need for proper co-ordination between commercial banks and term lending institutions in the formulation and implementation of rehabilitation programmes. Certain broad parameters have been evolved for the grant of relief / concessions by banks as part of the package. Banks have been given

freedom for extension of relief / concessions beyond the parameters wherever necessary. The Reserve Bank had also prescribed to the banks comprehensive half-yearly returns for the purpose of monitoring their progress in industrial rehabilitation.

As per the latest data, the number of sick / weak units, both SSI and non-SSI, declined by 27,350 (10.3 per cent) from 2,64,750 as at end-March 1996 to 2,37,400 as at end-March 1997. However, the amount of outstanding bank credit in this regard had increased, by Rs.38.76 crore (0.3 per cent) during 1996-97 to Rs.13,787 crore. In terms of number, SSI sector accounted for about 99 per cent of total sick / weak units, but its share in total bank credit outstanding to such units was only about 26.2 per cent.

Non-SSI Sick Units

The number of non-SSI sick units declined marginally from 1,956 as at end-March 1996 to 1,948 as at end-March 1997. Outstanding bank credit to these units also showed a decline of 2.4 per cent from Rs.8,823 crore as at end-March 1996 to Rs.8,614 crore as at end-March 1997.

Region-wise, as at end-March 1997, the Western Region had the largest number of non-SSI sick units which, at 610, accounted for 31.3 per cent of the total number of non-SSI sick units and 29.2 per cent of the total outstanding bank credit. Among the States, Maharashtra continued to have the largest number of non-SSI sick units followed by Andhra Pradesh, West Bengal, Gujarat, Uttar Pradesh, and Tamil Nadu. As at end-March 1997, these six States together accounted for about 65.0 per cent of the total number of non-SSI sick units and 67.7 per cent of the total outstanding bank credit. Industry-wise, the maximum outstanding bank credit was accounted for by textiles (Rs.1,418 crore or 16.5 per cent of the total outstanding credit) followed by engineering (Rs.1,182 crore or 13.7 per cent), electrical (Rs.906 crore or 10.5 per cent), chemicals (Rs.838 crore or 9.7 per cent), and iron and steel (Rs.672 crore or 7.8 per cent).

Non-SSI Weak Units

The number of non-SSI weak units increased marginally from 418 as at end-March 1996 to

420 as at end-March 1997. Bank credit outstanding against these units also increased from Rs.1,203 crore as at end-March 1996 to Rs.1,564 crore as at end-March 1997 (30 per cent). Major increases in credit outstanding were noticeable in respect of electrical, textiles, cement, iron and steel, chemicals, metal and metal products, leather and leather products, food products, rubber and rubber products, and sugar.

The main reasons for industrial sickness in non-SSI sick / weak units, as reported by banks, were such internal factors as deficiencies in project management (44.8 per cent of the cases) and short coming in project appraisal (7.2 per cent of the cases), as also such external factors, as non-availability of raw materials, power shortage, transport bottlenecks, financial bottlenecks, increase in overhead cost, change in Government policy, market saturation, and fall in demand.

Sick SSI Units

The number of sick SSI units declined from 2,62,376 as at end-March 1996 to 2,35,032 as at end-March 1997. Outstanding bank credit locked up in these units, too showed a decline from Rs.3,722 crore as at end-March 1996 to Rs.3,609 crore as at end-March 1997 (Table IV-3).

Region-wise, majority of sick SSI units (44.7 per cent) continue to be in the Eastern Region, followed by Northern Region (21.3 per cent), Southern Region (17.6 per cent) and Western Region (16.4 per cent). However, in terms of the outstanding bank credit, the Western Region ranked first (31.3 per cent), followed by Southern Region (27.8 per cent), Northern Region (23.6 per cent) and Eastern Region (17.4 per cent). Of the 2,35,032 sick SSI units, banks had conducted viability studies in respect of 2,29,234 units and identified 16,220 units as potentially viable. Of the viable units, 10,539 units with outstanding credit of Rs.322.20 crore were put under nursing programme by banks.

Performance of Industrial Sector

During 1997-98: Activity-wise: Overall

According to the Index number of Industrial Production (IIP), (Base: 1993-94), the Indian

industry registered a marginally higher growth rate of 6.6 per cent in 1997-98, as against 5.6 per cent in the previous year. The groups 'mining and quarrying' and 'electricity generation' gave better performance in 1997-98 than in the preceding year. 'Mining and quarrying' witnessed a turnaround to a positive growth of 5.9 per cent from a negative 1.9 per cent in 1996-97. 'Electricity generation' had shown a sharp rise to 6.6 per cent in 1997-98 from 4.0 per cent in 1996-97. The performance of 'manufacturing' on the other hand, remained stagnant at 6.7 per cent in both the years (Table IV-4).

Manufacturing Sector

An analysis of the manufacturing sector at the two-digit level indicates that the slackness in the activities was wide spread among the industry groups. Out of the seventeen groups (weight of 79.36 per cent in total IIP), the rate of growth was either lower or negative in eleven categories with a combined weight of 50.00 per cent. Eight groups with a combined weight of 40.76 per cent experienced deceleration in growth rates. Among them, the notable ones were 'textile products (including wearing apparel)' and 'metal products and parts (except machinery and equipment)'. Three groups *viz.*, 'transport equipment', 'other manufacturing industries', and 'wood and wood products', with combined weight of 9.24 per cent witnessed negative growth rates. Six groups, however, displayed robust performance during 1997-98. Those were: 'beverages, tobacco and tobacco products', 'manufacture of jute and other vegetable fibre textiles (except cotton)', 'non-metallic mineral products', 'basic chemicals and chemical products', 'manufacture of wool, silk and man-made fibre textiles', and 'rubber, plastic, petroleum and coal products' (Table IV-5).

Use-Based Classification

An analysis of use-based classification of industries provides a mixed picture for the year 1997-98. Among the four groups, the performance of two groups, *viz.*, 'basic goods', and 'consumer goods', was better than the previous year. During 1997-98, these groups grew at 6.5 per cent and 5.7 per cent, as

compared with 3.1 per cent and 5.2 per cent, respectively, in the preceding year. Among the consumer goods sector, 'consumer durables' registered a high growth of 7.8 per cent in 1997-98 as compared with 4.6 per cent in 1996-97 while 'consumer non-durable' had a marginally low growth of 5.1 per cent as compared with 5.3 per cent in the preceding year. Of the remaining two groups, the rate of growth in 'intermediate goods' remained at 8.1 per cent in 1997-98 as in 1996-97, while the rate of growth for 'capital goods' decelerated to 5.2 per cent in 1997-98 from 9.3 per cent in 1996-97 (Table IV-6).

Recent Performance (April-August 1998)

During the first five months (April-August 1998), the industrial sector grew by 3.5 per cent, which was lower than that in the corresponding period of the preceding year (5.5 per cent). Both 'manufacturing' and 'mining and quarrying' sectors recorded lower growth rates of 3.2 per cent and 0.5 per cent, as compared with 5.4 per cent and 5.0 per cent, respectively, during April-August 1997. However, 'electricity generation' registered an accelerated growth of 8.8 per cent as compared with 6.8 per cent.

During April-August 1998, four groups (weight in IIP: 21.8 per cent) out of 17 two-digit industry groups showed deceleration in their growth rates; these were: 'basic chemical and chemical products' (9.0 per cent), 'manufacture of wool, silk and man-made fibre textiles' (6.0 per cent), 'non-metallic mineral products' (5.1 per cent), 'leather and leather and fur products' (1.2 per cent). Another six groups (weight in IIP: 20.11 per cent) registered accelerated growth rates. Among them, the rates of growth were particularly high in respect of 'metal products and parts' (21.7 per cent), 'beverages and tobacco and related products' (17.1 per cent), 'transport equipment' (17.1 per cent) and 'paper and paper products' (13.1 per cent). The remaining seven groups registered negative growth rates.

From the view point of use-based classification, during April-August 1998, 'basic goods', 'intermediate goods' and 'capital goods' registered decelerated growth rates of 3.4

per cent, 4.9 per cent and 4.8 per cent, compared with 6.9 per cent, 8.0 per cent and 7.8 per cent, respectively, during the corresponding period of the preceding year. On the other hand, 'consumer goods' registered an accelerated growth rate of 1.7 per cent as compared with 0.8 per cent during the previous year, due mainly to the higher growth rate of 1.9 per cent registered by the consumer non-durable sector (-0.3 per cent during the corresponding period of the previous year).

With a weight of 35.51 per cent in IIP, 'basic goods' sector contributed 33.2 per cent to industrial growth during April-August 1998, which was much lower than that of 42.2 per cent during the same period of the previous year. The contribution by 'intermediate goods' (weight in IIP: 26.44) declined marginally from 41.0 per cent in April-August 1997 to 40.8 per cent in April-August 1998. The contribution of 'capital goods' (weight in IIP: 9.69) also had decreased to 12.0 per cent from 12.1 per cent in the same period. The share of 'consumer goods' (weight in IIP: 28.36) had jumped to 13.6 per cent in April-August 1998 from 4.5 per cent in April-August 1997 due to robust performance of 'consumer non-durable' goods sector (weight in IIP: 23.24) (Table IV-6).

Performance of Infrastructure Industries:

General

The performance of infrastructure industries consisting of six major industries, *viz.*, coal, saleable steel, cement, electricity, petroleum crude and petroleum refinery products, was better during 1997-98. The composite index of these six infrastructure industries (weight in IIP being 28.77 per cent with base 1980-81=100) recorded an accelerated growth rate to 4.9 per cent in 1997-98 as compared with 3.6 per cent in 1996-97. Industry-wise, 'electricity' and 'petroleum crude' registered accelerated growth rates in 1997-98.

Recent Performance (April-August 1998)

During April-August 1998, the overall growth rate of infrastructure industries at 4.5 per cent was substantially high as compared with 1.9 per cent recorded in the corresponding

period of the previous year. During this period, 'petroleum crude' and 'petroleum refinery' recorded growth rates of -2.6 per cent, and +0.2 per cent, respectively, as compared with positive growth rates of 4.1 per cent, and 4.4 per cent, respectively, in April-August 1997. The production of cement recorded a high growth rate of 4.5 per cent during the period under consideration as compared with 3.7 per cent in the corresponding period of the previous year. Coal registered a decelerated growth of 3.4 per cent in April-August 1998 as compared with 5.3 per cent in the same period of the previous year. On the other hand, 'electricity' achieved a high growth rate of 8.9 per cent as compared with 6.8 per cent in the corresponding period of the previous year. Production of 'steel' had shown some improvement during April-August 1998, the negative rate of growth having improved to 7.1 per cent from 23.5 per cent in April-August 1997 (Table IV-7).

Industry-wise

Electricity

The overall generation of electricity during 1997-98 at 420.6 billion kilowatt hours (KWH) was high by 6.5 per cent over 1996-97 (394.8 billion KWH) as compared with a growth rate of 3.9 per cent in 1996-97 (Table IV-8). The better performance during 1997-98 was due mainly to an impressive increase in the hydro generation sector. However, power generation during 1997-98 fell short of the target of 429 billion kilowatt hours by 2 per cent. Despite the short fall, the power deficit dropped from 11.5 per cent in 1996-97 to 8.1 per cent during 1997-98 (Table IV-9), in view of the higher order of power generation and moderate increase in power requirements.

Installed plant capacity of the power sector had increased to 89,090 mega watt (3.8 per cent) in 1997-98 as compared to 85,795 mega watt in 1996-97 (Table IV-10).

Orissa was the first State to introduce major reforms in the power sector with the Orissa Reforms Act, 1995. This move will make the power sector commercially viable. Other States following Orissa are Haryana, Andhra

Pradesh, Rajasthan, Gujarat, Maharashtra, Punjab, Tamil Nadu, Madhya Pradesh, Kerala, and Jammu and Kashmir.

According to the Central Budget 1998-99, the Government would evolve a guarantee scheme to cover the dues from the State Electricity Boards (SEBs) to the utilities. These utilities would be able to raise resources to fund large projects in the power and coal sectors by either securitising the dues or by directly entering the market for tapping resources. The central sector power companies would sell their debt to a Special Purpose Vehicle (SPV). The SPV then would float tax-free bonds, backed by Government guarantees, to institutional investors including FIs and banks. The Government had decided to start the process of securitisation of the outstanding dues from SEBs to the National Hydro-electric Power Corporation (NHPC).

Petroleum Crude and Petroleum Products

Production of petroleum crude at 33.8 million tonnes during 1997-98, registered a growth of 2.8 per cent as against the negative one of 6.4 per cent (32.9 million tonnes) during 1996-97 (Table IV-11). The production of petroleum refinery products during 1997-98 at 61.3 million tonnes had shown a steep decline in the growth rate of 3.9 per cent as compared to 7.1 per cent in 1996-97. The petroleum refinery products recorded a growth of 3.9 per cent during 1997-98 as compared with 7.1 per cent during 1996-97. Owing to the positive growth of domestic crude petroleum output, gross imports of crude decelerated to 1.7 per cent in 1997-98 as compared with 24.0 per cent during 1996-97. Import of refinery products registered a negative growth of 3.6 per cent during 1997-98 as compared with -0.3 per cent during 1996-97. Import of kerosene registered a negative growth of 10.9 per cent in 1997-98 as against an increase of 42.6 per cent during 1996-97. Import of high speed diesel recorded a decelerated growth of 3.4 per cent in 1997-98 as compared with 5.9 per cent during 1996-97.

Coal

During 1997-98, coal production at 319.5 million tonnes recorded a relatively low growth

rate of 3.5 per cent over the growth rate of 5.5 per cent (308.7 million tonnes) during 1996-97. This was due largely to a lower performance by Singareni Collieries Company. Production of non-coking coal, coking coal and lignite were higher by 2.9 per cent, 8.1 per cent and 2.2 per cent, respectively, during 1997-98 as compared with 5.1 per cent, 1.5 per cent and 17.1 per cent, respectively, during 1996-97 (Table IV-12).

Despatch of coking and non-coking coal had increased by 3.3 per cent as compared with 4.8 per cent during 1996-97. Year-end stocks of coal stood at 41.7 million tonnes as compared with 42.4 million tonnes in 1996-97 (Table IV-12).

Cement

For the fifth year in succession, the output of cement industry rose, the increase being from 76.2 million tonnes (mt) during 1996-97 to 83.15 mt in 1997-98. The rate of growth at 9.1 per cent in 1997-98 was, however, slightly low as compared to 9.6 per cent during the previous year. Besides, although the performance of the unit in the private sector was better over the year, those in public sector had shown a negative growth rate of 16.2 per cent (3.06 mt) in 1997-98 as compared to a negative 13.1 per cent (3.66 mt) in 1996-97. Exports had shown a quantum jump of 57.0 per cent (4.24 mt in 1997-98 as compared to 2.70 mt in 1996-97). The installed capacity of cement industry is now 106.68 mt which was higher by 3.6 per cent over 1996-97. The average capacity utilization in 1997-98 worked out to 78.0 per cent. The year - end stocks at 1.08 mt were high as compared to 0.96 mt at end-1996-97 (Table IV-13).

During 1997-98, merger and acquisitions activity was significant in the cement industry as the leaders found it economical to acquire an existing under-utilised/ill-managed company rather than to float a new entity.

The budget 1998-99 had both direct and indirect sops for the cement industry. The indirect benefits have been in the form of demand push by giving priority to infrastructure and housing sectors. Imports of cement are

now unviable, thereby reducing the threat of dumping.

Iron and Steel

The total production of saleable steel by both major and mini steel plants during 1997-98 at 18.8 million tonnes witnessed a growth of 1.5 per cent as compared with a fractional growth of 0.2 per cent during 1997-98 (Table IV-14). The production of major steel plants registered a negligible growth during 1997-98 as against a fractional growth of 0.7 per cent during the previous year. The mini steel plants recorded a positive growth rate of 6.2 per cent during 1997-98 as against a negative growth of 1.5 per cent during 1996-97.

Domestic sales of steel recorded a growth of 5.9 per cent (11.7 million tonnes) as against a negative growth of 1.2 per cent (11.1 million tonnes). Exports of saleable steel at 2.2 million tonnes recorded a growth rate of 14.2 per cent as compared with 15.4 per cent (1.9 million tonnes) during the preceding year. Imports of saleable steel recorded a growth rate of 11.3 per cent (2.0 million tonnes) while during 1996-97 the import growth was -2.0 per cent (1.8 million tonnes). The year-end stocks were at 1.8 million tonnes at end-1997-98 as against 1.4 million tonnes at end-1996-97.

The total production of pig iron at around 3.4 million tonnes registered an increase of 2.8 per cent during 1997-98 as compared with 3.3 million tonnes and a growth rate of 15.0 per cent during 1996-97 due mainly to better performance of secondary producers.

Information Technology

According to the National Association of Software and Service Companies (NASSCOM), the total turnover of Indian software industry during 1996-97 stood at Rs.6,310 crore (US \$ 1,755 million) showing a rate of growth of 50.6 per cent over 1995-96 (Table IV-15).

The turnover in the software export was of the order of Rs.3,900 crore (US \$ 1,085 million) in 1996-97, which was higher by 54.8 per cent over 1995-96. Year 2000 (Y2K) projects mainly contributed to the growth of

this sector. According to NASSCOM, India is expected to earn at least US \$ 2.5 billion from software exports for Y2K projects. The domestic Y2K opportunity in the country is about Rs.1,500 crore.

The domestic software market achieved a turnover of Rs.2,410 crore (US \$ 670 million) in 1996-97 showing a growth rate of 44.3 per cent as compared to a growth rate of more than 50 per cent in the past two years. The slowdown in the growth rate in the domestic software market was due reportedly to the slower growth in IT expenditure by the corporate sector.

Infrastructure Services

Road

India has the third largest road network in the World. Although the National Highways with a network of 38, 445 Kms account for less than 2 per cent of the total road network, it carries as much as 40 per cent of the movement of goods and passenger services in the country. Presently, 60 per cent of the freight movement and 80 per cent of the passenger movement depend on roads. Estimates indicate that by the year 2000, road traffic in both the cases would increase by 5 percentage points. Private participation in road construction was encouraged by amending the National Highways Act. The measures which were formulated to encourage private sector include permission to the National Highways Authority of India (NHAI) for funding equity in private or public companies. So far 11 BOT (Build-Operate-Transfer) projects with an estimated cost of more than Rs.530 crore have been approved.

Foreign investment norms in the road sector have been liberalised to enable automatic approval for foreign equity participation upto 74 per cent in the area of construction and maintenance of roads and bridges and upto 51 per cent in supporting services to land transport (*viz.*, operation of highway bridges, toll roads and verticular tunnels).

For modernization of this sector, MoUs were signed with Government of Malaysia and Canada for technical co-operation. Certain international financial organizations (*viz.*, World

Bank, Asian Development Bank, etc.) had shown interest in participation in the modernisation of this sector.

Ports

India has 11 major ports, which are managed by Port Trusts under the aegis of the Central Government. There are 139 minor ports which are under State Governments. During April-March 1997-98, 251.44 million tonnes of cargo were handled by major ports, registering a growth of 10.6 per cent.

Indian ports experienced low productivity as compared to ports in the Asian region in terms of labour and equipment productivity norms. However, these ports improved productivity by lowering the Average Ship Turn Around (ASTA) time from 8.1 days in 1990-91 to 7.8 days in 1996-97 and by increasing the Average Ship Berth Output (ASBO) from 3,372 tonnes to 4,249 tonnes.

Private investment has been encouraged in this sector. A few State-Governments (*viz.*, Gujarat, Maharashtra, and Andhra Pradesh) took initiatives on the development programmes through private participation. A big project at the Jawaharlal Nehru Port, Navi Mumbai was taken up for construction, management and maintenance of a Two Berth Container Terminal for a 30 year period by an Australian led consortium, P&O Ports. The Port of Singapore Authority (PSA) was issued a licence for the development of a container terminal on BOT basis for 30 year period at an estimated cost of Rs.139.15 crore. Similar projects are also coming up at other major ports, *viz.*, Marmagao, Kandla, and New Mangalore.

Civil Aviation

Domestic air services in the country are provided by the Indian Airlines Ltd., and private airlines (scheduled and non-scheduled), while international services are provided by Air India Ltd., and Indian Airlines Ltd., besides foreign services. Pawan Hans Helicopters Ltd., provides helicopter services to the petroleum sector and the North-Eastern region of the country. Infrastructure facilities at airport terminals are taken care of by the Airports Authority of India (AAI).

At present, 5 scheduled private operators are providing domestic air services along with Indian Airlines in the public sector. There are also 22 air-taxi operators providing air-taxi / non-scheduled air transport services. Around 34 per cent of the domestic air transport is being presently catered to by private operators with the number of passengers availing private air services having increased from 15,000 in 1990 to 49.1 lakh in 1996.

Railways

Indian Railways play a vital role in the growth and development of the national economy, besides fulfilling the vital infrastructure needs of the country. The Indian Railway system consists of 62,725 route kms as on March 31, 1997 comprising broad gauge (41,971 kms.), metre gauge (17,044 kms.) and narrow gauge (3,710 kms). The system is presently undergoing massive transformation. Under the project uni-gauge, 6,897 kms. of metre gauge / narrow gauge was converted to broad gauge in the Eighth Five Year Plan.

During the financial year 1997-98, the Railways have moved about 429 million tonnes of revenue earning traffic, against the target of 430 million tonnes and 20 million tonnes higher than the previous year's loading. This is the third successive year that the Indian Railways had registered around 20 million tonnes more of incremental revenue loaded. Cumulatively, the Railways had achieved a record of over 64 million tonnes of incremental loading during the past three years. Passenger traffic registered a growth of about 5 per cent during the year.

The Railways have been playing a role as commercial undertaking and public utility services. The latter implies cross-subsidization of passenger traffic by freight revenues as well as operating certain uneconomic services, like those in certain suburban sectors and branch lines in order to provide affordable transport for the public goods.

According to the¹ White Paper on Railway Projects (July 1998), more than 50 per cent of total projects has been commercially non-viable

Box IV-3: White Paper on Railway Projects

The White Paper on Railway Projects was tabled by the Ministry of Railway in the Parliament on July 27, 1998. A brief review of the paper is presented below:

Position of throw forward

The white paper revealed that the funds crunch had resulted in heavy throw forward, estimated at Rs.35,000 crore, with pending new line projects heading the list. The outstanding value of work on new lines was estimated at Rs.19,330 crore and the projected time for their completion was 40 years at the current level of funding. Only 10 per cent of these projects was financially remunerative. The throw forward in respect of gauge conversion projects was Rs.9,104 crore which would require 11 years to complete at the present level of funding without taking into account the cost escalation. More than 50 per cent of total projects was commercially non-viable though socially relevant. The situation was not so alarming for metropolitan projects, doubling, railway electrification where the estimated completion time was between three to six years. The paper revealed that none of the 16 metro projects costing the Railways Rs.3,061 crore was financially viable.

Approval of Projects

Most of the projects were approved during the period between 1995 and 1998. Out of a total of 67 projects, 75 per cent (50 in absolute number) was approved between 1995 to 1998.

In the case of gauge conversion, out of 60 projects, 41 (68 per cent) were approved between 1995 and 1998. Out of

this total, 12 were approved in the North-Eastern Zone and 11 each in Southern and Western Zones.

Out of 14 Railway electrification projects, 7 were approved between 1995 and 1998. Northern Zone topped the list by getting approval of 5 projects, while Central, North-Eastern and North-Eastern frontier did not have any projects.

In case of doubling, out of 57 projects, 42 projects (74 per cent) were approved during the period 1995 and 1998. South-Eastern zone got the highest approved projects, while both North-Eastern and North-East Frontier were at the bottom of the list with 2 projects each.

Out of the total 16 metropolitan projects, 13 were approved during the period 1995 and 1998. All these projects were distributed among the Central, Eastern, Southern and Western Zones.

Present Position of all Projects

Out of the total 214 projects, 50 per cent of the projects were yet to start. Four projects were already frozen due to various reasons. Sixty-nine projects were progressing well, while 4 projects were already completed. Only 35 projects were having the targeted year for completion.

Causes for the delay in projects were many. Among 108 delayed projects, 48 projects were adversely affected due to non-availability of requisite clearance of the projects. Twenty-five projects were delayed due to land problem. Remaining projects were delayed due to funds and other reasons.

though socially relevant. Some details are given in Box IV-3.

Telecommunications

The National Telecom Policy, 1994 shifted the focus, from self-reliance to development of the telecommunication sector with the help of supplemental external resources. The policy envisaged achieving the objective of universal coverage of urban and rural areas at reasonable price. As per the policy, each village was to be provided with at least one public telephone. The policy permitted private sector participation in providing basic telecommunication services. As at end-March 1997, out of 6.04 lakhs villages in the country, 2.68 lakhs (i.e., 44.4 per cent) were provided with telephone connection.

Privatisation in telecommunication services was started with radio paging, cellular, e-mail, mobile radio trunking and VSAT-based (Very Small Aperture Terminal) services. In addition to the eight licences issued in November 1994 for cellular mobile telephone service in four

metros, 33 licenses have been issued to 13 companies since December 1995 in 18 Territorial Telecom circles. There are about 1.5 lakh subscribers of cellular mobile telephone service as on September 30, 1997.

Industrial Performance – Small-Scale Sector:

Currently, small-scale industries' contribution to total production of the manufacturing sector is placed at about 40 per cent, to exports about 35 per cent; and to employment over 160 lakh workers. In 1997-98, the number of small-scale units was around 30.14 lakhs. The value of production during 1997-98 was around Rs.4,71,907 crore as against Rs.4,12,636 crore in 1996-97. The level of employment of the small-scale sector was at around 168 lakh persons in 1997-98 as against 160 lakh persons in 1996-97. The employment growth rate annually was 5.0 per cent in 1997-98 as against 4.8 per cent in 1996-97. Exports by the sector has increased to Rs.39,921 crore during 1996-97 from Rs.34,065 crores in 1995-96 (Table IV-16).

Performance of Public Sector Enterprises (PSEs)

Following the system of MoU and reform measures introduced in 1991, the performance of public sector enterprises improved considerably during the recent years. According to the Public Enterprises Survey, the number of both profit earning and loss making PSEs declined marginally from 131 and 106, in 1992-93 to 129 and 104, respectively, in 1996-97. Value added (value of production less cost of direct material consumed) of PSEs increased significantly from Rs.38,509 crore in 1992-93 to Rs.56,683 crore in 1996-97. Similarly, net profit recorded a quantum jump from Rs.3,271 crore in 1992-93 to Rs.10,258 crore in 1996-97 (Table IV-17). Consequently, the rate of return, as measured by the ratio of net profits to capital employed, had increased from 11.4 per cent in 1992-93 to 15.1 per cent in 1996-97. As a measure of the return on investment, the ratio of gross margin (excess of income over expenditure) to capital employed improved markedly from 18.0 per cent in 1992-93 to 22.0 per cent in 1996-97. The contribution of PSEs to the exchequer increased from Rs.22,449 crore in 1992-93 to Rs.37,497 crore in 1996-97.

Performance of Central Sector Projects

According to the 152nd Flash Report on Central Sector Projects for June 1998, published by the Ministry of Planning and Programme Implementation, as on June 1998, there were 221 projects (each costing Rs.100 crore and above), railways had the largest number of approved projects followed by petroleum and power.

Of the total 221 projects, four projects were ahead of schedule as compared with 11 projects as on March 1997, whereas 49 projects were on schedule as against 46 projects as on March 1997. One hundred and ten projects, which account for around 50 per cent of total central sector projects were delayed (Table IV-18). Besides, 58 projects were without date of commissioning. Surface transport had the largest number of delayed projects which accounted for 18.2 per cent of the total delayed projects. This was followed by power, railways,

petroleum, and coal. These five sectors together accounted for over 84 per cent of the total delayed projects (Table IV-18 and IV-19).

Time Overrun

An analysis of the distribution of delayed projects shows that as on June 1998 forty one projects (37.3 per cent) were delayed by 2 to 5 years, 30 projects (27.3 per cent) were delayed by 1-2 years; 23 projects (20.9 per cent) were delayed by up to one year; and 16 projects (14.5 per cent) was delayed by 5-10 years (Table IV-20). As on March 1997, total number of delayed projects was 114. Twentysix were delayed by up to one year and another 26 projects were by 1-2 years. 32 projects were delayed by 2-5 years, 20 projects by 5-10 years and 3 projects by over 10 years.

The maximum number of projects (i.e., 42) was delayed for shortage of funds, followed by 38 projects for want of civil works and 34 due to delay in the award of contract. Thirty one projects were affected due to the problem of land and 28 (11.0 per cent) were delayed due to equipment problems. One third of the projects was delayed for 'other' reasons (Table IV-21).

Cost Overrun

Owing to the delays, the cost in June 1998 in respect of the relevant projects had gone up by about 48 per cent over the original cost as compared with 63.5 per cent in March 1997. Sector-wise, power, steel and atomic energy accounted for over 70 per cent of the total escalation. In percentage terms, the costs had more than doubled in atomic energy, finance and power projects (Table IV-22).

Performance of Selected Industries

The performance of some important industries was mixed during 1997-98. The industries which recorded accelerated growths are fertiliser, petrochemicals, electrical engineering and news print, jute textile and iron ore. Among these industries the highest growth was recorded by DMT/PTA (80.7 per cent) followed by PVC resins industry (32.6 per cent)

in the petrochemical industry segment, power transformer (32.4 per cent) in heavy electrical segment, news print (27.8 per cent), jute textiles (19.8 per cent), fertiliser (17.0 per cent) and iron ore (7.6 per cent).

The industries, which recorded decelerated growths are natural rubber (6.4 per cent) and cotton and man-made textile (5.4 per cent).

Among the industries, which recorded negative growths are the automobile industry in the heavy mechanical engineering segment, bicycles, sewing machines and wrist watches in the light mechanical engineering segment. In the automobile segments, passenger cars and commercial vehicles recorded negative growths of 3.1 per cent and 28.1 per cent, respectively, due mainly to demand recession. Bicycles, sewing machines and wrist watches recorded negative growths of 9.3 per cent, 10.8 per cent and 18.2 per cent, respectively.

The detailed performance statistics are given in Table IV-23 to IV-33.

Sugar Production

The output of sugar during 1996-97 sugar season (October-September) had declined to 12.91 million tonnes from the record output of 16.45 million tonnes achieved in 1995-96 (Table IV-34). With an opening stock of 7.90 million tonnes, the total availability of sugar during the season declined to 20.81 million tonnes. The total off-take of sugar in 1996-97 season was 14.29 million tonnes, comprising 13.87 million tonnes for internal consumption and 0.42 million tonnes for exports. Thus, the closing stocks for the season stood at 6.52 million tonnes. The decline in sugar production could be attributed essentially to reduction in area under sugarcane cultivation in the major sugarcane growing States, particularly in Southern States, diversion of sugarcane for *gur* and *khandsari* manufacturing, and delayed start of the crushing season particularly in Uttar Pradesh.

The sugar output during the 1997-98 sugar season up to June 1998, placed at 12.66 million tonnes was 1.1 per cent lower than that in the corresponding period of the previous year

(12.80 million tonnes). The total availability of sugar during 1997-98 up to June 1998, taking into account a carryover stock of 6.52 million tonnes from the previous season and an import of 0.13 million tonnes aggregated 19.31 million tonnes which was lower by 1.38 million tonnes or 6.7 per cent compared with 20.70 million tonnes in the corresponding period of the previous season. The total off-take of sugar during this period amounted to 10.64 million tonnes (comprising of 10.59 million tonnes for internal consumption and 0.05 million tonnes for exports) which was lower by 0.24 million tonnes or 2.2 per cent compared with 10.88 million tonnes during the corresponding period of the previous season. The closing stock of sugar at end-June 1998 was 8.68 million tonnes, 11.6 per cent lower than the stock level at the end of June 1997 (9.82 million tonnes).

The total releases of sugar during 1997-98 (October-September) was lower at 13.64 million tonnes (comprising of 4.52 million tonnes of levy sugar and 9.12 million tonnes of freesale sugar) as compared to 13.71 million tonnes (comprising of 4.66 million tonnes of levy sugar and 9.05 million tonnes of free sale sugar) during the 1996-97 season (Table IV-35).

Policy Measures

The Government had raised the Statutory Minimum Price (SMP) of sugarcane for 1997-98 to Rs.48.45 per quintal from Rs.45.90 per quintal in 1996-97, linked to a basic recovery of 8.5 per cent subject to a premium of Re. 0.60 for every 0.1 percentage point increase in the recovery above that level. For 1998-99, SMP has been further raised to Rs.52.70 per quintal, linked to a basic recovery of 8.5 per cent subject to a premium of Re.0.62 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 1997" 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 central financial institutions and Sugar Development Fund. In addition, the Government have decided to provide incentive to sugar factories for the early crushing period of the season 1997-98 i.e., from October 1, 1997 to November 15, 1997.

With a view to helping the sugar industry to tide over its financial difficulties, the Central Government with bumper sugar production during 1994-95 and 1995-96 and surplus sugar stocks decided to create a buffer stock of 5.0 lakh tonnes of sugar with effect from January 10, 1996 for a period of one year. The period of this buffer stock has been extended for one more year and an additional buffer stock of 5.0 lakh tonnes has been created from December 1, 1996 to November 30, 1997. The factories are being reimbursed suitable interest, storage and insurance charges from Sugar Development Fund.

To study the development and growth of sugar industry in India *vis-a-vis* other sugar producing countries and suggest modifications, amendments or repeal of any existing laws and controls in order to increase production and efficiency, the Government of India had constituted a High-powered Committee under the Chairmanship of Shri B.B. Mahajan with the following terms of reference :

- (i) study the development and healthy growth of sugar industry and suggesting modifications, amendments, repeal of the existing laws/controls considered necessary towards this end;
- (ii) suggesting methods for increasing productivity of sugarcane and ensuring remunerative prices to sugarcane growers;
- (iii) suggesting ways and means to increase production and efficiency through modernisation.

The Committee submitted its Report in April 1998. Major recommendations of the Committee are:

- (i) complete decontrol of sugar in order to provide level playing field to the domestic industry *vis-a-vis* imported sugar;
- (ii) discontinuation of supply of sugar through

the PDS for plugging the leakages on account of PDS sugar finding way to open market;

- (iii) setting up of a Board for determining SMP for sugarcane in the month of September every year;
- (iv) minimum distance of 15 kms. between an existing sugar mill and a new sugar mill for which licence to be issued in order to ensure viability of both the mills;
- (v) continuance of import of sugar under OGL in order to protect the consumers against any unusual rise in prices;
- (vi) abolition of existing incentives for a new sugar factory.

The Government is now examining the Report. While this exercise is going on, the Government announced on August 31, 1998, its decision to remove the sugar industry from the list of industries requiring compulsory licencing under the provisions of Industries (Development and Regulation) Act 1956. Moreover, in order to avoid unhealthy competition among sugar factories to procure sugarcane, a minimum distance of 15 kms. would continue to be observed between an existing sugar mill and new mill by exercise of powers under the Sugarcane Control Order, 1966.

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, reduced by the cost of collection as determined by the Central Government, be credited to the Fund. Since 1982 up till July 1997, a cess amount of Rs.2,047.42 crore has been collected and as on September 30, 1997, an amount of Rs.1,936 crore has been transferred to SDF. Out of this, Rs.496.15 crore for sugarcane development and Rs.660.99 crore for modernisation/rehabilitation of sugar factories have been sanctioned up to September 1997.

Levy Sugar Price Equalization Fund

The Levy Sugar Price Equalization Fund Act 1976, has been in force since April 1976. During 1997-98, an amount of Rs.0.41 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.21.49 crore.

Employment in the Organised Sector

Estimates of employment in the organised sector (i.e., all non-agriculture establishments employing 10 or more workers) of the economy during 1996-97 showed that in terms of number of persons, employment had recorded a negative growth of 0.1 per cent. The absolute

number at 279.10 lakh persons during 1996-97 was lower than 279.41 lakh persons during 1995-96. In public sector, there was a decline during 1996-97 in number of persons employed (192.49 lakh persons) as compared to 194.29 lakh persons in 1995-96. But, during the same period, private sector employment also recorded decelerated growth of 1.8 per cent (86.6 lakh persons) as compared to 5.6 per cent (85.12 lakh persons) in 1995-96.

Data on employment of women in the organised sector indicated that their number went up from 44.26 lakh at the end of March 1996 to 46.13 lakh at the end of March 1997 (Table IV-36).

Table IV-1: List of Industries for which Industrial Licensing is Compulsory

1. Coal and Lignite
2. Petroleum (other than crude) and its distillation products
3. Distillation and brewing of alcoholic drinks
4. Sugar
5. Cigars and cigarettes of tobacco and manufactured tobacco substituted
6. Electronic Aerospace and defence equipment; all types
7. Industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches
8. Hazardous chemicals
9. Drugs and Pharmaceuticals (according to modified Drug Policy issued in September, 1994)

Source : Annual Report, Ministry of Industry, 1997-98.



Table IV-2: Proposals and Reported Implementation of Industrial Entrepreneur Memorandum for the period August 1991- March 1998

State / Union Territory	Proposed			Implemented*			Reported implementation as percentage of proposals		
	No. of Cases	Investment (Rs. crore)	Employment (Numbers)	No. of Cases	Investment (Rs. crore)	Employment (Numbers)	Cases	Investment	Employment
1	2	3	4	5	6	7	8	9	10
1. Andhra Pradesh	2,156	49,830	3,69,264	187	7,867	25,679	8.67	15.79	6.95
2. Assam	73	2,573	9,414	7	20	495	9.59	0.78	5.26
3. Bihar	288	6,011	47,188	24	1,461	4,364	8.33	24.31	9.25
4. Gujarat	4,782	1,18,065	7,87,181	623	19,248	86,237	13.03	16.30	10.96
5. Haryana	2,141	21,887	3,33,739	242	7,803	33,143	11.30	35.65	9.93
6. Himachal Pradesh	332	7,503	79,033	13	76	2,761	3.92	1.01	3.49
7. Jammu and Kashmir	63	334	24,904	7	458	13,541	11.11	137.13	54.37
8. Karnataka	1,165	30,481	1,93,931	110	7,346	20,954	9.44	24.10	10.80
9. Kerala	361	5,728	60,512	50	237	7,664	13.85	4.14	12.67
10. Madhya Pradesh	1,894	48,893	4,11,004	232	6,676	58,545	12.25	13.65	14.24
11. Maharashtra	5,743	1,06,413	9,56,209	570	20,918	1,09,882	9.93	19.66	11.49
12. Meghalaya	13	247	1,443	1	1	100	7.69	0.40	6.93
13. Nagaland	4	141	712	—	—	—	—	—	—
14. Orissa	229	9,544	87,432	11	1,474	5,719	4.80	15.44	6.54
15. Punjab	1,647	20,172	4,11,040	172	3,794	46,961	10.44	18.81	11.42
16. Rajasthan	1,759	26,854	3,31,835	201	8,664	38,949	11.43	32.26	11.74
17. Tamil Nadu	3,041	41,506	4,92,218	283	7,021	42,892	9.31	16.92	8.71
18. Tripura	4	1,040	1,347	—	—	—	—	—	—
19. Uttar Pradesh	3,264	58,923	5,49,882	252	13,896	37,836	7.72	23.58	6.88
20. West Bengal	1,399	20,656	2,33,215	105	3,345	30,585	7.51	16.19	13.11
21. Sikkim	9	25	780	—	—	—	—	—	—
22. Andaman and Nicobar	9	332	2,610	—	—	—	—	—	—
23. Arunachal Pradesh	2	38	172	—	—	—	—	—	—
24. Chandigarh	23	206	4,756	3	258	875	13.04	125.24	18.40
25. Dadra and Nagar Haveli	1,002	14,267	1,15,632	23	380	2,616	2.30	2.66	2.26
26. Delhi	445	6,379	46,251	45	634	4,576	10.11	9.94	9.89
27. Goa	271	3,973	29,723	28	80	4,157	10.33	2.01	13.99
28. Lakshadweep	1	4	278	—	—	—	—	—	—
29. Pondicherry	331	4,059	33,893	17	163	1,676	5.14	4.02	4.94
30. Daman and Diu	467	3,100	35,136	29	1,961	1,568	6.21	63.26	4.46
Total	32,918	6,09,184	56,50,734	3,235	1,13,781	5,81,775	9.83	18.68	10.30

* Based on the information furnished by the Entrepreneurs in Part 'B' of the IEMs which are filed after the commencement of commercial production.

Source : Ministry of Industry, Annual Report, 1997-98.

Table IV-3: Position of Sick Small-Scale Industries

(Rupees crore)

State / Union Territory	Sick Units (End-March 1996)		Sick Units (End-March 1997)	
	No. of units	Amount outstanding	No. of units	Amount outstanding
1	2	3	4	5
I. Eastern Region	1,09,588	626.73	1,05,109	626.60
<i>% share to the All-India</i>	<i>41.77</i>	<i>16.84</i>	<i>44.72</i>	<i>17.36</i>
Andaman and Nicobar Islands	41	0.18	13	0.08
Arunachal Pradesh	104	0.96	26	0.12
Assam	19,831	51.85	10,133	54.18
Bihar	16,695	97.54	22,702	120.62
Manipur	913	8.06	2,707	9.85
Meghalaya	4,985	15.80	5,531	8.20
Mizoram	62	1.81	1,199	2.76
Nagaland	1,445	11.39	2,738	9.44
Orissa	7,826	47.57	3,408	45.08
Sikkim	116	0.58	30	0.14
Tripura	1,356	2.73	3,171	4.46
West Bengal	56,214	388.26	53,451	371.67
II. Northern Region	69,256	890.35	49,967	850.37
<i>% share to the All-India</i>	<i>26.40</i>	<i>23.92</i>	<i>21.26</i>	<i>23.56</i>
Chandigarh	205	12.51	170	14.41
Delhi	6,045	247.46	3,943	264.81
Haryana	2,332	97.76	2,574	63.95
Himachal Pradesh	567	18.01	2,206	17.68
Jammu and Kashmir	3,728	25.62	761	8.10
Punjab	2,362	64.16	2,466	84.44
Rajasthan	15,668	84.11	14,561	97.51
Uttar Pradesh	38,349	340.72	23,286	299.39
III. Western Region	40,047	1,162.98	38,549	1,128.94
<i>% share to the All-India</i>	<i>15.26</i>	<i>31.25</i>	<i>16.40</i>	<i>31.28</i>
Dadara and Nagar Haveli	1	0.90	1	0.90
Daman and Diu	5	1.88	4	1.41
Goa	717	15.39	604	13.86
Gujarat	7,476	228.37	6,510	196.80
Madhya Pradesh	11,748	172.30	12,070	151.44
Maharashtra	20,100	744.14	19,360	764.53
IV. Southern Region	43,485	1,041.90	41,407	1,003.39
<i>% share to the All-India</i>	<i>16.57</i>	<i>27.99</i>	<i>17.62</i>	<i>27.80</i>
Andhra Pradesh	14,794	296.41	15,460	214.39
Karnataka	11,196	247.24	6,937	203.26
Kerala	8,984	163.50	8,908	168.28
Lakshadweep	..	..	..	..
Pondicherry	218	7.78	293	18.64
Tamil Nadu	8,293	326.97	9,809	398.82
Total All - India (I+II+III+IV)	2,62,376	3,721.94	2,35,032	3,609.20

Note: 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 2½ 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.

Source: Industrial Export and Credit Department, RBI.

Table IV-4: Trends in Index Number of Industrial Production
(Base: 1993-94 = 100)

Sector	Weight	April-August		April-March					
		1998-99(P)	1997-98(P)	1997-98(P)		1996-97		1995-96	
		Index	Index	Index	Contri- bution to growth *	Index	Contri- bution to growth *	Index	Contri- bution to growth *
1	2	3	4	5	6	7	8	9	10
Mining and Quarrying	10.47	116.7 (0.5)	116.1 (5.0)	122.4 (5.9)	8.4	115.6 (-1.9)	-3.5	117.9 (9.5)	7.7
Manufacturing	79.36	139.2 (3.2)	134.9 (5.4)	140.5 (6.7)	81.9	131.8 (6.7)	96.7	123.5 (13.8)	85.3
Electricity	10.17	137.9 (8.8)	126.7 (6.8)	130.0 (6.6)	9.6	122.0 (4.0)	7.0	117.3 (8.1)	6.4
General Index	100.00	136.7 (3.5)	132.1 (5.5)	137.6 (6.6)	100.0	129.1 (5.6)	100.0	122.3 (12.7)	100.0

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: Press note, August 1998, Central Statistical Organisation, Government of India.

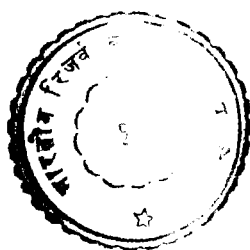


Table IV-5: Growth in Index of Seventeen Major Groups of Manufacturing Sector
(Base: 1993-94=100)

Industry Group	Weight	Index April-August		Relative Contribution (in Per cent)		Index (End March)		Relative Contribution (in Per cent)	
		1998- 99 (P)	1997- 98 (P)	1998- 99 (P)	1997- 98 (P)	1997- 98 (P)	1996- 97	1997- 98 (P)	1996- 97
1	2	3	4	5	6	7	8	9	10
I. Acceleration (during 1997-98)									
1. Beverages, tobacco and related products	2.38	175.5 (17.1)	149.9 (12.1)	17.9	7.0	158.1 (19.4)	132.4 (13.5)	8.8	5.7
2. Manufacture of jute and other vegetable fibre textiles (except cotton)	0.59	105.2 (-4.6)	110.3 (34.2)	-0.7	3.0	114.3 (16.9)	97.8 (-4.5)	1.4	-0.4
3. Non-metallic mineral products	4.40	161.7 (5.1)	153.8 (9.4)	10.2	10.6	161.4 (13.8)	141.9 (-7.7)	12.4	6.8
4. Basic chemicals and chemical products (except products of petroleum and coal)	14.00	47.3 (9.0)	135.1 (13.2)	50.1	40.2	140.5 (14.5)	122.7 (4.7)	35.9	11.8
5. Wool, silk and man-made fibre textiles	2.26	171.3 (6.0)	161.6 (16.8)	6.4	9.6	172.0 (18.5)	145.1 (10.5)	8.7	4.7
6. Rubber, plastic, petroleum and coal products	5.73	133.0 (8.3)	122.8 (3.6)	17.2	4.5	124.6 (5.2)	118.4 (2.0)	5.1	2.1
II. Deceleration (during 1997-98)									
7. Textile products (including wearing apparel)	2.54	153.3 (-0.4)	153.9 (0.6)	-0.4	0.4	158.7 (8.5)	146.3 (9.5)	4.5	4.9
8. Metal products and parts (except machinery and equipment)	2.81	134.1 (21.7)	110.2 (4.6)	19.7	2.5	120.2 (8.4)	110.9 (10.2)	3.8	4.4
9. Paper and paper products and printing, publishing and allied industries	2.65	157.5 (13.1)	139.2 (5.6)	14.3	3.6	146.4 (6.9)	136.9 (9.1)	3.6	4.6
10. Cotton textiles	5.52	114.2 (-10.7)	127.9 (5.4)	-22.2	6.6	125.6 (2.3)	122.7 (12.0)	2.3	11.1
11. Leather and leather and fur products	1.14	114.2 (1.2)	112.9 (11.2)	0.4	2.4	110.8 (2.2)	108.4 (9.4)	0.4	1.6
12. Machinery and equipment other than transport equipment	9.57	130.6 (-7.8)	141.7 (5.9)	-31.1	13.7	149.5 (5.5)	141.7 (5.2)	10.7	10.2
13. Basic metal and alloy industries	7.45	139.5 (-0.1)	139.7 (3.9)	-0.4	7.1	143.5 (2.6)	139.8 (6.7)	3.9	10.0
14. Food products	9.08	113.1 (-5.7)	119.9 (-6.5)	-18.0	-13.8	133.8 (-0.4)	134.3 (3.5)	-0.7	6.3
III. Negative (during 1997-98)									
15. Transport equipment and parts	3.98	174.9 (17.1)	149.4 (7.2)	29.8	7.3	153.8 (-1.2)	149.9 (12.9)	2.2	10.4
16. Other manufacturing industries	2.56	130.8 (9.2)	119.8 (-1.9)	8.3	-1.1	120.4 (-3.0)	123.8 (5.2)	-1.3	2.4
17. Wood and wood products; furniture and fixtures	2.70	129.6 (-3.0)	133.6 (-4.1)	-3.2	-2.8	128.5 (-3.4)	131.9 (7.0)	-1.3	3.6
MANUFACTURING (TOTAL)	79.36	139.2 (3.2)	134.9 (5.4)	100.0	100.0	140.5 (6.7)	131.8 (6.7)	100.0	100.0

P Provisional.

Note: Figures in Brackets represent percentage variation over the previous year.

Source: Press note, August 1998, Central Statistical Organisation, Government of India.

Table IV-6: Use-based Classification of Industrial Production

(Base: 1993-94=100)

Industry Group	Weght	Growth Rate April-August		Growth Rate April-March		
		1998-99	1997-98	1997-98	1996-97	1995-96
1	2	3	4	5	6	7
Basic Goods	35.51	3.4 (33.2)	6.9 (42.2)	6.5 (33.8)	3.1 (19.3)	10.7 (29.9)
Capital Goods	9.69	4.8 (12.0)	7.8 (12.1)	5.2 (7.1)	9.3 (14.5)	4.1 (3.0)
Intermediate Goods	26.44	4.9 (40.8)	8.0 (41.0)	8.1 (34.2)	8.1 (39.3)	19.1 (38.2)
Consumer Goods (i+ii)	28.36	1.7 (13.6)	0.8 (4.5)	5.7 (25.0)	5.2 (27.1)	12.3 (28.2)
i) Consumer Durables	5.11	0.6 (1.0)	5.7 (6.2)	7.8 (7.2)	4.6 (5.1)	25.8 (11.0)
ii) Consumer Non-Durables	23.25	1.9 (12.1)	-0.3 (-1.3)	5.1 (18.0)	5.3 (21.9)	9.3 (17.2)
General Index	100.00	3.5	5.5	6.6	5.6	12.7

P Provisional.

Note: Figures in brackets indicate relative contribution of the segments to overall growth.**Source:** Press note, August 1998, Central Statistical Organisation, Government of India.**Table IV-7: Trends in Production of Infrastructure Industries**

(Base: 1980-81=100)

Industry	Weight	Unit	April - August		April-March		
			1998-99(P)	1997-98	1997-98	1996-97	1995-96
1	2	3	4	5	6	7	8
Electricity	11.4	Billion Units	185.9 (+8.9)	170.7 (+6.8)	420.4 (+6.6)	394.5 (+3.8)	380.1 (+8.3)
Coal	6.6	Million Tonnes	110.3 (+3.4)	106.6 (+5.3)	295.9 (+3.6)	285.6 (+5.7)	270.1 (+6.5)
Saleable Steel *	5.2	Million Tonnes	3.9 (-7.1)	4.2 (-23.5)	14.3 (+0.6)	14.2 (+1.6)	14.0 (+8.9)
Cement	1.6	Million Tonnes	34.5 (+4.5)	33.0 (+3.7)	83.2 (+9.1)	76.2 (+9.6)	69.6 (+11.5)
Petroleum Crude	2.4	Million Tonnes	13.8 (-2.6)	14.2 (+4.1)	33.8 (+2.8)	32.9 (-4.7)	34.5 (+7.1)
Petroleum Refinery Products @	1.5	Million Tonnes	25.3 (+0.2)	25.3 (+4.4)	60.6 (+3.6)	58.5 (+7.0)	54.6 (+3.9)
Composit Index of Infrastructure Industries	28.8		305.2 (+4.5)	292.0 (+1.9)	316.8 (+4.9)	301.9 (+3.6)	291.4 (+7.9)

P Provisional.

* Data on Production of secondary producers not included.

@ Represents 93 per cent of the refinery throughput.

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

Table IV-8: Target and Generation of Electricity

(Billion KWH)

Source	April - March								
	1995-96			1996-97			1997-98 (P)		
	Target	Generation	%variations over target	Target	Generation	%variations over target	Target	Generation	%variations over target
1	2	3	4	5	6	7	8	9	10
1. Thermal	297.0	299.6 (+14.0)	0.9	317.0	317.2 (+5.9)	0.1	343.8	336.1 (+6.0)	-2.2
2. Hydel	72.3	72.5 (-12.1)	0.3	75.0	68.6 (-5.4)	-8.5	76.7	74.5 (+8.6)	-2.9
3. Nuclear	7.9	8.0 (+42.9)	1.3	8.0	9.0 (+12.5)	12.5	8.5	10.0 (+11.1)	17.6
4. Non-Conventional	..	..	..	..	..	..	..	..	..
5. Total	377.2	380.1 (+8.3)	0.8	400.0	394.8 (+3.9)	-1.3	429.0	420.6 (+6.5)	-2.0

P Provisional.

Note: Figures in brackets represent percentage variations over the previous year.**Source:** Central Electricity Authority, Ministry of Power, Government of India.**Table IV-9: Demand and Supply of Electricity**

(Billion KWH)

Region	April - March								
	1995-96			1996-97			1997-98 (P)		
	Requirement	Availability	Deficit (Percentage)	Requirement	Availability	Deficit (Percentage)	Requirement	Availability	Deficit (Percentage)
1	2	3	4	5	6	7	8	9	10
Northern Region	112.0	105.0	6.2	119.2	109.5	8.1	121.2	115.0	5.1
Western Region	125.0	118.7	4.9	132.7	122.3	7.9	136.0	129.9	4.5
Southern Region	105.6	87.9	16.7	112.7	89.5	20.6	118.0	99.0	16.1
Eastern Region	42.8	38.4	10.1	44.0	40.4	8.3	45.0	42.2	5.3
North-Eastern Region	4.5	3.9	12.6	4.9	4.2	12.6	5.0	4.4	11.4
All-India	389.7	354.0	9.2	413.5	365.9	11.5	425.2	350.5	8.1

P Provisional.

Source: Central Electricity Authority, New Delhi.

Table IV-10: Installed Plant Capacity – Power Sector

(Mega watt)

At the end-March	Thermal	Hydel	Nuclear	Non-conventional	Total
1	2	3	4	5	6
1995-96	60,042 (+3.4)	20,986 (+0.7)	2,225 (-)	42 (+7.7)	83,294 (+2.6)
1996-97	61,012 (+1.6)	21,658 (+3.2)	2,225 (-)	900 (+2,042.9) @	85,795 (+3.0)
1997-98(P)	64,006 (+4.9)	21,891 (+1.1)	2,225 (-)	968 (+7.6)	89,090 (+3.8)

P Provisional.

@ Shows a very large variations.

Note: Figures in brackets indicate percentage variations over the previous year.**Source:** Central Electricity Authority, Ministry of Power, Government of India.**Table IV-11: Crude Oil and Petroleum Refinery Products**

(Thousand tonnes)

Item	April-March		
	1995-96	1996-97	1997-98(P)
1	2	3	4
A) Crude Oil			
(a) Production (i+ii)	35,167 (+9.1)	32,901 (-6.4)	33,826 (+2.8)
i) On-shore	12,502 (+4.1)	12,718 (+1.7)	13,963 (+9.8)
ii) Off-shore	22,665 (+12.0)	20,183 (-11.0)	19,863 (-1.6)
(b) Imports (gross)	27,342 (-)	33,906 (+24.0)	34,494 (+1.7)
B) Petroleum refinery products			
(a) Production	55,081 (+4.1)	59,005 (+7.1)	61,308 (+3.9)
of which :			
i) Naphtha	5,975 (+5.5)	6,123 (+2.5)	6,103 (-0.3)
ii) Kerosene	5,267 (+0.1)	6,236 (+18.4)	6,701 (+7.5)
iii) High speed diesel oil	20,661 (+5.5)	22,202 (+7.5)	23,354 (+5.2)
(b) Imports (gross)	20,335 (+45.8)	20,265 (-0.3)	19,530 (-3.6)
of which :			
i) Naphtha	..	..	..
ii) Kerosene	3,001 (-29.2)	4,279 (+42.6)	3,812 (-10.9)
iii) High speed diesel oil	12,852 (+48.8)	13,608 (+5.9)	14,075 (+3.4)

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-12: Performance of Coal Industry

(Lakh tonnes)

Item	April-March		
	1995-96	1996-97	1997-98(P)
1	2	3	4
1. Production (a+b)	2,927 (+5.6)	3,087 (+5.5)	3,195 (+3.5)
a) Coal (i+ii)	2,734 (+6.1)	2,861 (+4.6)	2,964 (+3.6)
i) Coking coal	399 (-5.0)	405 (+1.5)	438 (+8.1)
ii) Non-coking coal	2,335 (+8.2)	2,455 (+5.1)	2,526 (+2.9)
b) Lignite	193 (-)	226 (+17.1)	231 (+2.2)
2. Imports (coking coal)	89 (+7.2)	94 (+5.6)	95 (+1.1)
3. Despatches (i+ii)	2,706 (+6.8)	2,837 (+4.8)	2,932 (+3.3)
i) Coking coal	398 (-5.9)	405 (+1.8)	421 (+4.0)
ii) Non-coking coal	2,308 (+9.3)	2,432 (+5.4)	2,511 (+3.2)
4. Exports	1 (-)	1 (-)	1 (-)
5. Year-end stocks (i+ii+iii)	459 (-3.4)	424 (-7.6)	417 (-1.7)
i) Cooking coal	87 (-15.5)	98 (+12.6)	121 (+23.5)
ii) Non-coking coal	369 (-0.8)	322 (-12.7)	293 (-9.0)
iii) Lignite	3 (-)	4 (+33.3)	3 (-25.0)

P Provisional.

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

TABLE IV-13: Performance of Cement Industry

(Lakh tonnes)

Item	April - March		
	1995-96	1996-97	1997-98(P)
1	2	3	4
1. Installed capacity	972.30 (+16.0)	1,030.10 (+5.9)	1,066.80 (+3.6)
2. Production(a+b+c)	695.50 (+11.5)	762.20 (+9.6)	831.50 (+9.1)
a) Public sector(i+ii)	42.11 (-6.4)	36.59 (-13.1)	30.65 (-16.2)
i) Cement Corpn.of India	19.56 (-11.1)	17.03 (-12.9)	9.85 (-42.2)
ii) Others	22.55 (-2.0)	19.56 (-13.3)	20.80 (+6.3)
b) Private sector	602.39 (+12.0)	663.21 (+10.1)	736.65 (+11.1)
c) Mini and white cement plants	51.00 (+27.5)	62.40 (+22.4)	64.20 (+2.9)
3. Despatches	644.90 (+3.5)	698.50 (+8.3)	765.70 (+9.6)
4. Capacity utilisation (per cent)	74.00	74.00	78.00
5. Imports	0.03 (-)	0.03 (-)	0.04 (+33.3)
6. Exports	23.80 (+48.8)	27.00 (+13.5)	42.40 (+57.0)
7. Year-end stocks	8.20 (+2.5)	9.60 (+17.1)	10.80 (+12.5)

P Provisional.

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

Table IV-14: Production of Iron and Steel

(Thousand tonnes)

Item	Pig Iron			Saleable Steel		
	1995-96	1996-97	1997-98(P)	1995-96	1996-97	1997-98(P)
1	2	3	4	5	7	8
A. Production (1 to 9)	2,873 (+3.2)	3,303 (+15.0)	3,396 (+2.8)	18,477 (+13.3)	18,506 (+0.2)	18,776 (+1.5)
1. Rourkela	14 (-63.2)	31 (+121.4)	16 (-48.4)	1,148 (-4.0)	1,182 (+3.0)	1,140 (-3.6)
2. Bhilai	272 (-2.2)	224 (-17.6)	323 (+44.2)	3,495 (+2.6)	3,582 (+2.5)	3,518 (-1.8)
3. Durgapur	103 (-43.4)	114 (+10.7)	69 (-39.5)	909 (+6.6)	1,029 (+13.2)	1,170 (+13.7)
4. Bokaro	155 (-39.5)	260 (+67.7)	350 (+34.6)	3,330 (+5.1)	3,044 (-8.6)	2,749 (-9.7)
5. VISL	78 (-)	52 (-33.3)	26 (-50.0)	..	..	..
Total SAIL (1 to 5)	622 (-17.5)	681 (+9.5)	784 (+15.1)	8,882 (+3.0)	8,837 (-0.5)	8,577 (-2.9)
6. IISCO	420 (+4.2)	352 (-16.2)	402 (+14.2)	302 (-9.0)	339 (+12.3)	318 (-6.2)
7. TISCO	..	..	..	2,701 (+10.4)	2,819 (+4.4)	3,009 (+6.7)
8. VSP	771 (-9.1)	700 (-9.2)	521 (-25.6)	2,136 (+37.4)	2,121 (-0.7)	2,211 (+4.2)
Total (1 to 8)	1,813 (-9.6)	1,733 (-4.4)	1,717 (-0.9)	14,021 (+8.2)	14,116 (+0.7)	14,115 (-)
9. Secondary producers	1,060 (+35.9)	1,570 (+48.1)	1,689 (+7.6)	4,456 (+33.2)	4,390 (-1.5)	4,661 (+6.2)
B. Consumption (1+2)	924 (-23.3)	873 (-5.5)	696 (-20.3)	13,034 (+5.4)	12,859 (-1.3)	13,712 (+6.6)
1. Sales (Domestic)	916 (-23.9)	858 (-6.3)	692 (-19.3)	11,200 (+7.4)	11,062 (-1.2)	11,712 (+5.9)
2. Imports	8 (+700.0)	15 (+87.5)	4 (-73.3)	1,834 (-5.3)	1,797 (-2.0)	2,000 (+11.3)
C. Exports	503 (+7.9)	451 (-10.3)	782 (+73.4)	1,666 (+31.0)	1,922 (+15.4)	2,195 (+14.2)
D. Year-end stocks	171 (+11.0)	276 (+61.4)	344 (+24.6)	972 (+45.3)	1,410 (+45.1)	1,796 (+27.4)

P Provisional.

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

Table IV-15: Software Industries and Revenue

(US \$ and Rupees in million)

Year	Domestic		Exports		Total	
	Rs.	US\$	Rs.	US \$	Rs.	US\$
1	2	3	4	5	6	7
1992-93	4,900	163	6,750	225	11,650	388
1993-94	6,950	230	10,200	330	17,150	560
1994-95	10,700	350	15,350	485	26,050	835
1995-96	16,700	485	25,200	734	41,900	1,220
1996-97	24,100	670	39,000	1,085	63,100	1,755

Source : National Associations of Software and Service Companies (NASSCOM).**Table IV-16: Small Scale Sector - Performance**

Item	April-March		
	1995-96	1996-97	1997-98(P)
1	2	3	4
1. Number of units (lakh Nos.)	27.24 (+6.0)	28.57 (+4.9)	30.14 (+5.5)
2. Production (Rs. crore at 1990 - 91 prices)			
a) Target	2,13,965	2,33,436	3,74,007 #
b) Achievement	2,22,162 (+11.4)	2,47,311 (+11.3)	4,00,027 (+61.8)
3. Production (Rs.crore at current prices)	3,56,213 (+21.2)	4,12,636 (+15.8)	4,71,907 (+14.4)
4. Employment (lakh persons)			
a) Target	144.4	150.5	166.9
b) Achievement	152.6 (+4.1)	160.0 (+4.8)	168.0 (+5.0)
5. Exports (Rs crore)			
a) Target	18,364	20,201	47,905
b) Achievement	34,065 (+17.2)	39,921 (+17.2)	

P Provisional.

At 1994 -95 prices.

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.

Source: 1. Office of the Development Commissioner, Small Scale Industries, Ministry of Industry, Government of India.
2. Annual Report, 1997-98, Ministry of Industry, Government of India.

Table IV-17: Performance of Central Public Sector Enterprises

(Amount in Rupees crore)

Item	1992-93	1993-94	1994-95	1995-96	1996-97
1	2	3	4	5	6
Number of operating enterprises	239	240	241	239	236
Investment	1,40,110	1,59,836	1,61,311	1,73,765	2,01,996
Value added	38,509	41,486	47,986	57,859	56,683
Net Profit	3,271	4,545	7,217	9,574	10,258
Number of profit making PSEs	131	121	130	132	129
Number of loss making PSEs	106	116	109	102	104
Number of no profit no loss PSEs	2	3	2	5	3
Contribution to exchequer	22,449	22,988	27,472	30,878	37,497
<i>Ratio of gross margin to capital</i>	<i>18.01</i>	<i>17.33</i>	<i>20.61</i>	<i>23.11</i>	<i>22.03</i>
<i>Ratio of Net profit/loss to capital</i>	<i>11.39</i>	<i>11.61</i>	<i>13.96</i>	<i>15.88</i>	<i>15.14</i>

Source: Public Enterprises Surveys, 1995-96 and 1996-97.

Table IV-18: Status of Central Projects
(June 1998)

(Number of projects)

Sector	Ahead	On Schedule	Delayed	Without D.O.C	Total	Delay as % to Total
1	2	3	4	5	6	7
1. Atomic Energy	—	1	5 (4.5)	—	6	83.3
2. Civil Aviation	—	—	2 (1.8)	—	2	100
3. Coal	—	5	16 (14.5)	—	21	76.2
4. Finance	—	—	1 (0.9)	—	1	100
5. Fertiliser	—	1	1 (0.9)	1*	3	33.3
6. Mines	—	3	—	—	3	0
7. Steel	—	—	4 (3.6)	—	4	100
8. Petrochemicals	—	—	3 (2.7)	—	3	100
9. Petroleum	2	13	19 (17.3)	—	34	55.9
10. Power	1	10	19 (17.3)	2@	32	59.4
11. Railways	1	11	19 (17.3)	54#	85	22.4
12. Surface Transport	—	3	20 (18.2)	—	23	86.9
13. Telecommunications	—	1	1 (0.9)	1	3	33.3
14. Others	—	1	—	—	1	—
Total	4	49	110 (100.0)	58	221	49.8

D.O.C. Date of Commissioning.

* Original date of commissioning was October 1976 (Haldia Fertiliser Project)

@ One (Farakka STPP Stage III) was to have been commissioned in December 1995.

Two projects did not have any date of commissioning. Twenty-one projects had initially date of commissioning but now without any date; and thirty-one projects did not specify any date of commissioning initially and without any such date even now.

Note:

1. Relates to Central Projects costing Rs.100 crore and above.
2. Delay is taken with reference to anticipated date of completion initially.
3. Figures in brackets are percentage to total delayed Projects.

Source: Ministry of Planning and Programme Implementation, Government of India : 152nd Flash Report on Central Sector Projects, June 1998.

Table IV-19: Period-wise Distribution of Approved Projects
(June 1998)

Sector	(Number of projects)							Total Projects
	1970-79	1980-82	1983-85	1986-88	1989-91	1992-94	1995-97	
1	2	3	4	5	6	7	8	9
1. Atomic Energy	—	—	—	2	2	1	1	6
2. Civil Aviation	—	—	—	—	1	1	—	2
3. Coal	1	2	2	—	3	7	6	21
4. Finance	—	—	—	—	1	—	—	1
5. Fertiliser	1	—	—	—	—	1	1	3
6. Mines	—	—	—	—	—	—	3	3
7. Steel	—	—	—	1	—	1	2	4
8. Petrochemicals	—	—	—	—	—	3	—	3
9. Petroleum	—	—	—	—	1	8	25	34
10. Power	—	2	1	5	5	5	14	32
11. Railways	2	2	8	1	6	22	44	85
12. Surface Transport	—	—	—	4	1	9	9	23
13. Telecommunication	—	—	—	—	—	1	2	3
14. Others	—	—	—	—	—	—	1	1
Total	4	6	11	13	20	59	108	221

Source: As in Table IV-18.

Table IV-20: Distribution of Delayed Projects
(June 1998)

(Number of projects)						
Sector	Up to 1 year	1 year to 2 years	2 years to 5 years	5 years to 10 years	Above 10 years	Total
1	2	3	4	5	6	7
1. Atomic Energy	2	—	3	—	—	5 (4.5)
2. Civil Aviation	—	—	2	—	—	2 (1.8)
3. Coal	3	2	8	3	—	16 (14.5)
4. Finance	—	—	—	1	—	1 (0.9)
5. Fertiliser	—	1	—	—	—	1 (0.9)
6. Steel	1	2	1	—	—	4 (3.6)
7. Petrochemicals	—	—	3	—	—	3 (2.7)
8. Petroleum	11	5	2	1	—	19 (17.3)
9. Power	2	3	9	5	—	19 (17.3)
10. Railways	1	7	8	3	—	19 (17.3)
11. Surface Transport	3	9	5	3	—	20 (18.2)
12. Telecommunications	—	1	—	—	—	1 (0.9)
Total	23 (20.9)	30 (27.3)	41 (37.3)	16 (14.5)	— —	110 (100.0)

Source: As in Table IV-18.

Table IV-21: Causes for the Delay in the Project Completion

(June 1998)

(Number of projects)

Sector	Fund	Land	Award of Contract	Equipment Supply	Civil Works	Others
1	2	3	4	5	6	7
1. Atomic Energy	—	—	1	2	3	4
2. Civil Aviation	—	—	1	—	—	1
3. Coal	3	6	1	2	—	5
4. Finance	—	—	—	—	1	1
5. Fertiliser	1	—	—	1	—	1
6. Steel	—	1	1	3	1	2
7. Petrochemicals	—	—	—	1	—	2
8. Petroleum	—	1	5	9	3	11
9. Power	8	2	3	1	5	16
10. Railways	26	18	10	5	17	22
11. Surface Transport	4	3	12	3	6	18
12. Telecommunication	—	—	—	1	1	—
Total	42 (16.3)	31 (12.1)	34 (13.2)	28 (10.9)	38 (14.8)	84 (32.7)

Note: 1. Figures in brackets relate to the percentage of total cause frequency.
2. The delay in many projects was due to multiple reasons.

Source: As in Table IV-18.

Table IV-22: Cost Overrun due to Delay

(June 1998)

(Amount in Rupees crore)

Sector	No. of Projects	Original Estimates	Latest Estimates	Overrun	
				Actual	Per cent
1	2	3	4	5	6
1. Atomic Energy	5	2,455.55	5,041.27	2,585.72	105.3
2. Civil Aviation	2	294.12	566.21	272.09	92.5
3. Coal	16	6,181.55	7,507.00	1,325.45	21.4
4. Finance	1	118.28	348.80	230.52	194.9
5. Fertiliser	1	618.43	642.36	23.93	3.9
6. Steel	4	5,154.10	8,587.80	3,433.70	66.6
7. Petrochemicals	3	3,820.73	3,852.55	31.82	0.8
8. Petroleum	19	20,414.95	22,288.91	1,873.96	9.2
9. Power	19	9,337.86	22,049.02	12,711.16	136.1
10. Railways	19	3,332.29	5,302.71	1,907.42	59.1
11. Surface Transport	20	3,598.83	5,569.16	1,970.30	54.7
12. Telecommunication	1	125.90	125.90	—	—
Total	110	55,452.59	81,881.69	26,429.10	47.7

Note: Projects without date of commissioning are not considered.

Source: As in Table IV-18.

Table IV-23: Production of Major Chemicals and Chemical Products

(Thousand tonnes)

Item	April-March			
	1994-95	1995-96	1996-97	1997-98(p)
1	2	3	4	5
1. Fertilizers				
a) Nitrogenous fertilisers (N content)	7,951 (+7.7)	8,777 (+10.4)	8,600 (-2.0)	10,086 (+17.3)
b) Phosphatic fertilisers (P2 O5)	2,459 (+33.1)	2,558 (+4.0)	2,556 (-0.1)	2,976 (+16.4)
2. Inorganic chemicals				
a) Caustic soda	1,119 (+0.8)	1,357 (+21.3)	1,222 (-9.9)	1,300 (+6.4)
b) Soda ash	1,455 (-5.8)	1,464 (+0.6)	1,507 (+2.9)	1,498 (-0.6)
3. Paints and varnishes*	405 (+31.3)	520 (+28.4)	474 (-8.8)	474 (-)
4. Soaps*	1,480 (+1.3)	1,820 (+22.9)	1,485 (-18.4)	1,573 (+5.9)
5. Synthetic detergents	356 (+15.6)	452 (+27.1)	223 (-50.7)	219 (-1.8)
6. Drugs and pharmaceuticals (Rs.crore)				
i) Bulk drugs	1,518 (+9.8)	1,822 (+20.0)	2,186 (+20.0)	2,623 (+20.0)
ii) Formulations	7,935 (+5.8)	9,125 (+15.0)	10,494 (+15.0)	12,068 (+15.0)
7. Petrochemicals				
i) Low density polyethylene (LDPE)	256 (+51.8)	224 (-12.7)	173 (-22.7)	185 (+6.9)
ii) PVC resins	324 (+2.7)	393 (+21.1)	528 (+34.5)	700 (+32.6)
iii) DMT/PTA	147 (+29.5)	213 (+45.2)	476 (+123.6)	860 (+80.7)
iv) Caprolactum	79 (+7.8)	114 (+44.3)	105 (-7.9)	110 (+4.8)

P Provisional.

* Includes production in Small-Scale Sector.

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

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

Table IV-24: Output of Selected Heavy Mechanical Industries

Item	Unit	April - March			
		1994-95	1995-96	1996-97	1997-98(P)
I	2	3	4	5	6
1. Automobiles					
i) Passenger cars	'000 Nos.	261.9 (+24.8)	345.8 (+32.0)	411.1 (+16.5)	398.5 (-3.1)
ii) Commercial vehicles	..	195.0 (+34.2)	259.1 (+32.9)	303.0 (+16.9)	217.9 (-28.1)
iii) Jeeps	..	48.6 (+1.3)	64.9 (+33.5)	77.5 (+19.4)	85.0 (+9.7)
2. Scooters, motor cycles & mopeds	..	2,191.3 (+24.7)	2,653.9 (+21.1)	2,979.1 (+12.3)	3,041.9 (+2.1)
3. Structural	'000 Tonnes	149.0 (-1.3)	157.2 (+5.5)	173.4 (+10.3)	273.3 (+57.6)
4. Steel castings**	..	383.2 (+6.2)	392.1 (+2.3)	441.3 (+12.5)	438.1 (-0.7)
5. Diesel engines**	'000 Nos.	1,621.3 (-3.1)	2,042.5 (+26.0)	2,006.6 (-1.8)	1,946.3 (-3.0)
6. Railway wagons (in terms of four wheelers)	..	14.7 (-23.8)	19.0 (+29.3)	23.5 (+23.7)	44.2 (+88.1)
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)	2,293.0 (-2.5)	2,632.0 (+14.8)
9. Tractors	'000 Nos.	157.8 (+13.8)	202.8 (+28.5)	244.8 (+20.7)	277.9 (+13.5)

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-25: Output of Selected Light Mechanical Engineering Industries

Item	Unit	April - March			
		1994-95	1995-96	1996-97	1997-98(P)
1	2	3	4	5	6
Typewriters	'000 Nos.	86.0 (+9.0)	101.8 (+18.4)	83.6 (-17.9)	91.4 (+9.3)
Bicycles	..	8,901.9 (+14.5)	9,926.1 (+11.5)	10,861.6 (+9.4)	9,849.4 (-9.3)
Sewing Machines	..	99.3 (-11.2)	128.3 (+29.2)	108.5 (-15.4)	96.8 (-10.8)
Razor Blades	Mill. Nos.	3,328.8 (-3.4)	3,685.0 (+10.7)	3,904.9 (+6.0)	4,100.9 (+5.0)
Wrist Watches	..	7.4 (-11.9)	11.0 (+48.6)	8.5 (-22.7)	7.0 (-18.2)

P Provisional.

Note: Figures in brackets indicate percentage variations over the previous year.**Source:** Ministry of Industry, Government of India.**Table IV-26: Output of Selected Electrical Engineering Industries**

Item	Unit	April - March			
		1994-95	1995-96	1996-97	1997-98(P)
1	2	3	4	5	6
A. Light Electrical Engineering					
1. Electrical Lamps					
i) Incandescent	Mill.Nos.	373.9 (+14.8)	382.9 (+2.4)	395.1 (+3.2)	395.4 (+0.1)
ii) Fluorescent	..	92.4 (+21.1)	117.1 (+26.7)	136.3 (+16.4)	149.9 (+10.0)
2. Electrical Fans**	..	10.3 (+68.9)	7.0 (-32.0)	7.9 (+12.9)	8.5 (+7.6)
3. Radio Receivers	'000 Nos.	209.8 (+38.1)	153.3 (-26.9)	47.5 (-69.0)	32.5 (-31.6)
4. Storage Batteries	..	3,079.6 (+7.3)	3,393.2 (+10.2)	3,343.0 (-0.6)	3,677.5 (+10.0)
5. Dry Cells	Mill.Nos.	1,283.9 (-0.1)	1,441.6 (+12.3)	1,577.3 (+9.4)	1,735.0 (+10.0)
6. Domestic Refrigerators	'000 Nos.	1,641.3 (+27.3)	1,913.2 (+16.6)	1,705.0 (-10.9)	1,903.4 (+11.6)
B. Heavy Electrical Engineering					
1. Power Transformers	Mill.KVA.	41.5 (+24.3)	38.1 (-8.2)	33.0 (-13.4)	43.7 (+32.4)
2. Electric Motors	Mill.H.P.	6.6 (+8.2)	6.5 (-1.5)	7.2 (+10.8)	7.2 (-)
3. Power Driven Pumps	'000 Nos.	514.4 (+9.2)	663.4 (+29.0)	678.4 (+2.3)	692.5 (+2.1)

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-27: Performance of Rubber Industry

(Thousand tonnes)

Item	April-March			
	1994-95	1995-96	1996-97	1997-98(P)
1	2	3	4	5
A. Production (i+ii+iii)	602 (+9.9)	641 (+6.5)	681 (+6.2)	726 (+6.6)
i) Natural	472 (+8.5)	507 (+7.4)	549 (+8.3)	584 (+6.4)
ii) Synthetic	64 (+28.0)	68 (+6.3)	65 (-4.4)	72 (+10.8)
iii) Reclaimed	66 (+4.8)	66 (-)	67 (+1.5)	70 (+4.5)
B. Imports(i+ii)	82 (-3.5)	124 (+51.2)	99 (-21.0)	108 (+9.1)
i) Natural	8 (-61.9)	52 (+550.0)	20 (-65.4)	29 (+45.0)
ii) Synthetic	74 (+15.6)	72 (-2.7)	80 (+11.1)	78 (-2.5)
C. Consumption (i+ii+iii)	673 (+7.3)	725 (+7.7)	771 (+6.3)	803 (+4.2)
i) Natural	486 (+7.8)	525 (+8.0)	562 (+7.0)	572 (+1.8)
ii) Synthetic	123 (+8.8)	134 (+8.9)	143 (+6.7)	161 (+12.6)
iii) Reclaimed	64 (+1.6)	66 (+3.1)	67 (-)	70 (+4.5)
D. Year-end Stocks (i+ii+iii)	89 (-5.3)	124 (+39.3)	130 (+4.8)	170 (+30.8)
i) Natural	70 (-9.1)	103 (+47.1)	107 (+4.9)	147 (+37.4)
ii) Synthetic	17 (+13.3)	19 (+11.8)	20 (+5.3)	21 (+5.0)
iii) Reclaimed	2 (-)	2 (-)	2 (-)	2 (-)
E. Imports as a Percentage of Consumption	12.2	17.1	12.8	13.4
i) Natural	1.7	9.8	3.1	5.1
ii) Synthetic	60.2	53.5	55.7	48.5

P Provisional.

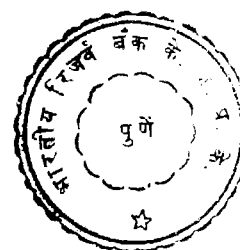
Note: Figures in brackets represent percentage variation over the previous year.**Source:** Rubber Board, Government of India.

Table IV-28: Production of Tyres, Tubes and Footwear

(Million numbers)

Year (April-March)	Automobile Tyres		Bicycle Tyres	Rubber Footwear
	Total	of which Giant Tyres		
1	2	3	4	5
1994-95	21.3 (+12.7)	7.3 (+4.3)	9.7 (-20.5)	33.5 (-5.4)
1995-96	18.4 (-13.6)	8.8 (+20.5)	10.4 (+7.2)	27.8 (-17.0)
1996-97	18.9 (+2.7)	8.8 (-)	10.4 (-)	28.3 (+1.8)
1997-98(P)	18.9 (-)	9.11 (+3.2)	12.3 (+18.3)	28.0 (-1.1)

P Provisional.

Note: Figures in brackets represent percentage variations over the previous year.**Source:** Central Statistical Organisation, Government of India.**Table IV-29: Paper, Paper Boards and Newsprint - Production**

(Lakh metric tonnes)

Item	Year April-March	Installed Capacity	Production	Capacity Utilisation Ratio (per cent)
1	2	3	4	5
A) Paper and Paper Boards	1995-96	40.0 (+4.2)	29.0 (+15.5)	72.5
	1996-97	42.0 (+5.0)	32.0 (+10.3)	76.2
	1997-98 (P)	31.0 (-26.2)	31.0 (-3.1)	100.0
B) Newsprint	1995-96	6.5 (+16.1)	4.5 (+11.9)	69.2
	1996-97	7.7 (+18.5)	3.6 (-20.0)	46.8
	1997-98 (P)	7.7 (-)	4.6 (+27.8)	59.7

P Provisional.

Note: Figures in brackets indicate percentage variation over the previous year.**Source:** Indian Paper Mills Association, Calcutta.

Table IV-30: Performance of Different Types of Yarn

(Million kgs.)

Item	April - March		
	1995-96	1996-97	1997-98(P)
1	2	3	4
Spindles-Installed capacity (in thousands)	318	332	335
Spindles-Capacity utilisation (%)	69	71	71
A. Production (I+II+III)	2,485	2,794	2,978
	(+13.0)	(+12.4)	(+6.6)
i) Cotton yarn	1,894	2,148	2,217
	(+11.7)	(+13.4)	(+3.2)
ii) Blended / mixed yarn	395	485	587
	(+14.2)	(+22.8)	(+21.0)
iii) 100 per cent man-made fibre spun yarn	196	161	174
	(+24.1)	(-17.9)	(+8.1)
B. Domestic consumption-all yarn (I + II)	1,650	1,713	1,808
	(-8.5)	(+3.8)	(+5.5)
i) Mill sector *	194	184	185
	(+13.5)	(-5.2)	(+0.5)
ii) Decentralised sector **	1,456	1,529	1,623
	(-10.8)	(+5.0)	(+6.2)
C. Exports (cotton yarn)	3,620	5,832	6,343
	(+27.6)	(+61.1)	(+8.8)
i) Quantity	263	465	485
	(+15.4)	(+76.8)	(+4.3)
ii) Value(Rs. crore)	3,357	5,367	5,858
	(+28.7)	(+59.9)	(+9.1)
D. Year-end stocks (all yarn)	177	102	128
	(+90.3)	(-42.4)	(+25.5)

P Provisional.

* Relates to consumption of weaving cloth only.

** Excluding deliveries of yarn to hosiery and other purpose.

Note: Figures in brackets represent percentage variations over the previous year.**Source:** Indian Cotton Mills Federation, New Delhi

Table IV-31: Production, Consumption and Stock Position of Cotton and Man-made Textiles

(Million square metres)

Item	April - March		
	1995-96	1996-97	1997-98(P)
1	2	3	4
Looms-Capacity Installed (in thousands)	132	124	124
Looms-Capacity Utilisation (%)	41	42	33
A. Production (I+II)	31,891 (+11.5)	34,813 (+9.2)	36,701 (+5.4)
i) Mill sector (a+b+c)	1,726 (-24.0)	1,666 (-3.5)	1,661 (-0.3)
a) Cotton fabrics	1,130 (-10.5)	1,193 (+5.6)	1,215 (+1.8)
b) Blended / mixed fabrics	543 (-27.2)	430 (-20.8)	406 (-5.6)
c) 100 per cent man-made fibre / fabrics	53 (-79.8)	43 (-18.9)	40 (-7.0)
ii) Decentralised sector(a+b+c+d)	30,165 (+14.5)	33,147 (+9.9)	35,040 (+5.7)
a) Cotton fabrics	17,770 (+12.8)	18,648 (+4.9)	19,073 (+2.3)
b) Blended / mixed fabrics	3,482 (+19.5)	4,458 (+28.0)	4,865 (+9.1)
c) 100 per cent man-made fibre / fabrics	8,482 (+17.3)	9,526 (+12.3)	10,587 (+11.1)
d) Khadi / wool /silk	431 (-)	515 (+19.5)	515 (-)
B. Domestic consumption - all cloth *	26,341 (+12.7)	28,561 (+8.4)	29,952 (+4.9)
C. Year-end stocks - all cloth **	141 (+85.5)	145 (+2.8)	142 (-2.1)
D. Exports of all cotton fabrics			
i) Value (Rs. Crore)	17,474 (-27.1)	20,104 (+15.1)	22,193 (+10.4)
ii) Quantity	141 ..	145 (+2.8)	142 (-2.1)

P Provisional.

* Relates to total availability.

** Relates to mill sector only.

Note: Figures in brackets Indicates percentage variations over the previous year.**Source:** Indian Cotton Mills Federation, New Delhi.

Table IV-32: Performance of Jute Textiles

(Thousand tonnes)

Item	Year (Apr - Mar)	Hessian	Sacking	Carpet Backing	Others	Total
1	2	3	4	5	6	7
Production	1995-96	413.9 (+24.1)	676.3 (-1.9)	30.5 (-6.2)	312.3 (-2.0)	1,433.0 (+4.3)
	1996-97	368.7 (-10.9)	666.6 (-1.4)	25.2 (-17.4)	340.4 (+9.0)	1,400.9 (-2.2)
	1997-98 (P)	392.4 (+6.4)	864.6 (+29.7)	19.8 (-21.4)	401.6 (+18.0)	1,678.4 (+19.8)
Consumption	1995-96	266.9 (+8.6)	665.5 (-2.1)	2.3 (+4.5)	226.6 (+7.2)	1,161.3 (-0.9)
	1996-97	259.8 (-2.7)	652.0 (-2.0)	1.7 (-26.1)	222.5 (-1.8)	1,136.0 (-2.2)
	1997-98 (P)	285.8 (+10.0)	842.4 (+29.2)	1.5 (-11.8)	257.5 (+15.7)	1,387.2 (+22.1)
Export	1995-96	126.5 (+8.9)	5.2 (-18.8)	23.2 (-15.0)	63.2 (-11.6)	218.1 (-1.5)
	1996-97	91.7 (-27.5)	6.7 (+28.8)	15.4 (-33.6)	51.8 (-18.0)	165.6 (-24.1)
	1997-98 (P)	98.0 (+6.9)	25.0 (+273.1)	16.0 (+3.9)	111.0 (+114.3)	250.0 (+51.0)
Year-end stocks	1995-96	39.9 (+43.5)	16.6 (-13.1)	3.1 (+158.3)	17.5 (+15.1)	77.1 (+21.8)
	1996-97	23.4 (-41.4)	17.4 (+4.8)	2.5 (-19.4)	15.7 (-10.3)	59.0 (-23.5)
	1997-98 (P)	13.0 (-44.4)	11.4 (-34.5)	1.9 (-24.0)	16.8 (+7.0)	53.1 (-10.0)

P Provisional.

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

TABLE IV-33: Performance of Iron Ore Industry

(Lakh tonnes)

Item	April - March		
	1995-96	1996-97	1997-98(P)
1	2	3	4
1. Production	674 (+4.5)	682 (+1.2)	734 (+7.6)
2. Despatches for internal consumption	372 (+11.4)	382 (+2.7)	403 (+5.5)
3. Despatches for exports	281 (+7.7)	295 (+5.0)	311 (+5.4)
4. Year-end stocks	48 (+2.1)	47 (-2.1)	50 (+6.4)

P Provisional.

Note: Figures in brackets represent percentage variation over the previous year.**Source:** Indian Bureau of Mines, Government of India.**TABLE IV-34: Balance Sheet Of Sugar**

(Lakh tonnes)

Item	1995-96	1996-97	1996-97 (Oct- June)	1997-98 (Oct- June)
1	2	3	4	5
1. Opening Stock	55.98 (81.28)	79.02 (41.16)	79.02 (0.00)	65.22 (-17.46)
2. Production	164.52 (12.35)	129.05 (-21.56)	127.96 (-0.84)	126.62 (-1.05)
3. Import	—	—	—	1.30
4. Total Supply (1+2+3)	220.50 (22.97)	208.07 (-5.64)	206.98 (-0.52)	193.14 (-6.69)
5. Internal Consumption	131.27 (6.98)	138.66 (5.63)	105.05 (-24.24)	105.86* (0.77)
6. Exports	10.21 (1520.63)	4.19 (-58.96)	3.75 (—)	0.51 (-86.40)
7. Total off-take (5+6)	141.48 (14.72)	142.85 (0.97)	108.80 (-23.84)	106.37 (-2.23)
8. Closing Stock (4-7)	79.02 (41.16)	65.22 (-17.46)	98.18 (50.54)	86.77 (-11.62)

* Excluding about 5.50 lakh tonnes of imported sugar.

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

Table IV-35: Sugar Releases during 1995-96, 1996-97 and 1997-98 Seasons

(Lakh tonnes)

Month	1995-96			1996-97			1997-98		
	Levy	Free-sale	Total	Levy	Free-sale	Total	Levy	Free-sale	Total
1	2	3	4	5	6	7	8	9	10
October	4.03	8.30	12.33	4.25	8.50	12.75	4.16	9.00	13.16
November	3.60	7.50	11.10	4.06	8.00	12.06	3.71	8.00	11.71
December	3.49	6.80	10.29	4.13	8.00	12.13	3.73	7.25	10.98
January	3.69	6.50	10.19	4.11	6.50	10.61	4.00	7.25	11.25
February	3.70	6.25	9.95	3.77	7.00	10.77	3.72	7.25	10.97
March	3.72	6.25	9.97	3.70	7.00	10.70	3.70	7.25	10.95
April	3.70	6.60	10.30	3.70	7.00	10.70	3.69	7.25	10.94
May	3.71	7.25	10.96	3.68	8.00	11.68	3.69	7.75	11.44
June	3.73	7.90	11.63	3.68	8.00	11.68	3.69	7.75	11.44
July	3.73	7.25	10.98	3.74	7.50	11.24	3.69	7.50	11.19
August	3.75	7.25	11.00	3.75	7.50	11.25	3.69	7.50	11.19
September	4.31	7.25	11.56	4.02	7.50	11.52	3.69	7.50	11.19
Total	45.16	85.10	130.26	46.59	90.50	137.09	45.16	91.25	136.41
Monthly Avg.	3.76	7.09	10.86	3.88	7.54	11.42	3.76	7.60	11.37

Source: Indian Sugar Mills Association.

Table IV-36: Employment in Organised Sector

(Persons In lakhs)

At the end of	Public Sector					Private Sector	Total (6 + 7)	Women Employed out of Total	Percen- tage of Women to Total
	Central Govt.	State Govt.	Quasi Govt.	Local Bodies	Total (2 to 5)				
1	2	3	4	5	6	7	8	9	10
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)	41.54 (+3.2)	15.2
March 1995	33.95 (+0.1)	73.55 (+0.2)	65.20 (+0.1)	21.97 (-0.3)	194.66 (+0.1)	80.58 (+1.6)	275.25 (+0.5)	43.04 (+3.6)	15.6
March 1996	33.66 (-0.9)	74.14 (+0.8)	64.58 (-1.0)	21.92 (-0.2)	194.29 (-0.2)	85.12 (+5.6)	279.41 (+1.5)	44.26 (+2.8)	15.8
March 1997(P)	..	..	..	..	192.49 (-0.9)	86.61 (+1.8)	279.10 (-0.1)	46.13 (+4.2)	16.5

P Provisional.

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

CHAPTER V

Monetary Developments

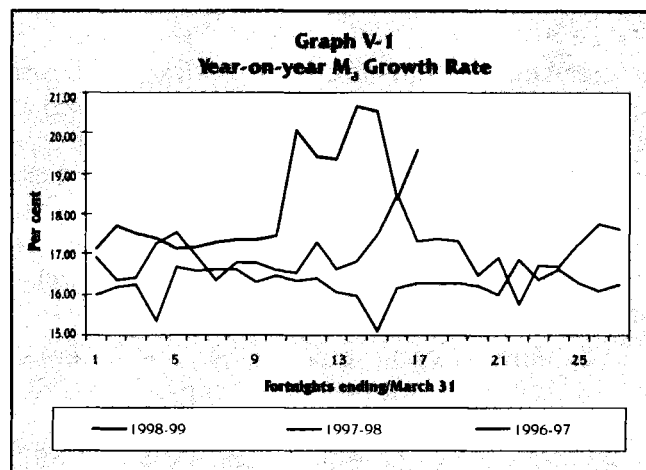
The pursuit of price stability and ensuring the availability of adequate credit to the productive sectors of the economy continue to remain the twin objectives of the conduct of monetary policy. The relative emphasis between the two, however, varies depending on the evolving price-output situation in any given year. In view of the low inflation rate, the primary concern of monetary policy during 1997-98 was to ensure conditions that enable sufficient credit to finance economic growth. The conduct of monetary policy faced a number of challenges as a result of the South-East Asian crisis and the consequent speculative forces in the foreign exchange market. The Reserve Bank had to undertake strong and effective monetary policy actions to ward off contagion effects and ensure orderly conditions in the money market and the foreign exchange market.

Monetary Survey

Broad money (M_3) expansion was higher at Rs.1,23,541 crore (17.6 per cent) in 1997-98 than that of Rs. 97,841 crore (16.2 per cent) recorded in 1996-97, partly reflecting the lagged effects of the sustained reductions in reserve requirements in the earlier year. On an annual average basis, the M_3 growth rate was also higher at 16.9 per cent in 1997-98 as compared with 16.3 per cent in 1996-97. While the M_3 growth rate exceeded the targeted range of 15.0 - 15.5 per cent envisaged for the year, it was nevertheless comparable to the long-run average rate of 17.2 per cent beginning 1981-82.

The year-on-year M_3 growth rates, on a fortnightly basis in 1997-98, were in alignment with those in 1996-97 barring October-November 1997 and March 1998 (Graph V-1).

The sharp increase in monetary growth was driven principally by the sustained increase in bank deposits. Aggregate deposits increased by Rs.1,10,035 crore or 19.4 per cent as



compared with an increase of Rs.84,162 crore or 17.4 per cent in 1996-97 essentially on account of a substantial accretion to scheduled commercial banks' time deposits (21.2 per cent). Scheduled commercial banks' time deposits growth in 1997-98 could be attributed to domestic factors such as the interest rate deregulation measures initiated by the Reserve Bank in respect of short-term time deposits, lack of alternate avenues for financial investments in view of sluggish capital market conditions and the increased risk perception *vis-a-vis* such competing deposit takers as non-bank financial companies (NBFCs). This was in contrast to that of the previous year when broad money expansion was driven by inflows under non-resident schemes. Partly reflecting the slowdown in real economic activity, currency expansion at Rs.13,095 crore (9.9 per cent) was lower as compared with that of Rs.13,829 crore (11.7 per cent) in the preceding year. The resultant narrow money expansion was lower at 11.1 per cent (Rs.26,607 crore) in 1997-98 than that of 12.0 per cent (Rs.25,780 crore) in 1996-97 (Table V-1 and Statements 36 and 37 of Vol. II).

Credit Aggregates

The monetary growth during 1997-98 was reflected in a substantial expansion of domestic credit. Net bank credit to the Government accelerated to 14.6 per cent (Rs.42,000 crore) in 1997-98 from 12.0 per cent (Rs.30,842

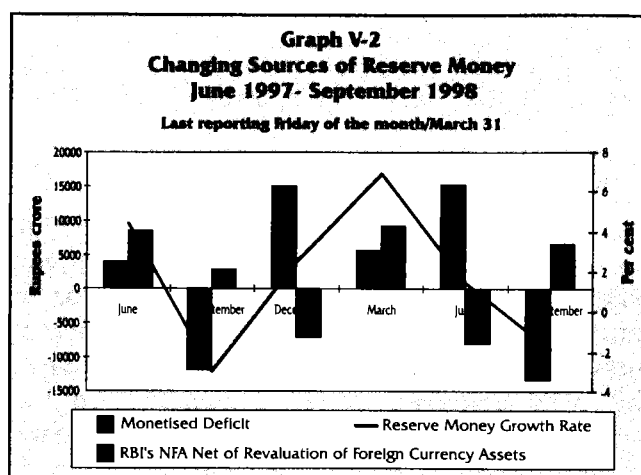
* This Chapter contains data up to November 20, 1998.

crore) in 1996-97 reflecting the increase in the gross fiscal deficit. While the scheduled commercial banks' incremental investments in government securities decelerated to 17.7 per cent (Rs.28,067 crore) from 20.2 per cent (Rs.26,662 crore) in 1996-97, the Centre's monetised deficit increased sharply from Rs.1,934 crore in 1996-97 to Rs.12,914 crore in 1997-98. Bank credit to commercial sector increased by Rs.55,882 crore (14.9 per cent) as against Rs.31,659 crore (9.2 per cent) in 1996-97 driven by the increase of Rs.40,789 crore (15.1 per cent) in scheduled commercial banks' non-food advances.

Scheduled commercial banks' incremental investments in money and capital market instruments issued by the corporate sector expanded nearly three-fold, *i.e.*, by Rs.13,653 crore in 1997-98 as compared with Rs.4,370 crore in the previous year. Thus, added to conventional non-food credit, the total non-food resource flow from scheduled commercial banks to the corporate sector amounted to Rs.54,442 crore in 1997-98 as against Rs.30,951 crore in 1996-97. In addition to the above, the commercial sector received funds from sources other than banks, *viz.*, bills rediscounted with financial institutions, capital issues, GDR issues, foreign currency convertible bonds and borrowings from financial institutions aggregating Rs.53,937 crore in 1997-98 as compared with Rs.57,486 crore in 1996-97. Additionally, there was a sharp increase in private placements amounting to Rs.27,069 crore in 1997-98 as compared with Rs.15,066 crore in 1996-97 (Table V-2).

Reserve Bank Survey

Reserve money enlarged significantly by Rs.26,248 crore (13.1 per cent) as compared with that of Rs.5,528 crore (2.8 per cent) in 1996-97. The modest increase of the monetary base in 1996-97, however, essentially reflected the four percentage point cut in cash reserve requirements (CRR) amounting to about Rs.17,850 crore. Scheduled commercial banks' balances with the Reserve Bank increased by Rs.11,948 crore in 1997-98 essentially due to substantial expansion in bank deposits in sharp contrast to the drawal of Rs.9,429 crore in 1996-97 as a result of CRR cuts. The expansion of primary liquidity emanated from sustained capital inflows in the first half of the year and



the increase in the monetised deficit in the second half of the year. Refinance utilisation by scheduled commercial banks was negligible for the larger part of the year barring January 1998 when tight money market conditions forced banks to seek accommodation from the Reserve Bank (Table V-1, Graph V-2 and Statements 39 and 40 of Vol. II).

With the phasing out of *ad hoc* Treasury Bills effective April 1, 1997, Government balances with the Reserve Bank over and above the statutory minimum daily balance which were previously used to retire *ad hocs* were invested in dated-securities purchased from the Reserve Bank. With Government balances recording large surpluses in the first half of the year, mainly on account of the success of the primary auctions, the Reserve Bank converted non-transferable 4.6 per cent special securities worth Rs.20,000 crore into marketable securities in four phases of Rs.5,000 crore each in the first half of the year in order to ensure that the Reserve Bank possessed an adequate stock of Government securities for purpose of open market operations, especially repos, to modulate liquidity conditions. As a result of strong money market support especially *via* 14-day Treasury Bills in the first half of the year, the Centre had no need to avail of ways and means advances (WMA) from the Reserve Bank between April 21, 1997 and February 7, 1998.

Changes in Sources of Reserve Money

The intra-year shifts in the monetary policy stance reflected the basic challenges of liquidity management faced by the Reserve Bank both in the context of its medium-term goal of switching over from direct to indirect controls

of monetary policy and its immediate concern for ensuring orderly movement of rates in the money market and the foreign exchange market. The intra-year movements in the monetised deficit emerged as a leading indicator of the liquidity conditions in the money market in 1997-98 especially as the Reserve Bank simultaneously used repos and 14-day Treasury Bill auctions as well as reverse repos with primary dealers (PDs) to provide a stable corridor of interest rates and the exchange rate throughout the year (Table V-3). Table V-4 presents the diverse impact of economic events on the monetised deficit during the year.

In the first half of the year, sustained capital inflows necessitated net Reserve Bank intervention with the view to prevent undue exchange rate appreciation and maintain external competitiveness. As a consequence, the Reserve Bank's net foreign assets registered an accretion of Rs.11,546 crore (adjusted for revaluation) in 1997-98 (up to September 19, 1997) as against Rs.5,546 crore in the corresponding half of 1996-97. The Reserve Bank sought to moderate the monetary impact of its accretion to foreign currency assets by divesting government securities especially as banks sought to invest the concomitant liquidity generated in government paper. Consequently, the Reserve Bank was able to complete the bulk of the Government's borrowing programme at relatively low interest rates in the first half of the year. As a result of the market off-take of government paper as reflected in scheduled commercial banks' incremental investments in government securities which amounted to a whopping Rs.22,765 crore in the first half of 1997-98, the monetised deficit recorded a surplus of Rs.7,731 crore over the same period. In fact, the monetised deficit recorded a peak surplus of Rs.10,255 crore on August 29, 1997.

This situation changed completely in the beginning of the second half of the year as the foreign exchange market came under pressure necessitating the sales of US dollar by the Reserve Bank. This resulted in a depletion of the Reserve Bank's net foreign assets by Rs. 7,150 crore (adjusted for revaluation) in the third quarter of 1997-98. With a view to preventing possible spillovers from the domestic money market to the foreign exchange market,

the Reserve Bank sucked out liquidity from the system by not only deferring pre-announced CRR cuts effective November 28, 1997 but also raising reserve requirements by 0.5 percentage point each effective December 6, 1997 and January 17, 1998, as well as reducing refinance limits available to scheduled commercial banks effective January 17, 1998. Further, in order to attract funds away from the foreign exchange market, the Reserve Bank initiated fixed rate repos auctions beginning November 28, 1997 raising the rate to 7 per cent on December 11, 1997 and further to 9 per cent on January 17, 1998. Besides, the Bank Rate was raised by two percentage points effective January 17, 1998.

With the turnaround in capital inflows in March 1998, resulting in the accretion of Rs.7,938 crore (adjusted for revaluation) in the Reserve Bank's net foreign assets, the Reserve Bank began cautiously rolling back the measures of tightening liquidity it had undertaken in December 1997 and January 1998 by reducing the fixed rate for repos auctions effective March 18, 1998, lowering the Bank Rate effective March 19, 1998 and reducing reserve requirements in two phases of 25 basis points each effective March 28 and April 11, 1998.

Select Monetary Ratios

The broad money (M_3) multiplier increased to 3.65 by end-March 1998 from 3.51 in March 1997 and 3.11 in March 1996 reflecting i) the strong deposit growth in the past two years and ii) CRR cuts in 1996-97. The increase in the M_3 multiplier can be explained in terms of the movements of its proximate determinants, viz., the currency deposit ratio (c) and the reserves deposit ratio (r) (Table V-5). The ratio of currency to aggregate deposits (C/AD) declined to a historic low of 0.21 in end-March 1998 from 0.23 in March 1997 and 0.25 in March 1996. There has been a noticeable substitution of currency with time deposits since 1995-96 with the ratio of currency to time deposits declining to 0.26 in March 1998 from 0.30 in March 1997. This shift in liquidity preference partly reflect the twin effects of i) reduced demand for transactions balances and ii) the increased opportunity cost of holding liquid resources as seen from the reduction in

the minimum maturity period of term deposit and from deregulation of interest rates. The relatively high financial intermediation also reflects the position in regard to evolving institutional mechanisms that are traditionally available as alternatives for holding of assets and the movement in the prices of alternative assets. The ratio of bank reserves to aggregate deposits (BR/AD) remained stable in 1997-98 in contrast to its sharp decline by four basis points in 1996-97 from 0.15 in March 1996 to 0.11 in March 1997 on account of the four percentage point reduction in reserve requirements. The income velocity of money fell marginally to 1.87 in 1997-98 from 1.97 in 1996-97 in line with its long-term behaviour (Statement 41 of Vol.II).

Monetary Trends during 1998-99 (up to November 20, 1998)

Broad money (M_3) registered a strong expansion of Rs.92,231 crore (11.2 per cent) during 1998-99 (up to November 20, 1998) as compared with an increase of Rs.65,760 crore (9.4 per cent) during the corresponding period of the previous year, partly reflecting the proceeds on account of Resurgent India Bonds (RIBs) (Rs.17,945 crore). The annual year-on-year M_3 growth rate was consequently, much higher at 19.5 per cent as on November 20, 1998 than that of 17.3 per cent as on November 21, 1997. Excluding RIB proceeds, the year-on-year broad money expansion stood at 17.2 per cent (Table V-1).

Net bank credit to the Government increased substantially by Rs.48,137 crore or 14.6 per cent during 1998-99 (up to November 20) as against Rs.29,669 crore or 10.3 per cent in the corresponding period of the previous year essentially reflecting the large borrowing programme of the Central Government. Bank credit to the commercial sector showed a comparable increase of Rs.13,542 crore as compared with Rs.10,261 crore during 1997-98 (up to November 21, 1997).

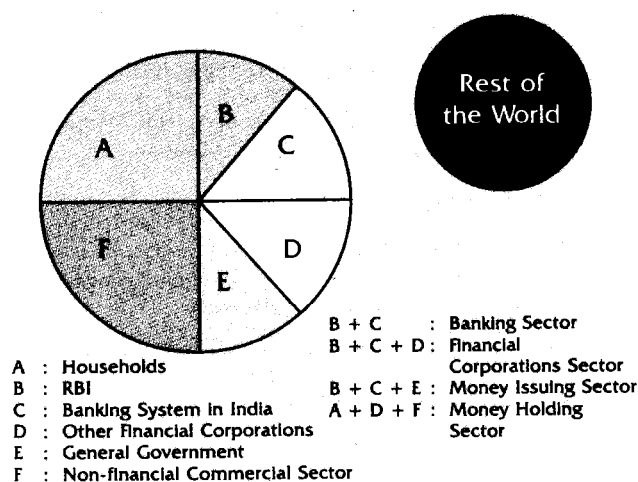
Reserve money increased by Rs.15,706 crore or 6.9 per cent during the current financial year (up to November 20, 1998) as against an increase of Rs.6,425 crore or 3.2 per cent during the corresponding period of 1997-98 (Table V-1).

The thrust to primary liquidity emanated essentially from an enlargement of the monetised deficit till mid-August 1998 and thereafter from RIB inflows. While there was a sharp decline in the Reserve Bank's net foreign assets (Rs.9,922 crore) till August 14, 1998, the monetised deficit increased by Rs.11,298 crore driven by the Reserve Bank's substantial support to the Central Government's borrowing programme (Rs.17,234 crore). As a result of renewed exchange rate volatility in early August 1998, the Reserve Bank was forced to resort to a three percentage point hike in the repo rate effective August 21, 1998 and a temporary one percentage point hike in reserve requirements effective August 21, 1998 in order to, once again, suck out domestic liquidity and prevent spill overs into the foreign exchange market. With the export credit refinance rates having been reduced to 7.0 per cent effective August 6, 1998, scheduled commercial banks' refinance utilisation increased after August 21, 1998 as comparative money market rates ruled higher than such refinance rates. However, RIB inflows from August 21, 1998 onwards pushed up the RBI's net foreign assets by Rs.7,186 crore (adjusted for revaluation) between August 14-September 25, 1998 with the resultant liquidity renewing market off-take of government paper and thus reducing the monetised deficit by Rs.9,442 crore.

The Working Group on Money Supply

The Working Group on Money Supply : Analytics and Methodology of Compilation (Chairman : Dr. Y.V. Reddy) was set up in December 1997 to examine the analytical aspects of the monetary survey in the light of the changing dimensions and depth of the financial sector consequent on financial sector reforms. The Group submitted its report in consonance with the international best practice of money supply compilation in June 1998. The major terms of reference of the Group were : (a) to examine the adequacy of the existing money stock measures for appropriately reflecting the liquidity in the economic system; (b) to suggest improvements in the existing reporting systems and to recommend new reporting systems; and (c) to suggest suitable arrangements for effecting transition from the existing system of reporting, compilation and

Graph V-3
Sectorisation of Monetary and Financial Accounts



dissemination of data to the recommended system.

The Working Group has recommended the division of the domestic into four exclusive sectors *viz.*, i) households, ii) non-financial commercial sector, iii) general government and iv) financial corporations. In addition, non-residents would constitute the 'rest of the world sector' which can have transactions with any of the domestic sectors. The financial corporation sector would include i) the banking sector comprising the Reserve Bank of India and the banking system in India and ii) other financial corporations comprising a) development financial institutions including term-lending and refinancing institutions, b) insurance companies, c) mutual funds and d) non-banking financial companies accepting public deposits (Graph V-3).

The Working Group has proposed to strengthen the statistical system in order to enlarge the coverage of financial statistics beyond the traditional confines of the banking sector. Accordingly, the Report proposed compilation of comprehensive analytical surveys of the Reserve Bank of India, commercial and co-operative banks and the organised financial sector at regular intervals. Four monetary aggregates would be compiled on the basis of the balance sheet of the banking sector in conformity with the norm of progressivity in terms of liquidity: M_0 (monetary base), M_1 (narrow money), M_2 and M_3 (broad money). Further, three liquidity aggregates in order of

progressivity *viz.*, L_1 , L_2 and L_3 – have been proposed incorporating deposits with post office savings banks, term-deposits, term-borrowings and certificates of deposits of term-lending and refinancing institutions (FIs) and public deposits of NBFCs on an aggregation basis. Finally, the Group has proposed the compilation of a comprehensive quarterly financial sector survey to capture the dynamic inter-linkages between the banking sector and the rest of the organised financial sector (Box V.1).

Furthermore, the definition of bank credit to the commercial sector has been broadened by including items not reflected in the conventional bank credit, *viz.* banks' investments in securities, such as commercial paper, shares, debentures and bonds issued by the commercial sector. Net foreign currency assets of the banking system was redefined to comprise the banks' holdings of foreign currency assets net of (i) their non-resident fixed foreign currency deposits such as FCNR (B) deposits and Resurgent India Bonds (RIBs) and (ii) foreign currency borrowings.

The Working Group has expanded the fortnightly data reporting system for scheduled commercial banks under the Section 42(2) of the RBI Act in order to incorporate data on i) investments in the money market and capital market instruments, ii) net foreign currency exposure of banks and iii) revaluation effects as a result of price and exchange rate changes.

The Working Group has attempted to reduce reporting delays as regards co-operative banks to one month for the larger co-operative banks and to three months for the other banks by calling for advance data from a sample of major co-operative banks.

The Working Group has suggested that a proper assessment of monetary conditions could be made by averaging the data for the fortnights of the financial year. It also proposes to publish deseasonalised monetary aggregates in the Weekly Statistical Supplement (WSS) to the Bulletin of the Reserve Bank on a regular month-end basis.

The Working Group has recommended that scheduled banks should be encouraged to

Box V.1 : Measures of Financial Aggregates

A. Monetary Aggregates

Weekly Compilation

M_0 = Currency in Circulation + Bankers' Deposits with the RBI + 'Other' Deposits with the RBI.

Fortnightly Compilation

M_1 = Currency with the Public + Demand Deposits with the Banking System + 'Other' Deposits with the RBI = Currency with the Public + Current Deposits with the Banking System + Demand Liabilities portion of Savings Deposits with the Banking System + 'Other' Deposits with the RBI.

M_2 = M_1 + Time Liabilities portion of Savings Deposits with the Banking System + Certificates of Deposit Issued by Banks + Term-Deposits (excluding FCNR(B) deposits) with a contractual maturity of up to and including one year with the Banking System = Currency with the Public + Current Deposits with the Banking System + Savings Deposits with the Banking System + Certificates of Deposits issued by Banks + Term-Deposits (excluding FCNR(B) deposits) with a contractual maturity up to and

including one year with the Banking System.

M_3 = M_2 + Term Deposits (excluding FCNR(B) deposits) with a contractual maturity of over one year with the Banking System + Call borrowings from 'Non-Depository' Financial Corporations by the Banking System.

B. Liquidity Aggregates

Monthly compilation

L_1 = M_3 + all Deposits with the Post Office Savings Banks (excluding National Savings Certificates).

L_2 = L_1 + Term-Deposits with Term-Lending Institutions and Refinancing Institutions (FIs) + Term-Borrowing by FIs Certificates of Deposit issued by FIs.

Quarterly Compilation

L_3 = L_2 + Public Deposits of Non-Banking Financial Companies.

C. Financial Sector Survey (FSS) = Aggregate Assets and Liabilities of the Financial Corporations.

transmit fortnightly data to the Reserve Bank via the VSAT network. It has suggested that the data gathering work relating to monetary/financial aggregates to be completely computerised in the Department of Economic Analysis and Policy (DEAP) of the Reserve Bank on user friendly and versatile information technology platforms.

Issue of Coins and Notes

The following commemorative coins were issued during April 1997- September 1998 :

(a) Coins of one Rupee bearing the image of Cellular Jail, Port Blair in December 1997.

The following notes in the new series (Mahatma Gandhi Design) bearing the signature of Dr. C.Rangarajan, the then Governor and Dr. Bimal Jalan, Governor, were issued during the year ended March 1998 and the half year ended September 1998:

A. Bearing the signature of Dr. C.Rangarajan, the then Governor

- (a) Rs. 10/- with capital letter 'M' inset in numbering panels in October 1997.
- (b) Rs. 20/- (Existing Design) with capital letter 'C' inset in numbering panels in numbering panels in December 1997.

(c) Rs. 500/- without inset in numbering panels in October 1997.

B. Bearing the signature of Dr. Bimal Jalan, Governor

- (a) Rs. 10/- with capital letter 'N' and 'R' inset in numbering panels in April and June 1998, respectively.
- (b) Rs. 500/- without inset in numbering panels in June 1998.

Lost, Destroyed and Mutilated Notes

During the year 1997-98, claims numbering 1.55 lakh (1.13 lakh claims in 1996-97) were received from various offices of the Reserve Bank with respect to mutilated notes involving 306.3 lakh pieces (316.8 lakh pieces last year) valued at Rs.20.5 crore (Rs.21.1 crore last year). Claims approved for payment amounted to Rs.24.6 crore which was lower than the approved claims of Rs.32.6 crore in 1996-97.

The aggregate value of claims received at all banks comprising the Reserve Bank of India, the State Bank of India and its Associates and other public sector banks amounted to Rs.71.3 crore (Rs.59.5 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 continued to be high at 31.0 per cent in 1997-98. The share of claims received by the SBI Group increased from 22.7 per cent in 1996-97 to 29.2 per cent in 1997-98 while that of other public sector banks declined to 31.8 per cent. The SBI Group and other public sector banks together accounted for 65.5 per cent of the amount approved for payment.

Note Forgeries

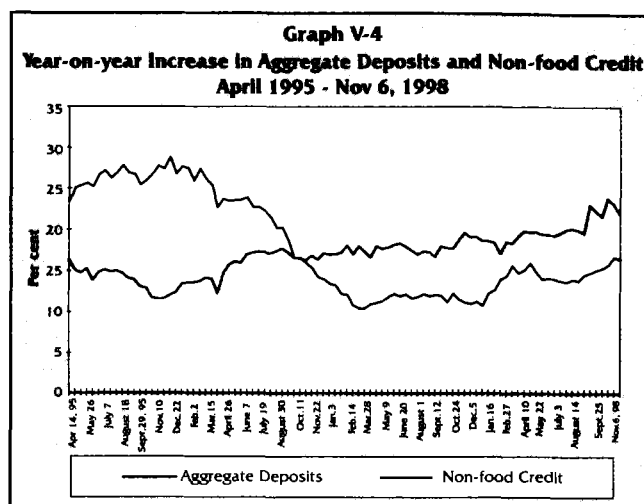
According to information received from National Crime Records Bureau, New Delhi and compiled within the Reserve Bank, the volume of forged/counterfeit notes in circulation decreased in 1997-98. The total number of forged/counterfeit notes in circulation increased from 11,533 pieces in 1996-97 to 23,358 pieces in 1997-98. The value of forged notes detected rose from Rs.11.36 lakh in 1996-97 to Rs.38.16 lakh in 1997-98.

Banking Developments*

All Scheduled Commercial Banks

The operations of scheduled commercial banks during 1997-98 were characterised by a strong growth in deposits for the second year in succession coupled with an acceleration in credit expansion (Table V-6 and Graph V-4). The aggregate deposits of scheduled commercial banks expanded by Rs.99,811 crore (19.7 per cent) during 1997-98 which was not only higher than the increase of Rs.71,780 crore (16.5 per cent) during the previous year, but also exceeded the targeted expansion of Rs.80,000 crore (15.8 per cent). The deposits growth in 1997-98 was spearheaded by a sharp increase in time deposits, reflecting the lagged impact of the 4 percentage point cut in cash reserve ratio (CRR) during the period October 1996 to January 1997, interest rate deregulation on short-term domestic deposits in October 1997, abolition of incremental CRR on liabilities under NRE and NRNR deposits in December 1997 and the increased risk perception of agents to some of the alternatives to bank deposits.

* For full scale details, readers may refer to *Report on Trend and Progress of Banking in India, 1997-98*, brought out as a supplement to the Reserve Bank of India Bulletin, November 1998.



Bank Credit

Bank credit increased by Rs.45,678 crore (16.4 per cent) in 1997-98 as compared with Rs.24,386 crore (9.6 per cent) in 1996-97; its growth rate in 1997-98 was, however, lower than the average rate of 19.5 per cent recorded in the preceding three years. While non-food credit increased by Rs.40,789 crore (15.1 per cent) during 1997-98 as compared with Rs.26,581 crore (10.9 per cent) in 1996-97, food credit increased sharply by Rs.4,889 crore (64.4 per cent) during 1997-98 in contrast to a decline of Rs.2,195 crore (22.4 per cent) during 1996-97 mainly on account of larger procurement of wheat and rice. As a result, the incremental credit-deposit ratio rose from 34.0 per cent during 1996-97 to 45.8 per cent during 1997-98.

Investments

Scheduled commercial banks' investments in government and other approved securities increased by Rs.28,192 crore (14.8 per cent) as compared with an increase of Rs.25,731 crore (15.6 per cent) in the previous year. Investments in government securities increased by Rs.28,067 crore (17.7 per cent) as compared with a rise of Rs.26,662 crore (20.2 per cent) during 1996-97. Investments in other approved securities, however, witnessed a turnaround, registering a moderate increase of Rs.124 crore (0.4 per cent) in contrast to a decline of Rs.932 crore (2.9 per cent) in 1997-98. The pick-up in non-food credit during the second half of 1997-98 coupled with lower yields in the

government securities in the secondary markets resulted in a compositional shift of banking resources away from these securities. As a consequence, the incremental investment-deposit ratio fell to 28.2 per cent as at the end of March 1998 from 35.8 per cent as at the end of March 1997. However, government securities continued to serve as an alternative and risk free avenue for banks to park their surplus funds as banks continued to hold SLR securities in excess of their statutory requirements.

Disaggregated Bank Group-wise Analysis

Banking operations at the disaggregated level during 1997-98 were marked by an encouraging performance by the SBI Group and the nationalised banks in terms of their share in the overall deposit mobilisation and credit disbursal during 1997-98. However, as regards the share in the incremental investments in government securities, the foreign banks, RRBs and the Indian private banks exhibited increases, while the SBI Group and the nationalised banks witnessed declines. The SBI group's share in aggregate deposits increased by 3.4 percentage points over the previous year to 24.8 per cent in 1997-98. The share of the nationalised banks increased from 49.4 per cent to 51.2 per cent over the same period. The share of Indian private banks in deposit mobilisation declined marginally from 15.9 per cent in 1996-97 to 14.4 per cent in 1997-98, while that of foreign banks decreased from 8.3 per cent to 5.6 per cent over the year. The share of RRBs also declined from 5.0 per cent to 4.0 per cent (Table V-7). On the credit side, the share of the SBI Group increased by 1.3 percentage points to 25.1 per cent and that of the nationalised banks registered a substantial increase of 20.5 percentage points to 51.7 per cent during 1997-98. The share of Indian private banks declined significantly from 22.0 per cent in 1996-97 to 14.3 per cent in 1997-98. The shares of foreign banks and RRBs decreased significantly from 17.9 per cent and 5.2 per cent to 6.3 per cent and 2.5 per cent, respectively.

However, the share of Indian private sector banks' investments in government securities increased marginally by 1.0 percentage point to 16.8 per cent during 1997-98. Similarly, the

foreign banks and the RRBs increased their respective shares from 7.7 per cent and (-) 0.5 per cent to 10.9 per cent and 1.0 per cent, respectively. The shares of nationalised banks and SBI Group, on the other hand, declined from 52.1 per cent and 24.9 per cent to 51.0 per cent and 20.3 per cent, respectively.

Trends during 1998-99 (up to November 20, 1998)

Continuing with its expansionary behaviour in the previous year, aggregate deposits expanded by Rs.72,597 crore (12.0 per cent) during 1998-99 (up to November 20, 1998) as compared with a rise of Rs.48,312 crore (9.6 per cent) during the comparable half of the previous year partly reflecting RIB inflows. Bank credit recorded a higher increase of Rs.12,045 crore (3.7 per cent) as compared with Rs.7,916 crore (2.8 per cent) during the corresponding half of the previous year. Non-food credit increased by Rs.7,828 crore (2.5 per cent) as compared with the increase of Rs.3,944 crore (1.5 per cent) in the corresponding period of 1997-98. On the other hand, there was a substantial pick up of food credit by Rs.4,217 crore (33.8 per cent) in view of the sharp increase in the procurement of wheat as compared with the increase of Rs.3,972 crore (52.3 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) accounting for 90-95 per cent of bank credit of all scheduled commercial banks, indicate a sharp expansion of Rs.41,292 crore during 1997-98 as compared with that of Rs.27,131 crore during 1996-97 (Statement 69 of Vol.II).

There was a significant increase in gross bank credit to industries by Rs.22,490 crore in 1997-98 as compared with an increase of Rs.13,611 crore in the previous year. While credit to medium and large industries increased by Rs.14,926 crore during 1997-98 as compared with the increase of Rs.9,551 crore during 1996-97, that of small-scale industries increased by Rs.7,564 crore in 1997-98 as compared to an increase of Rs.4,060 crore during the previous year. Industry-wise, the

expansion was widespread with iron and steel, petroleum, electricity and cotton textiles and especially chemicals recording sizeable credit expansion during 1997-98 relative to the previous year. On the other hand, while a marginal deceleration was witnessed by only a few industries like other textiles, food processing, vegetable oils (including vanaspati) and paper and paper products; it was the most pronounced in the case of other metal and metal products group (Statement 76 of Vol.II). Reflective of these movements, the share of medium and large industries in non-food gross bank credit increased from 32.6 per cent in 1996-97 to 39.6 per cent in 1997-98.

Advances to Priority Sector

Public Sector Banks

Advances extended by public sector banks to priority sector increased by Rs.12,188 crore from Rs.79,131 crore as at end-March 1997 to Rs.91,319 crore as at end-March 1998 registering a growth of 15.4 per cent over the year. As a ratio of net bank credit, it increased marginally from 41.7 per cent as at end-March 1997 to 41.8 per cent at end-March 1998 surpassing the stipulated target of 40 per cent (Table V-8). However, the advances to the agricultural sector decreased from 16.3 per cent (Rs.31,012 crore) as at end-March 1997 to 15.7 per cent (Rs.34,304 crore) as at end-March 1998. At this level, it fell short of the stipulated priority sector lending sub-target of 18 per cent by 2.3 percentage points. In absolute terms, the total advances to weaker sections provided by the public sector banks increased from Rs.16,577 crore as at end-March 1997 (8.7 per cent of net bank credit) to Rs.18,881 crore as at end-March 1998 (8.6 per cent of net bank credit). At this level, it also fell short of the target of 10 per cent by 1.4 percentage points.

Private Sector Banks

The private sector banks' advances to priority sector increased from Rs.8,831 crore as at end-March 1997 to Rs.11,614 crore as at end-March 1998. As a ratio of net bank credit, however, it decreased from 41.2 per cent to 40.9 per cent, *albeit* higher than the priority sector lending target of 40 per cent. In absolute terms, the priority sector advances of foreign banks stood higher at Rs.6,940 crore as at end-

March 1998 (34.3 per cent of net bank credit) as compared with Rs.6,170 crore at end-March 1997 (37.4 per cent of net bank credit). However, the priority sector advances of foreign banks continued to exceed the priority sector lending target of 32 per cent of net bank credit, as applicable to them.

Composition of Priority Sector Advances

Priority sector advances by public sector banks underwent compositional changes during 1997-98; while the share of agricultural advances decreased by 1.6 percentage points, that of small scale industries increased by 1.8 percentage points (Statement 72 of Vol.II).

Export Credit

Export credit extended by scheduled commercial banks increased from Rs.30,112 crore (10.9 per cent of net bank credit) at end-March 1997 to Rs.34,430 crore (10.7 per cent of net bank credit) at end-March 1998 as against the target of 12 per cent set for 1997-98 which could not be realised owing to the sluggish export growth during the year. Export credit stood at Rs.34,956 crore (11.0 per cent of net bank credit) as on the last reporting Friday of June 1998 (Table V-9).

Consequent upon the rationalisation of the export credit refinance formula in April 1997 and the reduction in the export credit refinance limit on January 16, 1998, export credit refinance limits of banks declined by Rs.4,251 crore from Rs.6,654 crore (26.1 per cent of export credit eligible for refinance) as at end-March 1997 to Rs.2,403 crore (8.4 per cent of export credit eligible for refinance) as at end-March 1998. However, with the restoration of the refinance limits in April 1998, the export credit refinance limits of banks increased to Rs.5,380 crore (18.4 per cent of export credit eligible for refinance) as at end-June 1998 (Table V-9). Owing to the easy liquidity conditions, banks' dependence on the Reserve Bank's refinance window, however, was considerably low throughout 1997-98 and 1998-99 (up to June 1998) – the refinance utilisation by the scheduled commercial banks decreased marginally from Rs.560 crore in March 1997 to Rs.395 crore in March 1998 but subsequently increased to Rs.755 crore by June 1998.

General Refinance Facility

The general refinance facility was introduced in April 1997 amounting to 1.0 per cent of each bank's fortnightly average aggregate deposits in 1996-97. Subsequently, the limit was reduced to 0.25 per cent in mid-January 1998 as a part of the monetary policy measures to stem the volatility in the foreign exchange market. The amount outstanding under this facility as at end-March 1998 and as at end-June 1998 were negligible on account of the comfortable money market conditions.

Indian Banks Abroad

The total number of foreign branches of Indian banks (eight public sector and one private sector bank) remained at 98 during 1997-98 with opening up of a new branch by Bank of Baroda and the merging of the UCO Bank branch at Tanjong Pagar with the Singapore main branch, while the number of representative offices increased to 15 from 14 with the opening of a representative office by the SBI in Shanghai, China. As at the end of March 1998, the number of wholly-owned subsidiaries (including three deposit taking companies) remained at eleven and the number of joint ventures/banks/affiliates remained at seven.

Foreign Banks operating in India

During the year 1997-98 (July-June), the number of foreign banks operating in India increased from 41 to 42 and the branches from 181 to 186. With the opening of one representative office and the closure of one, the number of representative offices of foreign banks remained at 27.

Regional Rural Banks

The number of Regional Rural Banks (RRBs) remained unchanged at 196 during 1997-98. The aggregate deposits of RRBs increased by Rs.4,006 crore (23.6 per cent) during 1997-98 as compared with an increase of Rs.3,601 crore (26.9 per cent) during the previous year. The advances of RRBs registered an increase of Rs.1,143 crore (13.4 per cent) as compared with that of Rs.1,255 crore (17.2 per cent) during 1996-97 (Statement 73 of Vol.II).

Special Programmes

The various social sector schemes for employment generation and poverty alleviation

continue to be an essential feature of the country's development strategy. The targets and achievements under these schemes during 1995-96 to 1997-98 are presented in Annexure 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 in urban areas. The number of PCBs at the end of March 1998, stood at 1,811 as against 1,653 a year ago. Of the 1,811 banks, nearly 75 per cent are located in four states, namely, Gujarat, Karnataka, Maharashtra and Tamil Nadu accounting for about 86 per cent of the total deposits and advances of PCBs. At the end of March 1998, the number of licensed PCBs rose to 1,556 from 1,378 a year ago. The number of offices of PCBs moved upto 5,229 at the end of March 1998 from 4,781 at the end of March 1997. Deposits of PCBs aggregated Rs.38,472 crore at the end of March 1998 from Rs.30,714 crore at the end of March 1997. Their outstanding advances rose to Rs.26,455 crore at the end of March 1998 from Rs.21,550 crore at the end of March 1997 (Table V-10). During 1996-97, of the 1,445 PCBs reported to the 16 regional offices of the Reserve Bank, 1,221 made profit and 224 made losses. Mumbai with 324 PCBs making profits and 62 making losses, was ahead of all other regional centres (Table V-11).

Refinance Facilities

The Reserve Bank continued to extend refinance facilities at the Bank Rate to the eligible PCBs against their advances to tiny/cottage industrial units. During 1997-98, short-term credit limits aggregating Rs.4.62 crore were sanctioned to the state co-operative banks on behalf of 3 PCBs.

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 1997, of the 1,003 PCBs for which information is now available in this regard, 831 had achieved the target.

Interest Rates on Export Credit of Primary Co-operative Banks (Effective August 6, 1998)

	(Per cent per annum)	
	Rate of Interest upto August 5, 1998	Rate of interest effective August 6, 1998 and upto March 31, 1999
(1) Pre-Shipment Credit		
(i) (a) Upto 180 days	11.0	9.0
(b) Beyond 180 days and upto 270 days	14.0	12.0
(ii) Against incentives receivable from Government covered by ECGC Guarantee (upto 90 days)	11.0	9.0
(2) Post-Shipment Credit		
(i) Demand bills for transit period (As specified by FEDAI)	11.0 (Not exceeding)	9.0
(ii) Usance Bills #		
(a) Upto 90 days	11.0 (Not exceeding)	9.0
(b) Beyond 90 days and upto six months from the date of shipment	13.0	11.0
(iii) Against incentives receivable from Government covered by ECGC Guarantee (upto 90 days)	11.0 (Not exceeding)	9.0
(iv) Against undrawn balance (upto 90 days)	11.0 (Not exceeding)	9.0
(v) Against retention money [for suppliers portion only payable within one year from the date of shipment (upto 90 days)]	11.0 (Not exceeding)	9.0
(3) Deferred Credit		
Deferred credit for the period beyond 180 days	Free*	Free*
(4) Export Credit Not Otherwise Specified		
(a) Pre-shipment Credit	Free*	Free*
(b) Post-shipment Credit	20.0 (minimum)	20.0 (minimum)

Note :

: For total period comprising usance period of export bills, transit period as specified by FEDAI, and grace period wherever applicable

* : Banks are free to decide the rate of interest to be charged.

Weak and Non-viable Banks

The number of weak and non-viable PCBs stood at 242 at the end of March 1997, as against 222 at the end of March 1996 following erosion of capital base and part of deposits, unsustainable level of non-performing assets, accumulated losses and non-attainment of viability standards. At the end of March 1998, there were 26 PCBs which were issued directions under Section 35A of Banking Regulation Act, 1949.

Loans System for Delivery of Bank Credit

Effective October 21, 1997, it was decided to prescribe a uniform level of 'loan component'

for borrowers with working capital (fund-based) credit limit of Rs.10 crore and above from the banking system. The minimum level of 'loan component' in such cases shall be 80 per cent and it shall rest at this level. If, however, a borrower desires to avail of a higher percentage of 'loan component', this can be agreed to by the bank. In the case of borrowers with working capital (fund-based) 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 the 'cash credit component.' The actual percentage of 'loan component' in these cases may be settled by bank in consultation with borrower clients.

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. Interest rates on pre-shipment and post-shipment rupee export credit have been revised a number of times, the latest one being with effect from August 6, 1998. From April 1, 1999, the interest rates applicable prior to August 6, 1998 will come into force automatically unless notified otherwise. The revised interest rates are as follows:

Deposit Rates

During 1997-98, in alignment with the interest rates on deposits of commercial banks, the interest rates on deposits of PCBs have been revised. Effective October 21, 1997, the PCBs were given freedom to fix their own interest rates on domestic term deposits of 30 days and over. Effective April 29, 1998, the minimum period of maturity of domestic term deposits has been reduced from 30 days to 15 days and banks have been given the freedom to fix the interest rates on term deposits above 15 days. Further, it has been decided to offer discretion to banks to offer differential rates of interest on domestic term deposits of the same maturity, subject to the following conditions: (i) it will apply to domestic term deposits of Rs.15 lakh and above; (ii) banks should disclose in advance the schedule of interest rates payable on deposits including deposits on which differential interest will be paid. Interest rates paid by the bank should be as per the schedule and not subject to negotiation between the depositor and the bank; and (iii) the Boards of the banks should lay down a policy in this regard. However, there was no change in the interest rates on current account (maximum of 0.5 per cent) and saving deposits (4.5 per cent and an additional one per cent at the discretion of the bank).

Effective September 12, 1997, the interest rates on Non-Resident External (NRE) term deposits of six months and over have been freed.

Non-Performing Assets

The gross non-performing assets of PCBs as a proportion of total advances increased marginally from 12.95 per cent in March 1996 to 13.29 per cent in March 1997. However, it declined to 11.00 per cent in March 1998 as shown in the Table V-12.

Selective Credit Controls

Selective credit controls, which are basically short-term measures, had 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. With sweeping relaxations effected during 1996-97 on account of favourable commodity balances and prices, all the agro-based sensitive commodities which were earlier subject to selective credit control stipulations and exempt from the control provisions, effective October 21, 1996, continued to be exempt from the purview of selective credit controls during the current year as well, except buffer stock and unreleased stocks of sugar with the sugar mills. The banks are, therefore, free to fix prudential margins on advances against sensitive commodities. The minimum margin on the unreleased stocks of sugar continued to be at 15 per cent while the buffer stock was not subjected to any margin as hitherto. However, during the beginning of the current financial year, in the context of a temporary imbalance in the supply and price situation of wheat, the commodity was brought back under the control stipulations for a limited period of 3 months, i.e. from April 8, 1997 to July 7, 1997.

2. In the case of unreleased stocks of sugar with the sugar mills, which contain both the 'levy' and 'free sale' segments of stocks with the sugar mills, differential margins were stipulated for these stocks, effective October 22, 1997, as against a uniform margin of 15 per cent on all the unreleased stocks. Accordingly, the minimum margin on 'levy' stock was prescribed lower at 10 per cent than that of 15 per cent margin on free sale sugar stocks as the levy sugar is valued at the Government notified price and is not subject to price fluctuations.

3. The structure of minimum margins as existed from October 21, 1996 and from October 22, 1997 is presented in Table V-13. Scheduled Commercial Banks' outstanding advances against agro-based sensitive commodities are set out in Table V-14. Security-wise advances to mills/factories and industrial users as a percentage to total credit against sensitive commodities are indicated in Table V-15. The provisions of the directive on selective credit control in respect of sugar as applicable on October 22, 1997 are presented in Annexure III.

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 (LAMPSs), farmers' service societies (FSSs) and state co-operative agriculture and rural development banks (SCARDBs)], scheduled commercial banks, RRBs and state governments, during the Eighth Five Year Plan (1992-93 to 1996-97) increased from Rs.11,199.0 crore in the beginning of 1992-93 to Rs.25,498.7 crore at the end of 1996-97 at an annual compound growth rate of 17.9 per cent. The corresponding growth of loans issued during the Seventh Five Year Plan (1985-86 to 1989-90) was from Rs. 6,166.8 crore in the beginning of 1985-86 to Rs.10,628.2 crore at the end of 1989-90 at an annual compound growth rate of 11.5 per cent. The cumulative disbursement of total loans during the Eighth Five Year Plan was Rs. 95,102.5 crore as against Rs. 44,085.4 crore during the Seventh Five Year Plan.

During 1996-97, total direct institutional loans issued by all the above institutions rose by Rs.2,210.8 crore (9.5 per cent) to Rs.25,498.7 crore from Rs.23,287.9 crore during the previous year. Total short-term loans issued during 1996-97 increased by Rs.1,440.0 crore (9.9 per cent) to Rs.16,028.3 crore from Rs.14,588.3 crore a year ago. The growth of term loans issued during 1996-97 was lower at 8.9 per cent from Rs.8,699.6 crore in 1995-96 to Rs.9,470.4 crore in 1996-97. As

regards outstanding loans of these institutions, the amount went up to Rs.51,529.2 crore at the end of March 1997 from Rs.45,855.7 crore a year ago, thereby recording a rise of 12.4 per cent over the year (Table V-16).

During the period 1993-94 to 1996-97, while the share of co-operatives and state governments in direct institutional credit disbursed for agriculture and allied activities declined, that of scheduled commercial banks and RRBs increased.

The share of co-operatives in direct institutional credit disbursed for agriculture and allied activities declined steadily from 56.5 per cent in 1993-94 to 49.1 per cent in 1996-97. However, in absolute terms, these advances grew by Rs.434.0 crore (3.6 per cent) to Rs.12,513.0 crore in 1996-97 from Rs.12,079.0 crore in 1995-96, mainly on account of the rise in disbursements in long-term loans. While the short-term loans disbursed by the PACs rose by Rs.109.0 crore (1.3 per cent) from Rs.8,558.0 crore in 1995-96 to Rs.8,667.0 crore in 1996-97, the medium and long-term loans issued by the PACs and SCARDBs recorded a faster growth of Rs.325.0 crore (9.2 per cent) from Rs. 3,521.0 crore in 1995-96 to Rs.3,846 crore in 1996-97. The outstanding loans of the co-operatives aggregated Rs.21,158.0 crore at the end of March 1997 as against Rs.18,962.0 crore a year ago, thus recording a growth of 11.6 per cent over the year.

The share of scheduled commercial banks in total direct institutional credit for agriculture and allied activities increased from 36.0 per cent in 1993-94 to 41.9 per cent in 1996-97. There was also a moderate rise of 15.1 per cent in the loans issued by the scheduled commercial banks during 1996-97 to Rs.10,674.9 crore from Rs.9,274.0 crore a year ago. While the short-term loans amounting to Rs.5,625.0 crore posted a hefty rise of Rs.997.5 crore (21.6 per cent) over the year, the term loans increased moderately by Rs.403.4 crore (8.7 per cent) during 1996-97 to Rs.5,049.9 crore from Rs.4,646.5 crore a year ago. The outstanding advances of scheduled commercial banks on June 30, 1997 stood at Rs.26,326.9 crore (12.4 per cent) over Rs.23,427.1 crore a year ago.

The share of RRBs in total institutional loans for agriculture and allied activities increased from 5.0 per cent in 1993-94 to 6.9 per cent in 1996-97. The loans issued by them during 1996-97 increased appreciably by 26.6 per cent from Rs. 1,381.1 crore to Rs.1,748.6 crore. The outstanding loans aggregated Rs. 4,044.3 crore at the end of March 1997, compared with Rs.3,466.6 crore at the end of March 1996, showing a rise of 16.7 per cent over the year.

The loans disbursed by the State Governments, whose relative share remains very nominal in total institutional loans (2.2 per cent), increased by Rs.8.4 crore (1.5 per cent) from Rs.553.8 crore in 1995-96 to Rs. 562.2 crore in 1996-97.

Indirect Finance

Data on indirect institutional finance for agriculture and allied activities is available from scheduled commercial banks, RRBs and Rural Electrification Corporation of India (REC). During 1996-97, while the indirect loans extended by RRBs was a paltry Rs.0.8 crore, the loans issued by the REC were placed at Rs.787.2 crore. The outstanding loans of REC stood at Rs.7,150.8 crore at the end of March 1997, which was 7.9 per cent higher than the outstanding loans at Rs.6,629.0 crore a year ago. The outstanding indirect institutional loans of Scheduled Commercial Banks amounted to Rs.4,986.4 crore at the end of June 1997, thereby recording a remarkable rise of 35.7 per cent over Rs.3,674.0 crore in the previous year (Table V-17).

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 bank group, purpose and region-wise disbursement of direct loans of scheduled commercial banks is presented in the following paragraphs:

Bank Group-wise Disbursements

Amongst all the scheduled commercial banks, State Bank of India (SBI) and its associate

banks showed a lower growth rate of 3.5 per cent in their credit disbursements of Rs.3,411.7 crore in 1996-97. Consequently, their proportionate share in total agricultural credit of all the scheduled commercial banks declined, though marginally, to 32.0 per cent in 1996-97; from 35.5 per cent during the previous year. The disbursements of credit by nationalised banks as a group rose at a rate of 18.4 per cent to Rs.6,548.9 crore during 1996-97. Consequently, their share in total credit disbursed by the all scheduled commercial banks increased from 59.6 per cent in 1995-96 to 61.3 per cent in 1996-97. The credit disbursed by the Indian private sector banks and foreign banks together recorded a spectacular growth of 59.1 per cent to Rs.714.3 crore from Rs.449.0 crore during 1995-96 (Table V-18).

Purpose-wise Disbursements

The term loans disbursed by the scheduled commercial banks recorded a significantly lower growth of 8.7 per cent during 1996-97, as against 21.6 per cent growth in the case of short-term loans. Of the total term loans of Rs.5,049.9 crore, nearly two-thirds was provided for financing the agricultural activities and the remainder one-thirds was extended for funding allied activities such as dairying, poultry, fishery, etc. Among agricultural purposes, the loans given for tractors, agricultural implements and machinery accounted for 16.7 per cent of total term loans. These loans recorded an increase of 8.5 per cent over Rs.1646.7 crore during 1995-96 to Rs.1786.1 crore during 1996-97. The loans disbursed for plantations increased significantly by 20.0 per cent. The loans disbursed for financing of off-farm activities such as dairying, poultry, fishery, etc., recorded a relatively slower growth of 5.1 per cent during the year 1996-97 compared with 27.2 per cent during last year. Dairying, among these activities, registered a growth rate of 12.4 per cent, while fisheries, and poultry farming, piggery and bee-keeping recorded negative growth rates of 16.5 per cent and 14.3 per cent, respectively, during the year 1996-97 over the previous year (Table V-19).

Region-wise Disbursements

All the six regions, except the Southern

Region, recorded higher rates of growth in disbursement than the all India growth of 15.1 per cent in 1996-97. Disbursement of loans in the Southern Region increased by only 12.1 per cent from Rs.4,450.8 crore in 1995-96 to Rs.4,988.7 crore in 1996-97. Although, Southern Region still continued to account for a major chunk of the total credit disbursed during 1996-97 (65.5 per cent of the short term loans and 25.9 per cent of the term loans), its relative share declined from 48.0 per cent in 1995-96 to 46.7 per cent in 1996-97. The relative shares of all other regions, except Southern and Central regions improved during 1996-97. Among these regions, the disbursement of loans in the Northern Region recorded an appreciable growth of 23.5 per cent from Rs.1,079.0 crore in 1995-96 to Rs.1,332.4 crore in 1996-97 (Table V-20).

High Level Committee on Agricultural Credit Through Commercial Banks

The Reserve Bank appointed a one man High-Level Committee on Agricultural Credit Through Commercial Banks (Chairman: Shri R.V. Gupta) to suggest measures for improving the credit delivery system as well as simplification of procedures for agricultural credit. Major recommendations of the Committee is given in Box V-2.

Major recommendations of the Committee accepted by the Reserve Bank include: simplification of procedures regarding loan applications, agreements/documents etc., rationalisation of internal returns of banks, delegation of powers to branch managers, introduction of composite cash credit limits to agricultural farmers, introduction of new loan products with saving component, cash disbursement of loans, dispensation of 'No Dues Certificates', discretion to banks on matters relating to margin/security requirements for agricultural loans above Rs.10,000 etc. All scheduled commercial banks have been advised to implement the above recommendations of the Committee. Certain recommendations such as abolition of stamp duty for agricultural loans, assistance from state governments for recovery of bank dues, matters relating to mortgage of land, dispensation of compulsory rural posting of bank officials, matters relating to subsidy

linked credit etc., which require concurrence of Central Government/state governments have been referred to Government of India. Recommendations of the Committee regarding simplification of loan application forms/documents and rationalization of internal returns of banks have been referred to Indian Banks Association for taking suitable action in the matter.

Priority Sector Advances of Public Sector Banks

The outstanding priority sector advances of public sector banks at the end of March 1998 stood at Rs.91,318.6 crore, which marked an impressive rise of 15.4 per cent over Rs.79,131.2 crore a year ago. The relative share of priority sector advances in total Net Bank Credit of the public sector banks stood at 41.9 per cent in March 1998, as compared to 41.7 per cent in March 1997, which exceeded the stipulated target of 40.0 per cent. The aggregate outstanding advances extended to agriculture (both direct and indirect) recorded a growth of 10.6 per cent from Rs.31,012.0 crore at the end of March 1997 to Rs.34,304.5 crore at the end of March 1998. The proportion of agricultural credit to Net Bank Credit declined from 16.3 per cent to 15.7 per cent during this period (Table V-21).

National Bank for Agriculture and Rural Development (NABARD)

In accordance with the Government's decision to double the flow of credit to agriculture and allied sectors by the end of Ninth Five Year Plan, the NABARD has been striving towards achieving this target. A brief account of the NABARD's refinance operations is presented in the following paragraphs.

Short-term Credit

In accordance with the policy of Government of India (GOI) to achieve a growth rate of 4.5 per cent of agricultural sector during the Ninth Five Year Plan period, the policy for provision of short-term refinance to state co-operative banks for financing Seasonal Agricultural Operations (SAO) during 1997-98 was focussed on achieving an annual growth

rate of 25.0 per cent in the credit flow. Besides, the need for increased coverage of small and marginal farmers, enhancing the credit flow to backward regions, augmenting credit for tribals and other thrust programmes of GOI were re-emphasized in the policy. However, the credit limits sanctioned to the state co-operative banks for financing SAO marginally declined by Rs.16.0 crore to Rs.5,169.0 crore during 1997-98 from Rs.5,185.0 crore during 1996-97. Short-term credit limits for SAO sanctioned to the RRBs rose by 8.8 per cent in 1997-98 to Rs.1,060.0 crore from Rs.974.0 crore in 1996-97 (Table V-18).

Medium-term Credit

The medium-term credit limits sanctioned by the NABARD for approved agricultural purposes to the state co-operative banks during the calendar year 1997 declined to Rs.1.0 crore from Rs.2.0 crore in 1996. Credit for converting short-term agricultural loans into medium-term loans declined to Rs.45.0 crore during 1997-98 from Rs.267.0 crore in the previous year. The credit limits sanctioned to the RRBs for non-schematic purposes during the calendar year 1997 were of the order of Rs.10.0 crore as compared to Rs.24.0 crore in 1996 (Table V-22).

Long-term Credit to State Governments

During the financial year 1997-98, the NABARD sanctioned long-term credit limits amounting to Rs.150.0 crore, as against Rs.101.0 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-22).

Schematic/Investment Credit

During 1997-98, the refinance disbursement made by the NABARD under its various schematic lending operations stood at Rs.3,922.0 crore, recording a strong growth rate of 11.3 per cent over Rs.3,523.0 crore during 1996-97. Agency-wise, purpose-wise and region-wise data on refinance assistance provided by the NABARD as set out in Tables V-23, V-24 and V-25, respectively, show the following pattern.

Disbursement of refinance during 1997-98,

classified according to credit agencies, shows that the state co-operative agriculture and rural development banks (SCARDBs) accounted for by far the largest share (54.0 per cent) in the total refinance of Rs.3,922.0 crore, distantly followed by scheduled commercial banks (18.0 per cent) and RRBs (17.0 per cent). While the disbursement of refinance to SCARDBs, scheduled commercial banks and state co-operative banks increased by 10.8 per cent, 20.6 per cent and 15.0 per cent, respectively, that of the RRBs rose only marginally by 2.1 per cent. While allocating the refinance assistance among various credit agencies, the prioritisation exercised was in tune with the expected increase in the absorption capacity of co-operatives and RRBs. After allocating the refinance to the co-operatives and RRBs, the balance was provided to the scheduled commercial banks, mainly for project-based lending (Table V-23).

Purpose-wise analysis reveals that the farm mechanisation operations accounted for the largest share of 28.0 per cent in total refinance disbursements during 1997-98. The amount soared from Rs.871.0 crore in 1996-97 to Rs.1,099.0 crore in 1997-98, recording an impressive rise of 26.2 per cent. The Integrated Rural Development Programme (IRDP) claimed the second highest share (15.6 per cent) amounting to Rs.611.0 crore, which was higher by 19.1 per cent from Rs.513.0 crore a year ago. Disbursement of refinance for dairy development activities posted the highest growth of 46.5 per cent. In contrast, refinance for fisheries and minor irrigation works declined by 19.5 per cent and 11.5 per cent, respectively, during 1997-98 (Table V-24).

A closer examination at the regional pattern of distribution of refinance extended by the NABARD reveals that the Southern Region accounted for by far the highest share of 30.9 per cent in total disbursement of Rs.3,922.0 crore in 1997-98, followed by the Northern Region (22.7 per cent), the Central Region (17.9 per cent), the Western Region (14.5 per cent), the Eastern Region (11.0 per cent) and the North-Eastern Region (3.0 per cent). In terms of annual growth rate, the Northern Region recorded an impressive rise of 23.8 per cent, followed by the Eastern Region (12.7 per cent),

Box V.2: Report of the High-Level Committee on Agricultural Credit Through Commercial Banks

Notwithstanding the increase in the flow of credit to the agricultural sector in recent years, there is a perception that investments in agriculture have not kept pace with demand. In this backdrop and also in the context of priority accorded to the flow of credit to agriculture, a one man High-Level Committee on Agricultural Credit Through Commercial Banks, headed by Shri R.V. Gupta was set up by the Reserve Bank in December 1997, to suggest measures for improving the credit delivery systems as well as simplification of procedures for agricultural credit. The mandate for the Committee was to identify the constraints faced by commercial banks in increasing the flow of credit, introducing new products and services, and simplifying procedures and methods of working with a view to enabling rural borrowers to access adequate and timely credit from the commercial banks.

The Committee submitted its Report on April 21, 1998.

Summary of Recommendations

1. The agreements and other covenants/documents are to be simplified as has been done by some banks. All banks may examine their systems and make modifications within two months, and report compliance to the Reserve Bank of India.
2. The focus of credit appraisal should be on evaluation of the income stream of the borrower and a comprehensive assessment of credit needs taking into account track record, credibility, capability as well as technical viability of the proposal.
3. To ensure quick disposal, at least 90 per cent of loan applications should be decided at the branch level.
4. Short-term credit needs of the farmer should include all requirements directly and indirectly related to production, post-harvest and household expenses. Repayment capacity should be assessed on the basis of aggregate household income from all sources including crop production and ancillary activities.
5. The forms accompanying the main application, especially for investment credit should be simplified and made more relevant for focussing on the income stream of the farmer.
6. In relation to systems followed for term lending, the emphasis should be on whether in a given area an activity can be supported profitably, rather than obtaining abstract cash flows and other data based on projected technical parameters.
7. To tap their savings during cash rich periods, farmers should be offered a liquid savings product with an appropriate return that should be in-built in the loan product so as to provide them a cushion during lean periods.
8. In view of the expertise developed by banks in financing agricultural operations, and in order to give them flexibility to take care of variations in the credit requirements of borrowers, the fixing of the scale of finance/unit cost may be decided by the concerned banks.
9. In order to foster an environment of trust, banks may disburse loans for agricultural activities on cash basis only and discontinue the practice of obtaining bills/receipts of inputs/assets purchased.
10. Where banks are conversant with the track record of the borrowers, obtaining a No Dues Certificate (NDC) should be left to the discretion of the lending banker.
11. State Governments may set up dedicated teams for recovery and improve the recovery climate through rurally-oriented field publicity campaigns.
12. Tangible incentives be provided to farmers who are prompt in repayment. Banks should design appropriate incentive systems including interest benefit or rebate to borrowers who repay their dues promptly. Farmers who opt for a saving module linked to the loan product, may be given a finer rate both on the loan as well as on the savings product.
13. Taking into account the procedural difficulties and the high cost of stamp duty connected with registering a mortgage, state governments may initiate steps to abolish stamp duty on mortgage of agricultural land for obtaining loans from banks.
14. If a farmer has a passbook with an authenticated record of his land holding, the bank should accept the same as valid title for purposes of an equitable mortgage.
15. The value of security taken should be commensurate with the size of the loan and the tendency to ask for additional collateral by way of guarantors where the land has already been mortgaged should be discouraged.
16. Margin, security and collateral requirements should not be prescribed by RBI or any other agency and should be left to the discretion of the lending banker. For small loans upto Rs.10,000, however, the existing guidelines may continue.
17. In order to inform farmers transparently about the amount and periodicity of various fees and charges levied by banks, farmers should be given a statement of the facilities availed, separately indicating the fees, charges, etc. levied.
18. The internal supervision system of banks should provide for visits to a few service area villages. The CMDs of banks, during their tours to various States, should pay surprise visits to rural branches.
19. There is an urgent need to rationalise the number of returns and a detailed exercise should immediately be undertaken by banks to reduce unnecessary paper work including elimination of *ad-hoc* returns.
20. Notwithstanding exceptions to the contrary, the morale of the rural cadre in commercial banks is low, commitment uneven and the sense of mission weak. This has to be addressed if rural lending is to be stepped up.
21. The Government of India's stipulation for a compulsory rural posting may be done away with and posting of staff to rural centres should be based on institutional needs to be decided by the management of banks.
22. The performance appraisal system in rural branches should be revamped with a substantially reduced weightage for deposit mobilisation. The appropriate indicators for performance measurement should be increased in outreach measured by the number of new clients, volume of lending assessed on the basis of incremental increase in the flow of credit and loan recovery as indicated by the volume of cash recoveries.

Box V.2: Report of the High-Level Committee on Agricultural Credit Through Commercial Banks (Contd.)

23. To bring about the desired behavioural change in rural lending and to strengthen the sense of mission of bank staff, a package of incentives encompassing foreign exposure, training in prestigious institutions within the country, weightage in promotion, posting to centre of choice etc. is recommended.
24. Banks' training institutions need to design training programmes emphasising borrower appraisal including techniques for assessing the needs of the rural household in a holistic way *vis-à-vis* the income stream/repayment capacity.
25. 'On the job' exposure should be made a major training vehicle for new staff duly supplemented by formal training.
26. Banks should design specific loan products for non-farm activities by providing loans for short period upto three months, initially with weekly or fortnightly repayments.
27. Banks should give wide publicity to their preference for financing Self-Help Groups (SHGs), sensitize regional heads and branch managers to the potential for good lending through this route.
28. Commercial banks should be free to fix the rates of interest for loans of all amounts as has already been done in the case of co-operatives and RRBs.
29. Subsidy linked lending needs to be replaced by an alternative method. Bankers should be able to increase the access of credit to the poor consistent with productivity without dependence on subsidy.
30. The target for agricultural lending should be based on the flow of credit through preparation of Special Agricultural Credit Plans (SACPs). Once the system is in place the 18 per cent target would cease to have much relevance.
31. Service Area Approach (SAA) need to be modified to provide borrowers a choice of banks as well as bankers for a larger area of operation. Specifically, borrowers should be free to approach any branch of a commercial bank for credit and it would be for the latter to determine whether or not to do business with the borrower.
32. To bring oral tenants within the purview of the banking system, a review of Land Tenancy Acts may be undertaken so as to permit renting of land without the owner losing property rights.

the Central Region (10.5 per cent), the North-Eastern Region (8.8 per cent) and the Southern Region (8.7 per cent). In contrast, the Western Region recorded a dismal growth of 1.1 per cent (Table V-25).

Interest Rates

As a sequel to the deregulation of rates of interest charged by the co-operatives at various levels, the NABARD fine-tuned its policy in regard to SAO refinance facility to encourage increased deployment of own resources by the co-operative lending agencies. The policy of charging variable rates of interest on the refinance in relation to the extent of own involvement by the credit agencies continued to be followed by the NABARD during the year. The policy of providing interest rebate on borrowings by district central co-operative banks (DCCBs) that had achieved the stipulated growth rate in deposit mobilisation also continued to be pursued during the year with some relaxation.

In tandem with the decision of the Reserve Bank to link the rate of interest on General Line of Credit to the NABARD to the Bank Rate, effective from June 26, 1997, the NABARD also

started expressing the interest rate on short-term (SAO) refinance to the state co-operative banks in relation to the prevailing Bank Rate. However, there was no alteration in the rates of interest charged by the NABARD on its refinance after June 26, 1997, because the interest rate charged by the Reserve Bank on its GLC remained unaltered (Table V-26).

In the case of term loans, 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 the case of RRBs, the rates have been freed for all loan slabs from August 26, 1996. In respect of commercial banks, the rate of interest on ultimate beneficiaries for loans upto Rs.2 lakh was deregulated with effect from April 29, 1998 subject to a maximum limit of PLR of respective banks. For loans above Rs.2 lakh, commercial banks were free to determine the interest rate from October 18, 1994 (Table V-27).

With effect from August 1, 1995, the NABARD's rate of interest on term loan 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-27).

Rural Infrastructural Development Fund

The decline in investments in farm sector during the 1980s and its sluggish growth during the first-half of the 1990s has aroused mounting concern about the country's ability for sustaining overall food security and for income and employment generation in the agriculture sector. To quicken the pace of investments in agricultural activities by the public sector, the initiatives and process of setting up of an independent fund called Rural Infrastructural Development Fund (RIDF) in the NABARD commenced with the proposal made by the Finance Minister in the Union Budget 1995-96. The Budget proposed for creation of RIDF-I with a corpus of Rs.2,000.0 crore. The successive Budgets proposed the continuation of the RIDF: RIDF-II during 1996-97 with a corpus of Rs.2,500.0 crore; RIDF-III during 1997-98 with a corpus of Rs.2,500.0 crore, and RIDF-IV during 1998-99 with a corpus of Rs.3,000.0 crore. The RIDF was primarily created for extending loans to State Governments to enable them to complete the implementation of existing rural infrastructural projects whose execution remained held up solely for want of financial resources. During 1996-97, the NABARD decided to utilise the RIDF funds for sanction of new rural infrastructural projects also, in addition to the completion of the old projects. The same policy continued during 1997-98.

Contributions to RIDF

Contributions to the corpus of RIDF-I were made by all the Indian scheduled commercial banks (other than RRBs) to make up for their shortfall in agricultural lending target of 18.0 per cent of net bank credit, subject to a maximum of 1.5 per cent of net bank credit. In the case of RIDF-II, the contributions were

made by the public sector banks which had not achieved the overall priority sector target of 40.0 per cent of net bank credit as on the last Friday of March 1996, on a pro-rata basis, depending on their shortfall. Contributions to RIDF-III were made by all the public and private sector scheduled commercial banks equivalent to the amounts of their shortfall in fulfilling priority sector lending of 40.0 per cent of net bank credit as on the last reporting Friday of March 1997. Besides this, the balance amount was required to be contributed by public sector banks having shortfall in agricultural lending target of 18.0 per cent of net bank credit, on a pro-rata basis, depending on the extent of their shortfall. The rate of interest on loans given from RIDF was 13.0 per cent for RIDF-I and 12.0 per cent for both RIDF-II and RIDF-III.

Disbursements

The stipulated time limit for drawal of funds under RIDF-I is March 31, 1999. The cumulative disbursements under RIDF-I till March 31, 1998 amounted to Rs.1,433.3 crore (81.9 per cent of the sanction). For RIDF-II, the stipulated time limit is March 31, 1999 and the cumulative disbursement upto March 31, 1998 aggregated Rs.833.9 crore (31.8 per cent of the sanction). The disbursements under RIDF-III, during the first year of operation, i.e. upto March 31, 1998 amounted to Rs.216.7 crore (8.1 per cent of sanction) (Table V-28).

The lower level of disbursements of loans from the RIDF reflected the delays in implementation of the projects in different states on account of several factors, prominent among them being : (a) delay in obtaining necessary clearance from appropriate authorities; (b) delay in land acquisition/rehabilitation of displaced persons/payment of compensation; (c) delay in power connection in respect of a few completed projects; (d) lack of coordination among various departments; and (e) cost escalation.

RIDF-I

At the end of March 1998, total financial outlay approved under RIDF-I projects aggregated Rs.5,576.4 crore and the total loans sanctioned by the NABARD amounted to

Rs.1,748.6 crore, which is Rs.251.5 crore lower than the initial target of Rs.2,000.0 crore. Contribution by the State Governments for the projects covered under RIDF-I was to the tune of Rs.481.5 crore. Five states, namely, Uttar Pradesh, Andhra Pradesh, Madhya Pradesh, Maharashtra, and Orissa, taken together accounted for about 59.0 per cent of the total sanctioned amount. The cumulative disbursement of loans from the Fund aggregated Rs.1,433.3 crore at the end of March 1998. Under RIDF-I, the priority was accorded to irrigation projects due to their capacity for facilitating immediate production expansion; these projects accounted for as high as 97.2 per cent of the total number of projects and about 94.0 per cent of the amount sanctioned. The projects sanctioned under RIDF-I were expected to increase irrigation potential by 20.3 lakh hectares, and also create additional 6.4 lakh jobs (Table V-29 and V-30).

RIDF-II

Total financial outlay for projects under RIDF-II was Rs.3,980.1 crore. As on March 31, 1998, an amount of Rs.2,617.5 crore has been sanctioned by the NABARD. The disbursement target for RIDF-II was Rs.2,500.0 crore. Five States, namely, Uttar Pradesh, Andhra Pradesh, Tamil Nadu, Maharashtra and Madhya Pradesh together accounted for nearly 59.0 per cent of total sanctions. The actual cumulative disbursements made by the NABARD from this Fund, however, amounted to only Rs.833.9 crore at the end of March 1998. New projects were also made eligible for seeking assistance under RIDF-II along with the on-going projects. Rural roads and bridges were given priority under RIDF-II; they accounted for 52.3 per cent of the total number of projects and 48.0 per cent of the amount sanctioned. The loan assistance under RIDF-II is expected to create additional irrigation potential of 6.3 lakh hectares, the creation of 2.2 lakh additional jobs, construction of 25.3 thousand meters of rural bridges, and 16.8 thousand kilometers of rural roads (Table V-29 and V-31).

RIDF-III

At the end of March 1998, total financial outlay for projects under RIDF-III amounted to

Rs.3,447.3 crore and total loans sanctioned by the NABARD stood at Rs.2,668.2 crore. The RIDF-III envisaged disbursement target of Rs.2,500.0 crore. On the pattern of earlier 2 tranches of RIDF, the five states, namely, Uttar Pradesh, Andhra Pradesh, Maharashtra, Madhya Pradesh and Tamil Nadu accounted for about 53.0 per cent of total sanctions under RIDF-III. In the case of RIDF-III, in terms of number of projects, irrigation sector again gained prominence; it accounted for 61.3 per cent of the total projects sanctioned. However, in terms of assistance sanctioned, rural roads and bridges had accounted for 60.0 per cent of the total loans. In addition to irrigation works, the projects were also sanctioned for construction of network of minor drainage channels to solve the problem of waterlogging, for harvesting rain water, for tubewells, for construction of terminal and rural markets, etc. The expected benefits from RIDF-III include creation of irrigation potential by 7.9 lakh hectares, rural bridges by 36.1 thousand meters and rural roads by 18.6 thousand kilometers (Table V-29 and V-32).

Progress of Completion of Projects

The progress of completion of projects under RIDFs was satisfactory. Of the 3,517 projects sanctioned under RIDF-I, 2,857 projects (81.2 per cent) have been completed. In the case of RIDF-II, 505 out of the 8,249 projects (6.1 per cent) sanctioned were completed. The expected benefits from the investments made in irrigation and rural roads and bridges are given in Table V-33.

National Co-operative Development Corporation (NCDC)

The NCDC is a financial institution for the promotion and development of co-operative sector in India. 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, and also for equipping them with equity and margin money for raising bank credit. The financial assistance provided by the NCDC during 1997-98 increased by 11.9 per cent to Rs.323.7 crore from Rs.289.2 crore in 1996-97. While the financial assistance provided by the Corporation for the Central Schemes

increased by 56.4 per cent to Rs.139.5 crore in 1997-98 from Rs.89.2 crore in 1996-97 that for the Corporation sponsored schemes declined by 8.0 per cent to Rs.184.1 crore in 1997-98 from Rs.200.1 crore (Table V-34). The cumulative assistance disbursed by the Corporation, from its formative year in 1962-63 through 1997-98, rose to Rs.4,287.6 crore.

Promotion of agro-processing activities through co-operative institutions continues to be one of the thrust areas of the NCDC's activities. Agro-processing co-operatives have a major presence in sugar, cotton, oilseed, fruits & vegetables, plantation and foodgrains. Nearly half (Rs.2,057.0 crore) of the NCDC's cumulative assistance of Rs.4,287.0 crore has flowed to the agro-processing sector. Agro-processing is highly vulnerable to fluctuations in input and output prices on account of variations in market conditions, trade policies and practices, and availability of working capital. Market orientation of the economy over the years has fostered an element of competition too. In the prevailing scenario, the underlying accent of NCDC funding is marked by overall improvement in efficiency levels of agro-processing units broadly covering quality in production, competitiveness in marketing and greater service and income to farmers.

Promotion and financing of the programmes in the co-operatively least/under-developed states coupled with the programmes meant for weaker sections engaged in fisheries, dairy, poultry, handlooms, SC/ST co-operatives etc. are other thrust areas for the NCDC. Assistance for co-operative programmes in the under developed States is provided on comparatively liberal terms. In order to accelerate the pace of economic development in the least developed States, assistance is provided on liberal terms upto 95 per cent of project cost. By the end of 1997-98, the NCDC

has disbursed an assistance of Rs.862.7 crore to the co-operatively under-developed and least developed states which works out to nearly 20.0 per cent of the assistance disbursed to all states.

A Bill for amending the NCDC Act to further broad-base its activities so as to bring in livestock, industrial goods, and notified services within its purview and also the provision to enable the NCDC to lend directly to co-operative societies without state guarantee is under consideration of the Parliament. In addition, the NCDC has also identified certain new areas, namely, farm forestry, development of irrigation and water harvesting, development of plantation crops, development of goat, sheep, rabbit farming and related processing activities for its financial assistance.

Comprehensive Crop Insurance Scheme

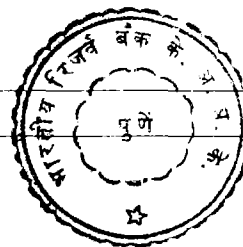
During Rabi 1996-97, 16 States implemented the Comprehensive Crop Insurance Scheme (CCIS), covering an area of 13.99 lakh hectares involving an insured sum of Rs.493.2 crore. The total insurance charges paid amounted to Rs.8.9 crore. During *Kharif* 1997, 17 States implemented the Scheme, covering an area of 88.11 lakh hectares, up from 80.65 lakh hectares in the previous *Kharif* season. The sum assured aggregated Rs.2,205.6 crore which was 11.8 per cent higher than Rs.1,973.49 crore in the previous *Kharif* season. The total insurance charges amounted to Rs.33.8 crore, compared with Rs.30.4 crore in the previous *Kharif* season (Table V-35).

The Government has decided to implement an Experimental Crop Insurance Scheme (ECIS) covering all small and marginal farmers, both loanee and non-loanee, growing cereals, pulses and oilseeds crops in 24 selected districts of eight states for one year from *Rabi* 1997-98.



Annexure I**Chronology of Major Policy Measures : April 1997 - September 1998**

Date of Announcements	Measures Introduced
1	2
	Selective Credit Controls
April 7, 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 ended 1995-96 (November-October).
	Reserve Requirements
	a. Cash Reserve Ratio (CRR)
April 15, 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.
	b. Statutory Liquidity Ratio (SLR)
April 15, 1997	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 maintenance of statutory liquidity ratio on liabilities to banking system, with effect from the fortnight beginning April 26, 1997.
	Refinance from RBI
	a. General Refinance Facility
April 15, 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 up to 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.
	b. Export Credit Refinance
	In the context of introduction of a move towards further rationalisation of export credit refinance to banks, with effect from the 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. 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'.

Annexure I (Contd.)**1****2****Interest Rate****Bank Rate**

In the context of changes in the various economic parameters since raising of the Bank Rate in October 1991 from 11.0 per cent to 12.0 per cent and with a view to make the Bank Rate an effective signal rate as well as a reference rate, with effect from the close of business on April 15, 1997, the Bank Rate was reduced by one percentage point to 11 per cent per annum. Interest rates on categories of accommodation from the Reserve Bank which were earlier not linked to the Bank Rate were also linked to the Bank Rate.

Deposit Rates

- a) The ceiling on interest rate on domestic term deposits for maturity of 30 days and up to 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.
- b) Interest rates on term deposits under Non-Resident (External) Rupee (NRE) Accounts 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 up to 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 respective Boards for the deposit rates they offer on various maturities in respect of NRE term deposits.
- 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 RBI from time to time.

Interest Rates on Post-Shipment Rupee Export Credit

Taking into consideration the willingness of some banks to extend post-shipment rupee export credit at lower interest rates if export proceeds are realised in shorter periods, effective April 16, 1997, the prescription of interest rate 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'.

Money Market**Standing Committee on Money Market**

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.

Call/Notice Money Market

With effect from the fortnight beginning April 26, 1997 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.

Annexure I (Contd.)**1****2****Certificates of Deposit (CDs)**

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. Minimum maturity of Commercial Paper (CP) was brought down from 3 months to 30 days.

Government Securities Market**Repos market**

- a) To activate the repos market, repo/reverse repo transactions among select institutions 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 RBI 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.

Treasury bills

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.

Foreign Exchange Markets

- a) Corporate exporters holding Exchange Earners Foreign Currency (EEFC) Accounts were permitted to extend trade-related advances to their importer clients out of EEFC Accounts up to US\$ 3 million per account.
- b) In order to achieve greater integration between domestic and overseas money markets, authorised dealers were permitted to borrow up to US\$ 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 up to US\$ 10 million.
- 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.
- 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 RBI was approving such transactions on a case by case basis.

Credit Delivery System**Maximum Permissible Bank Finance (MPBF)**

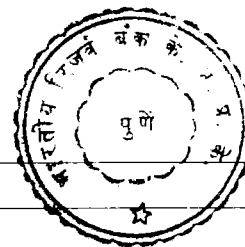
Consistent with the policy of liberalisation, banks were permitted to evolve their own methods of assessing the working capital needs of borrowers within the

Annexure I (Contd.)

1	2
	prudential guidelines and exposure norms. 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 is to be laid down by every bank with the approval of its Board. Investments in Shares/ Debentures/ Bonds - 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 will be applicable for investment in ordinary shares of corporates including Public Sector Undertakings (PSUs). - Banks were allowed to extend loans to corporates against shares held by them and also the margin and the period of repayment of such loan, to enable such corporates to meet the promoters' contribution to the equity of new companies in anticipation of raising resources. These loans will 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. Consortium Arrangement 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. Loan System for Delivery of Bank Credit - 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 upto Rs.20 lakh, 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. - 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. Credit to Agriculture 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. Credit to SSI 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

Annexure I (Contd.)

1	2
	capital limits up to 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 and for the tiny sector from Rs.5 lakh to Rs.25 lakh. 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 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 SSI units. Credit to NBFCs Restriction (of up to 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. Accordingly, banks are free to determine the level of credit to such NBFCs.
June 25, 1997	Bank Rate 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.
June 25, 1997	Interest rates on domestic term deposits 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 on term deposits under Non-Resident (External) Rupee (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'. 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. Interest Rates on Post-Shipment Rupee Export Credit 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 six months from the earlier level of 'not exceeding 13.0 per cent per annum' for period up to 90 days and to '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.
September 12, 1997	Interest Rates on NRE Term Deposits With a view to providing greater flexibility to 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. Interest Rates on Post-Shipment Rupee Export Credit 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 up to 90 days was further reduced to 'not exceeding 11.0 per cent per annum'. Interest rate on export credit beyond 90 days and up to six months from the date

Annexure I (Contd.)

1	2
	of shipment was also further reduced to 13.0 per cent per annum. In respect of post shipment export credit beyond 90 days and up to 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.
October 21, 1997	Interest Rates Bank Rate Taking into account the low inflation rate and also as a signal to the market, with effect from the close of business of October 21, 1997, the Bank Rate was reduced by one percentage point, i.e., from the earlier level of '10.0 per cent per annum' to '9.0 per cent per annum'.
October 21, 1997	All interest rates on advances from the Reserve Bank such as export credit refinance and general refinance to banks which are specifically linked to the Bank Rate were revised.
	Reserve Requirements In accordance with the stance of monetary policy of phased reduction in statutory pre-emption of banks' resources, the CRR to be maintained by scheduled commercial banks was reduced by 2.0 percentage points from 10.0 per cent to 8.0 per cent in eight phases of 0.25 percentage point each from the fortnight beginning from 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. Giving effect to the reduction in CRR during the months of February and March 1998 was, however, contingent on the monetary and price situation prevalent at that time. As a result of a two percentage point reduction in CRR, the resources of banks would be augmented by about Rs.9,600 crore (Rs.1,200 crore for each phase of reduction).
	Interest on Cash Balances maintained with the Reserve Bank under CRR To rationalise the earlier system of payment of interest on eligible CRR balances according to a two-tier formula under which interest was paid at the rate of 10.5 per cent per annum on eligible cash balances based on net demand and time liabilities (NDTL) outstanding as on March 23, 1990, and no interest was paid on the increase in the eligible cash balances over the level as on March 23, 1990 maintained with the Reserve Bank, with effect from the fortnight beginning October 25, 1997, banks would be paid interest at the rate of 4.0 per cent per annum on all eligible cash balances.
	Rationalisation of Statutory Liquidity Ratio (SLR) With a view to rationalising the prescription of SLR, simplify the multiple prescriptions and collapse them into a single prescription, with effect from fortnight beginning October 25, 1997, the system of multiple prescriptions of SLR was withdrawn and all scheduled commercial banks were required to maintain a uniform SLR of 25 per cent on their entire net demand and time liabilities which is the minimum stipulated under BR Act, 1949.
	Deposits
October 21, 1997	Domestic Term Deposits With a view to giving banks full freedom to determine the interest rates on term deposits, the deposit rates were deregulated and delinked from the Bank Rate. Accordingly, banks were permitted to determine the interest rates they offer on

Annexure I (Contd.)

1	2
	such deposits of 30 days and over after obtaining prior approval from their respective Boards for the interest rates they offer on deposits of various maturities. Consequently, banks could offer a fixed rate on deposits or a floating rate clearly linked to an anchor rate. The minimum maturity period of 30 days for term deposits remained unchanged. Foreign Currency Non-Resident (Banks) [FCNR(B)] deposits With a view to providing further flexibility to banks in respect of Foreign Currency Non-Resident (Banks) [FCNR(B)] deposits, instead of ceiling interest rates prescribed by the Reserve Bank from time to time, the ceiling rates would be the relevant LIBOR prevailing on the last working day of the previous week for relevant maturity and currency. Subject to the above, banks were free to offer either fixed or floating rate of interest on such deposits.
October 21, 1997	Advances Loans against FCNR(B) Deposits, Loans out of FCNR(B) Pool and Loans against NRNR Deposits In order to rationalise interest rates on Rupee loans out of/against FCNR(B) deposits as also NRNR deposits, the interest rates charged on such advances/lendings were made consistent with lending rates for rupee advances in general. For credit limits of over Rs.25,000 and up to Rs.2 lakh In view of the movements in interest rates, for borrowers with credit limits of over Rs.25,000 and up to Rs.2 lakh, the prescription of lending rate was changed from a fixed rate of 13.5 per cent per annum to a ceiling prescription of 'not exceeding 13.5 per cent'. Term Loans of 3 years and above For term loans of 3 years and above, banks were allowed to prescribe separate Prime Term Lending Rates (PTLR) with approval of their Boards. Housing Finance Intermediary Agencies As part of the process of deregulating interest rates, stipulation that banks should extend finance to housing finance intermediary agencies for on lending at 1.5 percentage points below PLR was withdrawn and banks were given freedom to charge different interest rates provided these are below each bank's Prime Lending Rate (PLR). Pre-shipment Rupee Export Credit Effective October 22, 1997, across-the-board reduction by 1.0 percentage point in interest rates on pre-shipment rupee export credit up to 180 days from 13.0 per cent per annum to 12.0 per cent per annum and on such credit beyond 180 days and up to 270 days, from 15.0 per cent per annum to 14.0 per cent per annum.
October 21, 1997	Post-shipment Rupee Export Credit Effective October 22, 1997 for post-shipment rupee export credit for the period beyond 90 days and up to six months, the rate of interest of 13.0 per cent was made applicable for the period beyond 90 days and not from the date of advance.
October 21, 1997	Credit Delivery Selective Credit Controls on Sugar

Annexure I (Contd.)**1****2**

Effective, October 22, 1997, the minimum margins of 15 per cent on unreleased stocks were changed to a minimum margin on free sale sugar at 15 per cent and on levy sugar at 10 per cent as the levy sugar is valued at the Government notified price and is not subject to price fluctuation. The buffer stock would continue to be at zero per cent margin.

Credit to Small Scale Industrial Units

With a view to ensuring prompt settlement of dues of SSI units and encouraging bills culture, banks were advised that with effect from January 1, 1998, they should ensure that of the total inland credit purchases of the borrowers, not less than 25 per cent of the assessed working capital of the corporates should be through bills drawn on them by concerned sellers to enable the corporates to settle the bills of SSI suppliers.

Loan System for Delivery of Bank Credit

A uniform level of 80 per cent 'loan component' was prescribed for all borrowers with working capital credit limits of Rs.10 crore or above from the banking system. It was also indicated that no further increase in loan component was intended.

Bridge Loans

Banks were permitted to sanction bridge loans against equity flows/issues after approval of guidelines from the respective banks' Boards for not more than one year and accommodated within the ceiling of 5.0 per cent of incremental deposits as investments in shares.

Margin on Advances to Individual Against the Security of Shares/debentures/bonds

Banks were given freedom to decide margins on advances to individuals against preference shares and debentures/bonds. The prescribed margin of 50 per cent continues to apply to such advances against shares.

Financing of Trade and Services

Banks' Boards may review arrangement for trade financing with a view to enhancing the resources flowing to trade.

Banks were advised to devise alternative methods of assessing the loan requirement of services sector.

Loans to Road and Water Transport Operators

Bank advances to Road and Water Transport Operators for ten vehicles to be treated as priority sector advances as against six vehicles earlier.

Loans for Housing

In order to enhance the flow of resources for housing in rural and semi-urban areas, bank advances up to Rs.5 lakh for housing in rural and semi-urban areas were to be treated as priority sector advances as against Rs.3 lakh earlier.

October 21,
1997

Financial Markets**Money Markets****Certificates of Deposit (CDs)**

The minimum size of issue of Certificates of Deposit (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.

Annexure I (Contd.)

1	2
	Routing of Transactions through Primary Dealers To provide more flexibility, the size of transaction for lending by entities which route transaction through Primary Dealers in the Call/notice money market was reduced from Rs.10 crore to Rs.5 crore.
	Investments by Money Market Mutual Funds (MMMFs) 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 up to 1 year.
October 21, 1997	Government Securities Market Treasury Bills 28 day Treasury Bills on auction basis would be issued. Method of Auction With a view to eliminating the problem of "winners' curse" and broaden the market participation, uniform Price Auction in respect of 91-day Treasury Bills would be introduced. Notified Amounts Amounts of issue would be notified for all auctions of Government of India Securities including 364-day and 14-day Treasury Bills. Non-competitive Bids Amounts allocated for non-competitive bidders would be outside the notified amount. The discretion to accept 'non-competitive' bids fully or partially would, however, rest with the Reserve Bank so as to exercise control over the total volume of issue of securities. Foreign Institutional Investors' (FIIs) investments in Government Securities FIIs with 30 per cent ceiling on investment in debt securities were allowed to invest in Government Securities in addition to Corporate Bonds within the 30 per cent ceiling on debt component. Retailing of Government Securities by banks In order to promote the retail market segment 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. The restriction on the period (30 days) between sale and purchase was done away with.
October 21, 1997	Other Debt Markets Ready Forward Transactions In the interest of developing the secondary market in Public Sector Units (PSUs) Bonds and Private Corporate Debt Securities and for providing liquidity to such instruments, ready forward transactions were allowed in bonds of Public Sector Units (PSUs) and private corporate debt securities, when held in dematerialised form in depository and traded in recognised stock exchanges. Participants and nature of participation would be similar to those in Government Securities.
October 21, 1997	Foreign Exchange Market (i) In order to move over from a system of uniform ceiling on borrowings to a system which links the ceilings to the unimpaired Tier I capital, banks were allowed to

Annexure I (Contd.)

1	2
	borrow in overseas markets/invest in overseas money markets up to a maximum extent of 15 per cent of their unimpaired Tier I Capital. (ii) For banks' investments in overseas money markets also, the limit of US \$ 10 million was revised to 15 per cent of Tier I capital. Investments of nostro funds arising out of FCNR(B) deposits, EEFC, RFC, and ESCROW accounts and overnight investments would be outside of these limits.
October 21, 1997	Liberalisation of Capital Account (i) Exporter/exchange earners were allowed to retain 50 per cent of foreign exchange earned in their Exchange Earners Foreign Currency Account (EEFC). (ii) Requirement of prior approval from the Reserve Bank by project exporters for various purposes was done away with and powers delegated to Authorised Dealers (ADs). (iii) ADs were allowed to undertake forfeiting of medium-term export receivables. (iv) Prior approval from the Reserve Bank would be no longer necessary for corporate entities to open offices abroad. Capital and current expenditure were allowed without any limit out of EEFC accounts. For other corporates, limit would be related to their turnover. (v) Banks were allowed to provide credit/non-credit facilities to Indian Joint Ventures/wholly owned subsidiaries abroad, and buyers credit/acceptance finance, subject to a limit of 5 per cent of the unimpaired Tier I capital. Higher limits would be considered by RBI on merits. (vi) SEBI registered Indian fund managers including mutual funds were allowed to invest in the overseas markets subject to SEBI guidelines with an overall cap of US \$ 500 million. The ceiling for individual funds related to size of the fund was subject to a maximum of US \$ 50 million. (vii) With a view to deepening and widening the foreign exchange market, permission for forward cover facility to FIIs in respect of investments in debt instruments was extended to deposits of NRIs held in NRE Rupee Accounts and FCNR(B) Schemes.
October 21, 1997	Asset Liability Management In the context of the progressive liberalisation of the financial markets and with a view to monitoring the maturity and liquidity mismatches, interest rate risks and maintaining them at acceptable levels, banks were advised to put in place adequate Asset Liability Management (ALM) systems.
November 26, 1997	In the context of the developments in the external sector and in order to quicken the realisation of export proceeds, effective November 27, 1997, the interest rate on post-shipment rupee export credit for period beyond 90 days and up to six months was increased from 13.0 per cent to 15.0 per cent per annum.
November 28, 1997	Interest rate on post-shipment rupee export credit Effective December 15, 1997 the interest rate on post-shipment rupee export credit for period beyond 90 days and up to six months was made applicable from the date of advance instead of only for the period beyond 90 days. CRR Reductions On November 28, 1997 the envisaged reductions in CRR were deferred and phasing of future reductions of 0.25 percentage point each was to be effective from fortnights beginning January 31, 1998, February 14, 1998, February 28, 1998, March 14, 1998, March 28, 1998 and April 11, 1998.

Annexure I (Contd.)

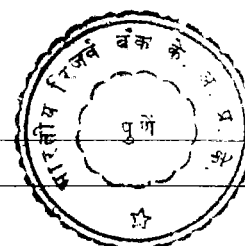
1	2
December 2, 1997	CRR Reductions In view of the prevalent situation in financial and foreign exchange markets, the schedule of reduction in CRR was decided to be kept in abeyance and CRR on Net DTL was raised from 9.5 per cent to 10.0 per cent effective from the fortnight beginning December 6, 1997. From the fortnight beginning December 6, 1997, the CRR of 10 per cent on incremental deposits over the level of April 11, 1997, under the Non-Resident (External) Rupee(NRE) Accounts and Non-Resident Non-Repatriable (Rupee) Deposits (NRNR) Accounts was removed. The amount already impounded under this prescription was released on December 6, 1997.
December 17, 1997	Overdue Interest rate on post-shipment rupee export credit In the context of the developments in the foreign exchange market, with effect from December 18, 1997, banks were advised to charge a minimum interest rate of 20 per cent per annum applicable from the date of advance on overdue export bills; banks were till then free to fix interest rate on such credit. Import Finance In the context of developments in the foreign exchange market, an interest rate surcharge of 15 per cent of the lending rate was imposed on bank credit for imports (not applicable for export related imports and certain bulk imports) with effect from December 18, 1997.
December 31, 1997	Interest rate on post-shipment rupee export credit On a review of the situation, effective January 1, 1998, the interest rate on post-shipment rupee export credit for period beyond 90 days and up to six months was reduced from '15.0 per cent per annum' to '13.0 per cent per annum'. Further, the interest rate of '13.0 per cent per annum' would be applicable only for the period beyond 90 days, and not from the date of advance.
December 31, 1997	Overdue Interest rate on post-shipment rupee export credit It was announced that the higher interest rate at 20 per cent per annum (minimum) on post-shipment rupee export credit outstanding against overdue bills would be applicable only for the overdue period and not from the date of advance. The above rate would however, not be applicable to overdues in respect of chronic cases where overdues existed as on July 1, 1997 effective retrospectively from December 18, 1997.
January 16, 1998	On a review of the monetary and foreign exchange situation, the measures already taken by the Reserve Bank in this regard and the then international developments, the following measures were undertaken: Bank Rate The Bank Rate was increased by 2 percentage points to 11.0 per cent with effect from the close of business on January 16, 1998. As a consequence to this change, the interest rates on Export Credit Refinance and General Refinance to banks, liquidity support to Primary Dealers and penal interest rates on shortfalls in reserve requirements were also raised by two percentage points. CRR Reductions Effective from the fortnight beginning January 17, 1998, the CRR was raised by one-half of one percentage point from 10.0 per cent to 10.5 per cent of net DTL impounding

Annexure I (Contd.)

1	2
	resources of scheduled commercial banks to the extent of Rs.2,500 crore.
January 16, 1998	Export Credit Refinance Facility Effective from the fortnight beginning January 17, 1998 the export credit refinance limit for banks was reduced from 100 per cent to 50 per cent of the increase in outstanding export credit eligible for refinance over the level of such credit as on February 16, 1996. General Refinance Facility Effective from the fortnight beginning January 17, 1998 the General Refinance limit for banks was reduced from 1.0 per cent to 0.25 per cent of each bank's fortnightly average outstanding aggregate deposits in 1996-97.
January 16, 1998	Liquidity Support to Primary Dealers It was decided that Reserve Bank's liquidity support to Primary Dealers in Government Securities market would be on a discretionary basis instead of up to a fixed limit till then. Import Finance The interest rate surcharge was enhanced from 15 per cent to 30 per cent effective January 17, 1998.
March 18, 1998	On a review of the monetary and credit situation, with effect the close of business on March 18, 1998 the Bank Rate was reduced by one half of one percentage point from '11.0 per cent per annum' to '10.5 per cent per annum'.
March 23, 1998	The CRR to be maintained by scheduled commercial banks was reduced by 0.50 percentage point from 10.5 per cent to 10.0 per cent in two phases of 0.25 percentage point each effective from the fortnight beginning from March 28, 1998 and April 11, 1998 augmenting the resources of banks by about Rs.2,600 crore (Rs.1,300 crore for each phase of reduction).
April 2, 1998	With effect from the close of business on April 2, 1998 the Bank Rate was reduced by one half of one percentage point from '10.5 per cent per annum' to '10.0 per cent per annum'.
April 29, 1998	Money Market With effect from May 9, 1998, the minimum size of operation per transaction by entities routing their lendings through PDs in the call money market was reduced from Rs.5 crore to Rs.3 crore.
April 29, 1998	With effect from May 9, 1998, the minimum lock-in period for CDs and units of MMMFs was reduced from 30 days to 15 days. Government Securities Market With a view to deepening the market further, the practice of reverse repos with Primary Dealers in specified securities was dispensed with and instead, liquidity support against the security of holdings in Subsidiary General Ledger (SGL) accounts would be Provided. With a view to deepening the market further, 182-Day Treasury Bills auctions on a fortnightly basis would be reintroduced. With a view to deepening the market further, the periodicity of holding 364-Day Treasury Bills auctions would be on a monthly basis as against the earlier arrangement of fortnightly auctions. FIs were permitted to purchase/sell Treasury Bills within the overall approved debt ceilings.

Annexure I (Contd.)

1	2
April 29, 1998	In addition to the earlier three-day and four-day repos, one-day repos (including reverse repos) to absorb (or infuse) liquidity into the system would be introduced by the Reserve Bank Further, fixed interest and auction based repos, as appropriate would be used. Deposit and Lending Rates With a view to provide greater freedom to banks in respect of several aspects of their deposit/lending, the minimum period of maturity of term deposits was reduced from 30 days to 15 days. Banks were permitted to determine their own penal interest rates for premature withdrawal of domestic/ NRE term deposits and banks were advised to ensure that the depositors are made aware of the applicable penal rate along with the deposit rate Restriction on banks that they must offer the same rate on deposits of the same maturity irrespective of the size of such deposits was removed and bank boards were permitted to lay down the policy in this regard. In order to remove the disincentive to the flow of credit to small borrowings below Rs.2 lakh, the interest rates on loans below Rs.2 lakh was prescribed at 'not exceeding the Prime Lending Rate (PLR)' which is available to the best borrowers of the concerned bank. All advances against term deposits would be at an interest rate equal to PLR or less. Taking into account the international developments which reiterated the problems related to short-term external liabilities and large unhedged positions of corporates in some of the East Asian countries, to encourage the banks to mobilise long-term deposits, while simultaneously discouraging them to mobilise short-term deposits, The interest rate ceiling on FCNR(B) deposits of one year and above was increased by 50 basis points and that on such deposits below one year was reduced by 25 basis points. Banks were permitted to fix their own overdue interest rates in respect of FCNR(B) and NRE deposits, subject to these deposits being renewed. As part of risk management, banks were advised to monitor unhedged exposures of their clients by building in adequate risk evaluation procedures in their credit appraisal system. April 29, 1998 Valuation of Banks' Investments in Approved Securities Banks were advised to classify a minimum of 70 per cent of their securities as current investments for the year ending March 31, 1999. Further it was indicated that the ratio of current investments in approved securities would be increased progressively to 100 per cent in the next three years. This was in line with international best practice. Advances against Shares to individuals The existing regulations were reviewed and the ceiling amount on advances against shares to individuals was increased from Rs.10 lakh to 20 lakh against dematerialised securities. The minimum margin for subscriptions against dematerialised shares was also reduced from 50 per cent to 25 per cent. Agricultural credit In respect of agricultural credit, several procedural modifications were made in the light of recommendations of the Shri. R.V.Gupta Committee for Agriculture. These include greater flexibility and discretion to the lending banks in matters of collateral, margin,

Annexure I (Contd.)**1****2**

security, dispensation of "no dues certificates", introduction of a composite cash credit limit to cover the farmers' production, post-harvest and household requirements, etc. The Indian Banks' Association was also requested to work out simplified application forms of agricultural loans, and banks were advised to delegate sufficient powers to their branch managers. These procedural improvements would lead to a substantial reduction in paper work and simplify the delivery mechanism for flow of credit to farmers. Those recommendations of the Committee which fall within the purview of State Governments or which require consideration by Central Government would be forwarded to them for necessary action.

April 29, 1998

Prudential Norms and Supervision of Banks

In the light of the recommendations of the High Level Committee on Banking Sector Reforms under the Chairmanship of Shri M. Narasimham, it was indicated that in order to strengthen the existing capital adequacy, income recognition and provisioning norms, specific decisions would be taken.

In the context of the Narasimham Committee's recommendations for strengthening the disclosure and auditing requirements of banks and for transparency in banking operations, it was proposed to move towards full disclosure and transparency in line with international best practice as early as possible.

In the light of recent developments in East Asia, it was proposed to further strengthen the prudential regulations to cover such exposures in respect of short-term foreign currency loans and for other cross-border operations in case of Indian banks, keeping in view the international best practices and our country-specific requirements.

Roles of Banks and Development Finance Institutions (DFIs)

It was proposed to prepare a "Discussion Paper", which would contain Reserve Bank's draft proposals for bringing about greater clarity in the respective roles of banks and financial institutions and for greater harmonisation of facilities and obligations applicable to them taking into account those recommendations of the Narasimham Committee which have a bearing on the issues considered by the Working Group of Chairmen of some commercial banks and development finance institutions.

Credit Policy Measures

In addition to the above measures, which are primarily of a longer term nature, the following credit policy measures were also introduced. These measures are subject to change during the course of 1998-99 at short notice depending on developments in domestic credit and foreign exchange markets.

a) Bank Rate

Bank Rate was reduced by one percentage point from 10.0 per cent to 9.0 per cent effective from April 29, 1998.

b) Refinance Limits of Exports

With effect from the fortnight beginning May 9, 1998, export credit refinance was restored to 100 per cent (instead of earlier 50 per cent) of the increase in outstanding export credit eligible for refinance over the level of such credit as on February 16, 1996.

c) Rate of Interest on Exports

Interest rate on pre-shipment export credit up to 180 days was reduced from 12

Annexure I (Concl.)

1	2
	per cent to 11 per cent with effect from April 29, 1998. Interest rate against incentives receivable from Government covered by ECGC guarantee in respect of pre-shipment credit up to 90 days was reduced from the existing 12 per cent to 11 per cent with effect from April 29, 1998.
May 18, 1998	One-third of the amount impounded between May 3, 1991 and April 17, 1992 was released in three instalments in October 1992. The remaining two-third balances were to be released in twelve equal monthly instalments from the fortnight beginning May 23, 1998 and extending up to March 13, 1999.
August 6, 1998	Interest Rates on Export Credit and Export Credit Refinance As a measure to effect a temporary revision in the interest rates on exports up to March 31, 1999, with effect from August 6, 1998, the interest rates charged by scheduled commercial banks on pre-shipment rupee export credit and post-shipment rupee export credit was reduced by 2 percentage points. Further in respect of post-shipment rupee export credit, the ceiling rate of 'not exceeding 11.0 per cent per annum' applicable in respect of demand bills and usance bills up to 90 days and loans against incentives receivable from Government covered by ECGC guarantee up to 90 days was replaced by a fixed rate of 9.0 per cent. Scheduled commercial banks would be provided export credit refinance at 2.0 percentage points below the Bank Rate (i.e., 7.0 per cent per annum) up to March 31, 1999.
From the fortnight beginning August 29, 1998	Cash Reserve Ratio (CRR) On a review of the current foreign exchange and monetary conditions, it was decided to effect an increase in cash reserve ratio (CRR) as a temporary measure. Accordingly, effective from the fortnight beginning August 29, 1998, the CRR to be maintained by scheduled commercial banks (excluding RRBs) was increased by one percentage point from 10.0 per cent to 11.0 per cent of net demand and time liabilities (NDTL).

Annexure II
Performance of Special Employment and Anti-Poverty Programmes

(Amount in Rupees crore)

Item	1995-96		1996-97		1997-98	
	Target	Ach.	Target	Ach.	Target	Ach.
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	N.A.	16.97
Of which:						
i) No. of SC/ST (in lakhs)*	N.A.	10.72	N.A.	8.82	—	7.86
ii) No. of Women beneficiaries (in lakhs)*	N.A.	6.76	N.A.	6.35	N.A.	5.83
Amount of subsidy	N.A.	107.14	N.A.	1,130.23	N.A.	1,106.21
Amount of loan*	N.A.	1,703.13	2,142.20	1,952.72	N.A.	1,990.67
3. Scheme of Urban Micro Enterprises (SUME)						
No. of beneficiaries (No.)	1,17,223	—	1,17,001	—	N.A.	—
No. of applications sanctioned (No.)	N.A.	1,27,035	N.A.	1,12,203	N.A.	495450
Amount of loan sanctioned	N.A.	105.15	N.A.	107.40	N.A.	66.06
Amount of loan disbursed	N.A.	78.95	N.A.	78.04	N.A.	47.96
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	3,45,000	2,42,969
Sanctioned amount by banks	N.A.	1,671.95	N.A.	1,578.06	N.A.	1,455.12
No. of cases sanctioned	N.A.	2,87,384	N.A.	2,59,626	N.A.	2,42,969
Disbursed amount by banks	N.A.	1,254.08	N.A.	812.89	N.A.	747.54
No. of accounts of disbursal	N.A.	2,25,917	N.A.	1,46,165	N.A.	1,34,553
5. Differential Rate of Interest (DRI) Scheme						
No. of borrowal accounts (in lakhs)	N.A.	20.41	N.A.	15.81	N.A.	14.07
Amount	#	681.91	#	648.95	#	598.92
No. of borrowal accounts of SC/ST (in lakhs)	N.A.	10.39	N.A.	7.57	N.A.	6.47
Amount	\$	424.92	\$	413.06	\$	349.46
6. Twenty Point Programme-1986						
No. of borrowal accounts (in lakhs)	N.A.	279.60	N.A.	267.94	N.A.	260.79
Amount	N.A.	16,736.63	N.A.	17,487.18	N.A.	18,509.18
7. Credit to Minority Communities						
No. of borrowal Accounts (in lakhs)	N.A.	12.85	N.A.	12.99	N.A.	13.23 **
Amount	N.A.	1212.00	N.A.	1394.98	N.A.	1553.00 **
8. Credit to SC/ST						
No. of Borrowal Accounts (in lakhs)	N.A.	99.10	N.A.	99.01	N.A.	94.50
Amount	N.A.	5,809.00	N.A.	6,504.73	N.A.	6,849.65

* Provisional. — Not available.

** Data pertains to 41 identified districts having concentration of minority communities (position as on March 1997).

N.A. Not Applicable.

@ As on 30.9.1996.

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

(Position as on October 22, 1997)

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 Levy sugar other than those referred to in 1 (a)(i) and (ii) above.	Levy Stock : 10 Free Sale Stock : 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.

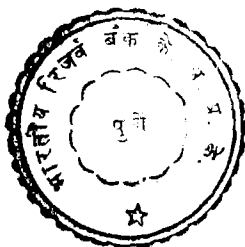


Table V-1: Variations in Monetary Aggregates

(Per cent)

Item	1997-98P	1996-97	April-November P	
			1998-99	1997-98
I	2	3	4	5
I. Reserve Money	13.1	2.8	6.9	3.2
II. Narrow Money (M ₁)	11.1	12.0	4.0	3.7
III. Broad Money (M ₃)	17.6	16.2	11.2	9.4
IV. Components of Broad Money				
a) Currency with the Public	9.9	11.7	9.3	9.2
b) Aggregate Deposits (i+ii)	19.4	17.4	11.6	9.1
i) Demand Deposits	12.4	13.0	-2.4	-4.8
ii) Time Deposits	21.0	18.5	14.6	12.3
V. Sources of Broad Money				
a) Net Bank Credit to the Government (i+ii)	14.6	12.0	14.6	10.3
i) Net Reserve Bank Credit to the Government	8.8	2.3	12.1	-3.9
Of which to Centre	10.7	1.6	12.3	-2.0
ii) Other Banks' Credit to the Government	18.9	20.5	16.3	21.0
b) Bank Credit to Commercial Sector	14.9	9.2	3.1	2.7
c) Net Foreign Exchange Assets of the Banking Sector	20.0	28.4	7.4	12.3

P Provisional.

Table V-2: Total Flow of Non-Food Resources to Commercial Sector

(Rupees crore)

Item	1997-98P	1996-97P
I	2	3
I. Scheduled Commercial Banks (I.1+I.2)	54,442	30,951
I.1. Non-food credit	40,789	26,581
I.2. Other Investments (2.1+2.2+2.3)	13,653	4,370
2.1. Commercial Paper	1,454	617
2.2. Bonds/Debentures/Preference Shares Issued by	11,933	3,685
2.2.1 Public Sector Undertakings	4,760	3,348
2.2.2 Private Corporate Sector	7,173	337
2.3 Equity Shares issued by PSUs and Private Corporate Sector	266	67
II. Other Banks	7,276	8,544
III. From Other Sources (III.1+III.2+III.3+III.4+III.5)	53,937	57,486
III.1 Bills rediscounted with financial institutions	-800	655
III.2 Capital Issues @ (2.1+2.2)	-1,644	14,124
2.1 Non-Government Public Companies	-4,207	10,080
2.1.1 Debentures and Preference Shares	-5,197	3,968
2.1.2 Equity shares	990	6,112
2.2 Public Sector Undertakings and Government Companies	2,563	4,044
III.3 Global Depository Receipts (GDRs) and Foreign Currency Convertible Bonds (FCCBs) Deposits	4,378	3,275
III.4 Issue of Commercial Paper (CP) #	-600	-47
III.5 Borrowings from Financial Institutions	52,603	39,479
Total Flow of Non-food Resources (I+II+III)	1,15,389	96,981
Memo Items		
1. Loans to Corporates against shares	15	—
2. Private Placements	27,069	15,066

P Provisional.

@ Adjusted for banks' investments in shares and debentures.

Excluding CPs issued to banks.

Table V-3: Variations in Net Reserve Bank Credit to the Central Government

(Rupees crore)

Item	1997-98	1996-97	1995-96	April-November	
				1998-99	1997-98
1	3	4	5	6	7
Net Reserve Bank Credit to the Centre (1+2+3+4-5)	12,914 (10.7)	1,934 (1.6)	19,855 (20.1)	16,430 (12.3)	-2,420 (-2.0)
1. Loans and Advances	2,000	0	0	844	0
2. Treasury Bills held by Reserve Bank	-44,026	10,086	9,601	-611	-44,592
2.1 <i>Ad hoc</i> Treasury Bills	-33,738	4,631	5,896	0	-33,738
2.2 Discounted Treasury Bills	-9,464	7,126	659	0	-9,464
2.3 Auction Treasury Bills	-824	-1,671	3,045	-611	1,391
3. Reserve Bank's holdings of Dated Securities @	55,666	-8,607	11,782	13,516	40,230
3.1 Central Government Securities \$	24,843	-8,620	11,782	13,516	9,407
4. Reserve Bank 's holdings of Rupee Coins	-118	28	-2	53	-78
5. Central Government Deposits	608	-428	1,526	-2,628	-2,020
Memo Items					
1. Market Borrowings of dated Securities by the Centre *#	43,390	27,911	38,634	58,121	36,685*
2. Reserve Bank's subscription to fresh dated securities *	13,028	3,698	12,655	28,204	7,028
3. Repos (-) / R. Repos (+) *	2,442	-1,424	99	-1,701	-3,275

* At face value. # Excludes Treasury Bills.

@ Includes Special Securities 1997 worth Rs. 50,818 crore created on conversion of *ad hoc* and tap Treasury Bills outstanding as on March 31, 1997.

\$ Includes special securities worth Rs. 20,000 crore converted into marketable securities.

Parenthetic figures constitute percentage variations over previous year.

**Table V-4: Selected Movements in the Monetised Deficit
A Summary Profile**

Event	Possible Impact on				
	Banks' investments in Central Government Securities	Other Banks' Credit to Government	Centre's Balances with the RBI #	Monetised Deficit \$	RBI's Foreign Currency Assets*
1	2	3	4	5	6
1. CRR Cut	Primary Auctions @ : Secondary Market (RBI window) ϕ	$\uparrow$ $\uparrow$	$\leftrightarrow$ $\leftrightarrow$	$\downarrow$ $\downarrow$	$\leftrightarrow$ $\leftrightarrow$
2. Capital Inflows	Primary Auctions @ : Secondary Market (RBI window) ϕ	$\uparrow$ $\uparrow$	$\uparrow$ $\leftrightarrow$	$\downarrow$ $\downarrow$	$\uparrow$ $\uparrow$

@ Include primary auctions of Treasury Bills and dated Central Government securities.

ϕ Includes repos with banks.

Net of statutory minimum balance.

\$ Net of reverse repos with primary dealers.

* In the event of RBI intervention.

Table V-5: Select Monetary Ratios

Item	1997-98P	1996-97
1	2	3
1. M_3 Multiplier (m)	3.65	3.51
2. Currency to Aggregate Deposits Ratio (c)	0.21	0.23
3. Bank Reserve to Aggregate Deposits Ratio (r)	0.11	0.11
Memo Item :		
1. Cash Reserve Ratio (%) @	10.6	10.5
2. Share of incremental Non- resident External Deposits to scheduled commercial banks' incremental time deposit growth	11.9	22.3

P Provisional.

@ Pertain to scheduled commercial banks.

Table-V-6: Important Banking Variables

(Rupees crore)

Item	Financial year Variation	
	1996-97 March 28, 1997 over March 29, 1996	1997-98 March 27, 1998 over March 28, 1997
1	2	3
Aggregate Deposits	71,780 (16.5)	99,811 (19.7)
Demand Deposits	9,996 (12.4)	11,903 (13.1)
Time Deposits	61,784 (17.5)	87,908 (21.2)
Bank credit	24,386 (9.6)	45,678 (16.4)
Food credit	-2,195 (-22.4)	4,889 (64.4)
Non-food credit	26,581 (10.9)	40,789 (15.1)
Investments	25,731 (15.6)	28,192 (14.8)
of which		
Govt. securities	26,662 (20.2)	28,067 (17.7)

Note: Figures in brackets represent percentage variation.**Table V-7: Bank Group-wise Share of Deposits, Credit and Investments in Government Securities**

(Per cent)

Item	Aggregate Deposits			Bank Credit			Investments in Government Securities		
	1995-96	1996-97	1997-98	1995-96	1996-97	1997-98	1995-96	1996-97	1997-98
1	2	3	4	5	6	7	8	9	10
1. SBI and Associates	32.8	21.4	24.8	33.5	23.8	25.1	21.8	24.9	20.3
2. Nationalised Banks	46.1	49.4	51.2	34.5	31.2	51.7	61.5	52.1	51.0
3. Foreign Banks	5.9	8.3	5.6	15.8	17.9	6.3	4.9	7.7	10.9
4. RRBs	5.4	5.0	4.0	2.6	5.2	2.5	2.6	-0.4	1.0
5. Indian Pvt. Banks	9.9	15.9	14.4	13.7	22.0	14.3	9.2	15.8	16.8
(1) Old Private Banks	3.3	8.0	7.2	5.9	10.1	7.8	3.2	8.4	6.9
(2) New Private Banks	6.5	7.9	7.2	7.8	11.8	6.4	6.0	7.4	9.9
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-8: Public Sector Banks : Advances to Priority Sector

(Amount in Rupees crore)

Sector	March 1997			March 1998 P		
	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	25,826	32.6	13.6	28,302	31.0	13.0
Indirect	5,186	6.6	2.7	6,002	6.6	2.7
Total	31,012	39.2	16.4	34,304	37.6	15.7
II. Small Scale Industries	31,542	39.9	16.6	38,109	41.7	17.5
III. Other Priority Sectors	16,577	20.9	8.7	18,881	20.7	8.6
Grand Total	79,131@	100.0	41.7	91,318	100.0	41.8

P Provisional.

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

Table V-9: Export Credit Refinance and General Refinance to Scheduled Commercial Banks

(Amount in Rupees crore)

Item	1996-97	1997-98				1998-99
	March	June	September	December	March	June
1	2	3	4	5	6	7
1. Export Credit Refinance						
a) Limit	6,654	2,754	1,986	2,396	2,403	5,380
b) Outstanding	560	281	306	740	395	755
2. General Refinance						
a) Limit	—	4,460	4,460	4,460	1,115	1,115
b) Outstanding	—	1	0	502	0	..
Memo Items :						
1. Aggregate Export Credit \$	30,112	31,038	30,059	30,206	34,430	34,956
2. Export Credit eligible for Refinance	25,511	26,000	23,205	24,075	28,642	29,232
3. Aggregate Export Credit as percentage of Net Bank Credit	10.9	11.2	10.8	10.4	10.7	11.0

\$ Inclusive of Rupee export credit, Pre-shipment Credit in Foreign Currency (PCFC), Rediscounting of Export Bills Abroad (EBR) and overdue Export Credit.

.. Negligible.

Note : 1. Data pertain to the last reporting Friday of the month.

2. General refinance facility was introduced with effect from April 26, 1997. Effective from January 17, 1998, limits under this facility were reduced to 0.25 per cent (instead of 1.0 per cent earlier) of each bank's fortnightly average aggregate deposits in 1996-97.

Table V-10: Progress of Primary (Urban) Co-operative Banks

Item	End March				
	1996	1997	Annual % variation	1998 P	Annual % variation
1	2	3	4	5	6
Number of PCBs	1,501	1,653	10.1	1,811	9.6
Number of Licensed PCBs	1,180	1,378	16.8	1,556	12.9
Number of Offices of PCBs	4,537	4,781	5.4	5,229 *	9.4
Deposits (Rs. crore)	24,165	30,714	27.1	38,472 *	25.3
Loans Outstanding (Rs. crore)	17,908	21,550	20.3	26,455 *	22.8
Owned Funds (Rs. crore)	3,848	4,695	22.0	5,659 *	20.5

P Provisional.

**Table V-11: Centre-wise Number of PCBs Earning Profits and Incurring Losses
(as on March 31, 1997)**

Regional Offices of the Reserve Bank	Number of Banks		
	Reporting	Earning Profits	Incurring Losses
1	2	3	4
1 Ahmedabad	275	235	40
2 Bangalore	225	219	6
3 Bhopal	61	39	22
4 Bhubaneswar	14	8	6
5 Mumbai	386	324	62
6 Calcutta	34	31	3
7 Chandigarh	17	13	4
8 Guwahati	18	6	12
9 Hyderabad	69	45	24
10 Jaipur	32	29	3
11 Lucknow	55	49	6
12 Chennai	134	118	16
13 Nagpur	44	38	6
14 New Delhi	19	17	2
15 Patna	4	1	3
16 Thiruvananthapuram	58	49	9
Total	1,445	1,221	224

Table V-12: Gross Non-Performing Assets of PCBs*

As on	No. of Reporting PCBs	Gross NPAs as per cent of Total Advances
1	2	3
March 31, 1995	832	13.95
March 31, 1996	1,161	12.95
March 31, 1997	1,363	13.29
March 31, 1998	179	11.00

NPAs Non-Performing Assets.

* Provisional.

Table V-13: Selective Credit Controls on Bank Advances

(Percentage)

Commodities	Effective October 21, 1996			Effective October 22, 1997		
	Minimum Margins			Minimum Margins		
	Mills/ Proces- sing Units	Others	Ware house receipts	Mills/ Proces- sing Units	Others	Ware house receipts
1. Pulses	EXEMPT			EXEMPT		
2. Other foodgrains (other than paddy/rice, wheat and pulses)	EXEMPT			EXEMPT		
3. Oilseeds (viz., groundnuts, rapeseed/mustard, cottonseed castorseed, linseed and all imported oilseeds)	EXEMPT			EXEMPT		
4. Vegetable oils (viz., groundnut oil, rapeseed/mustard oil, cottonseed oil, castor oil, linseed oil, vanaspati and all Imported vegetable oils)	EXEMPT			EXEMPT		
5. Sugar						
a) Buffer stock	0	—	—	0	—	—
b) Unreleased stocks	15	—	—	Levy 10	—	—
				Freesale 15	—	—
c) Released stocks	EXEMPT			EXEMPT		
6. Gur and Khandsari	EXEMPT			EXEMPT		
7. Cotton and Kapas	EXEMPT			EXEMPT		

— Not applicable.

**Table V-14: Scheduled Commercial Banks' Outstanding Advances
against Selected Commodities**

(Rupees crore)

As on the last Friday of								
Commodities	March 1997		March 1998*		June 1997		June 1998*	
	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)	1,557.2	28.5	2,242.8	31.9	1,713.3	28.1	2,431.3	32.6
(a) Paddy/rice	1,108.5	20.3	1,606.2	22.9	1,098.1	18.0	1,613.4	21.6
(b) Wheat	131.5	2.4	224.5	3.2	228.4	3.7	401.0	5.4
(c) Pulses	118.0	2.2	134.0	1.9	141.5	2.3	138.3	1.9
(d) Other foodgrains	199.2	3.6	278.1	4.0	245.3	4.0	278.6	3.4
2. Sugar (including Khandsari and gur)	1,586.9	29.0	2,294.0	32.6	2,005.5	32.9	2,507.9	33.6
(a) Sugar	1,538.4	28.1	2,237.6	31.8	1,962.4	32.2	2,440.6	32.7
(b) Khandsari	44.3	0.8	44.3	0.6	37.3	0.6	52.7	0.7
(c) Gur	4.2	0.1	12.1	0.2	5.8	0.1	14.5	0.2
3. Major Oilseeds	467.5	8.6	504.3	7.2	597.8	9.8	523.4	7.0
(a) Groundnut	59.3	1.1	54.8	0.8	148.3	2.4	49.4	0.7
(b) Rapeseed/Mustard	54.7	1.0	44.4	0.6	68.2	1.1	47.1	0.6
(c) Linseed	0.5	0.0	5.6	0.1	0.4	0.0	22.0	0.3
(d) Castorseed	11.3	0.2	22.7	0.3	20.7	0.3	82.1	0.4
(e) Cottonseed	57.8	1.1	36.8	0.5	54.6	0.9	30.9	0.4
(f) Soyabean	235.2	4.3	297.4	4.2	257.7	4.2	280.7	3.8
(g) Other oilseeds	48.7	0.9	42.6	0.6	47.9	0.8	61.6	0.8
4. Major Vegetable oils and Vanaspati	515.2	9.4	587.6	8.4	539.2	8.8	665.2	8.9
(a) Groundnut Oil	23.1	0.4	29.6	0.4	21.0	0.3	29.3	0.4
(b) Rapeseed/Mustard Oil	51.4	0.9	49.6	0.7	54.1	0.9	56.8	0.8
(c) Castor Oil	80.4	1.5	129.6	1.8	77.2	1.3	179.4	2.4
(d) Linseed Oil	1.9	0.0	1.0	0.0	2.2	0.0	2.6	0.0
(e) Cottonseed Oil	94.4	1.7	88.2	1.3	88.6	1.5	83.1	1.1
(f) Soyabean Oil	92.1	1.7	86.2	1.2	85.1	1.4	87.5	1.2
(g) Other Veg. Oils	85.1	1.6	107.7	1.5	111.8	1.8	120.9	1.6
(h) Vanaspati	86.7	1.6	95.8	1.4	99.2	1.6	105.6	1.4
5. Cotton and Kapas	1,204.9	22.0	1,268.3	18.0	1,130.9	18.5	1,207.5	16.2
6. Raw Jute	134.9	2.5	130.3	1.9	116.4	1.9	131.4	1.8
Total	5,466.7	100.0	7,027.4	100.0	6,103.0	100.0	7,466.8	100.0

* Data are provisional

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

Table V-15: Security-wise Advances to Mills/Factories and Industrial Users
(As percentage to Total Credit Against Sensitive Commodities)

Commodities	Last Friday of		
	March 1998	March 1997	March 1996
1	2	3	4
1. Linseed Oil	70.0	100.0	95.0
2. Sugar	90.8	98.3	98.9
3. Vanaspati	79.8	94.6	96.0
4. Khandsari	88.7	95.0	94.3
5. Rapeseed/Mustard Oil	91.3	91.0	88.9
6. Raw Jute	93.5	89.7	89.5
7. Castor Oil	99.5	86.8	99.4
8. Rapeseed/Mustard	86.3	86.3	82.4
9. Wheat	67.4	86.5	65.2
10. Soyabean Oil	74.2	85.9	70.7
11. Pulses	81.9	82.7	83.9
12. Linseed	12.5	80.0	76.9
13. Groundnut Oil	88.5	78.8	74.4
14. Cotton and Kapas	80.5	78.5	77.8
15. Other Veg. Oils	77.5	75.0	76.9
16. Castorseed	98.7	84.1	55.1
17. Paddy and Rice	72.3	67.1	75.6
18. Cottonseed Oil	92.7	72.6	89.9
19. Other Oilseeds	62.0	61.2	49.6
20. Soyabean	61.8	60.3	89.6
21. Cottonseed	68.2	42.4	85.1
22. Gur	75.2	42.9	42.6
23. Groundnut	65.0	29.8	88.9
24. Other Foodgrains	15.3	14.0	20.0
All Selected Commodities	80.9	79.9	83.4

Source: Basic Statistical Return-3.

Table V-16: Direct Institutional Finance for Agriculture and Allied Activities

(Rupees crore)

Source of Finance	Loans issued during April-March				Loans Outstanding as on March 31			
	1993-94	1994-95	1995-96	1996-97P	1994	1995	1996	1997P
I	2	3	4	5	6	7	8	9
I. Co-operatives of which:	8,484.0 (56.5)	9,875.5 (52.6)	12,079.0 (51.9)	12,513.0 (49.1)	15,315.6 (41.4)	16,809.5 (41.3)	18,962.0 (41.4)	21,158.0 (41.1)
(a) Short-term loans by PACS (including LAMPS and FSS)	6,038.8	6,996.2	8,558.0	8,667.0	6,639.5	7,091.3	8,200.0	8,218.0
(b) Medium and Long-term loans by PACS and CLDBs	2,445.2	2,879.3	3,521.0	3,846.0	8,676.1	9,718.2	10,762.0	12,940.0
II. Scheduled Commercial Banks *	5,399.9 (36.0)	7,407.9 (39.5)	9,274.0 (39.8)	10,674.9 (41.9)	19,112.9 (51.7)	20,920.0 (51.4)	23,427.1 (51.1)	26,326.9 (51.1)
of which:								
(a) Short-term loans	2,860.2	3,841.6	4,627.5	5,625.0	5,425.4	6,154.4	7,172.5	8,766.4
(b) Term Loans	2,539.7	3,566.3	4,646.5	5,049.9	13,687.5	14,765.6	16,254.6	17,560.5
III. Regional Rural Banks of which:	752.1 (5.0)	1,083.0 (5.8)	1,381.1 (5.9)	1,748.6 (6.9)	2,559.8 (6.9)	3,008.9 (7.4)	3,466.6 (7.6)	4,044.3 (7.8)
(a) Short-term loans	475.7	687.8	849.0	1,174.1	886.7	1,115.1	1,308.3	1,631.7
(b) Term loans	276.4	395.2	532.1	574.5	1,673.1	1,893.8	2,158.3	2,412.6
IV. State Governments**	377.0 (2.5)	406.7 (2.2)	553.8 (2.4)	562.2 (2.2)	..	..	..	..
V. Total Direct Finance (I to IV)@ of which:	15,013.0	18,773.1	23,287.9	25,498.7	36,988.3	40,738.4	45,855.7	51,529.2
(a) Short-term loans	9,751.7 (65.0)	11,932.3 (63.6)	14,588.3 (62.6)	16,028.3 (62.9)	12,951.6 (35.0)	14,360.8 (35.3)	16,680.8 (36.4)	18,616.1 (36.1)
(b) Medium and Long-term loans	5,261.3 (35.0)	6,840.8 (36.4)	8,699.6 (37.4)	9,470.4 (37.1)	24,036.7 (65.0)	26,377.6 (64.7)	29,174.9 (63.6)	32,913.1 (63.9)

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 in total direct finance**Source :** 1. NABARD.

2. Reserve Bank of India.

3. Budget Documents of the State Government.

Table V-17: Indirect Institutional Finance For Agriculture and Allied Activities*

(Rupees crore)

Source of Finance	Loans issued during April-March				Loans Outstanding as on March 31			
	1993-94	1994-95	1995-96	1996-97P	1994	1995	1996	1997P
1	2	3	4	5	6	7	8	9
I. Scheduled Commercial Banks (excluding RRBs)	332.3 #	..	1,035.9 #	..	2,099.2 #	2,865.5 #	3,674.0 #	4,986.4 #
II. Regional Rural Banks	0.4	0.1	0.8	0.8	33.3	32.8	34.5 ..	
III. Rural Electrification Corporation	692.0	967.4	828.9	787.2	5,654.6	6,191.9	6,629.0	7,150.8

.. Not available.

* Taken as long-term loans.

Relate to priority sector lending (July-June)

Source : 1. NABARD.
2. Reserve Bank of India.
3. Rural Electrification Corporation Ltd.

Table V-18: Bank group-wise Disbursement of Credit by Scheduled Commercial Banks (July-June)

(Rupees crore)

Category of Banks	1993-94	1994-95	Annual % variation	1995-96	Annual % variation	1996-97	Annual % variation
1	2	3	4	5	6	7	8
State Bank of India Group	1,612.0 (29.9)	2,401.0 (32.4)	48.9	3,296.0 (35.5)	37.3	3,411.7 (32.0)	3.5
Nationalised Banks	3,519.0 (65.2)	4,626.0 (62.4)	31.5	5,529.0 (59.6)	19.5	6,548.9 (61.3)	18.4
Indian Private Sector Banks and Foreign Banks	269.0 (5.0)	381.0 (5.1)	41.6	449.0 (4.8)	17.8	714.3 (6.7)	59.1
Total	5,400.0 (100.0)	7,408.0 (100.0)	37.2	9,274.0 (100.0)	25.2	10,674.9 (100.0)	15.1

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

**Table V-19 : Purpose-wise Disbursement of Credit by
Scheduled Commercial Banks (July-June)**

(Rupees crore)

Purpose	1993-94	1994-95	Annual % variation	1995-96	Annual % variation	1996-97	Annual % variation
1	2	3	4	5	6	7	8
I. Short-term Loans (Including crop loans)	2,860.2 (53.0)	3,841.7 (51.9)	34.3	4,627.5 (49.9)	20.5	5,625.0 (52.7)	21.6
II. Term Loans (A+B)	2,539.7 (47.0)	3,566.3 (48.1)	40.4	4,646.5 (50.1)	30.3	5,049.9 (47.3)	8.7
A. Loans for Agriculture	1,697.5 (31.4)	2,295.0 (31.0)	35.2	3,029.1 (32.7)	32.0	3,350.6 (31.4)	10.6
i) Minor Irrigation Schemes	292.3 (5.4)	313.6 (4.2)	7.3	410.2 (4.4)	30.8	367.0 (3.4)	-10.5
ii) Reclamation and Land Development Schemes	41.2 (0.8)	50.7 (0.7)	23.1	69.1 (0.7)	36.3	78.5 (0.7)	13.6
iii) Tractors and Agricultural Implements and Machinery	925.3 (17.1)	1,250.9 (16.9)	35.2	1,646.7 (17.8)	31.6	1,786.1 (16.7)	8.5
iv) Plantations	100.6 (1.9)	111.3 (1.5)	10.6	147.3 (1.6)	32.3	176.7 (1.7)	20.0
v) Other Term Loans	338.1 (6.3)	568.5 (7.7)	68.1	755.8 (8.1)	32.9	942.1 (8.8)	24.6
B. Loans for Allied Activities	842.2 (15.6)	1,271.3 (17.2)	50.9	1,617.4 (17.4)	27.2	1,699.3 (15.9)	5.1
i) Dairying	338.1 (6.3)	384.2 (5.2)	13.6	546.8 (5.9)	42.3	614.8 (5.8)	12.4
ii) Poultry Farming Piggery and Beekeeping	125.1 (2.3)	219.5 (3.0)	75.5	290.5 (3.1)	32.3	249.0 (2.3)	-14.3
iii) Fisheries	141.9 (2.6)	301.1 (4.1)	112.2	273.5 (2.9)	-9.2	228.3 (2.1)	-16.5
iv) Others	237.1 (4.4)	366.5 (4.9)	54.6	506.6 (5.5)	38.2	607.2 (5.7)	19.9
Grand Total (I+II)	5,399.9 (100.0)	7,408.0 (100.0)	37.2	9,274.0 (100.0)	25.2	10,674.9 (100.0)	15.1

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

**Table V-20: Region-wise and Term-wise Disbursements of Credit by
Scheduled Commercial Banks during (July-June)**

(Rupees crore)

Region	1993-94			1994-95				1995-96				1996-97			
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total	Annual % variation	Short-Term	Long-Term	Total	Annual % variation	Short-Term	Long-Term	Total	Annual % variation
I	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Northern Region	122.4 (4.3)	469.8 (18.5)	592.2 (11.0)	184.3 (4.8)	652.0 (18.3)	836.3 (11.3)	41.2	233.9 (5.1)	845.1 (18.2)	1,079.0 (11.6)	29.0	407.2 (7.2)	925.2 (18.3)	1,332.4 (12.5)	23.5
North-Eastern Region	7.6 (0.3)	25.3 (1.0)	32.9 (0.6)	5.4 (0.1)	31.1 (0.9)	36.5 (0.5)	10.9	4.5 (0.1)	36.2 (0.8)	40.7 (0.4)	11.5	10.3 (0.2)	49.3 (1.0)	59.6 (0.6)	46.4
Eastern Region	121.0 (4.2)	205.6 (8.1)	326.6 (6.0)	174.7 (4.5)	300.9 (8.4)	475.6 (6.4)	45.6	219.1 (4.7)	376.9 (8.1)	596.0 (6.4)	25.3	254.0 (4.5)	445.3 (8.8)	699.3 (6.6)	17.3
Central Region	182.5 (6.4)	580.9 (22.9)	763.4 (14.1)	247.6 (6.4)	694.2 (19.5)	941.8 (12.7)	23.4	312.5 (6.8)	1,210.6 (26.1)	1,523.1 (16.4)	61.7	407.0 (7.2)	1,327.9 (26.3)	1,734.9 (16.3)	13.9
Western Region	326.6 (11.4)	382.2 (15.0)	708.8 (13.1)	567.0 (14.8)	727.5 (20.4)	1,294.5 (17.5)	82.6	730.8 (15.8)	853.4 (18.4)	1,584.2 (17.1)	22.4	864.2 (15.4)	995.7 (19.7)	1,859.9 (17.4)	17.4
Southern Region	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)	28.5	3,127.0 (67.6)	1,323.8 (28.5)	4,450.8 (48.0)	16.4	3,682.3 (65.5)	1,306.4 (25.9)	4,988.7 (46.7)	12.1
All India	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)	37.2	4,627.5 (100.0)	4,646.4 (100.0)	9,273.9 (100.0)	25.2	5,625.0 (100.0)	5,049.9 (100.0)	10,674.9 (100.0)	15.1

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

**Table V-21: Priority Sector Advances of Public Sector Banks
(Outstanding at end-March)**

(Rupees crore)

Item	1996	1997	Annual % variation	1998P	Annual % variation
1	2	3	4	5	6
Total Priority Sector Advances	69,609.0 (37.8)	79,131.2 (41.7)	13.7	91,318.6 (41.9)	15.4
<i>Of which :</i>					
i) Advances to Agriculture	26,351.0 (14.3)	31,012.0 (16.3)	17.7	34,304.5 (15.7)	10.6
a) Direct	22,892.0	25,826.5	12.8	28,302.4	9.6
b) Indirect	3,459.0	5,186.0	49.9	6,002.1	15.7
ii) Advances to Weaker Sections	15,579.0 (8.5)	16,478.3 (8.7)	5.8	18,134.2 (8.3)	10.0

P Provisional.

Note: Figures in brackets are percentage to Net Bank Credit.

Table V-22: NABARD's Credit to State Co-operatives Banks, Regional Rural Banks and State Governments

(Rupees crore)

Agency/Purpose	Period	1995-96		1996-97		1997-98P	
		Limits sanctioned	Out-standing	Limits sanctioned	Out-standing	Limits sanctioned	Out-standing
I	2	3	4	5	6	7	8
I. State Co-operative Banks							
A. Short-term							
(i) Seasonal Agricultural Operations	July-June@	4,750	2,930	5,185	3,030	5,169	3,629
(a) Out of (i) : for Oilseeds Production Programme	July-June@	568	315	649	232	672	321
(b) Out of (i) : for National Pulses Development Programme	July-June@	32	8	39	7	34	23
(c) Out of (i) for Development of Tribal Population	July-June@	204	70	223	61	213	102
(ii) Purchase and Distribution of Fertilizers	January-December	57	—	50	—	63	—
(iii) Production and Marketing Activities of Co-operative Weavers Societies	April-March	701	543	759	318	743	356
(iv) Financing of Production & Marketing Activities of Industrial Co-operatives.	April-March	17	14	17	15	17	15
(v) Working Capital to Co-operative Sugar Factories against Stock of Sugar	July-June@	275	—	—	—	—	—
(vi) Purchase and Sale of Yarn	April-March	27	11	29	11	29	13
(vii) Financing of Individual Rural Artisans through PACS	April-March	9	7	9	9	—	—
B. Medium-term							
(i) Approved Agricultural Purposes	January-December	6	7	2	5	1	3
(ii) Purchase of Shares in Co-operative Sugar Factories/Processing Societies	January-December	—	2	—	1	—	1
(iii) Conversion of Short-term Loans into Medium-term Loans	July-June@	109	57	267	73	45	198
II. Regional Rural Banks							
A. Short-Term SAO	July-June@	830	755	974	869	1,060	961
B. Medium-Term							
i) Non-Schematic	January-December*	51	156	24	137	10	100
ii) Conversion of ST loans into MT Loans	July-June@	1	1	—	1	—	—
III. State Governments							
Long-term Loans to State Governments for Contribution to Share Capital of Co-operative Credit Institutions	April-March	100	363	101	418	150	515

P Provisional

— Not available.

@ For the year 1997-98, the outstanding figures are as at end March 1998

* Figures for the year 1996 are for 6 months only (July-December) since, operative period has been changed to Calendar year from January 1, 1997.

Source: NABARD.

Table V-23: Agency-wise Disbursements of Investment Credit by NABARD (April-March)

(Rupees crore)

Agency	1994-95	1995-96	Annual % variation	1996-97	Annual % variation	1997-98	Annual % variation
1	2	3	4	5	6	7	8
1. SCARDBs	1,207 (40)	1,451 (48)	20.2	1,895 (54)	30.6	2,100 (54)	10.8
2. Scheduled Commercial Banks	1,093 (36)	841 (27)	-23.0	601 (17)	-28.5	725 (18)	20.6
3. Regional Rural Banks	441 (15)	492 (16)	11.6	654 (19)	32.9	668 (17)	2.1
4. State Co-operative Banks	270 (9)	280 (9)	3.8	373 (10)	33.2	429 (11)	15.0
Total	3,011 (100)	3,064 (100)	1.8	3,523 (100)	15.0	3,922 (100)	11.3

SCARDBs State Co-operative Agriculture and Rural Development Banks.

Note : Figures in brackets are the percentage share of the respective institution in total.**Source** : NABARD.**Table V-24: Purpose-wise Disbursements of Investment Credit by NABARD (April-March)**

(Rupees crore)

Purpose	1994-95	1995-96	Annual % variation	1996-97	Annual % variation	1997-98	Annual % variation
1	2	3	4	5	6	7	8
Minor Irrigation	598.0 (19.9)	607.0 (19.8)	1.5	592.0 (16.8)	-2.5	524.0 (13.4)	-11.5
Land Development/ CADP	17.0 (0.6)	29.0 (0.9)	70.6	44.0 (1.2)	51.7	59.0 (1.5)	34.1
Farm Mechanisation	685.0 (22.7)	701.0 (22.9)	2.3	871.0 (24.7)	24.3	1,099.0 (28.0)	26.2
Plantation / Horticulture	129.0 (4.3)	138.0 (4.5)	7.0	149.0 (4.2)	8.0	186.0 (4.7)	24.8
Poultry / Sheep Breeding/Piggery	140.0 (4.6)	165.0 (5.4)	17.9	184.0 (5.2)	11.5	199.0 (5.1)	8.2
Fisheries	101.0 (3.4)	107.0 (3.5)	5.9	41.0 (1.2)	-61.7	33.0 (0.8)	-19.5
Dairy Development	171.0 (5.7)	183.0 (6.0)	7.0	241.0 (6.8)	31.7	353.0 (9.0)	46.5
Storage / Market Yards	18.0 (0.6)	21.0 (0.7)	16.5	14.0 (0.4)	-33.3	14.0 (0.4)	0.0
IRDP	620.0 (20.6)	461.0 (15.0)	-25.6	513.0 (14.6)	11.3	611.0 (15.6)	19.1
Others #	532.0 (17.7)	652.0 (21.3)	22.6	874.0 (24.8)	34.0	844.0 (21.5)	-3.4
Total	3,011.0 (100.0)	3,064.0 (100.0)	1.8	3,523.0 (100.0)	15.0	3,922.0 (100.0)	11.3

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

CADP Command Area Development Programme.

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

Table V-25: Region-wise Disbursements of Investment Credit by NABARD
(April-March)

(Rupees crore)							
Region	1994-95	1995-96	Annual % variation	1996-97	Annual % variation	1997-98	Annual % variation
1	2	3	4	5	6	7	8
Northern Region	519.9 (17.3)	566.2 (18.5)	8.9	718.2 (20.4)	26.8	889.3 (22.7)	23.8
North-Eastern Region	50.6 (1.7)	67.5 (2.2)	33.4	107.9 (3.1)	59.9	117.4 (3.0)	8.8
Eastern Region	273.6 (9.1)	284.8 (9.3)	4.1	383.1 (10.9)	34.5	431.8 (11.0)	12.7
Central Region	628.0 (20.9)	632.2 (20.6)	0.7	634.7 (18.0)	0.4	701.3 (17.9)	10.5
Western Region	554.3 (18.4)	535.6 (17.5)	-3.4	564.2 (16.0)	5.3	570.6 (14.5)	1.1
Southern Region	984.3 (32.7)	976.9 (31.9)	-0.8	1,114.9 (31.6)	14.1	1,211.6 (30.9)	8.7
All India	3,011.0 (100.0)	3,064.0 (100.0)	1.8	3,523.1 (100.0)	15.0	3,922.0 (100.0)	11.3

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

Note : Figures in brackets represent the percentages to all-India figures.

Source : NABARD.

Table V-26: NABARD's Rate of Interest on Refinance to State Co-operative Banks for
Short-term Seasonal Agricultural Operations (SAO)

(Per cent)		
Percentage of SCB's borrowings from NABARD to (ST-SAO) loans outstanding against PACS	April 1,1997 to June 25,1997	Since June 26,1997
1	2	3
Less than 35 per cent	5.0	4.0
35 per cent-40 per cent	5.5	4.5
40 per cent-45 per cent	6.0	5.0
45 per cent-50 per cent	6.5	5.5
50 per cent-55 per cent	7.0	6.0
55 per cent and above	7.5	6.5

SCB State Co-operative Banks
PACS Primary Agricultural Credit Societies.

Source: NABARD.

Table V-27: 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/SCARDBs	CBs	RRBs/SCBs/SCARDBs
1	2	3	4	5	6
Upto Rs.25,000	Interest rates deregulated subject to a maximum of PLRs of Banks with effect from 29.4.1998	As determined by the RRBs with effect from 26.08.96 for all loan slabs	As determined by SCB or SCARDBs subject to a minimum of 12% (for all loan slabs) with effect from 18.10.1994	8.5	6.5
Above Rs.25,000 and upto Rs.2 Lakh				10.5	9.5
Above Rs.2 Lakh	As determined by CBs with effect from 18.10.94			3 per cent below the rate fixed by CBs	12.0

* From 01.08.1995

CBs Commercial Banks.

RRBs Regional Rural Banks.

SCBs State Co-operative Banks.

SCARDBs State Co-operative Agriculture and Rural Development Banks.

Source: NABARD.**Table V-28 : Sanction and Disbursement of Loans under RIDF by NABARD
(As on March 1998)**

(Rupees crore)

Phase	Year	Fund	Sanction	Disbursement	Disbursement as per cent of Sanction
1	2	3	4	5	6
RIDF-I	1995-96	2,000	1,748.55	1,433.27	81.97
RIDF-II	1996-97	2,500	2,617.47	833.85	31.85
RIDF-III	1997-98	2,500	2,668.21	216.65	8.12
RIDF-IV	1998-99	3,000	—	—	—

RIDF Rural Infrastructural Development Fund.

Source: NABARD.

Table V-29: Purpose-wise Number of Schemes and Amount Sanctioned under RIDF-I,RIDF-IIand RIDF-III
(At end March 1998)

(Rupees crore)

Purpose	RIDF-I			RIDF-II			RIDF-III			Total		
	No. of Schemes	Amount	% Share (Amount)	No. of Schemes	Amount	% Share (Amount)	No. of Schemes	Amount	% Share (Amount)	No. of Schemes	Amount	% Share (Amount)
1	2	3	4	5	6	7	8	9	10	11	12	13
Major Irrigation	18	221.70	12.7	25	412.50	15.8	11	211.76	7.9	54	845.96	12.0
Medium Irrigation	89	811.57	46.4	30	237.28	9.1	19	203.99	7.6	138	1,252.83	17.8
Minor Irrigation	3,314	600.85	34.4	3,839	581.16	22.2	8,834	512.68	19.2	1,5987	1,695.10	24.1
Watershed Management	52	80.37	4.6	40	110.44	4.2	52	21.51	0.9	144	212.32	3.0
Flood Protection	7	7.56	0.4	—	—	—	23	96.48	3.6	30	104.04	1.5
Rural Bridges	18	23.11	1.3	396	378.13	14.4	1,394	385.34	14.4	1,808	786.58	11.2
Rural Roads	19	3.39	0.2	3,918	889.90	34.0	4,088	1,211.52	45.4	8,025	2,104.81	29.9
Rural Market Yards	—	—	—	—	—	—	18	20.93	0.8	18	20.93	0.3
Inland Waterways	—	—	—	1	8.06	0.3	—	—	—	1	8.06	0.1
CADP	—	—	—	—	—	—	15	4.00	0.20	15	4.00	0.1
Total	3,517	1,748.55	100.0	8,249	2,617.47	100.0	14,454	2,668.21	100.00	26,220	7,034.63	100.0

CADP Command Area Development Programme.

Source: NABARD.

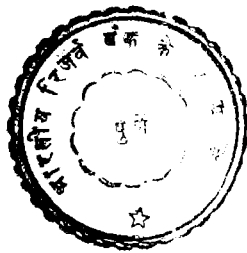


**Table V-30: State-wise Projects Sanctioned and Loans Disbursed under RIDF-I
(As on March 31,1998)**

(Rupees crore)

States	Total Financial Outlay	Loan Sanctioned by NABARD*	State Govt. Contribution	Loan Disbursed by NABARD	Expected Benefits		
					Irrigation Potential (hectares)	Value of Production (Rs. crore)	Jobs Created (No.) (Non- Recurring)
1	2	3	4	5	6	7	8
Andhra Pradesh	446.55	205.20	83.65	172.96	96,489	253	45,575
Goa	183.74	6.85	38.90	6.85	14,366	36	4,488
Gujarat	367.09	141.48	82.09	124.77	65,408	65	25,550
Haryana	36.74	18.28	9.19	13.12	81,343	105	25,992
Himachal Pradesh	31.44	14.23	4.89	14.16	8,105	14	3,113
Jammu & Kashmir	20.18	6.22	0.31	6.04	4,107	3	1,025
Karnataka	358.44	143.93	29.58	114.15	60,495	288	24,383
Kerala	285.79	99.72	47.76	70.91	39,349	111	14,575
Madhya Pradesh	710.74	199.63	16.77	147.71	1,92,153	166	56,817
Maharashtra	711.83	173.74	9.35	147.87	1,26,760	206	67,046
Manipur	3.72	1.75	0.61	0.96	4,579	5	3,808
Meghalaya	7.84	3.39	1.68	2.79	—	—	—
Mizoram	4.88	2.38	1.55	2.37	1,305	1	1,088
Nagaland	2.78	1.38	0.42	1.38	1,432	1	1,192
Orissa	412.06	152.68	43.50	132.42	84,762	65	33,325
Punjab	121.00	60.50	6.50	60.50	29,185	45	11,792
Rajasthan	416.47	109.64	7.82	83.16	85,065	47	7,754
Tripura	4.38	1.82	0.40	0.32	1,423	1	1,196
Uttar Pradesh	1,050.86	292.35	70.33	252.13	8,22,898	919	2,06,496
West Bengal	399.91	113.37	26.20	78.70	3,08,462	233	1,03,688
Total	5,576.44	1,748.55	481.50	1,433.27	20,27,686	2,565	6,38,903

* Rs.11.46 crore sanctioned to Assam and Rs.29.99 crore to Goa have been cancelled from the previous sanction. In Bihar the sanctions to the extent of Rs.26.18 crore was revalidated.

Source: NABARD.

**Table V-31: State-wise Projects Sanctioned and Loans Disbursed under RIDF-II
(As on March 31,1998)**

(Rupees crore)

States	Total Financial Outlay	Loan Sanctioned by NABARD	State Govt. Contri- bution	Loan Disbursed by NABARD	Expected Benefits				
					Irrigation Potential (hectares)	Rural Bridges (meters)	Rural Rd. Projects (kilo- meters)	Value of Production (Rs. crore)	Jobs Created (No.) (Non- Recurring)
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	277.82	194.53	51.37	73.16	92,698	567	868	81	23,571
Andhra Pradesh*	165.35	139.65	21.01	—	—	—	—	—	—
Assam	70.32	63.29	7.03	—	—	2,210	—	—	—
Gujarat	144.24	129.63	13.80	39.14	14,459	—	1,250	14	1,625
Haryana	71.00	61.06	5.58	37.23	50,365	—	—	67	10,454
Himachal Pradesh	67.32	49.50	2.87	16.60	5,254	—	381	13	2,025
Jammu & Kashmir	8.95	8.06	0.90	0.57	—	—	7	—	—
Karnataka	291.32	173.00	61.82	39.18	20,550	6,583	2,348	24	4,350
Kerala	288.98	89.43	18.68	28.33	29,694	2,271	—	95	15,846
Madhya Pradesh	335.37	207.60	22.88	57.26	89,064	—	—	122	16,717
Maharashtra	615.13	231.66	104.51	139.03	99,136	—	—	119	59,613
Orissa	203.46	125.14	28.11	57.60	17,431	1,918	154	20	7,263
Punjab	69.50	62.50	7.00	32.32	30,010	—	—	60	11,983
Rajasthan	197.21	149.87	23.65	71.20	33,966	—	1,286	32	24,513
Tamil Nadu	312.89	271.38	27.95	93.77	2,937	1,355	4,917	8	1,400
Uttar Pradesh	651.89	491.65	61.39	115.28	1,04,948	8,231	5,045	208	23,354
West Bengal	209.34	169.51	31.82	33.18	35,771	2,125	540	68	17,983
Total	3,980.09	2,617.46	490.37	833.85	6,26,283	25,260	16,796	933	2,20,697

* For cyclone affected projects.

Source: NABARD.

**Table V-32: State-wise Projects Sanctioned and Loans Disbursed under RIDF-III
(As on March 31, 1998)**

(Rupees crore)

States	Total Financial Outlay	Loan Sanctioned by NABARD	State Govt. Contri- bution	Loan Disbursed by NABARD	Expected Benefits				
					Irrigation Potential (hectares)	Rural Bridges (meters)	Rural Rd. Projects (kilo- meters)	Value of Production (Rs. crore)	Jobs Created (No.) (Non- Recurring)
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	348.27	275.11	65.83	10.05	60,739	6,562	1,473	48	8,333
Assam	20.34	16.07	1.82	—	—	691	—	—	—
Bihar	77.17	62.31	7.60	—	36,778	—	—	78	—
Gujarat	181.91	160.60	18.27	35.47	15,049	—	800	26	3,454
Haryana	70.62	62.87	6.99	19.56	1,34,441	234	268	193	8,575
Himachal Pradesh	73.54	50.11	4.98	11.59	1,197	152	407	5	421
Jammu & Kashmir	49.91	35.95	4.74	4.18	4,860	—	—	6	2,000
Karnataka	195.28	172.38	22.59	0.75	635	4,124	3,787	—	467
Kerala	107.61	93.63	11.20	1.97	19,038	2,005	375	54	2,629
Madhya Pradesh	372.57	248.70	18.23	24.87	46,792	5,995	2,432	39	9,950
Maharashtra	348.14	254.31	4.56	26.12	—	2,385	2,685	—	—
Meghalaya	9.16	8.25	0.92	—	—	426	51	—	—
Orissa	220.94	162.91	33.64	27.67	49,078	5,017	170	47	15,667
Punjab	144.93	88.85	56.08	18.80	19,200	—	—	—	2,008
Rajasthan	209.90	163.33	21.56	22.16	20,331	1,430	1,038	29	6,167
Tamil Nadu	224.47	202.02	22.45	1.86	—	4,339	1,683	—	—
Uttar Pradesh	583.37	432.98	46.90	—	3,08,876	1,800	2,621	181	36,088
West Bengal	209.18	177.84	23.41	11.61	67,912	909	834	29	15,838
Total	3,447.31	2,668.22	371.77	216.66	7,84,926	36,069	18,624	735	1,11,597

Source: NABARD.

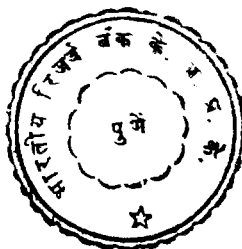


Table V-33: Expected Benefits from RIDF

	RIDF-I	RIDF-II	RIDF-III	Total
1	2	3	4	5
A. Irrigation				
1. Creation of Irrigation Potential (lakh hectare)	20.28	6.26	7.85	34.39
2. Contribution to GDP (Rs.crore)	2,565	932	734	4,231
3. Employment Generation (Recurring) (No.of jobs in lakhs)	6.39	2.21	1.58	10.18
4. Employment Generation (Non-Recurring) (Lakh person-day)	3,403	1,562	620	5,585
B. Roads and Bridges				
1. Road Length (kms.)	95	16,796	18,629	35,520
2. Bridge Length (mts.)	NA	25,262	33,904	59,166
3. Employment Generation (Non-Recurring) (Lakh person-day)	233	1,657	1,441	3,331

Source: NABARD.

Table V-34: Disbursements by National Co-operative Development Corporation (April–March)

(Rupees crore)

Schemes / Purposes	1995-96	1996-97	Annual % variation	1997-98	Annual % variation
I	2	3	4	5	6
I. Central Schemes	171.0	89.1	-47.9	139.6	56.7
a) Co-operative Storage Programmes with International Aid	5.1	0.1	-98.0	0.1	0.0
b) Co-operative Marketing, Processing and Storage Programmes in Under-developed States/Union Territories	27.6	27.6	0.0	34.6	25.4
c) Finance for Co-operatives Sugar Factories, Co-operatives Spinning Mills, NAFED, etc.	130.4	53.9	-58.7	76.8	42.5
d) Miscellaneous	7.9	7.5	-5.1	28.1	274.7
II. Corporation Sponsored Schemes	192.0	200.1	4.2	184.1	-8.0
a) Storage	7.6	8.1	6.6	10.1	24.7
b) Agro-processing	75.5	64.5	-14.6	99.7	54.6
c) Weaker Sections	52.2	47.6	-8.8	47.0	-1.3
d) Agricultural Marketing	22.1	25.7	16.3	20.7	-19.5
e) Rural Consumer Activity	1.3	1.7	30.8	1.9	11.8
f) Agro-Services and Promotional and Developmental Programmes, etc.	33.3	52.5	57.7	4.7	-91.0
III. Total (I + II)	363.0	289.2	-20.3	323.7	11.9

Source: National Co-operative Development Corporation.

Table V-35: Progress of Comprehensive Crop Insurance Scheme

Season	No. of States & UTs Implementing	No. of Farmers Covered (lakhs)	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 1987-88	19	21.28	32.36	475.44	8.85	12.08
Kharif 1988	13	29.64	52.35	547.89	8.82	29.19
Rabi 1988-89	9	8.73	10.13	164.10	3.12	3.87
Kharif 1989	17	42.27	66.46	873.89	14.48	34.41
Rabi 1989-90	17	6.60	9.59	151.56	2.77	2.88
Kharif 1990	17	19.43	34.09	515.15	7.66	81.56
Rabi 1990-91	16	7.94	10.70	196.28	3.50	4.04
Kharif 1991	17	37.61	68.61	931.41	14.43	195.27
Rabi 1991-92	15	7.76	10.95	199.94	3.55	6.03
Kharif 1992	17	41.16	72.27	1,154.66	18.12	41.30
Rabi 1992-93	16	7.41	10.16	228.35	4.10	4.77
Kharif 1993	17	42.30	72.08	1,309.38	20.65	28.94
Rabi 1993-94	16	8.17	11.23	277.84	4.89	11.44
Kharif 1994	17	43.38	71.43	1,507.79	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	1,784.16	27.40	0.35
Rabi 1995-96	16	8.79	12.77	379.68	6.93	16.59
Kharif 1996	17	48.52	80.65	1,973.44	30.42	99.31
Rabi 1996-97P	16	9.95	13.99	493.19	8.93	3.73
Kharif 1997P	17	51.55	88.11	2,205.59	33.82	N.A.

N.A. Not available.

P Provisional

Source: General Insurance Corporation of India.

CHAPTER VI

The year 1997-98 witnessed a growing evidence of integration among various segments of financial markets. The size and turn-over of the financial markets have increased. The number of instruments traded have also expanded sizeably, thereby, enhancing the role of the financial markets in a number of ways - in 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 development of the financial markets has facilitated the re-activation of the Bank Rate and the increasing use of the repo rates not only to serve as reference rates as also to provide an interest rate corridor to the overnight money market rates (Annexure). Two segments of the capital market exhibited divergent trends during 1997-98. Primary market witnessed a sharp decline in resource mobilisation mainly due to poor investor response and reduced demand for funds from the corporate entities due to slackening of new investment activity. Secondary market staged a recovery, *albeit*, modest.

Easy liquidity conditions prevailed during the first three quarters of 1997-98 with low overnight (call) rates and significant reductions in the interest (discount) rates in respect of other money market instruments. The lagged impact of the CRR cuts effected in the preceding year and the sharp accretion of deposits with the banking system coupled with large scale capital inflows were the main contributory factors towards the comfortable liquidity situation. As a result, there was a general softening of interest rates across the maturity spectrum. This in turn facilitated an early completion of the government's market borrowing programme at a relatively low cost.

During the last quarter of 1997-98, the impact of the South-East Asian financial crisis was reflected in the exchange value of the

Indian currency *vis-a-vis* other currencies, especially the US Dollar necessitating strong monetary policy measures on the part of the Reserve Bank which had an adverse impact on the available liquidity in the system. The resultant tight liquidity condition pushed up the money market rates during the last quarter of the year. Open market operations were used by the Reserve Bank as an effective tool for short-term liquidity management, especially as the money and forex markets have exhibited growing interlinks as evident during the last quarter of the year. The first quarter of 1998-99 was characterised by renewed volatility in the forex market resulting in significant foreign currency sales by the Reserve Bank during May-June 1998. However, the resultant effect on liquidity was neutralised mainly on account of the higher monetisation of the government's deficit and the lower off-take of non-food credit. As a result, interest rates softened in the domestic money markets, although these rates were somewhat higher than those during the comparable period of the previous year. 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 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 1997-98 and also up to the first quarter of 1998-99.

MONEY MARKET

The money market provides an institutional set-up for transmission of monetary policy impulses by equilibrating the demand for and supply of funds at the short-end of the market. The central bank intervenes to influence liquidity and thereby the money market rates which in turn transmit the impact on the rate variables associated with other segments of the financial markets. The money market instruments in India consist of the call (overnight) and short-notice (up to fourteen days) money, term money,

* Material of this chapter is based on data available up to end-September 1998.

commercial papers (CPs), certificates of deposit (CDs), money market mutual funds (MMMFs), commercial bills and Treasury Bills. Among these, call and short-notice money, Treasury Bills and to some extent, the CPs and CDs form significant segments of the market. Banks, Financial Institutions (FIs) and Primary Dealers (PDs) are the major players in these segments of the market, though mutual funds have also been permitted to participate as lenders in the call/notice money and bills rediscounting markets.

The year 1997-98 and the first half of 1998-99 witnessed a greater degree of integration between different segments of the money markets. Liquidity conditions were generally easy except during the last quarter of 1997-98, notwithstanding the intermittent phases of tight liquidity resulting from the fluctuations in the foreign exchange market.

Call/Notice Money Market

The call/notice money market remained easy during the first half of 1997-98 with the DFHI's fortnightly average lending rates ranging between 0.50 per cent and 7.16 per cent and that of scheduled commercial banks ranging between 0.10 per cent and 13.00 per cent (Statement 116, Vol. II). This can be attributed mainly to the seasonal downswing in non-food credit and the lagged impact of the 4 percentage points cut in CRR in the previous year. In reflection, the average turnover in the call/notice money market increased from Rs.19,951 crore in April 1997 to Rs.25,476 in August 1997. Notwithstanding the fluctuations in the foreign exchange markets from September 1997 and the gradual decline in the average outstanding repos and the average daily turnover in the call/notice money market during the period October – December 1997, liquidity conditions continued to rule moderately easy during the third quarter of 1997-98 with the DFHI's fortnightly average lending rates ranging 5.33-9.41 per cent and the scheduled commercial banks' rates ranging 0.10-11.50 per cent. However, during the fortnight ended December 19, 1997 the DFHI's and scheduled commercial banks' lending rates increased sharply to 30.0 per cent and 53.0 per cent, respectively, on December 18, 1997. The steep

rise in the call/notice money rates during the second half of December 1997 is attributable to the combined effect of outflow of funds from the banking system on account of quarterly advance tax payments and the hike in CRR from 9.5 to 10.0 per cent effective December 6, 1997. In response to the continuing volatility in the foreign exchange market in the wake of the South-East Asian crisis, the Reserve Bank undertook a series of policy measures on January 16, 1998 to control liquidity and to squelch the pressure on the forex market. As a result, the DFHI's fortnightly average call money lending rates reached a historical high of 50.0 per cent in the fortnight ended January 30, 1998 (surpassing the previous peak of 42.9 per cent pertaining to the fortnight ended May 17, 1991) with the DFHI's and the scheduled commercial banks' rates reaching a high of 110 per cent and 140 per cent, respectively, on January 24, 1998 thus eliminating arbitrage opportunities between the call money market and the forex market. Reflective of tight liquidity conditions the average outstanding amount of repos fell sharply to Rs.155 crore in January 1998 from Rs.1,899 crore in November 1997. With the restoration of orderly conditions in the money market and the resultant rolling back in March 1998 of some of the measures announced in January 1998, call rates settled down finally within the interest rate corridor given by the repo rate and the Bank Rate by the end of 1997-98. Moreover, notwithstanding the phased reduction in the repo rate from the January 16, 1998 levels, the average outstanding amount of repos also increased to Rs.2,662 crore during February 1998. Reflecting the easy liquidity position, the average daily turnover in the call/notice money market also increased from Rs.21,929 crore during January 1998 to Rs.23,613 crore during March 1998.

During 1997-98, the call/notice money market was further broad-based by increasing the number of participants in the market; one private sector mutual fund and 17 corporate entities were permitted to operate as lenders in the market through PDs. A noticeable feature in the call/notice money market during the financial year 1997-98 was a sharp decline in the share of lendings by public sector banks offset by a marked increase in the lendings of non-bank institutions as well as private sector

banks. On the other hand, there was a pronounced increase in borrowings of foreign banks and PDs. The average daily lendings of public sector banks declined to Rs.2,938 crore (26.4 per cent of total lendings in the market) during the fortnight ended March 27, 1998 from Rs.4,229 crore (45.5 per cent) during the fortnight ended March 28, 1997 while that of private sector banks increased to Rs.681 crore from Rs.134 crore during the same period. The average daily borrowings of foreign banks rose sharply to Rs.5,131 crore (41.1 per cent of total borrowings in the market) during the fortnight ended March 27, 1998 from Rs.3,996 crore (39.2 per cent) during the fortnight ended March 28, 1997 while that of PDs increased to Rs.4,398 crore (35.2 per cent) from Rs.2,934 crore (28.8 per cent) during the same period. The average daily lendings of non-bank institutions rose sharply to Rs.5,786 crore (52.0 per cent) during the fortnight ended March 27, 1998 from Rs.3,408 crore (36.7 per cent) during the fortnight ended March 28, 1997.

During the first half of 1998-99, liquidity conditions continued to remain easy notwithstanding the pressure in the foreign exchange markets during the months of May and June. The DFHI's fortnightly average call rates ruled in the relatively narrow range of 6.35-9.61 per cent during the first half of 1998-99; the rates were, however, higher than those during the comparable period of the previous year (0.50 -7.16 per cent). Despite significant foreign currency sales during May and June, liquidity situation continued to remain easy on account of low off-take of non-food credit and a surge in liquidity contributed by a significant increase in the subscription by the Reserve Bank in the auctions of government securities (Rs.18,204.6 crore in dated securities and Rs.962.3 crore in 364-day Treasury Bills up to end September) and in forex inflows amounting to Rs.17,945 crore on account of Resurgent India Bonds (RIBs).

Certificates of Deposit

The activity in the primary market for certificates of deposit (CDs) was sluggish during the first three quarters of 1997-98 mainly due to the comfortable liquidity position. With low call money rates, banks' recourse to high-cost CDs declined during the first three quarters of

1997-98 resulting in decline in their discount rates and also the outstanding amount of CDs issued by scheduled commercial banks. The outstanding amount of CDs declined steadily from Rs.12,134 crore on March 28, 1997 to Rs.6,607 crore by December 19, 1997, while the discount rate on CDs softened from 7.00-14.25 per cent to 6.50-11.50 per cent during the same period. However, during the last quarter of the financial year, banks facing an asset-liability mismatch resorted to issuing high-cost CDs in response to the tight money market situations coupled with the seasonal upswing in non-food credit. As a result, the outstanding amount of CDs issued by scheduled commercial banks increased sharply to Rs.14,296 crore by March 27, 1998 with the corresponding hardening of the discount rates on CDs. The discount rates on CDs moved in tandem with the call rates in January-March 1998. Accordingly, the discount rate on CDs ranged 6.5-37.00 per cent during the fortnight ended February 13, 1998 which subsequently declined to the range of 7.20-26.00 per cent by March 27, 1998 (Statement 76, Vol. II). In line with this movement, the typical discount rate on CDs with a maturity of three months came down from 12.00-12.50 per cent in the month of March 1997 to 8.5 per cent in December 1997 and then increased sharply to 13.00 per cent during the fortnight ended March 27, 1998. The typical effective discount rate on CDs with a maturity of one year also witnessed a similar movement. With further improvement in the liquidity conditions during the first half of 1998-99, the outstanding amount of CDs steadily declined to Rs.5,686 crore by September 25, 1998 and the discount rates on CDs also declined to a range of 8.25-12.60 per cent

The year 1997-98 witnessed a change in the pattern of the CDs raised by the financial institutions (FIs) *vis-a-vis* the banks. FIs' reliance on CDs increased from Rs.4,299 crore as on March 28, 1997 to Rs.5,130 crore by December 19, 1997 but subsequently declined to Rs.4,885 crore by March 27, 1998 and further to Rs.3,837 crore as on June 19, 1998. On the other hand, the interest rates on CDs raised by FIs declined from 13.00-18.03 per cent in March 1997 to 11.00 -11.90 per cent in December 1997 before moving up to 11.50-15.25 per cent in March 1998 thus following

the trend in the interest rates offered by the banks. However, the rates declined to 11.00-12.75 per cent during the fortnight ended June 19, 1998.

Commercial Paper (CP)

The issue of CP is generally inversely related to the money market rates. Owing to the easy liquidity conditions and the slow pick up in non-food credit, there was a sharp increase in the issue of commercial papers (CPs) by top-rated Indian corporates during the first three quarters of 1997-98. Thus the CP market could be accessed at rates lower than the short-term prime lending rates (STPLRs) of the commercial banks. The outstanding amount of CPs increased sharply from Rs.646 crore as at end-March 1997 to a historical high of Rs.5,249 crore by mid-January 1998 (Statement 77 of Vol. II). Correspondingly, the typical effective discount rates on CP issues declined from 11.25-12.25 per cent in March 1997 to 8.00-10.75 per cent in December 1997. The phase of tight liquidity during the fourth quarter of 1997-98 resulted in an increase in the typical effective discount rate on CPs to a higher range of 14.22-15.75 per cent in March 1998 and sharp decline in the outstanding amount of CPs to Rs.1,500 crore by end-March 1998 and further to Rs.1,030 crore as on April 15, 1998. However, the re-emergence of easy liquidity conditions during the first half of 1998-99 coupled with sluggish off-take of non-food credit resulted in a decline in the typical effective discount rate to sub-PLR levels of 9.00-12.00 per cent. Consequently, there was a sharp upsurge in the issue of CPs with the outstanding amount of CPs increasing to Rs.4,577 crore as on September 30, 1998.

Term Money Borrowings /Term Deposits Mobilised by Financial Institutions

The outstanding amount of term money borrowings by FIs, having a maturity of 3-6 months, declined gradually to Rs.273 crore as on March 27, 1998 from Rs.645 crore as on March 28, 1997 except for the period September - November 1997 when there was higher activity in the term money market and the outstanding amount reached a high of Rs.802 crore during the fortnight ended November 21, 1997. The outstanding amount

stood at the level of Rs.387 crore as on June 19, 1998. This movement reflected the relative preference of the FIs for long-term resources (including term deposits) with the hardening of the short-term rates during 1997-98. In conformity with the movement in other money market instruments, interest rates on term money market borrowings of FIs declined from 12.35-12.70 per cent in March 1997 to 9.0 per cent in December 1997, but rose sharply to 13.00-15.25 per cent in March 1998 before declining to 12.25 per cent during the fortnight ended June 19, 1998.

On the other hand, FIs were able to mobilise significant amounts by way of term deposits during 1997-98. The outstanding amount of term deposits mobilised by the FIs increased to Rs.908 crore by the end of March 1998 from Rs.406 crore at the end of March 1997 with a decline in rate of interest to 10.50-12.00 per cent in 1997-98 from 13.50-14.00 per cent during 1996-97. The outstanding amount of term deposits as on June 19, 1998 was Rs.909 crore and the interest rate ranged 10.00-11.50 per cent.

Bills Rediscounting Market

Bills rediscounting market was subdued during 1997-98. The total amount of bills rediscounted by scheduled commercial banks with the financial institutions, mutual funds and the PDs decreased significantly from Rs.1,029 crore at end-March 1997 to Rs.229 crore by end-March 1998 and then increased to Rs.437 crore by end-September, 1998.

Money Market Mutual Funds

The process of making the scheme of money market mutual funds (MMMFs) more flexible and investor - friendly was continued during 1997-98. Resources mobilised by the MMMFs would henceforth be 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 of up to one year. The MMMFs were permitted to invest in rated corporate bonds and debentures with a residual maturity up to one year, effective October 21, 1997. However, the prudential measure that the exposure to 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 would henceforth include bonds and debentures. With a view to making the MMMF scheme more attractive to investors the minimum lock-in period for units of MMMFs was reduced from 30 days to 15 days, effective May 9, 1998.

Non-banking Companies

During 1996-97, the aggregate deposits of non-banking companies (NBCs) in terms of survey data as reported by 2,376 non-financial companies and 11,595 financial companies (NBFCs)¹ witnessed a significant increase of 20.9 per cent to Rs.3,57,153 crore at the end of March 1997 as compared with Rs.2,95,345 crore as at end-March 1996. Of this, the share of the deposits of 2,376 non-financial companies accounted for 62.7 per cent (Rs.2,23,873 crore) whereas the share of the 11,595 financial companies (NBFCs) accounted for 37.3 per cent (Rs.61,808 crore). The aggregate regulated deposits of NBCs as reported by 13,971 companies, recorded a significant increase of 33.9 per cent to Rs.71,616 crore as at the end of March 1997, from Rs.53,481 crore reported by 12,530 companies in the preceding year. The aggregate regulated deposits of NBFCs increased to Rs.62,024 crore in March 1997 from Rs.45,440 crore in March 1996. The regulated deposits² of the NBFCs formed 12.3 per cent of the aggregate deposits of scheduled commercial banks as at the end of March 1997 as compared with 10.5 per cent as at the end of March 1996. Though the data for March 1998 are not available as yet but preliminary indicators point to a slow down in the pace of deposit accretion with the NBFCs.

Relative Rates of Return during the First Half of 1998-99

In response to the comfortable liquidity conditions emanating from the reduction in CRR by four percentage points during October 1996-January 1997, large accretion to deposits and a low rate of inflation, interest rates declined

during 1997-98, for the second year in succession, across the maturity spectrum (Table VI-A). The implicit cut-off yield on 91-day Treasury Bills declined from 7.96 per cent in end-March 1997 to 7.33 per cent in end-March 1998; it had however, reached a historical low of 5.72 per cent in mid-April 1997. The implicit cut-off yield of 364-day Treasury Bills declined from 10.10 per cent in end-March 1997 to a historical low of 7.98 per cent during October 1997-March 1998. The cut-off yield of a 5-year security declined from 13.55 per cent in November 1996 to 11.15 per cent in September 1997. The maximum coupon rate on 10-year maturity security declined from 13.65 per cent in February 1997 to 13.05 per cent in April 1997. The coupon rate on a private placement with the Reserve Bank of a 10-year security was fixed substantially lower at 12.15 per cent in March 1998, in correspondence with the secondary market yield of securities of similar maturity.

The money market rates (in addition to the repo rate and the yield on 14-day Treasury Bills) also depicted a declining trend during the greater part of 1997-98 (up to November); this was, however, followed by sharp increases in the rates during the fourth quarter of the financial year consequent on the stringent monetary policy measures announced by the Reserve Bank in mid-January 1998 to squelch short-term liquidity for a brief period. The hardening of interest rates was also confined largely to the short-end of the maturity spectrum. The cut-off rate in repo auctions ranged 2.9-5.0 per cent during April-November 1997. Since November 29, 1997 the Reserve Bank commenced fixed rate repos. The repo rate which was initially fixed at 4.5 per cent was raised in stages to 7.0 per cent on December 11, 1997 and further to 9.0 per cent in mid-January 1998. As the forex market stabilised, the rate was reduced to 8.0 per cent in mid-March 1998. The cut-off yield on 14-day Treasury Bills, introduced in June 1997, which remained unchanged at 4.95 per cent since inception, was hiked to 7.30 per cent in January 1998. The DFHI's call money lending rates (fortnightly average) remained in single digits throughout the year except for a fortnight (ended January 31, 1998); however, it depicted a moderately rising trend during 1997-98 from 3.66 per cent at end-March 1997 to 8.69 per cent at end-March 1998.

1. Inclusive of housing finance, miscellaneous non-banking and residuary non-banking companies.

2. The term 'regulated deposits' includes not only deposits from the public but also deposits from the shareholders, directors and other guaranteed by directors in their personal capacity, inter-corporate deposits and non-convertible debentures.

The interest rate range on CDs which was at 7.00-14.25 per cent at end-March 1997 declined to 6.25-11.25 per cent in November 1997, before increasing to 7.20-26.00 per cent at end-March 1998. Like-wise, the typical effective discount rate on CPs which ranged 11.25-12.25 per cent in the last fortnight of March 1997 declined to 8.00-9.50 per cent in November 1997, before increasing to 14.22-15.50 per cent in the last fortnight of March 1998.

As regards the movement of interest rates in the organised credit market, the prime lending rates (PLRs) of many scheduled commercial banks also declined by 200 basis points from 14.5-15.0 per cent in March 1997 to 12.5-13.0 per cent in November 1997 before increasing to 14.0-14.5 per cent in March 1998. Like-wise, interest rates on term deposits of maturity up to one year decreased from 5.0-9.0 per cent in March 1997 to 5.0-8.0 per cent in October 1997 before increasing to 5.0-12.5 per cent in March 1998.

Interest rate structure which had softened in the first quarter ended June 1998 in line with seasonal trends subsequently firmed up in the

second quarter ended September 1998. The rates were also higher than those for the comparable period of the previous year. The upward pressure on interest rates, particularly since mid-August 1998 was in response to the policy initiatives undertaken by the Reserve Bank in August 1998 to prevent surplus funds in the domestic money market from spilling over to the foreign exchange market and also in response to the large size of the Centre's borrowing programme, which was partly mitigated by the Resurgent India Bonds (RIBs) inflows. The call money rates ruled steady in the first half of 1998-99 and remained, by and large, range-bound between the repo rate and the Bank Rate of 9.0 per cent. The implicit cut-off yield on 14-day Treasury Bills declined from 7.33 per cent at end-March 1998 to 5.7 per cent by end-June 1998 and thereafter increased to 8.87 per cent by end-September 1998 in sympathy with the increase in repo rate by 3 percentage points to 8 per cent, effective August 21, 1998. The implicit cut-off yields on 91-day and 364-day Treasury Bills were also raised to 9.0 per cent and 9.58 per cent respectively, in end-September 1998. Reflecting

Table VI-A: Relative Rates of Return in Major Financial Markets
(Per cent per annum)

Item	Last Week/Fortnight of March					Last Week/Fortnight	
	1994	1995	1996	1997	1998	Sept. 1997	Sept. 1998 P
1	2	3	4	5	6	7	8
1. Call Money Rate (Mumbai) (DFHI Average Lending Rate)	6.38	16.10	16.28	3.66	8.69	8.16	8.77
2. 91-day Treasury Bills (Auction) (Cut-off yield)	7.46	11.90	12.97	7.96	7.33	6.88	9.00
3. 364-day Treasury Bills (Cut-off yield)	9.97	11.94	13.12	10.10	7.98	8.47	9.58
4. Certificates of Deposit (Middle Rate)	9.60	12.50	17.13	11.38	16.60	..	..
5. Commercial Paper (Middle Discount Rate)	11.50	14.50	20.15	11.88	14.86	9.51	11.75
6. 3-year Deposit Rate	10.00	11.00	Free	Free	Free	Free	Free
7. Minimum Lending Rate @	15.00	15.00	16.50	14.50-15.00	14.00-14.50	13.50	12.88
8. Coupon Rate of 10-year GOI Securities	12.50	12.35	14.00	13.65 *	12.15	13.5 \$	12.25
9. Capital Market (Ordinary Shares)							
a. Gross Yield (All Industries)	1.79	2.11	3.61	4.50	..	4.53	—
b. Change in RBI Index (All Industries)	49.27	3.96	-18.32	-6.17	..	-3.59	—
Memo Item : Annual Inflation Rate (WPI on Point-to-Point Basis)	10.81	10.41	5.00	6.90	5.30	3.50	8.69

P. Provisional.

@ Data for March 1995 onwards pertain to 'Prime Lending Rate' of five major scheduled commercial banks.

* Issued on February, 1997.

\$ Issued on April 23, 1997.

a hardening of interest rates across the maturity spectrum, the cut-off yield on the 2-year security issued in September 1998 at 11.40 per cent was higher than that of the three year security of 11.10 per cent issued in April 1998. The cut-off yield of a 10-year security was also raised progressively from 12.00 per cent in May 1998 to 12.25 per cent in September 1998.

However, in view of modest pick-up in non-food credit and substantial increase in deposits, the interest rate range on CDs declined to 6.75-15.0 per cent in end-August 1998 from 7.2-26.0 per cent in end-March 1998, while the typical effective discount rate on CPs declined to sub-PLR levels of 11.25-12.25 per cent in end-September 1998 from 14.22-15.50 per cent in March 1998. The prime lending rates of public sector banks declined from around 14.0 per cent in March 1998 to 12.75-13.0 per cent by end-June 1998. These continued to remain at that level in September despite incipient signs of pick-up in non-food credit.

CAPITAL MARKET

Structural reforms, aimed at achieving international standards in trading practices and ensuring investor protection in the capital market, were continued during 1997-98. Disclosure standards have been strengthened, with corporate entities being required to publish their unaudited financial results on a quarterly basis. The Securities and Exchange Board of India (SEBI) accepted the recommendations of L.C. Gupta Committee on Derivatives and announced a phased introduction of derivatives trading beginning with Stock Index Futures. To facilitate such trading, the Union Budget for 1998-99 had announced that necessary amendments to the Securities Contracts (Regulation) Act would be initiated to enable derivative instruments to be treated as securities. The derivatives trading in stock indices would provide investors a hedging instrument of international standards to manage risks and help in improving the depth and liquidity of secondary markets in India. SEBI initiated a number of measures to repel speculative attacks in Indian stock market following especially the East Asian meltdown. Dematerialised trading in securities was carried forward with many more companies signing agreements with NSDL and sharp increase in the number of shares dematerialised. This would go a long way in ensuring faster and hassle-free transfer of securities and in reducing significantly transaction risk for the market participants.

The two segments of the capital market showed divergent trends during 1997-98. The primary market witnessed a sharp decline in resource mobilisation by way of new capital issues. The secondary market staged a recovery, *albeit* modest, due mainly to substantial gains made during early part of 1997-98 (April-July) which were partially offset due to bearish conditions during the latter part of the year following the selling pressure exerted by foreign institutional investors (FIIs). Owing to lack of investors' support, resource mobilisation during 1997-98 through issues of new capital in the primary market declined sharply by 59.4 per cent to Rs. 7,639 crore (Rs.18,820 crore during 1996-97). However, substantial resources were mobilised through private placements by both private and public sector companies, including financial institutions. Resource mobilisation by all mutual funds during 1997-98 at Rs.3,305 crore, was in contrast to the negative mobilisation of Rs.1,981 crore in 1996-97. In the secondary market, the yearly average of 30-scrip BSE Sensitive Index (Base: 1978-79=100) at 3812.86 registered an increase of 9.9 per cent over the previous year. Investment by FIIs in the secondary market at Rs.5,994 crore was 20.0 per cent lower as compared with the previous year. During 1997-98, financial assistance sanctioned and disbursed by all financial institutions (AFIs) grew by 45.6 per cent and 25.8 per cent, respectively.

Policy Initiatives and Developments

Several policy measures were initiated by SEBI during 1997-98 (April-March) and 1998 - 99 (April-November) to ensure orderly growth and development of the capital market. The Government of India and the Reserve Bank also initiated some policy measures relating to the capital market.

The following guidelines were issued by SEBI during the period under review :

With a view to expediting the process of dematerialisation of securities and settlement of transactions in the depository, SEBI, on October 22, 1997, decided that with effect from January 15, 1998, settlement of trades in the depository would be compulsory for domestic financial institutions, banks, mutual funds and FIIs having a minimum portfolio of securities of Rs. 10 crore as on their latest balance sheet. It also

decided that the settlement of trades through depositories would be made compulsory in a phased manner and SEBI would specify from time to time, the list of securities for which settlement of trades through the depository would be made compulsory for the above mentioned investors. To begin with, SEBI identified 8 securities for the purpose of compulsory dematerialisation. On April 24, 1998 the list of securities for compulsory dematerialised trading was further expanded to include 22 securities with effect from June 1, 1998. SEBI also allowed dematerialised securities to be treated as valid delivery in the physical segment of both BSE and NSE. On January 5, 1998, SEBI introduced rolling settlement (T+5) in respect of trading in dematerialised segment of all companies with effect from January 15, 1998. SEBI (Depository and Participants) Regulations 1996 were also amended to allow dematerialisation of Government securities.

On October 23, 1997, SEBI issued guidelines, whereby the option of 100 per cent book-building in an issue of securities to the public through a prospectus shall be available to the issuer company subject to certain terms and conditions which, *inter alia*, include that: (i) the issue size of capital should be of and above Rs.100 crore; and (ii) book building would be allowed for the portion other than the promoter's contribution. It stipulated a two tier underwriting system for book-building issues in which the syndicate members would be responsible for the primary underwriting and the book runners would take on their liability in case of default. SEBI also stipulated that there should be at least 30 bidding centres, with syndicate members being present at each centre.

On November 13, 1997 SEBI allowed institutional investors, stock brokers, stock exchanges, etc. to make use of 'warehousing' of trades, subject to certain conditions. The 'warehousing' of trades facilitates execution of firm client order with issue of only one contract note at the weighted average price at the end of the trading cycle.

On December 5, 1997, SEBI amended the SEBI (Merchant Bankers) Regulations 1992, whereby non-banking financial companies (NBFCs) also operating as merchant bankers

were required to segregate their capital market related activities from the NBFC activities with immediate effect.

On December 17, 1997, SEBI proposed a uniform intra-day price band of 10 per cent on all securities on all stock exchanges, in addition to the 25 per cent weekly price cap being followed by all exchanges. On July 2, 1998, in order to curb excessive volatility in stock prices, SEBI introduced a system of volatility margin on scrips, replacing the system of weekly price band. A scrip will attract this margin, over and above other existing margins, when its volatility exceeds a threshold level and the margin will increase with increase in volatility. The margin rates were fixed at 5 per cent for price variation of 16 per cent or more, 20 per cent for price variation of 24 per cent or more, 30 per cent for price variation of 32 per cent or more and 40 per cent for price variation of 40 per cent or more. The daily price band was reduced from 10 per cent to 8 per cent.

On February 24, 1998, SEBI directed that existing collective investment schemes could mobilise money from the public or from the investors under their existing schemes only if they have been rated by a reputed credit rating agency.

On March 6, 1998, SEBI signed a Memorandum of Understanding (MoU) with the United States Securities and Exchange Commission regarding co-operation, consultation and provision of technical assistance. By providing a framework for the maintenance of fair and open markets, the MoU would benefit the Indian securities markets by enhancing the confidence of international investors.

On March 6, 1998, SEBI, in pursuance of the recommendations of the Chandratre Committee, tightened the delisting norms by permitting delisting only in accordance with the norms specified which, *inter alia*, require that: (i) on voluntary de-listing from regional stock exchanges, the company would have to make a "buy offer" to all shareholders in that particular region; (ii) the promoters would have to buy or arrange buyers for the security; and (iii) the listing fees for three years should be taken from the companies at a time and be kept in the Escrow Account with the stock exchange.

On March 27, 1998, SEBI announced that only 20 per cent of the contribution brought in

by promoters cumulatively in public or preferential issue would be subjected to lock-in. SEBI further decided that all publicly issued debt instruments, regardless of the maturity, would require rating by a credit rating agency. SEBI also permitted FIIs to lend securities so as to provide them with additional resources. On June 23, 1998 SEBI (FIIs) Regulations, 1995 were amended to allow FIIs to invest in unlisted companies through the 100 per cent debt route. FIIs were also permitted to buy and sell derivative contracts, which are traded in the stock exchanges, and to trade in derivatives without requiring to take or give delivery.

On April 7, 1998, SEBI, in pursuance of the recommendations of the Bhav Committee on Continuing Disclosure Standards by the Corporates, advised all the stock exchanges that all the listed companies should publish unaudited financial results on a quarterly basis and inform the stock exchanges immediately of all events which would have a bearing on the performance/ operations of the company as well as price sensitive information.

On May 11, 1998, SEBI accepted the Report of the Committee on Derivatives (Chairman: Shri L. C. Gupta) and its suggested bye-laws for regulation and control of derivative contracts (Box VI-1).

On June 15, 1998 SEBI advised investors to exercise a great deal of caution while investing in plantation companies. At the same time, plantation companies and other collective investment schemes were directed to obtain credit rating from some accredited credit rating agencies prior to the issue of advertisement.

On July 6, 1998, the Committee appointed by SEBI to review Securities Laws (Chairman: Justice D. R. Dhanuka (Retd.)) recommended that in view of the existing conflicts among various legislations, there was a need for consolidation of Securities Contracts (Regulation) Act, 1956 (SCRA) and SEBI Act, 1992 into a composite securities legislation. The SCRA and SEBI Act could consequently be replaced. It recommended that SEBI should be the sole regulatory agency for the securities market, including in relation to certain provisions in the Companies Act.

On July 22, 1998, a committee appointed by SEBI to draft guidelines for investments by mutual funds (Chairman: Shri Pratip Kar), *inter*

alia, recommended that overseas investments by mutual funds may be permitted only in listed securities and that funds should not purchase more than 10 per cent of securities of any foreign issuer, except government securities and some other categories of securities.

On August 1, 1998, SEBI changed its guidelines relating to tradable lot in order to encourage small investors to participate in highly priced public issues/offers for sale. The new guidelines allow the issuer to fix the size of the minimum marketable lot depending on its price. The maximum lot should not consist of more than 100 shares.

On August 27, 1998, in order to expedite the grant of registration to sub-accounts, SEBI simplified its process of registration of the foreign institutional investors (FIIs). Henceforth, registered FIIs would be required to submit only the details of the sub-account alongwith an undertaking and a registration fee of US \$ 1000. No other documents or enclosures would be necessary.

On September 7, 1998, SEBI exempted infrastructure firms from certain norms while floating a public issue. In particular, they would be exempted from the requirements such as, making a minimum public offer of 25 per cent of equity, five shareholders per Rs. one lakh of offer, and minimum subscription of 90 per cent.

On November 10, 1998, SEBI formulated the regulations governing buy-back of shares by Indian companies. Buy-back was permitted for the purpose of capital restructuring but not for treasury operations.

The Government of India, on November 18, 1997, directed that entities which issue instruments like agro-bonds, plantation bonds etc. would come under the regulatory purview of SEBI and such entities would be treated as "Collective Investment Schemes".

The Government of India proposed the following measures pertaining to the capital market in its budget for the year 1998-99: (i) to divest its equity in non-strategic PSUs to 26 per cent and raise Rs.5,000 crore by way of disinvestment in PSUs, (ii) to bring forward necessary amendments to the SCRA to enable trading in derivative instruments, (iii) to abolish capital gains tax on stock lending, (iv) to increase the limits of purchase of shares in Indian companies in the secondary market by NRIs and their overseas corporate bodies to 5

Box VI-1 : Report of L. C. Gupta Committee on Derivatives

The Committee on Derivatives set up by the Securities and Exchange Board of India (SEBI) under the chairmanship of Shri L. C. Gupta submitted its Report in December 1997. The main term of reference for the Committee was "to develop appropriate regulatory framework for derivatives trading in India".

The Committee conducted a survey regarding the potential for financial derivatives in India. The responses were gathered from brokers, mutual funds, banks, financial institutions, FIIs and merchant bankers, which are likely to be the major potential players in the market. The survey revealed that all major types of financial derivatives – equity derivatives, interest derivatives and currency derivatives are needed. Stock index futures ranked as the most preferred type of equity derivative, followed by stock index options and options on individual stock.

The main observations/recommendations of the Committee are set out below:

Stock index futures are internationally the most popular form of equity derivatives for the following reasons: (i) they provide portfolio hedging facility, (ii) there is lesser risk of manipulation of stock index as compared to individual stock prices, (iii) their greater popularity makes them more liquid, (iv) stock index is generally less volatile than individual stock prices, and (v) index futures are cash settled all over the world as the index value is derived from the cash market.

In order to develop the derivative market along sound lines, the Committee observed that cash market and future market should be kept separate. This will also ensure their effective regulation. The Committee emphasised the point that an efficient cash market is essential for an efficient futures market. The underlying cash market should reflect fundamentals for the futures market to give correct indication of future spot prices. For strengthening the underlying cash market, the Committee made the following suggestions : (i) uniform settlement cycle among all stock exchanges, (ii) strengthening of administrative machinery of the existing stock exchanges, and (iii) speeding up of the dematerialisation process and taking steps to encourage more delivery-based transactions.

The Committee was of the view that the types of equity derivatives to be introduced in India should be left to the market forces under the overall supervision of SEBI. The equity derivatives market should be developed in phases with stock index futures as the best starting point for equity derivatives in India. The other types of equity derivatives like options on stock index or on individual stocks may be introduced as the derivatives market grows and the market players acquire familiarity with its operations.

The regulatory framework for derivatives, according to the Committee, should aim at investor protection and improving the quality of markets in terms of cost-efficiency, price-continuity and price discovery. The scope of regulation should cover derivative exchanges, derivative traders, brokers and sales-persons, derivative contracts or products, derivative trading rules and derivative clearing mechanism.

The Committee recommended that from the purely regulatory angle, a separate exchange for futures trading would appear to be a neat arrangement. However, considering the constraints in infrastructure facilities, the permission for derivatives trading could, however, be granted to existing stock

exchanges having cash-trading provided they meet certain conditions, such as, an on-line screen-based trading system; an independent clearing corporation for clearing of derivatives market; an on-line surveillance capability for monitoring positions, prices and volumes; the minimum requirement of 50 members for starting derivatives trading; the establishment of a separate segment with a separate membership if trading is to take place at an existing exchange; a separate governing council for the derivatives market; and, the operation of arbitration and investor grievances redressal mechanism to be operative from all the four areas/regions of the country.

The regulation should be carried out at two levels: exchange-level rules and regulations, and SEBI rules and regulations.

Exchange-level Regulation: Emphasising the role of self-regulation, the Committee observed that derivatives exchange should look into the formulation of detailed rules, regulations and bye-laws and the creation of a really efficient monitoring and enforcement mechanism covering all aspects of exchange's operations. These include entry requirements for derivative traders/members, design of derivatives contracts, broker-client relationship including sales procedures and risk disclosure to clients, trading and reporting procedures, internal risk control systems, margining, clearing, settlement and dispute resolution.

SEBI Regulations: SEBI's role will be to provide over-all supervision and guidance to the exchange and to act as the regulator of last resort. The rules, bye-laws and regulations of the derivatives exchange and proposed derivative contracts before commencement of trading should be approved by SEBI. The Committee has recommended a special Derivatives Cell within SEBI to give focussed attention.

The Committee favoured more stringent requirements for derivatives markets as compared with the present cash markets. The brokers/dealers in derivative markets will, therefore be subject to stricter entry rules. The strict eligibility conditions will relate to higher capital adequacy requirements, minimum net worth requirements and maximum exposure limit. The broker-members, sales persons/dealers will have to pass a certification programme, considered adequate by SEBI and brokers/dealers should be registered with SEBI.

The Committee underscored the need for a separate clearing corporation to minimise the default risk of trading/clearing members as the risks arising from insolvency of any individual clearing member are shouldered effectively by the clearing corporation. The Committee has recommended initial (i.e., upfront) margin and daily mark to market margin.

The Committee assigned special focus to regulation of sales practices and disclosures for derivatives. As the pricing of derivative contracts is highly complex, there is a danger of unethical sales practices. For this reason, the Committee recommended that, as in other countries, the broker/dealer may be required to provide a "risk disclosure document" to every client in respect of the particular type of derivatives contracts being sold.

The SEBI (Mutual Fund) Regulations presently prohibit the use of derivatives by mutual funds. The Derivatives Committee was of the view that mutual funds too need hedging facility and, therefore, recommended that the regulatory prohibition on the use of derivatives for hedging by mutual funds should be withdrawn immediately. However, the Committee was of the opinion that the use of derivatives by mutual funds should

Box VI-1 : Report of L. C. Gupta Committee on Derivatives (Concl'd.)

be only for hedging and portfolio balancing and not for speculation, the responsibility for which should be cast on the trustees of mutual funds.

The Derivatives Committee also suggested **bye-laws for regulation and control of trading and settlement of derivative contracts**. These bye-laws will come into effect only after they have been approved by SEBI. The bye-laws shall be applicable to all trading members of the Derivatives Segment of the exchange and all Clearing Members of the Clearing Corporation/House. The bye-laws shall be in addition to the provisions of the Securities Contracts (Regulations) Act, 1956 and Securities and Exchange Board of India Act, 1992 and rules framed thereunder and rules and regulations of stock exchange.

The suggestive bye-laws laid down the eligibility criteria for derivative exchange/derivative segment of the exchange, in terms of infrastructure facilities, trading system, settlement mechanism and surveillance capabilities.

With regard to the trading system, the Committee suggested norms for trading members, trading days/hours, the expiry of contracts, trading parameters, order management and order validation, brokerage fees and margin requirements. Suggestions were also made regarding trading members' office related procedure, their supervision, internal compliance and their relation with clients.

The trading members will have to abide by strict code of conduct regarding adherence to trading principles, maintenance of records, annual accounts and following of audit procedures.

The Committee specified certain eligibility conditions for

clearing corporation/house and the clearing mechanism for derivatives segment. The eligibility of clearing member and the specific provisions regarding clearing and settlement of derivatives contract also formed part of the suggested bye-laws.

The Committee suggested that any claim, complaint, dispute or difference between members or between members and clients with regard to trading/settlement shall be resolved by the parties by arbitration. The procedure for selection/appointment of arbitrator, the arbitration procedure, arbitration fees and charges, appeal to the governing council and the duties of parties and witnesses were suggested in the report.

The Committee also laid down procedures relating to inspection which would apply to trading and clearing members both. While the inspecting authority shall inspect the books of accounts, other records and documents of the members and clients only after giving a reasonable notice to the member, there will be some binding obligations for the member on inspection to give reasonable access to records/documents.

The Committee laid down the conditions under which a Trading/Clearing Member could be declared a defaulter. It also suggested an Investor Protection Fund to make good claims for compensation which may be submitted by a client who has suffered losses because of any Trading/Clearing Member being declared a defaulter.

The SEBI approved the introduction of trading in stock index futures as a way of providing greater opportunities for hedging and inducing more liquidity into the market. The Government of India in its budget for 1998-99 announced that it would amend the Securities Contracts (Regulation) Act to enable derivative instruments to be treated as securities.

per cent and 10 per cent, respectively, of the company's equity capital from 1 per cent and 5 per cent, respectively, and (v) to allow provident funds to invest 10 per cent of their fresh accretions in private sector securities which have an investment grade rating from at least two credit rating agencies.

On October 31, 1998, the Union Government promulgated the Companies (Amendment) Ordinance permitting Indian companies to buy-back their own shares for the purpose of capital restructuring. Restrictions on inter-corporate loans and investments were also relaxed substantially.

The Reserve Bank of India undertook several policy initiatives aimed at activating the debt segment of the capital market and allowing increased participation of banks in the capital markets. On October 21, 1997, in its Monetary and Credit Policy for the second half of 1997-98, the Reserve Bank permitted money market mutual funds (MMMFs) to invest in corporate

bonds and debentures with a residual maturity of one year. The total investment on CPs and debentures/bonds of a company should, however, not exceed 3 per cent of the total resources of MMMFs. At the same time, for developing the secondary market in Public Sector Units (PSUs) bonds and private corporate debt securities and for providing liquidity to such instruments, the Reserve Bank permitted ready forward transactions in these instruments provided they are held in dematerialised form in a depository and the transactions are done in recognised stock exchanges. The ready forward transactions in PSU bonds and private corporate debt securities were permitted among those operating ready forward transactions in Government securities. The Monetary and Credit policy for the second half of 1997-98 gave freedom to banks to stipulate margins on loans to individuals against preference shares and debentures/bonds of corporate bodies. On January 5, 1998, the Reserve Bank decided in principle to permit FII's to invest in Treasury Bills.

On April 29, 1998, in its Monetary and Credit policy for the first half of 1998-99, the Reserve Bank increased the ceiling for banks' advances against shares and debentures to individuals from Rs.10 lakh to Rs.20 lakh if the advances are secured by dematerialised securities. The minimum margin prescription of 50 per cent for advances against dematerialised shares was also reduced to 25 per cent. FIIs were permitted to purchase/sell Treasury Bills within the overall approved debt ceilings.

Disinvestment by Public Sector Enterprises

The resource mobilisation by the Government through disinvestment of shares of PSUs was Rs.907 crore during 1997-98 as against the initial target of Rs.4,800 crore for the year (Table VI-B). For 1998-99, a target of Rs.5,000 crore has been fixed in the Union Budget. The Disinvestment Commission (Chairman: Shri G. V. Ramakrishna) has so far submitted eight reports suggesting the disinvestment pattern for PSUs.

Table VI-B: Disinvestment by Public Sector Enterprises

(Rs. crore)		
Year	Target	Actual
1991-92	2,500	3,038
1992-93	2,500	1,913
1993-94	3,500	—
1994-95	4,000	4,843
1995-96	7,000	168
1996-97	5,000	500
1997-98	4,800	907

Sources : 1. Annual Report, 1997-98, Ministry of Industry, Government of India.
2. Union Budget, 1998-99.

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

Resources raised by Indian corporate bodies from the Euro-market by way of FCCBs and GDRs declined during 1997-98. Seven issues were floated for an amount aggregating Rs.4,009 crore as compared with 16 issues for Rs.5,594 crore in the preceding year. During April-September 1998, only one issue

amounting to Rs.63 crore was floated in the Euro-market.

Foreign Institutional Investors (FIIs)

The number of FIIs registered with SEBI increased from 439 as at end-March 1997 to 496 by end-March 1998 and further to 533 by end-September 1998. Net aggregate investment by FIIs during 1997-98 at Rs.5,914 crore was 24.0 per cent lower than the previous year's net investment at Rs.7,779 crore. This, to a large extent, was the result of selling pressure during the latter part of the year following the East Asian currency crisis. Net monthly investment by FIIs turned negative for the first time during November 1997; this trend continued in the following months barring February-April and July 1998. Net investments by FIIs were negative at Rs.850 crore between November 1997 and January 1998, and Rs.1,188 crore during April-July 1998.

Primary Market

Clearance of Offer Documents by the SEBI

Clearance to Non-Government Companies

During 1997-98, SEBI vetted 97 prospectuses of private sector companies for raising capital in the form of equities and debentures/bonds for an aggregate amount of Rs.10,924 crore, which were 15.4 per cent lower as compared with Rs.12,916 crore (through 805 issues) during the previous year (Statement No. 126, Vol.II). The clearances in respect of equity shares (including premium issues but excluding bonus issues) amounted to Rs.1,191 crore, at which level it showed a decline of 81.8 per cent over the previous year, while clearances in respect of debentures and bonds issues at Rs.9,733 crore showed a substantial increase of 52.9 per cent over the year.

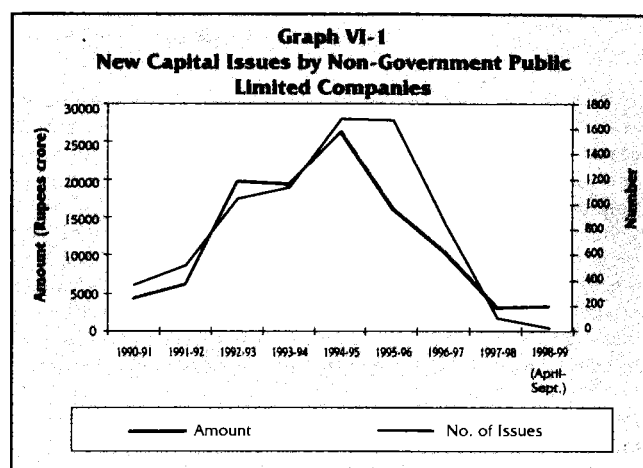
Clearance to Government Companies

During 1997-98, SEBI cleared new capital issues by the Government companies by way of equities and debentures/bonds for an aggregate amount of Rs.783 crore, showing a decline of 85.7 per cent over the year.

New Issues Market

The market for new capital issues continued to witness subdued conditions during 1997-98. The floatation of fresh capital issues by Government, non-Government companies and banks and financial institutions (in public sector) at Rs.7,639 crore in 1997-98 was 59.4 per cent lower as compared with Rs.18,820 crore in the previous year (Table VI-C and Graph VI-1). While all sectors experienced decline in resource mobilisation through new capital issues, the decline was more pronounced in case of private sector companies and banks and financial institutions. However, corporate entities as well as public sector companies raised substantial resources through private placements mainly by way of debt instruments. One of the main reasons for poor resource mobilisation from the primary capital market was the depressed secondary market conditions (Box VI-2).

During 1997-98, the private sector companies were able to charge higher premium from new capital issues in the equity market as compared with the previous year as only reputed and large companies with good track record accessed the new capital market. Such companies also received good response in the absence of good issues in the primary market. The share of premium in the total equity value increased sharply to 56.2 per cent during 1997-98 from 23.9 per cent during 1996-97. In view of the subdued stock market conditions, debt instruments have become more attractive. Consequently, the proportion of equity issues in the new capital issues by non-Government public limited companies at 37.0 per cent during 1997-98 was much lower as compared with 58.7 per cent in the previous year. The



share of prospectus issues in the total capital issues by non-Government public limited companies declined to 45.0 per cent in 1997-98 from 74.5 per cent in 1996-97.

As only the reputed and large companies were able to raise resources in the capital market, the average size of new issues in 1997-98 was higher at Rs.30.8 crore as compared with that of Rs.12.4 crore in 1996-97 (Statements 127 and 128, Vol. II). During 1997-98, there were 8 mega issues (Rs.100 crore and above) amounting to Rs.2,221 crore as against 13 such issues for Rs.4,869 crore in the previous year. New capital issues with hybrid features were floated for an amount of Rs.1,976 crore during the year, which were 43.0 per cent lower than those of the previous year.

Public Sector Bonds

During 1997-98, seven public sector undertakings (PSUs) floated bonds aggregating Rs.2,983 crore (Statement 129, Vol. II), showing

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

(Rs. crore)

Category	April-March			April-October	
	1995-96	1996-97	1997-98	1997-98	1998-99
1	2	3	4	5	6
Private Sector Companies	16,117.5	10,424.1	3,138.3	1,701.3	3,657.4
Govt. Sector Companies (Including PSU Bonds)	3,291.2	4,044.3	3,025.4	2,292.7	
Banks and Financial Institutions	3,465.4	4,352.0	1,475.6	304.0	750.0
Total	22,874.1	18,820.4	7,639.3	4,298.0	4,407.4

Box VI-2 : Linkages between Primary and Secondary Market

The primary and secondary segments of the capital market are mutually dependant. The primary segment of capital market, also known as the new issues market, enables corporate bodies to mobilise resources through a variety of long-term instruments, viz., equity, preference shares, bonds/debentures etc, for setting up new projects, expansion and modernisation of existing projects, acquisition, etc. Securities issued in the primary market are traded in the secondary market, and thus, provide liquidity and capital appreciation to investors. Firms' decision to go for new capital issues would, to some extent, be influenced by secondary market conditions, in that the volume and pricing of new capital issues are influenced by returns in the stock market. The secondary market, which is many times larger than the primary market, is itself influenced by various macro-economic factors. A buoyant economy creates favourable conditions for the secondary market by increasing profits and market prices of the existing shares, and also creates the need for raising of fresh capital for financing new projects and expansion and modernisation of the existing projects. A buoyant secondary market, in turn, induces the investing public to subscribe to new issues as most of the investors will invest in new issues only if they perceive that they would be able to sell the same at a profit in the secondary market at a later stage. Hence, a buoyant secondary market is indispensable for a vibrant primary market. In a similar vein, the depth of the secondary market is critically dependent upon the activities in the primary market because it is only when more corporate entities come to the market to raise funds, larger number of instruments would become available in the secondary market. The size of the issue in primary market affects allocation of funds to the secondary market. Thus, a two-way relationship exists between the two segments of the capital market.

A recent study on Indian IPO (Initial Public Offer) market reveals that the volume of IPO issues in month X is positively influenced by returns on the BSE Sensex between months X-2 and X-4, e.g., high stock market returns from January 1 to March 31 would generate higher volumes of IPOs in May. The average underpricing in month x is positively influenced by returns on the BSE Sensex between months X-5 and X-8, e.g., high stock market returns from January 1 to April 30 would generate higher average underpricing of new listings in September. This runs contrary to the general perception that when secondary market returns are high, it is attractive for the companies to float new rights or public issues at a higher offer price. This contradiction has been explained in terms of 'good' and 'bad' firms. When stock markets perform well, more bad/average firms would enter the market as compared with times when stock markets perform poorly. As it is difficult for the investors, on an average, to distinguish between good and bad firms, they would have to be compensated for the increased risk of investing in a bad firm by higher returns on an average. Hence, there is greater underpricing when stock market returns are high. These results establish the intimate relationship between the volume and pricing of new capital

issues and returns in stock market (Shah, 1995).

The Indian stock market has been experiencing sluggishness for more than two years. This has adversely affected the issue of new capital by corporate entities. The average BSE Sensex, which stood at 3974.91 in 1994-95 (April-March) fell sharply to 3288.68 in 1995-96 and stood at 3812.86 in 1997-98. The equity issued by non-government public limited companies declined from 17,414.4 crores in 1994-95 to 1,162.40 crore in 1997-98, registering a steep fall of 93.3 per cent.

As both the primary and secondary segments of capital market have been witnessing subdued conditions in recent times, the causal relationship between the two segments was examined in the Indian context through the 'Granger causality test' using monthly data on equity issues (EI) and average BSE Sensitive Index (Sensex) for the period April 1994 to March 1998. The results obtained are set out below.

Causality between EI and Sensex

(F-statistics computed by
Granger Causality test @)

(April 1994 to March 1998)

	EI*	Sensex
EI*	23.60	3.20
Sensex	0.63	21.13

@ F-statistics indicate direction of causation from column variable to row variable.

* Relating only to equity issues of non-government public limited companies.

The F-statistic of 3.20 for Sensex-EI is statistically significant at 2 per cent level, while the F-statistic of 0.63 for EI-Sensex is not found statistically significant at conventional level. This implies that conditions in the secondary market impact the primary market and not necessarily vice-versa. Causality test using monthly data on new capital issues (NCI) by private corporate sector and 30-share BSE Sensitive index (Sensex) for the period April 1986 and March 1996 had earlier established a two-way causal relationship (RBI 1996).

The causality results would suggest that the revival of the new issues market is crucially dependent on the revival in the secondary market.

References

1. Shah, Ajay (1995) - 'The Indian IPO Market: Empirical Facts', Technical Report. Centre for Monitoring Indian Economy, June, Bombay.
2. Reserve Bank of India (1996)- *Annual Report*, 1995-96.

a decline of 12.1 per cent over the previous year. Of these, tax-free bonds carrying interest rate of 9.5-10.5 per cent aggregated Rs.570 crore (19.1 per cent); the remaining were

taxable bonds with interest rates in the band of 12-15 per cent. The entire amount of Rs.2,983 crore mobilised by the PSUs during the year was by way of private placements.

Mutual Funds

The performance of the mutual fund industry improved somewhat. Two private sector mutual funds made their entry during this year, thus taking the total number of mutual funds (MFs) including UTI to 34 as at end-March 1998. During 1997-98, the aggregate funds mobilised by various MFs were of the order of Rs.3,305 crore in comparison with an outflow of Rs.1,981 crore during 1996-97. During 1997-98, private sector MFs and bank/financial institutions-sponsored mutual funds mobilised Rs.658 crore and Rs.528 crore, respectively, in comparison with Rs.875 crore and Rs.187 crore, respectively, during 1996-97 (Statement 97, Vol.II). UTI mobilised Rs.2,119 crore in 1997-98 as against an outflow of funds of Rs.3,043 crore in 1996-97 attributable to the bunching up of redemption of several close-ended schemes.

Secondary Market

Industrial Security Market

The equity prices in the secondary market staged a modest recovery during 1997-98. Though the market turned distinctly weak during the latter part of the year, still some gains were registered over the year.

During 1997-98, share prices began on an optimistic note and looked up further as the year progressed due to higher order of investment by FIIs coupled with some favourable proposals in the Union Budget, 1997-98. The recovery process, however, was halted in the second week of August and turned distinctly easy due mainly to slowdown in industrial production and near absence of active interest by FIIs in the secondary market in the wake of South-East Asian crisis, which reflected increased linkages between domestic and international capital markets (Box VI-3).

The financial crisis in the East-Asian economies, which had first struck in July 1997, had an adverse impact on the Indian stock markets and led to a sharp decline in the investment by FIIs in the secondary market. The FIIs investment turned negative during November 1997-January 1998, exerting downward pressure on stock prices. The bearish mood of the markets accentuated further due to slowdown of economic growth in general and industrial production in particular coupled with slowdown of fresh investment activity. Stock

prices recovered marginally towards the close of the financial year with renewed investment interest by FIIs.

The 30-scrip BSE Sensitive Index (SENSEX) (Base: 1978-79=100) registered an increase of 9.9 per cent during 1997-98 on an average basis in comparison with an increase of 5.5 per cent in the previous year. The SENSEX, which moved up to 4548.02 by August 5, 1997, registered a sharp decline thereafter and touched the lowest level of the year at 3209.55 on January 28, 1998. The index recovered partially to close the year at 3892.75, registering a net gain of 532 points (15.8 per cent) during 1997-98 on a point-to-point basis (Graph VI-2 and Statement 139, Vol. II).

During the financial year 1998-99 so far (April-September), the share prices on BSE showed sharp fluctuations. The BSE SENSEX moved up to 4280.96 on April 21, 1998, and the buoyant trend continued till May 1998. However, the SENSEX declined thereafter in the wake of impending sanctions following India's nuclear tests and fresh wave of international stock and currency market turmoil. The stock markets also reacted adversely to the absence of any mention of the provision of buy-back of shares (Box VI-4) by Indian companies in the Finance Minister's speech at the time of the presentation of Union Budget for 1998-99. The SENSEX touched the seventeen-month low of 2867.99 on August 18, 1998, and again moved up to 3225.30 on September 24, 1998.

Industry-wise Trend

The RBI All-India (weekly) Index Number of Ordinary Share Prices (Base: 1980-81=100) on a point-to-point basis remained almost at the same level (1062.6 as at end-March 1998 as against 1061.2 a year ago). On an average basis, however, the index showed a decline of 7.6 per cent over the previous year (Graph VI-2, Table VI-1 and Statement 134, Vol. II).³

Industry-wise analysis of scrips based on this index reveals that almost all major industry groups recorded substantial losses during 1997-98. Rubber and rubber products industry group

3. The number of scrips covered in RBI Index are 500 which are traded on major stock exchanges. The movements in RBI index, therefore, need not necessarily be similar to BSE SENSEX which represents only 30 scrips.

Box VI-3 : Linkages between Domestic and International Capital Markets

Of various markets for factors of production, it is the market for capital that has witnessed substantial integration across national boundaries. Although capital has historically been more mobile as compared with labour, it is only during the eighties and, more particularly, during the nineties that a global capital market has begun to emerge. Nations are increasingly relying on savings of other nations to supplement their own savings and, in turn, lending their own resources abroad when opportunities to invest at home are reduced.

Three distinct factors have contributed to the growing integration of global capital markets. Firstly, technological developments in electronic payments systems and communication systems have substantially reduced the arbitrage opportunities across financial centres thereby adding to the cross border mobility of funds. Secondly, business cycles in the capital rich industrial countries systematically generate surplus investible resources that search for markets that offer higher returns. Thirdly, capital scarce developing countries have been pursuing an active policy to attract international capital to supplement their domestic resources, which can aid them in speedy industrialisation.

The flow of international capital to the capital markets of emerging economies has taken alternative forms. With decline in the flow of multilateral aid to these economies during the eighties, international debt issues by domestic banks and corporate bodies have assumed significance. Flow of non-debt creating funds consisted primarily of foreign direct investment (FDI) and portfolio investment by foreign institutional investors (FIIs), directly in the equity markets of the emerging economies, or indirectly, through some form of pooling of resources such as mutual funds. International floatation of equities by domestic companies has also come into prominence during the nineties. The integration of domestic capital markets of the developing countries with the global capital market is reflected from the fact that the developing countries' share in total international bond issues which rose from a negligible level during 1980s to 3 per cent in 1990 and further to 12 per cent in 1993. The share of developing countries in global equity issuance also rose from a negligible level during 1980s to 16 per cent in 1990 and further to 24 per cent in 1994. As a result, the share of portfolio equity and bond financing in total external capital flows to developing countries rose from 3 per cent during the period 1982-88 to 16 per cent in 1992 (El-Erin and Kumar, 1995).

There are various measures of the extent of integration of capital markets across countries. The correlation between nominal interest rates across countries is the most common measure used and evidence based on this measure suggests significant integration among national capital markets. Since mobility of capital enables economies to smoothen out consumption and saving over a period of time, the correlation between saving or consumption of different economies is also considered as an alternative measure of market integration.

Cross border flow of capital has, however, posed new challenges to domestic policy makers. Capital inflows in countries with a flexible exchange rate system could lead to excessive volatility in nominal and real exchange rates. In countries that pursue a fixed or pre-announced nominal exchange rate and where price stability is an objective, excessive inflows have serious monetisation effects with attendant consequences. For those countries with weak banks and poor supervision of banking and financial entities, the large

amount of funds to be intermediated may exacerbate the typical moral hazard problems, i.e. lender may take on riskier projects, which could result in a financial bubble and eventually lead to a crisis. The most important challenge emanates from the volatile nature of portfolio investment in the secondary capital market. Foreign institutional investors with a widely diversified international portfolio of securities may divest their equity holding of a particular company and of a particular country at a very short notice depending upon the change in the future prospects for capital gains and their perception of the country risk. This may happen even if economic fundamentals of an economy are good as some other country may provide better investment opportunity at a particular point of time. Any sudden capital outflow has serious repercussions on domestic interest rates and real investment activity of a country.

There are direct and indirect methods to deal with the side effects of capital inflows. Direct methods of restricting capital inflows work either through the cost of bringing them in or through a quantity constraint, such as, ceiling on banks' foreign borrowings, minimum reserve requirements on foreign loans or ceilings on foreign direct investment. Governments can also try to reduce the inflows by imposing a Tobin's interest-rate equalization tax (requiring foreigners to pay a tax on the interest payments they receive from funds invested). Indirect methods of dealing with the effects of capital inflows include foreign exchange information, fiscal adjustment, liberalisation of the current account and of capital outflows and floating the exchange rate. Many countries insist on some form of capital controls while liberalising their capital account with a view to mitigating the problem of 'capital drain' on the one hand and of 'too much capital' on the other. Although capital controls are considered as 'second best' policies, such controls are justified when its primary aim is to curb 'self fulfilling speculative attacks' on the stock or foreign exchange markets (Dooley, 1996).

The outcome of capital controls in insulating domestic capital market from international turmoils, has been mixed and has often proved to be costly. First, putting restrictions on capital account itself becomes difficult once the current account is liberalised. Secondly, such controls, in the long run, create distortions in the domestic financial system and may result in misallocation of resources.

The integration of capital markets has a great disciplining effect on the policy makers with little scope for financial or fiscal misadventure by individual economies. Increased mobility of capital across countries leaves very little breathing space and time to adjust. Accordingly, there is a greater tendency for economic policies and performances of diverse economies to converge. The integration of capital markets, however, does not rule out scope for policy fine-tuning in domestic economies.

In India, in view of the scarcity of capital, the domestic capital market is increasingly getting integrated with the international capital market. Since January 1993, foreign institutional investors (FIIs) have been permitted to invest in the secondary capital market. Subsequently, they were permitted also to invest in debt instruments and government securities, subject to certain conditions. The foreign direct investment policy has been re-oriented. Along with the opening of the domestic capital market for foreign investors, Indian companies have also been increasingly allowed to access the

Box VI-3 : Linkages between Domestic and International Capital Markets (Concl.)

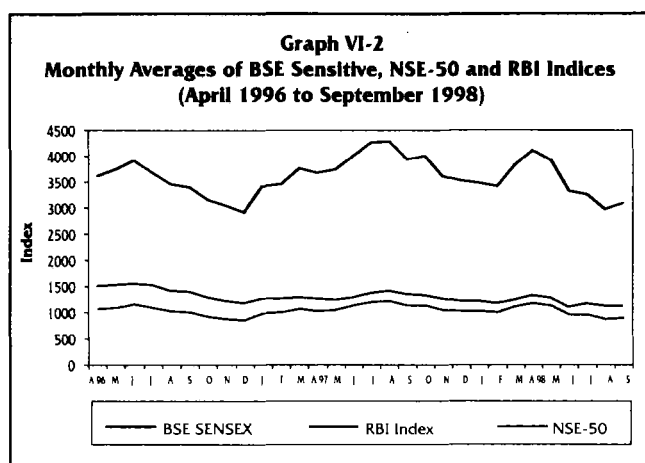
international capital market. Companies with sound performance are permitted to issue equities in off-shore markets.

FII's have shown considerable and persistent interest in Indian stock markets and their cumulative investment stood over Rs.30,000 crore as at end-March 1998. Except in the very recent period, Indian companies from both private and public sectors have also been able to garner substantial funds through Euro-issues to meet their financial needs. Substantial funds have also been raised by way of external commercial

borrowings by the Indian corporate entities in the recent years.

References :

1. Dooley, M. P. (1996): "Capital Controls and Emerging Markets". International Journal of Finance and Economics, Vol. 1, July.
2. Mohamed El-Erain and Manmohan S. Kumar (1995): "Emerging Equity Markets in Middle Eastern Countries". IMF Staff Papers, Vol. II, No.2.



registered a steep decline of 42.4 per cent over the year, followed by paper and paper products group (39.5 per cent), man-made fibres (35.9 per cent), electricals and electronic machinery (29.7 per cent) and aluminium (27.0 per cent). Industries which recorded gains in share prices were tea plantations (22.2 per cent), chemical fertilisers (7.1 per cent) and electricity generation and supply (3.0 per cent) (Statement 133, Vol. II).

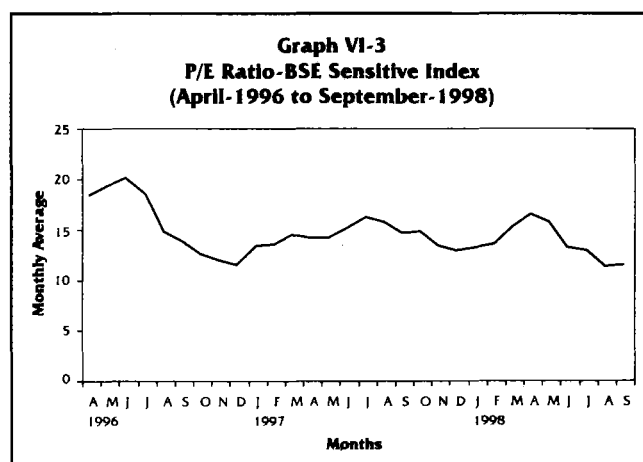
Operations of the Stock Exchange, Mumbai

The total turnover at BSE at Rs.2,07,644 crore during 1997-98 showed an increase of 67.1 per cent over the year. The market capitalisation of scrips listed at BSE at Rs.5,60,325 crore as at end-March 1998 showed an increase of 20.8 per cent as against a decline of 11.9 per cent in the previous year. Among other indicators, the average price-earning (P/E) ratio based on 30 scrips included in the SENSEX declined to 14.5 from 15.3 in

the previous year (Graph VI-3). The dividend yield based on 30 scrips included in the SENSEX recorded a marginal decline to 1.53 per cent in 1997-98 from 1.54 per cent in the previous year.

National Stock Exchange (NSE)

The wholesale debt market (WDM) segment of NSE witnessed a sharp increase in the number of securities listed and the business transacted. The number of securities listed increased to 418 as at end-March 1998 from 307 as at end-March 1997. The turnover on WDM segment during 1997-98 was Rs.1,11,263 crore as against Rs.42,277 crore during 1996-97, registering an increase of 163.2 per cent. The average daily volume of trade in debt instruments rose to Rs.385 crore during 1997-98 from Rs. 145 crore during 1996-97. During 1997-98, the number of active securities rose to 719 from 525, while the number of active participants increased to 79 from 73. Trading in several new instruments such as, deep discount bonds, securitised debt, PSU infrastructure bonds was introduced in the WDM segment of NSE during 1997-98.



Box VI-4 : Buy-back of Shares

Buy-back of shares essentially means repurchase by a company of its own shares. A company may do so either for reducing share capital, or for treasury operations. The reduction in share capital implies extinguishing of shares, which have been bought back by the company. This is done by reducing the par value of the equity shares from the equity capital, while the excess of price paid above par value is reduced from reserves and surplus. Under the treasury operations, the acquired stock can be reissued at a later date or for employee option.

Several arguments have been advanced for permitting buy-back of shares. Some of the principal reasons for allowing a company to purchase its own shares are given below:

- *To return surplus cash to the investors* – Many companies want to have the facility of buy-back as it allows them to manage their surplus cash. The surplus cash could also be distributed to the shareholders through paying dividends. The share repurchases and dividends are close substitutes in many respects, the most obvious common element of both being distribution of cash to shareholders. The way the corporate entities tend to view the two are, however, different. While the dividends are most likely to be increased if the future earnings of companies are high enough to maintain the higher dividend payments, the share buy-backs are announced more sporadically. The share repurchases are not expected to be repeated on a regular basis. In addition, the share buy-backs have a clear tax advantage for the company over cash dividends. If companies distribute cash as dividends, they have to pay a dividend tax, while the investors escape a tax liability. On the other hand, if cash is distributed through buy-back, while the companies do not pay a tax, the individual investor has to pay capital gains tax. Thus, the companies prefer buy back in order to minimize their tax outgo.
- *To increase underlying share value* - The process of buying-back and extinguishing the shares by a company brings about a decrease in equity (i.e., the number of shares in issue) and consequently, leads to an increase in the earning per share (EPS) of the company. It is presumed that the market price of the scrip will rise proportionately to maintain the price to earning (P/E) ratio at the pre-buy-back level. The buy-backs are particularly relevant for companies which are flush with free reserves and liquid assets and whose share prices do not reflect their intrinsic worth. It is also commonly assumed that managers have better information about the value of the firm than other market participants. A share buy-back, therefore, appears to be a credible mechanism for 'signalling' this information. A share buy-back may also be announced to support share price during periods of temporary weakness
- *To achieve or maintain a target capital structure* – The buy-backs provide flexibility to corporate entities to alter their capital structure and financial position, keeping in view the needs of the business. Many companies feel that they should have full control to restructure their balance sheets. Without the flexibility of buy-backs, a company can be saddled with an obsolete capital structure. Buy-backs aid a company in achieving an optimum debt-equity ratio,

especially when its equity is proportionately large.

- *To prevent hostile takeover bids* – The first and foremost impact of the buy-back of shares by a company is that of eliminating surplus cash, which makes companies less susceptible to hostile takeovers. The buy-back will lead to a decline in liquidity and increase in share prices, which will make a takeover operation difficult.

A company can repurchase its shares either through open market repurchases, or through registered tender offers as detailed below :

1. **Open Market Repurchases:** Open market repurchases are most often used when the desired number of shares to be bought-back is relatively small. Once the company makes an announcement regarding the repurchase of a specified number of shares, the purchases are made anonymously through a broker from the secondary market over a specified period of time. There is considerable flexibility in the actual timing of purchases so that the shares can be bought at the lowest possible price.
2. **Tender Offers:** A registered tender offer is used when the size of the repurchases is large (for example, 15 or 20 per cent of shares outstanding), as it then becomes difficult to purchase the desired number of shares in the open market. Tender offers are of two types - fixed-price tender offers or Dutch auction tender offers.
 - (i) **Fixed-price tender offers:** In a fixed price tender offer, the company announces a fixed price at which it is willing to buy its shares, a maximum number of shares that it will commit to buy, and an expiration date for the offer. In order to encourage shareholders to tender their shares, the offer price is always at a premium over the current market price.
 - (ii) **Dutch auction tender offers:** In a Dutch auction, the firm announces the maximum number of shares it wishes to buy and a range of prices at which it will entertain offers. Shareholders who choose to participate must then select a single price in this range at which to tender their shares. At the end of the offer period, the firm arranges offers in ascending order from the bids submitted until the specified number of shares has been accumulated. All shareholders who submitted offers at or below the highest accepted bid are then paid the same price for their shares, which is equal to the highest accepted bid. Offers at higher prices are returned to their owners.

Before 1981, most of the repurchase tender offers in the US were fixed-price. Of late, the Dutch auction has, however, gained increasing popularity. Fixed-price tender offers bring about the largest increases in stock prices, followed by Dutch auctions and then open-market repurchase programmes.

Risk Factors in Buy-backs

The facility of buy-back could be misused by the corporate entities. It also has some implications for the corporate bodies such as the following:

Box VI-4 : Buy-back of Shares (Concl'd.)

- Insider trading: Before the buy-back, the promoter can depress the price of the scrip by various means, like understating earnings and highlighting unfavourable incidents, and purchase the shares at low levels. The promoter can make extra money through the sale of these shares when the company buys back these shares at a higher price.
- Some fear that the buy-back may lead to artificial manipulation of stock prices.
- The minority shareholders' position will weaken as buy-back enables the management to increase their hold on the company.

Indian Scenario

The buy-back of shares was prohibited in India until October 31, 1998 when the Union Government promulgated the Companies (Amendment) Ordinance, 1998 permitting Indian companies to buy-back their own shares. The Ordinance inserted two new sections (77A and 77B) in the Companies Act, 1956, which laid down the provisions and restrictions relating to buy-back of shares.

Under the new provision, a company may buy-back its own shares or other specified securities from (i) its free reserves, (ii) securities premium account, or (iii) the proceeds of an earlier issue other than fresh issue of shares made specifically for buy-back purpose. Buy-back will be permitted only when the company satisfies the following conditions: (a) it is authorised by its articles, (b) a special resolution has been passed in general meeting of the company authorising the buy-back, (c) the buy-back does not exceed 25 per cent of the paid-up capital and free reserves of the company concerned, (d) the debt-equity (including free reserves) ratio is not more than 2:1 after such buy-back, (e) all shares and other specified securities are fully paid-up, and (f) the buy-back is in accordance with the SEBI regulations framed for the purpose. The special resolution that authorises buy-back must include statements concerning the need for such buy-back, disclosure of material facts, class of securities to be purchased under buy-back, amount to be invested for the purpose and time limit to complete the buy-back. A maximum time of one year from the date of passing of resolution has been stipulated to complete the buy-back.

The buy-back may be executed on a proportionate basis from the existing security holders, from the open market, from the odd lots or from the securities issued to employees under stock option or sweat equity scheme. A company is required to destroy the shares bought back within seven days of completion of its buy-back. In order to restrict treasury operation through buy-back, a company will be prohibited from issuing fresh equities within two years of buy-back, excepting by way of bonus issue or to discharge its existing obligation of converting warrants, preference shares, debentures, stock option schemes, etc. into equity shares. It is further stipulated that a company that has defaulted on repayment of deposit, term loan, redemption of debenture/preference share, etc. will

not be permitted to buy-back shares. Buy-back of shares through subsidiary companies or investment companies is also prohibited.

Following the promulgation of the Companies (Amendment) Ordinance, SEBI issued regulations on the buy-back of shares on November 10, 1998, salient features of which are given below :

- The scope of the Regulations covers listed securities of the company only. In other words, the unlisted securities issued through private placement or otherwise are not covered by the Regulations.
- The buy-back has been permitted through the tender offer mode for buy-back from the existing shareholders on a proportionate basis and from odd lot holders. Similarly, the book building mode (which is a modified version of the internationally practised Dutch Auction) and purchases through stock exchange have been permitted for open market transactions.
- In the purchases made through the stock exchange, the details of purchases made in the buy-back scheme of the company shall be made available to the stock exchange on a daily basis which, in turn, shall make this information available to public regularly. Promoters are not permitted to participate in the buy-back through the stock exchange mode.
- The Regulations provide for extensive disclosures in the Explanatory Statement to be annexed for the notice for the general meeting and the Letter of Offer.
- Adequate care has also been taken to disclose the pre and post buy-back holdings of the promoters.
- Buy-back through negotiated deals, spot transactions or private arrangements is not permitted.
- In order to ensure strict compliance with the provisions of the Regulations, merchant banker has been made to be associated in every offer for buy-back wherein he would be required to give a 'due diligence' certificate.
- With a view to ensure completion of the buy-back process speedily, the Regulations provide for time bound steps in every mode. For example, except in the cases of purchases through stock exchanges, an offer for buy-back shall not remain open for more than 30 days.
- To ensure security for performance of its obligation, the company making an offer for buy-back shall have to open an escrow account on the same lines as provided in the Take Over Regulations.

Sources :

1. Companies Act, 1956.
2. Companies (Amendment) Ordinance, 1998.
3. Palgrave Dictionary of Finance.

In the capital market segment of NSE, the number of scrips listed rose to 612 from 550, a year ago (Table VI-2). The total turnover at Rs.3,70,193 crore registered a sharp increase of 25.7 per cent during 1997-98. Market capitalisation as at end-March 1998 at Rs.3,08,520 crore registered an increase of 22.0 per cent over the year.

Starting from November 26, 1997, NSE launched Defty (Dollar denominated Nifty) to facilitate investment decision by FIIs and other off-shore funds. An On-Line Position Monitoring System (OPMS) was also introduced by the Clearing Corporation at NSE in order to constantly monitor and pre-empt market failure from excessive exposure of its members. With effect from July 28, 1998 the NSE-Fifty was rechristened as S&P CNX Nifty.

The National Securities Clearing Corporation (NSCC), a wholly owned subsidiary of NSE, was permitted to open a Subsidiary General Ledger (SGL) account, which would be used for holding government securities and Treasury Bills with the Reserve Bank on behalf of provident funds, trusts, corporate bodies and other retail investors of these securities. The new system would ensure fast and paperless trade using electronic book transfer.

Over the Counter Exchange of India (OTCEI)

As at end-March 1998, the total number of listed companies at OTCEI increased to 146 as compared with 108 as at end-March 1997. Total volume of trade increased to Rs.283 crore during 1997-98, registering an increase of 29.5 per cent. During 1997-98, OTCEI re-launched the trading in the permitted segment by moving over to a weekly settlement cycle in line with the recommendations of the Dave Committee Report. The re-launched permitted segment witnessed increased activity with coverage of 15 cities.

National Securities Depository Limited (NSDL)

The National Securities Depository Limited (NSDL) made considerable progress during 1997-98 in facilitating paperless trading in scrips. The number of companies which signed up with NSDL to get their securities admitted for dematerialisation increased to 191 by end-March 1998 from 40 as at end-March 1997.

The market capitalisation of these companies constituted about 59 per cent of the aggregate market capitalisation in the Indian capital market. The number of companies which made their shares available for dematerialisation increased to 171 by end-March 1998 from 23, a year ago. As at end-March 1998, the number of depository participants increased to 49 from 24 a year ago, for catering to investors from about 215 locations across the country. As at end-march 1998, about 11,300 institutional as well as retail opened accounts with NSDL to dematerialise about 1,760 million shares valued at Rs.22,670 crore. The total turnover in dematerialised securities at NSDL rose to Rs.355 crore during 1997-98 from a little over Rs.2 crore during 1996-97.

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 and GIC and its subsidiaries) has been providing custodial and related services of international standards for nearly a decade.

During the year 1997-98, SHCIL processed business worth Rs.13,153 crore as compared with Rs.10,247 crore during the previous year, representing an increase of 28.4 per cent. It handled 127 crore certificates and 101 crore transfer deeds and collected dividends, interests and redemption benefits on behalf of clients amounting to Rs.4,160 crore, registering an increase of 60 per cent during the year.

Operations of All Financial Institutions⁴

During the financial year 1997-98 (April-March), the aggregate financial assistance sanctioned and disbursed by All Financial

4. All Financial Institutions comprise, All-India Development Banks, viz., Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India Ltd. (IFCI), Industrial Credit and Investment Corporation of India Ltd. (ICICI), Small Industries Development Bank of India (SIDBI), Industrial Investment Bank of India Ltd. (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).

Institutions (AFIs) (net of inter-institutional flows) amounted to Rs.81,981 crore and Rs.53,967 crore registering increases of 45.6 per cent and 25.8 per cent, respectively (Table VI-3 and Graph VI-4). During 1996-97, sanctions declined by 15.7 per cent, while disbursements grew by 10.5 percent.

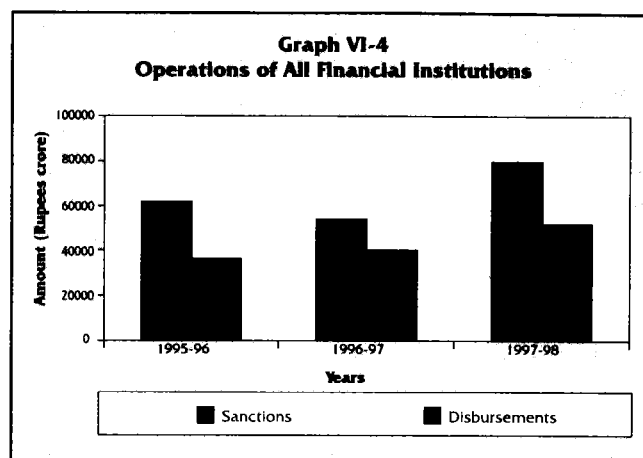
The combined sanctions and disbursements by All-India Financial Institutions (AIFIs) aggregated Rs.79,947 crore and Rs.51,855 crore, showing an increase of 48.7 per cent and 28.5 per cent, respectively, over the year. The sharp increase in sanctions during 1997-98 was contributed by three major term-lending institutions, viz., IDBI, IFCI and ICICI and two investment institutions, viz., LIC and UTI. While disbursements of IDBI, ICICI, LIC and GIC (including subsidiaries) went up sharply during the year, those by IFCI and UTI grew at a much lower rate than that of industry, as detailed in the following paragraphs.

The combined sanctions and disbursements by All-India Development Banks (AIDBs) during 1997-98 aggregated Rs.70,258 crore and Rs.43,016 crore, showing increases of 53.9 per cent and 30.7 per cent, respectively. In respect of the three specialised financial institutions, viz., RCTC, TDICI and TFCI, combined sanctions increased by 6.6 per cent, while the combined disbursements declined by 1.8 per cent over the year. Combined financial assistance sanctioned and disbursed by the investment institutions (comprising UTI, LIC and GIC and its subsidiaries) increased by 20.0 per cent and 19.3 per cent, respectively, over the year.

Development Banks

Industrial Development Bank of India (IDBI)

During 1997-98 (April-March), the financial assistance sanctioned and disbursed by IDBI aggregated Rs.24,199 crore and Rs.15,165 crore, registering increases of 41.9 per cent and 32.6 per cent, respectively, over the year. The growth in sanctions and disbursements was contributed mainly by financial assistance to the infrastructure sector. As at end-March 1998, the outstanding financial assistance by IDBI stood at Rs.54,737 crore (Statement 82, Vol.II).



Industry-wise analysis of IDBI's financial assistance reveals that during the year, core and other manufacturing sectors accounted for bulk of the assistance sanctioned and disbursed. Core sector industries, such as, iron and steel, oil exploration and refining, cement and fertiliser together accounted for 18.7 per cent of overall assistance sanctioned. Other major industries, which received sanctions were: chemicals and chemical products (10.8 per cent), textiles (6.2 per cent), electronic and electrical products (3.9 per cent), food manufacturing (2.7 per cent) and artificial fibres (2.4 per cent).

The bulk of assistance sanctioned by IDBI was received by private sector (88.0 per cent), while public, joint and co-operative sector projects together accounted for 12.0 per cent of overall assistance sanctioned.

During 1997-98, IDBI mobilised Rs.15,167 crore, through debt in rupee and foreign currency comprising Rs.13,287 crore from domestic market and Rs.1,880 crore in foreign currency borrowings/drawals against existing lines of credit.

Industrial Credit and Investment Corporation of India Ltd. (ICICI)

During 1997-98, financial assistance sanctioned and disbursed by ICICI aggregated Rs.25,532 crore and Rs.15,807 crore, registering increases of 81.3 per cent and 41.4 per cent, respectively, over the year. Till March 1998, cumulative sanctions and disbursements amounted to Rs.1,14,520 crore and Rs.68,400 crore, respectively (Statement 86, Vol.II).

The sector-wise assistance sanctioned by ICICI during the year under review reveals that private sector accounted for bulk of the sanctions amounting to Rs.21,679 crore (84.9 per cent) followed by public sector at Rs.3,389 crore (13.3 per cent). Co-operative sector at Rs.350 crore and joint sector at Rs.115 crore together accounted for 1.8 per cent of the total sanctions.

During 1997-98, ICICI mobilised aggregate resources to the tune of Rs.14,500 crore in rupee and foreign currency. The rupee resources aggregated Rs.13,400 crore, while foreign currency resources amounted US \$ 300 million.

Industrial Finance Corporation of India Ltd. (IFCI)

During 1997-98, financial assistance sanctioned by IFCI amounted to Rs.10,983 crore, indicating a growth of 52.3 per cent over the sanctions of Rs.7,212 crore during the previous year. The disbursements at Rs.5,650 crore recorded a growth of 9.6 per cent over the year. As at end-March 1998, cumulative assistance sanctioned and disbursed aggregated Rs.49,226 crore and Rs.30,757 crore, respectively (Statement 85, Vol.II). Of the total sanctions of Rs.10,983 crore by IFCI during 1997-98, private sector accounted for Rs.10,712 crore (97.5 per cent) followed by joint sector at Rs.245 crore (2.2 per cent). Public and co-operative sectors accounted for a very negligible amount.

During the year under review, IFCI raised rupee resources amounting to Rs.4,562 crore comprising Rs.3,368 crore through private placement of bonds, Rs.536 crore from Certificate of Deposits and Rs.658 crore from short term deposits. Foreign currency borrowings by IFCI during the year included line of credit of US \$ 100 million from ADB, (actual drawal till end-March 1998 was about US \$ 16 million), US \$ 100 million lead managed by the Bank of Tokyo-Mitsubishi Ltd., and Export Credit line of DM 50 million.

Small Industries Development Bank of India (SIDBI)

The financial assistance sanctioned and disbursed by SIDBI during the year 1997-98 aggregated Rs.7,484 crore and Rs.5,241 crore, registering increases of 15.4 per cent and 14.3

per cent, respectively, over the year. The compound annual growth rate of sanctions and disbursements during the period from 1990-91 to 1997-98 worked out to 17.6 per cent and 16.1 per cent, respectively. Till end-March 1998, cumulative sanctions and disbursements by SIDBI were of the order of Rs.36,264 crore and Rs.26,702 crore, respectively (Statement 109, Vol.II). SIDBI has commenced direct factoring services for the SSI units since January 1998 at four centres, viz., Calcutta, Chennai, Faridabad and Pune.

During the financial year 1997-98, resources raised by SIDBI aggregated Rs.1,394 crore, of which, external borrowings comprised Rs.661 crore. Of the external borrowings, Rs.603 crore were raised from Overseas Economic Co-operation Fund (OECF), Japan and Rs.58 crore from Kreditanstalt-fur-Wiederaufbau (KfW), Germany. The borrowings from domestic resources at Rs.733 crore comprised mainly Rs.275 crore from NIC (LTO) Fund – RBI, Rs.270 crore from term money market, Rs.110 crore as deposits from foreign banks and Rs.50 crore by way of SLR Bonds.

Industrial Investment Bank of India Ltd. (IIBI)

IIBI was incorporated as a company under Companies Act, 1956 by converting the erstwhile Industrial Reconstruction Bank of India (IRBI). Sanctions and disbursements by IIBI during 1997-98 registered significant growth. The sanctions at Rs.2,061 crore grew by 152.6 per cent, while the disbursements at Rs.1,153 crore grew by 109.8 per cent over the year. The cumulative sanctions and disbursements till end-March 1998 amounted to Rs.6,312 crore and Rs.4,107 crore, respectively (Statement 113, Vol.II).

Sector-wise assistance sanctioned by IIBI during the year revealed that the private sector accounted for a major share of 93.7 per cent (Rs.1,930 crore) followed by public sector (6.0 per cent) and joint sector (0.3 per cent).

Resources raised by IIBI during 1997-98 aggregated Rs.788 crore which comprised mainly unsecured bonds of Rs.429 crore,

preference capital of Rs.172 crore, SLR bonds of Rs.106 crore and other borrowings of Rs.72 crore.

Specialised Financial Institutions

Information on the financial assistance sanctioned and disbursed by three specialised financial institutions viz., Risk Capital and Technology Finance Corporation Ltd. (RCTC), TDICI Ltd. and Tourism Finance Corporation of India Ltd. (TFCI) is provided in Table VI-D. During 1997-98, both sanctions and disbursements of RCTC declined. In case of TDICI, sanctions registered an increase, while disbursements declined over the previous year. Sanctions and disbursements of TFCI, however, showed modest increases.

**Table VI-D : Financial Assistance by
Specialised Institutions
(April – March)**

Sr. No.	Institutions	(Rs. crore)			
		1996-97		1997-98 P	
1	2	S	D	S	D
1.	RCTC	30.5	20.7	10.8	18.2
2.	TDICI	16.7	24.6	42.8	19.2
3.	TFCI	303.5	182.9	320.1	186.8

P Provisional. S Sanctions D Disbursements

Investment Institutions

During the financial year 1997-98, institution-wise operations of investment institutions are analysed below :

Unit Trust of India (UTI)

Total financial assistance sanctioned and disbursed by UTI during the year 1997-98 (April-March) aggregated Rs.4,579 crore and Rs.3,499 crore, registering increases of 24.8 per cent and 4.9 per cent, respectively, over the previous year (Statement 95, Vol.II). Investible funds of UTI increased to Rs.61,110 crore as on June 30, 1998 from Rs.57,125 crore as on June 30, 1997 (Statement 96, Vol. II). The share of investments in the corporate sector by way

of equity shares, debentures, term loans, etc. amounted to Rs.54,268 crore (88.8 per cent of total investible funds) as on June 30, 1998 as compared with Rs.48,887 crore (85.6 per cent) as at end-June 1997. As at end-June 1998, UTI's investments in Government Securities amounted to Rs.2,517 crore, accounting for 4.1 per cent of the total investible funds as compared with 7.9 per cent in the previous year.

The sale of units by UTI under all schemes (excluding re-investment) aggregated Rs.11,208 crore during 1997-98 (July-June), indicating an increase of 23.7 per cent over the year. The repurchases of units at Rs.9,978 crore during 1997-98 (July-June) were higher by 43.3 per cent over the previous year (Statement 98, Vol.II). During 1997-98 net sales of units by UTI (net of repurchases but excluding reinvestments) were at the order of Rs.1,230 crore as against Rs.2,097 crore during the previous year, registering a decline of 41.3 per cent.

Life Insurance Corporation of India (LIC)

During 1997-98, assistance sanctioned and disbursed by LIC in the form of term loans, underwriting and direct subscriptions to shares and debentures of corporate sector aggregated Rs.3,563 crore and Rs.3,971 crore, registering increases of 26.3 per cent and 34.1 per cent, respectively, over the year. Till end-March 1998, the cumulative sanctions and disbursements amounted to Rs.17,373 crore and Rs.15,617 crore, respectively (Statement 101, Vol.II).

Investments by LIC during the year under review at Rs.15,662 crore showed an increase of 21.6 per cent as compared with 11.3 per cent during the previous year (Statement 102, Vol. II). Investments in stock exchange securities accounted for 87.4 per cent of the total investments during the year 1997-98 as compared with 91.3 per cent during the previous year.

General Insurance Corporation of India (GIC)

During 1997-98, total financial assistance sanctioned by GIC and its subsidiaries⁵ declined by 7.9 per cent to Rs.1,173 crore from Rs.1,273 crore in 1996-97; disbursements rose by 23.6 per cent to Rs.1,144 crore as compared with Rs.925 crore during the previous year (Statement 100, Vol. II). The share of private sector constituted 61.7 per cent and 66.3 per cent of the total sanctions and disbursements, respectively, during the year under review.

State Level Institutions

State Financial Corporations (SFCs)

During 1997-98, the total financial assistance sanctioned and disbursed by the 18 State Financial Corporations amounted to Rs.2,911 crore and Rs.2,227 crore, registering a decline of 22.3 per cent and 24.4 per cent, respectively, over the previous year (Statement 89, Vol. II). During the year under review, Karnataka State Financial Corporation accounted for the highest share at 16.5 per cent of the total sanctions, followed by Gujarat State Financial Corporation at 13.9 per cent and Uttar Pradesh State Financial Corporation at 12.5 per cent. During 1996-97, Uttar Pradesh State Financial Corporation at 18.1 per cent accounted for the highest share in total sanctions followed by Karnataka State Financial Corporation at 17.2 per cent.

State Industrial Development Corporations (SIDCs)

During 1997-98, the total financial assistance sanctioned and disbursed by the 28 State Industrial Development Corporations aggregated Rs.1,820 crore and Rs.1,595 crore, respectively, indicating an increase of 0.5 per cent and 6.2 per cent, respectively, over the previous year (Statement 103, Vol.II).

Other Institutions

Export-Import Bank of India (Exim Bank)

The financial assistance sanctioned and disbursed by Exim Bank during 1997-98 (April-

March) amounted to Rs.1,841 crore and Rs.1,370 crore, registering increases of 48.2 per cent and 9.1 per cent, respectively, over the year (Statement 91, Vol.II). As at end-March 1998, the outstanding assistance extended by the Exim Bank stood at Rs. 3,917 crore.

Region-wise distribution of loans by Exim Bank shows that the West Asia and North Africa accounted for the largest share of both sanctions and disbursements at Rs.293 crore (52.6 per cent) and Rs.152 crore (50.2 per cent), respectively (Statement 93, Vol. II).

Industry-wise distribution of loans by Exim Bank during the year reveals that capital and engineering goods accounted for the largest share of sanctions at Rs.326 crore (19.0 per cent) followed by textiles at Rs.299 crore (17.5 per cent), construction at Rs.170 crore (9.9 per cent), chemicals and allied products at Rs.162 crore (9.5 per cent), electronics and software at Rs.143 crore (8.4 per cent), and drug and pharmaceuticals at Rs.140 crore (8.2 per cent) (Statement 94, Vol. II).

During the year, Exim Bank raised US \$75 million by way of medium term syndicated loans. Exim Bank also entered into a currency-cum-interest rate swap of floating rate US dollar funds for Japanese Yen 296 million as part of its liability management. It also entered into interest rate swap for arranging fixed rate US dollar 1 million against floating rate US dollar funds for extending export credit on fixed interest rate basis.

Infrastructure Leasing and Financial Services Ltd. (IL&FS)

IL&FS, which is promoted by the Central Bank of India, the Unit Trust of India and the Housing Development Finance Corporation Ltd., provides innovative services in its mandated areas of operations. The company has established a US \$ 110 million India Sectoral Equity Fund with the American Insurance Group (AIG) which would make equity investments in infrastructure, technology and growth sectors. The first drawdown from the Fund was made in August 1997. IL&FS proposes to launch a Discovery India Fund in collaboration with AIG

5. National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd. and the United India Insurance Company Ltd.

to invest in under-performing stocks. The target corpus of the Fund is Rs.360 crore (US \$ 100 million).

Credit Rating Agencies

The Credit Rating Information Services of India Ltd. (CRISIL)

During 1997-98, CRISIL rated 568 debt instruments covering a debt volume of Rs.50,357 crore (Statement 104, Vol.II). Cumulatively, CRISIL rated 2,797 debt instruments amounting to Rs.1,90,078 crore till end-March 1998. During the year ended March 1998, CRISIL developed methodologies for rating bonds of public bodies engaged in water works. CRISIL also pioneered in rating the corporate entities providing cellular and basic telecom services. It has also rated New India Assurance Company, which has been the first one in the insurance sector to be rated.

Investment Information and Credit Rating Agency of India Ltd. (ICRA)

During 1997-98, ICRA rated 313 debt instruments amounting to Rs.55,191 crore which was more than four times the amount of Rs.12,850 crore (261 instruments) during 1996-97 (Statement 105, Vol.II). The number of instruments under 'Debentures' went up to 109 from 73 in the previous year. The number of instruments under 'Fixed Deposits' declined to 94 from 153 during the previous year, while under 'Commercial Paper Programme', the number of instruments increased to 110 as compared with 35 in the last year. Till end-March 1998, the cumulative instruments rated by ICRA aggregated 1,352 for a total volume of Rs.1,61,420 crore.

ICRA has carried out several studies for financial sector intermediaries and has been appointed as a consultant by the Disinvestment Commission, Ministry of Finance. It completed specific studies for 13 PSUs spread across a wide industry spectrum.

Credit Analysis and Research Ltd. (CARE)

During 1997-98 (April-March), CARE completed 198 credit rating assignments for a total debt volume of Rs.36,389 crore as

compared with 248 credit rating assignments for a total debt volume of Rs.19,749 crore in 1996-97. Also, CARE completed additional 4 credit analysis ratings and 5 assignments for rating parallel marketers of LPG and SKO(Superior Kerosene Oil) taking the total number of assignments completed to 207 during the year. Till end-March 1998, CARE completed 1,003 assignments, of which 891 were debt instruments for a total debt volume of Rs.79,776 crore (Statement 90, Vol.II).

Housing Finance

Housing Finance-Policy Measures

The overall minimum target for 1997-98 as well as for 1998-99 for housing finance allocation by scheduled commercial banks was fixed at 1.5 per cent of its incremental deposits of the previous year, or the amount of housing finance allocation fixed for the previous year, whichever is higher. To facilitate larger flow of resources to the housing sector and as a part of deregulating interest rates, effective October 22, 1997, banks were allowed to charge interest at different rates in respect of finance to housing finance intermediary agencies provided the rates were below the appropriate PLR rate.

National Housing Bank

The National Housing Bank (NHB) continued to promote the development of the system of housing finance by improving the availability of housing credit. The credit delivery network was also enlarged by inducing more primary lending institutions to undertake the activity of housing finance and enhancing the slab/ceiling in respect of refinance facility for individual housing loans from Rs.5 lakh to Rs.10 lakh. A concessional rate of interest in respect of loans for housing in rural areas was also introduced by NHB. Certain provisions of the Housing Finance Companies (NHB) Directions, 1989, were amended, effective September 17, 1997. The amendments related to i) compulsory registration with NHB of housing finance companies (HFCs) with net owned funds (NOFs) of Rs.25 lakh and above; ii) restriction on acceptance of deposits by HFCs with NOF below Rs.25 lakh; iii) maintenance of certain

percentage of liquid assets by all HFCs; iv) keeping the approved securities in custody with a scheduled bank and submission of quarterly return to NHB; and v) creation of a reserve fund before declaration of dividend. In all, 119 companies applied for registration with NHB. The guidelines for extending equity support to HFCs were also revised by NHB.

During 1997-98 (July-June), NHB raised resources amounting to Rs.425 crore for providing refinance to the eligible institutions and disbursed Rs.533 crore by way of refinance and direct lending. Cumulatively, the total financial assistance amounted to Rs.3,648 crore, of which 78.2 per cent was availed of by HFCs, 15.8 per cent by co-operative sector institutions which included apex co-operative housing finance societies (ACHFSs) and agricultural and rural development banks (ARDBs), 5.5 per cent by scheduled banks and 0.6 per cent by public agencies and local bodies set up by Central and State Governments.

Housing and Urban Development Corporation Ltd. (HUDCO)

Financial assistance sanctioned and disbursed by HUDCO during 1997-98 aggregated Rs. 2,973 crore and Rs.2,150 crore, (both inclusive of assistance provided to urban infrastructure schemes), registering increases of 20.3 per cent and 39.6 per cent, respectively, over the previous year. Till end-March 1998, HUDCO financed 13,248 projects with project cost of about Rs.27,814 crore. Cumulative disbursements by HUDCO till end-March 1998 amounted to Rs. 12,272 crore.

During 1997-98, total resources raised by HUDCO amounted to Rs. 2,589 crore comprising term loans from GIC and its subsidiaries, National Housing Bank, Government loans under different schemes covering line of credit from external agencies, such as, Kreditanstalt-fur-Wiederaufbau (KfW), Overseas Economic Co-operation Fund (OECE) and ADB, Government guaranteed bonds, borrowings from banking sector and financial institutions, HUDCO bonds, public deposit schemes, etc.

Housing Development Finance Corporation Ltd. (HDFC)

During 1997-98 (April-March), loan approvals by HDFC in respect of 1,31,000 housing units aggregated Rs.3,251 crore, representing an increase of 28.9 per cent over the year. The disbursements of loans during the year amounted to Rs.2,754 crore, registering an increase of 31.1 per cent over the year (Statement 110, Vol. II). Till end-March 1998, the cumulative approvals and disbursements by HDFC aggregated Rs.14,838 crore and Rs.12,233 crore, respectively.

GOVERNMENT SECURITIES MARKET

Primary Market

During the financial year 1997-98, the aggregate borrowings of both the Central and State Governments amounted to Rs.67,386 crore (net Rs.47,687 crore) through dated stocks and 364-day Treasury Bills as against Rs.42,688 crore (net Rs.32,892 crore) during the previous year (Table VIII-9, Chapter VIII). The Central Government mobilised Rs.43,390 crore through dated stocks and Rs.16,247 crore through 364-day Treasury Bills. The major part of borrowing programme was completed during the first half of the financial year on account of easy liquidity conditions and low credit off-take. Apart from issuing fresh dated securities in the market (Rs.31,686 crore), the Central Government also raised borrowings through capital indexed bonds (Rs. 704.5 crore) and private placement with the Reserve Bank (Rs. 11,000 crore) (Table VI-E). On account of large private placements, the total subscription of the Reserve Bank amounted to 30 per cent and the devolvement on primary dealers was 4.4 per cent of the total issues of dated securities as against 13.2 and 1.3 per cent, respectively, during 1996-97. The debt management operations aimed at lengthening the maturities were reflected in huge portion of borrowings (82 per cent) placed for medium-term maturities (i.e. 5 to 10 years). A noteworthy development during the financial 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.

Table VI-E: Issues of Central Government Dated Securities, 1997-98

(Rs. 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
22-04-1997	Government Stock 2007	3,000	10	—	—	13.05
23-04-1997	Government Stock 2007	5,000	10	5,000	—	13.05
10-05-1997	Government Stock 2002	3,000	5	884	103	12.69
29-05-1997	Government Stock 2000	3,000	3	—	—	12.14
18-06-1997	Government Stock 2004	2,000	7	—	—	12.59
25-06-1997	Government Stock 2004	4,686	7	—	—	12.59
17-07-1997	Government Stock 2003	3,000	6	—	—	11.83
29-07-1997	Government Stock 2001	5,000	4	—	—	10.85
12-08-1997	Government Stock 2005	3,000	8	—	—	11.19
01-09-1997	Government Stock 2002	5,000	5	1,143	1,800	11.15
29-12-1997	Capital Indexed Bonds 2002	705	5	—	—	6.00
25-03-1998	Government Stock 2004	4,000	6	4,000	—	11.57
25-03-1998	Government Stock 2008	2,000	10	2,000	—	12.15
	Total	43,390	—	13,028	1,903	—

The State Governments completed the projected borrowing programme of Rs. 7,749 crore for the financial year 1997-98 in two tranches. On April 30, 1997, 25 State Governments raised Rs. 5,382 crore by issuing 13.05 per cent State Development Loan 2007. On October 6, 1997, with the second tranche of 12.30 per cent State Development Loans 2007 for a notified amount of Rs.2,368 crore, State Governments completed their borrowing programme for the financial year 1997-98.

The debt management operations facilitated the lengthening of average maturities to 6.6 years in 1997-98, as compared to that of 5.5 years in 1996-97. As a part of market diversification, during 1997-98 the Government introduced capital-indexed bonds of 5-year maturity bearing 6.0 per cent interest. As a new instrument with a provision of complete hedge against inflation for the principal amount, it is expected to broaden the investment opportunities of varied categories of investors, in particular those averse to inflation. The inflation adjustment for the repayment of the principal will be on the basis of monthly average of WPI (Wholesale Price Index). Debt management operations aimed at optimising the cost of borrowings to the Government also require, apart from innovations in instruments and maturity, the changes in the methods of

marketing government securities. Alternative auction formats for selling Government dated securities and Treasury Bills have varying implications on the cost or revenue and the investor participation in auctions as evident from country experiences (Box VI.5).

The gross borrowing programme of the Central Government for the financial year 1998-99 is placed at Rs.79,376 crore (net Rs.48,326 crore), which would show 33 per cent growth over 1997-98 (Table VIII-9, Chapter VIII). During the current financial year (upto end-September, 1998), the Government's draft of resources from the market amounted to Rs.63,621 crore (gross), of which, Rs.61,121 crore was raised through dated securities and Rs.2,500 crore through 364-day Treasury Bills (Table VI-F), thus, completing 80 per cent of the gross borrowing planned for the full financial year. Comfortable liquidity conditions in money and credit markets enabled the Government to successfully place its borrowing in the market through 21 issues of dated securities. The total subscription of the Reserve Bank has been high at 29.8 per cent, of which, 55 per cent is attributed to private placement to facilitate open market operations. The underwriting by primary dealers was only on four occasions accounting for 4.8 per cent of gross market loans raised so far.

Box VI.5 : Government Securities Auctions: Techniques and Issues

Auction is a form of allocative mechanism, whereby commodities and financial assets are allocated to individuals and firms particularly in a market-oriented economy. The need to devise cost-effective methods to mobilise funds for the government from the market has recognised the importance of suitable design of auctions of government securities. The government's preference to auction system to other mechanisms for selling securities emanates from the ability of auctions to reveal more information about price determination and improve the allocation process.

A basic taxonomy of auctions proposed by Vickrey (1961) involves two important dimensions, *first*, whether successful bidders are required to pay their individual bids or the minimum price that exhausts the whole issue and *second*, whether the bids are sealed bids or open outcry. This institutional arrangement yields four basic types of auctions entailing its own set of rules that influence bidding strategies and consequently the result of auction.

- i) *English Auction/Ascending Price Auction*: Starting with a low first bid or reservation price, progressively higher bids are solicited and the process continues until the item is sold to the highest bidder. For multiple units, quantity demanded at each price is collected: comparing the demand with the stock on sale, successive rounds of bids are solicited at higher prices until the amount demanded matches the amount supplied.
- ii) *Dutch Auction/Descending Price Auction*: The bidding commences at high price and progressively lowered until the bid is accepted. With multiple units, the bids are progressively awarded to individual bidders as the price declines.
- iii) *First-Price Sealed-Bid Auction*: When auctioning a single unit, the highest bidder is awarded the item at the bid price. The auction of multiple units is called *discriminatory auction*, which involves awarding of stock to the highest bidders at the prices and quantities quoted in their bids until the supply is exhausted. Thus, the auction discriminates among bidders in the sense that they pay different prices according to the amount bid and therefore incur the *winner's curse*, the highest bidder gets the goods but suffers a set back in expected profit. France, Germany, UK, USA, Japan, Indonesia, Malaysia, Mexico, Italy and the Philippines follow the discriminatory pricing system of auction.
- iv) *Second-Price Sealed-Bid Auction*: When a single unit is auctioned, the highest bidder is awarded the item at a price equal to the second highest bid. When multiple units are auctioned, this is referred to as uniform-price auction or competitive auction as all winning bidders are awarded the auctioned amount at the same price.

Denmark, Switzerland, USA and Italy follow this system for auctioning securities.

Empirical Evidence on Auction Performance: In comparing the relative performance of treasury auctions, empirical research has focussed mainly on uniform and multiple-price auctions. The experience with US Treasury auctions until the mid-1970s confirmed the superiority of uniform-price auction as a revenue source. More recent evidence has also supported the greater revenue potential of this auction. Umlauf (1993) and Nyborg and Sundaresan (1996) on the basis of Mexican Treasury bill auctions found that switching over to uniform-price auctions yielded more revenue than the multiple-price auction. The evidence of underpricing of debt issues [Cammack (1991); Spindt and Stolz (1992); Umlauf (1993); Buttiglione and Drudi (1994)] can be considered as the result of *winners' curse*. However, to the extent that non-competitive behaviour appears to be pervasive in treasury auction markets (Sundaresan 1992, Umlauf, 1993), considering underpricing as a direct evidence of *winners' curse* may not be appropriate.

The theoretical and empirical literature indicates that uniform-price auctions should, ultimately, enable the government to finance its debt at a lower cost (Bartolini and Cottarelli, 1994). It would, however, require that the incentive for collusive behaviour offered by such auctions is curbed by stipulating minimum auction price and constant monitoring of bidders' behaviour. Feldman and Mehra (1993) suggest that if the market is thin and subject to collusion, a discriminatory price auction would be more appropriate while if the market is active and competitive a uniform price auction would yield better results.

In India, the switch from the fixed price tender offer to the auction system for sale of Government stock dates back to June 1992. Since then, barring a few issues, Government securities have been mostly issued through a system of first-price sealed-bid auctions.

References

1. Bartolini, L. and Cottarelli, C., (1994), 'Treasury Bill Auctions: Issues and Uses', *IMF Working Paper*, 94/135, November.
2. Feldman, Robert A. and Mehra, R., (1993), 'Auctions: Theory and Applications', *IMF Staff Papers*, Vol. 40 pp, 485-511.
3. Milgrom, Paul and Weber, R., (1982), 'A Theory of Auctions and Competitive Bidding', *Econometrica*, Vol. 50, pp. 1089-1122.
4. Reinhart, V., (1992), 'An Analysis of Potential Treasury Auction Techniques', *Federal Reserve Bulletin*, pp. 403-13.
5. Vickrey, W., (1961), 'Counterspeculation, Auctions, and Competitive Sealed Bid Tenders', *Journal of Finance*, Vol. 16, pp. 8-37.

The borrowing operations were undertaken towards the longer end of the market. Apart from 10-year stocks, the government also issued 12 and 15-year stocks.

23 State Governments entered the market on April 20, 1998 for 12.15 per cent State Development Loans 2008 with a notified amount of Rs.2,780 crore. Excess liquidity in the money market enabled the States to fully retain the oversubscribed amount aggregating Rs.5,130 crore.

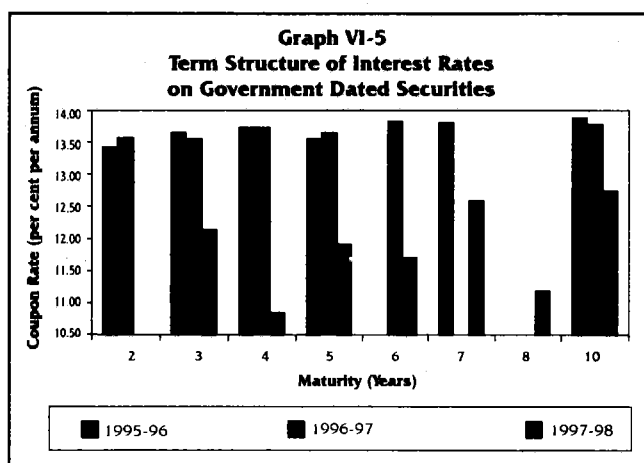
Yield Structure in Primary Market

A general downward drift in the yield curve in the primary market continued during 1997-98. The yield emerging in primary auctions ranged between 10.85 to 13.05 per cent for 3 to 10-year maturities with a weighted average yield of 12.01 per cent; the yield range during 1996-97 was 13.40 to 13.85 per cent for 2-10 year maturities with a weighted average of 13.69 per cent (Table VIII-D and VIII-10, Chapter VIII). The coupon

**Table VI-F: Issues of Central Government Dated Securities, 1998-99
(April-September)**

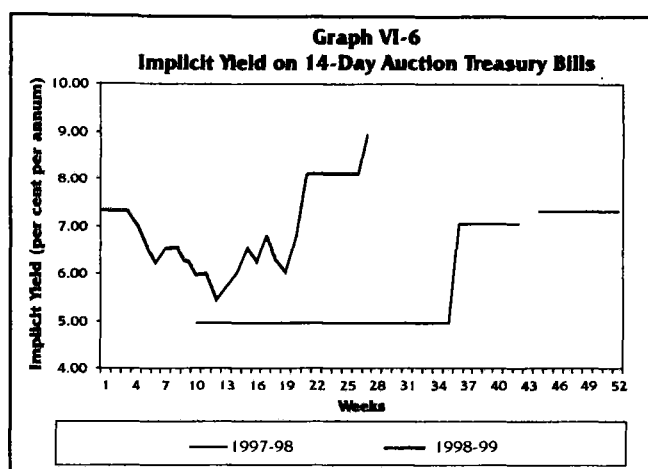
(Rs. crore)

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
07-04-1998	Government Stock 2003	4,000	5	—	—	11.10
16-04-1998	Government Stock 2006	4,000	8	—	2,354	11.75
24-04-1998	Government Stock 2006	5,000	8	5,000	—	11.75
02-05-1998	Government Stock 2008	4,000	10	—	—	12.00
09-05-1998	Government Stock 2004	4,000	6	—	—	11.50
28-05-1998	Government Stock 2007	4,000	9	4,000	—	11.90
04-06-1998	Government Stock 2008	5,000	10	5,000	—	12.00
19-06-1998	Government Stock 2004	1,646	6	—	—	11.75
19-06-1998	Government Stock 2008	3,385	10	—	—	12.10
02-07-1998	Government Stock 2001	2,500	3	812	—	11.55
02-07-1998	Government Stock 2003	2,000	5	960	—	11.75
02-07-1998	Government Stock 2010	1,000	12	—	—	12.25
17-07-1998	Government Stock 2001	2,899	3	—	—	11.55
24-07-1998	Government Stock 2004	2,500	6	1,463	—	11.95
24-07-1998	Government Stock 2008	1,500	10	—	—	12.22
06-08-1998	Government Stock 2002	2,500	4	—	—	11.68
14-08-1998	Government Stock 2003	3,000	5	—	—	11.78
20-08-1998	Government Stock 2013	1,192	15	—	—	12.40
07-09-1998	Government Stock 2004	2,000	6	612	229	11.98
07-09-1998	Government Stock 2008	2,000	10	358	335	12.25
29-09-1998	Government Stock 2000	3,000	2	—	207	11.40
	Total	61,121		18,205	3,125	



rate on the longest maturity stock drifted further downward to 13.05 per cent at the beginning and 12.15 per cent by the close of the financial year. Thus, the primary market yield curve witnessed wide fluctuations during 1997-98 on account of a steep decline in

interest rates since the second quarter of the financial year, which emanated from relatively low inflation rates and easy liquidity conditions (Graph VI-5). The downward drift in coupon rates was reinforced in 1998-99 (upto September 1998) as reflected in the yield on 3-10 year maturity settling in the range of 11.10 to 12.25 per cent. The cut-off yield on 10-year paper plunged down to 12.00 per cent on May 2 and similarly on a 6-year paper to 11.50 per cent on May 9, 1998. However, since the second fortnight of June 1998, the upward movement in interest rates across the maturity spectrum was evidenced on account of a general strengthening of interest rates in the system. The yield spread between 10-year stock and 364-day Treasury Bills, which was 403 basis points in the first week of May 1998 declined to 267 basis points by September 1998.



14-Day Auction Treasury Bills

The 14-day Treasury Bill on auction basis was introduced on June 6, 1997 with a view to facilitating cash management and fostering the emergence of a more comprehensive yield curve. During 1997-98, gross issues amounted to Rs. 69,237 crore. Comparatively easy liquidity conditions upto November 1997 evoked favourable response from the market to park temporary surplus funds in these bills. As money market rates hardened, the amount outstanding sharply declined from a peak of Rs. 10,625 crore in mid-September to Rs. 240 crore by end-March. The cut-off yield remained constant at 4.95 per cent upto November 1997. However, strengthening of other money market rates put upward pressure on cut-off yield. The implicit yield rose to 7.04 per cent in December 1997 to 7.30 per cent by end-January 1998 (Graph VI-6)

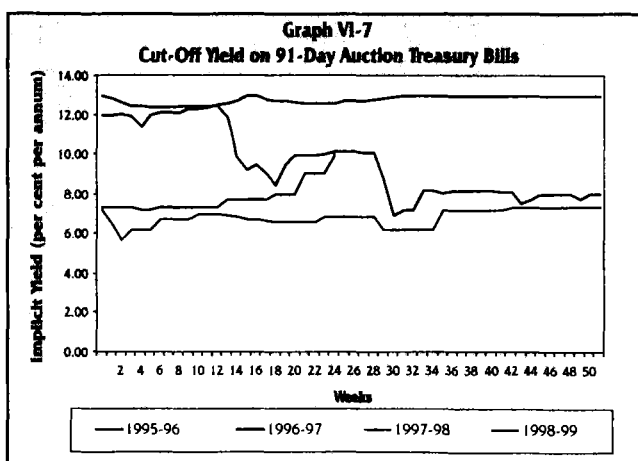
As at end-September, 1998, the amount outstanding on account of 14-day Treasury Bills stood at Rs. 400 crore. The implicit yield secularly declined from 7.30 per cent to 5.47 per cent between April 4 and June 20, 1998; since then a rising trend was witnessed, with the yield touching a level of 6.78 per cent on August 17 and further sharply rising to 8.09 per cent on August 24, 1998 and remained at that level thereafter (Statement 188, Vol. II).

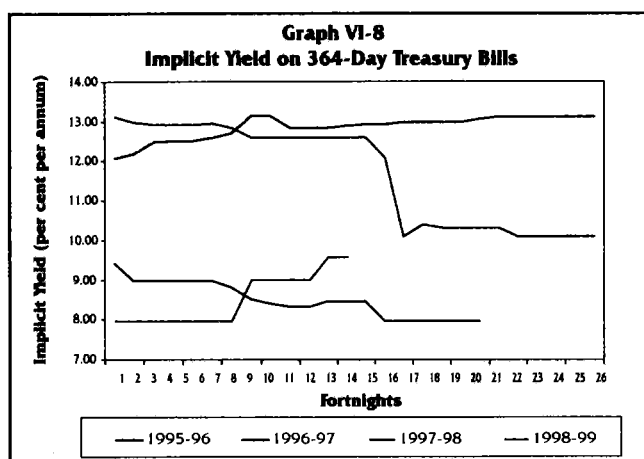
91-Day Treasury Bills

During 1997-98, since the notified amount on auctions was maintained in a narrow band of Rs. 100 crore to Rs. 300 crore, the total notified amount declined sharply to Rs. 13,200 crore in 1997-98 from Rs. 25,200 crore in

1996-97. The subscription by the Reserve Bank in auctions declined to 8.3 per cent of the notified amount against 13.4 per cent in 1996-97 due to higher absorption in the market facilitated by spells of easy liquidity during the greater part of the year. Reduction in the notified amount in auctions brought down outstanding bills to Rs.1,600 crore. During the first half of 1998-99 (upto end-September, 1998), the notified amount was maintained low at Rs.100 crore upto the first week of July and subsequently raised to Rs.500 crore by August 24, 1998. Total notified issues aggregated Rs.9,627 crore. On account of lower absorption by the market since the middle of August 1998, 25.4 per cent of the amount devolved on the Reserve Bank. The amount raised through non-competitive bids stood at Rs. 4,276 crore. The aggregate amount outstanding stood at Rs. 5,992 crore as at end-September, 1998.

Significant downward drift was witnessed in the cut-off yield during 1997-98, the cut-off yield declined from 7.21 per cent at the beginning of April 1997 to a historic low of 5.72 per cent on April 19, 1997; however, for the most part of the year, the cut-off yield remained in the range of 6.22-7.33 per cent (Statement 190, Vol. II). During 1998-99, the cut-off yield settled at 7.33 per cent for most of the auctions upto the first week of July before rising to 7.74 per cent on July 11. With the tight liquidity conditions, the pressure on cut-off yield further strengthened; as a result, the cut-off yield sharply rose to 8 per cent on August 24 and further to 9 per cent on September 12, 1998. Thus, significant downward shift was evident in the yield curve during 1997-98, however, an upward shift was witnessed in the first half of 1998-99 (Graph VI-7).





364-Day Treasury Bills

The gross mobilisation during 1997-98 stood at Rs.16,247 crore, almost double the amount that was raised during 1996-97 (i.e., Rs. 8,241 crore). The net mobilisation also recorded 26 per cent growth over the previous year. The proportion of accepted bid amounts showed improvement from 54.1 per cent of total bids received in 1996-97 to 64.3 per cent in 1997-98; this in a way reveals greater convergence in the market expectations. During 1998-99 (upto end-September, 1998), the gross issues aggregated Rs.2,500 crore with the notified amount ranging between Rs. 100 to 400 crore. The subscription by the Reserve Bank and PDs amounted to Rs. 962 crore and Rs. 239 crore, respectively, together constituting 48 per cent of the amount raised.

The cut-off yield at the shorter end of the market exhibited sharper decline as compared to the longer end. The cut-off yield declined from 10.10 per cent in March 1997 to a historic low of 7.98 per cent in the second fortnight of October 1997 and stayed around, after witnessing a sudden rise to 9.03 per cent in the second fortnight of July 1998 and 9.58 per cent on September 11, 1998 (Graph VI-8 and Statement 192, Vol. II).

Open Market Operations

Open market operations (OMO) emerged as an important tool for liquidity management during 1997-98. During the greater part of the year, OMO were actively used to neutralise excess liquidity in the system and containing wide fluctuations in the domestic money and foreign exchange markets. The net sales of

securities under OMO amounted to Rs. 7,614 crore during 1997-98. The net sales of government securities were significantly higher at Rs. 5,551 crore during the second half of 1997-98 (October-March) as against Rs. 2,063 crore during the first half (April-September), stemming from aggressive sales to withdraw liquidity from the system. The net sale of government securities during 1998-99 (upto September, 1998) amounted to Rs. 9,053 crore.

With a view to managing short-term liquidity in the system, 3-4 day repos were conducted on a continuous basis during 1997-98. The cut-off repo rates in the auction upto November 1997 ranged between 2.9 per cent and 5.0 per cent. However, in order to provide greater manoeuvrability in short term liquidity management and bring stability in the domestic and foreign exchange markets, a scheme of fixed rate repos was commenced on November 29, 1997. The fixed repo rates were gradually increased from an initial level of 4.5 per cent to 7.0 per cent by December 11, 1997 and 9.0 per cent on January 17, 1998. Following the stability in foreign exchange market, the repo rate was brought downward to 8.0 per cent on March 18, 1998. During 1998-99, it was further reduced to 7.0 per cent on April 3, 6.0 per cent on April 30 and 5.0 per cent on June 15, 1998. Reflecting excess liquidity conditions, the average volume of repos outstanding stayed high at Rs. 3,194 crore during April to mid-August 1997, Rs. 1,855 crore during November to mid-December 1997 and Rs. 2,378 crore during February-March 1998. Notwithstanding the successive decline in repo rates during the first quarter of 1998-99, the amount of average outstanding repos stood significantly higher at Rs. 7,406 crore. As the liquidity conditions turned out to be tight, the repo rates witnessed sudden rise to 8 per cent on August 21 and stayed at that level till the end of September 1998. The amount outstanding against repos stood at Rs. 4,069 crore as at end-September, 1998 (Statement 193, Vol. II).

Operations of Primary Dealers

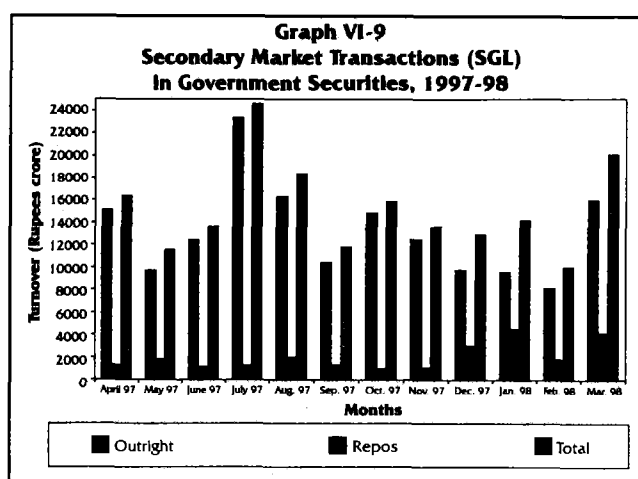
Apart from providing two way quotes as market makers, the Primary Dealers have been participating in the auctions of 91-day and 364-day Treasury Bills and dated securities. As against the bidding commitments of Rs. 12,600 crore in Treasury Bills and Rs. 14,700 crore in Central

government dated securities for 1997-98, the bids of PDs stood higher at Rs. 18,111 crore and Rs. 19,302 crore, respectively. The bids were accepted to the extent of Rs. 11,647 crore for Treasury Bills and Rs. 11,916 crore for dated securities, showing a success ratio of 64 per cent and 62 per cent, respectively. Of the total amount of Rs. 36,979 crore offered for underwriting, Rs. 16,408 crore was accepted and Rs. 6,734 crore devolved on PDs. In the primary market, the purchases of PDs accounted for 11.8 per cent and 27.5 per cent of the total issues in Treasury Bills and dated securities, respectively.

The aggregate secondary market turnover in Treasury Bills and dated securities (both purchases and sales) of six PDs during 1997-98 aggregated Rs.1,12,637 crore. The turnover in Treasury Bills and dated securities amounted to Rs. 31,602 crore and Rs. 81,035 crore, respectively, of which the outright transactions constituted 70.4 per cent and 50.4 per cent.

Secondary Market Transactions in Government Securities

The aggregate turnover in Central and State Government dated securities and Treasury Bills (Outright and Repos) through Subsidiary General Ledger (SGL) transactions during the financial year 1997-98 reached a level of Rs.1,85,708 crore, recording 51 per cent growth over Rs.1,22,942 crore in the previous year (Statement 191, Vol.II). This magnitude of turnover, *inter-alia*, reflects the increasing depth attained by the government securities market. The outright transactions in government securities increasingly contributed to the aggregate turnover in government securities, rising from 23 per cent in 1995-96 to 76.4 per cent in 1996-97 and to a further high level of 86.7 per cent in 1997-98. Thus, a shift from repos to outright transactions indicates the development of a matured market in government securities. The monthly turnover in Government securities ranged between Rs. 9,985 crore and Rs. 24,604 crore with an average of Rs. 15,476 crore as against an average monthly turnover of Rs. 10,245 crore in 1996-97 (Graph VI-9). During the first half of financial year 1998-99 (upto September 1998), voluminous growth was maintained in government securities market with the turnover



aggregating Rs.97,058 crore as compared to Rs.96,220 crore in the corresponding period of the previous year. The monthly turnover stayed at higher levels in the range of Rs.10,767 crore to Rs.23,674 crore with average of Rs.16,176 crore, as against a monthly turnover of Rs. 16,037 crore during the corresponding period of 1997-98. The outright transactions continue to contribute a substantial part of the turnover in government securities i.e., 85.6 per cent (Graph VI-10). As in the financial year 1997-98, the turnover in State government securities remained subdued and contributed to a meagre 1 per cent of total turnover in government securities market. Steady growth in the secondary market turnover, with outright transactions dominating the aggregate turnover, is a reflection of emergence of an active secondary market in government securities.

FOREIGN EXCHANGE MARKET

Stability in the exchange rate of the rupee was reflected in a general demand-supply

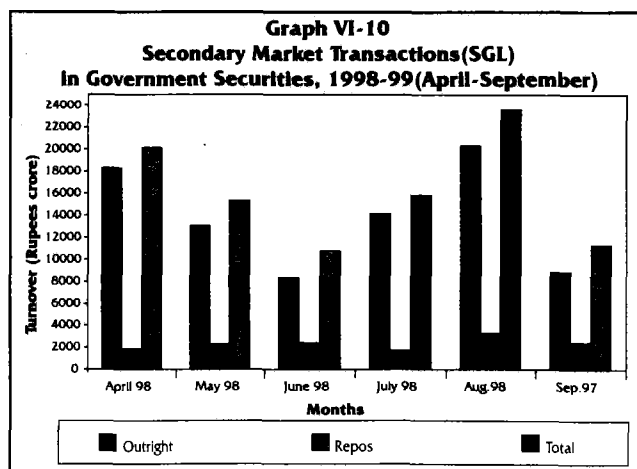


**Table VI-G : Forward Market Developments during
April 1997 – September 1998**

Month	Forward Purchases (US \$ million)	Forward Sales (US \$ million)	Swap Premia (Six Month) (Per cent)	Average Call Money Rates@ (Per cent)	Average exchange Rate (Rs. Per US \$)
1997					
April	1431	1278	5.49	1.04	35.8
May	1704	1003	4.77	6.99	35.8
June	1694	1072	4.23	4.95	35.8
July	1662	1601	3.63	4.09	35.7
August	2134	2619	5.50	5.73	35.9
September	1593	3607	6.63	6.84	36.4
October	1519	2085	5.52	5.84	36.2
November	1681	4221	6.89	5.88	37.2
December	1519	3149	8.60	8.57	39.2
1998					
January	1907	3604	12.79	26.34	39.4
February	1345	1991	14.57	9.12	38.9
March	1779	2183	9.58	8.96	39.5
April	1513	2538	6.91	7.19	39.7
May	1532	3624	8.20	6.98	40.5
June	1367	4773	10.10	6.67	42.2
July	1489	3505	8.21	6.19	42.5
August	1424 *	3649 *	9.16	8.12	42.8
September	1318 *	2266 *	8.47	8.76	42.5

* Provisional

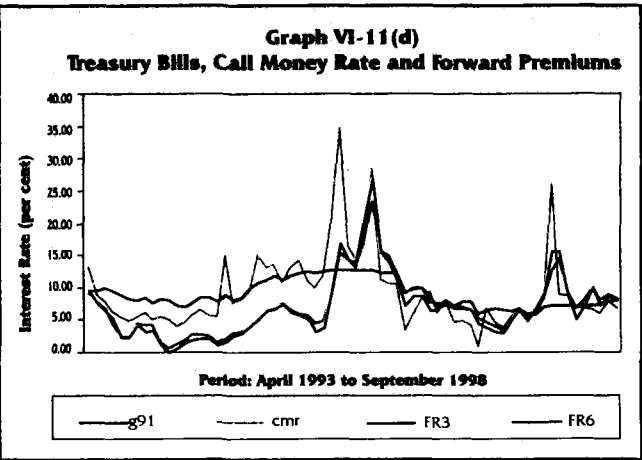
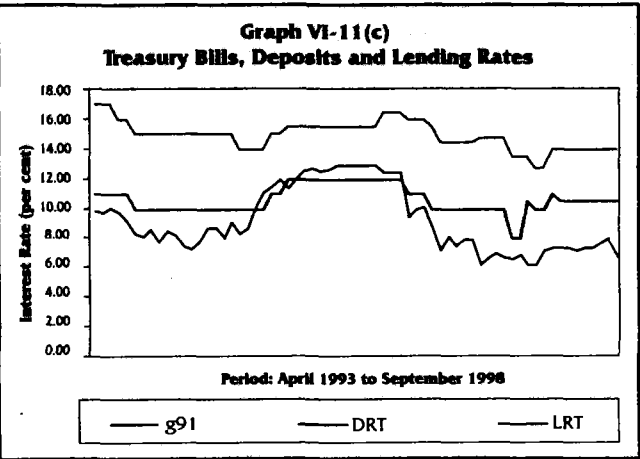
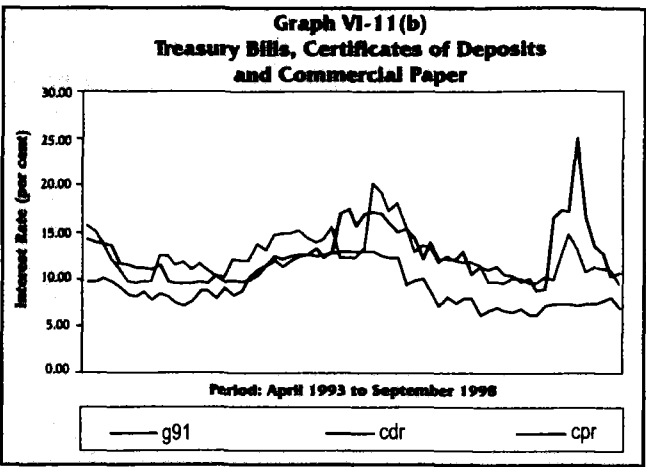
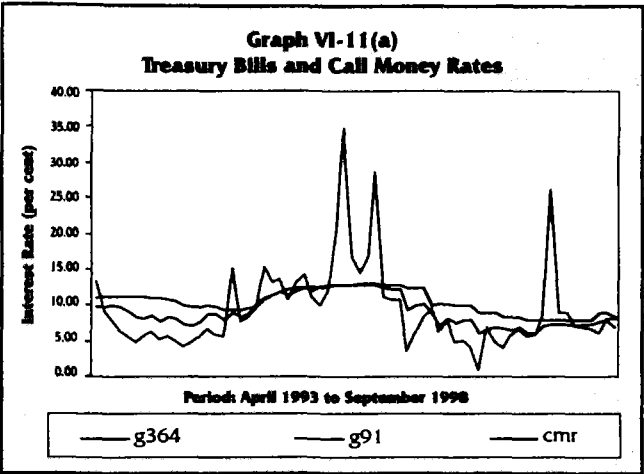
@ As reported by DFHI.

balance in the foreign exchange market during the first half of the year 1997-98. Turmoil in the East-Asian financial markets, which started in the month of August 1997 coupled with domestic political developments led to demand-supply mismatches in both the merchant and inter-bank turnover (Table VI-G). The six-month swap premia increased gradually from the trough average level of 3.63 per cent in July 1997 to a high average level of 14.57 per cent in February 1998 reflecting instability in the foreign exchange market.

With a view to developing a sound foreign exchange market which is essential for proper integration of the financial and foreign exchange market, many liberalisation measures were undertaken. ADs were permitted to lend/borrow in the overseas money market up to US \$ 10 million. They were permitted to book forward cover for longer period for exporters and importers without the requirement of documentary evidence of a firm order or letter of credit, but on the basis of a declaration of exposures supported by past performance and

business projections. ADs were also allowed to run a swap book within their open position/gap limits and arrange forex rupee swaps between corporate entities without prior approval of the Reserve Bank. Permission to release foreign exchange towards service related remittances was granted to ADs. They were also permitted to extend forward cover to holders of FCNR/ Non-Resident (External) Rupee accounts to enable them to hedge the balance therein. Furthermore, they were permitted to invest or borrow amounts up to a maximum of 15 per cent of their unimpaired Tier I capital as against the previous ceiling of US \$ 10 million. ADs/commercial banks in ACU countries were allowed to transfer ACU dollars among themselves instead of routing the transactions only through their respective central banks.

During the second half of the year 1997-98, the Indian foreign exchange market was characterised by speculative activities in the wake of the East Asian financial crisis and domestic uncertainties. Several restrictions were imposed in January 1997 to contain speculative



activities and absorb excess liquidity from the system. ADs were allowed to book forward contracts based only on documents evidencing exposure.

Integration of Financial Markets

Several segments of financial market in India, particularly the money market segment, have become relatively more integrated in recent years, as may be seen from the co-movement of interest rates on money market instruments including gilts i.e., 91 days and 364 days Treasury bills, inter-bank call money market (CMR), deposit rate (DRT), lending rate (LRT), certificates of deposit (CDs) and commercial paper (CPs), and foreign exchange market including three-months (FR3) and six-months forward premia (FR6) for the period from April 1993 to September 1998 (Graph VI-11). By and large, short-term rates moved in tandem, except

call money rate which showed high volatility. The cut-off yield on 91-day Treasury bills provides a rough guide to the movements in other short-term interest rates. The cross correlation coefficients among the instruments are summarised in Table VI-H.

The correlation coefficients are indicative of high degree of financial integration in the Indian context. The 91-day Treasury bills (G91) has maximum correlation with CDs, CPs, CMR, FR3 and FR6 as compared to 364-day Treasury bills (G364). The correlation between inter-bank call money market and forward premia of US dollar is also high. The forward premia has high degree of correlation with CDs suggesting that banks and financial institutions place high importance to cost of funds as against returns on alternative assets in their portfolio while hedging against the foreign exchange risk.

Table VI-H : Cross Correlation among Interest Rates

	G91	G364	CMR	CPs	CDs	DRT	LRT	FR3	FR6
G91	1.00								
G364	0.89	1.00							
CMR	0.64	0.42	1.00						
CPs	0.72	0.66	0.41	1.00					
CDs	0.36	0.26	0.42	0.50	1.00				
DRT	0.83	0.73	0.57	0.68	0.53	1.00			
LRT	0.63	0.78	0.16	0.62	0.31	0.61	1.00		
FR3	0.44	0.32	0.69	0.50	0.66	0.54	0.17	1.00	
FR6	0.46	0.45	0.63	0.54	0.68	0.56	0.21	0.99	1.00

CMR : Call Money Rate

CPs : Commercial Papers

CDs : Certificates of Deposit

DRT : Deposit Rate

FR3 : 3-month Forward Premia

FR6 : 6-month Forward Premia

G91 : 91-day Treasury Bills

G364: 364-day Treasury Bills

LRT : Lending Rate



Annexure : Progress of Financial Sector Reforms

Issues/Year	1997-98	1998-99*
1	2	3
I. Overall Monetary Policy		
1. Reserve Requirements		
a) Cash Reserve Ratio (CRR) on net demand and time liabilities (NDTL)	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. iv) Effective from the fortnight beginning August 30, 1997, liabilities under ACU Dollar balances in Vostro Accounts of commercial banks of ACU member countries held with scheduled commercial banks will be exempted from average CRR prescriptions. v) On November 28, 1997, the envisaged reductions in CRR were deferred and phasing of future reductions of 0.25 percentage point each was to be effective from fortnights beginning January 31, 1998, February 14, 1998, February 28, 1998, March 14, 1998, March 28, 1998 and April 11, 1998. vi) On December 2, 1997, the schedule of reduction in CRR was decided to be kept in abeyance and CRR on Net Demand and Time Liabilities (NDTL) was raised from 9.5 per cent to 10.0 per cent, effective from the fortnight beginning December 6, 1997.	i) In the light of the foreign exchange situation, effective from May 4, 1991, banks were required to maintain incremental cash reserve ratio of 10 per cent of the increase in net demand and time liabilities (NDTL) over the level as on May 3, 1991. Banks were exempted from the maintenance of the 10 per cent incremental CRR for any increase in NDTL over the level as on April 17, 1992 but the balances remained impounded. One-third of the amount impounded between May 4, 1991 and April 17, 1992 was subsequently released in three installments in October 1992. The May 1998 measure relates to the remaining two-third balances impounded between May 4, 1991 and April 17, 1992. These balances would be released in twelve equal monthly installments from the fortnight beginning May 23, 1998 and extending upto March 13, 1999. ii) In view of the re-emergence of volatile condition in the foreign exchange market, the Reserve Bank increased CRR from 10.0 per cent to 11.0 per cent effective from August 29, 1998.

* Developments upto September 1998 are covered.

Issues/Year	1997-98	1998-99
1	2	3
	vii) Effective from the fortnight beginning December 6, 1997, the liabilities under NRE Accounts and NRNR Accounts are exempted from maintenance of incremental CRR of 10 per cent. viii) Effective from the fortnight beginning January 17, 1998, the CRR was raised by one-half of one percentage point from 10.0 per cent to 10.5 per cent of net NDTL. ix) The CRR to be maintained by scheduled commercial banks was reduced by 0.50 percentage point from 10.5 per cent to 10.0 per cent in two phases of 0.25 percentage point each, effective from the fortnights beginning from March 28, 1998 and April 11, 1998.	
b) Interest on Cash balances with the Reserve Bank under CRR	i) With a view to rationalizing 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 from the fortnight beginning September 13, 1997, all scheduled commercial banks (excluding RRBs) should maintain, under Section 24 of the Banking Regulation Act, 1949, SLR on the liabilities under ACU dollar balances in Vostro Accounts of commercial banks of ACU member countries held with scheduled commercial banks in India at the rate of 25 per cent. ii) With a view to rationalizing 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 (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).	

Issues/Year	1997-98	1998-99
1	2	3

- ii) Borrowings from Authorised Dealers (upto US \$ 10 million) from their overseas offices will be considered as "liabilities to others" and will be subject to reserve requirements. Similarly, lending to banks abroad will not be considered as assets with the banking system and hence will not be allowed to be netted out from inter-bank liabilities.

2. Interest Rates

a) Deposit Rates

i) Domestic Deposits

- 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) The interest rates of scheduled commercial banks on domestic term deposits of maturity of 30 days and upto one year were 'not exceeding 8.0 per cent per annum' instead of the earlier rate of 'not exceeding 9.0 per cent per annum'.
- iii) It was decided that in future, banks need not obtain prior concurrence of the Indian Banks' Association or prior approval of the RBI for the introduction of their new domestic deposit mobilisation schemes.
- iv) 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.
- i) Restriction on banks that they must offer the same rate on deposits of the same maturity irrespective of the size of such deposits was removed in respect of term deposits of Rs. 15 lakh and above in April 1998.
- ii) The minimum period of maturity of term-deposits was reduced from 30 days to 15 days.

ii) NRE Deposits

- 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
- i) Effective April 29, 1998 banks were permitted to determine their own penal interest rates for premature withdrawal of NRE term deposits. Banks were also permitted to fix their own overdue interest rates in respect of NRE deposit, remaining overdue for more than 14 days, subject to these deposits being renewed.

Issues/Year	1997-98	1998-99
1	2	3
	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'.	
	iii) Banks are free to fix their own interest rates on NRE term deposits of 6 months and over.	
iii) FCNR (B) Deposits	i) With a view to giving more flexibility, with effect from April 16, 1997, 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, with effect from October 22, 1997, 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.	i) The interest rate ceiling on FCNR(B) deposits of one year and above was increased by 50 basis points and that on such deposits below one year was reduced by 25 basis points, effective April 29, 1998. ii) In April 1998, banks were permitted to determine penal interest rates for premature withdrawals and also to fix their own overdue interest rates in respect of FCNR(B) deposits, remaining overdue for more than 14 days, subject to these deposits being renewed.
b) Lending Rates	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) Prime Lending Rate (PLR)	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).	i) Effective April 29, 1998 the interest rates on credit limits upto Rs.2 lakh were prescribed at not exceeding the Prime Lending Rate (PLR) which is available to the best borrowers of the concerned bank. ii) All advances against domestic/NRE term deposits would be at an interest rate equal to PLR or less, effective from April 29, 1998.
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'. ii) Interest rates on certain categories of accommodation from the Reserve Bank were linked to the Bank Rate.	i) With effect from the close of business on April 2, 1998, the Bank Rate was reduced by 50 basis points from '10.5 per cent per annum' to '10.0 per cent per annum'. ii) Bank Rate was reduced by one percentage point from 10.0 per cent to 9.0 per cent effective from April 29, 1998.

Issues/Year	1997-98	1998-99
1	2	3
	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 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'. v) The Bank Rate was increased by 2 percentage points to 11.0 per cent with effect from the close of business on January 16, 1998. vi) With effect from the close of business on March 18, 1998, the Bank Rate was reduced by one half of one percentage point from '11.0 per cent per annum' to '10.5 per cent per annum'.	
d) Refinance facility	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. iii) Effective from the fortnight beginning January 17, 1998, the General Refinance limit for banks was reduced from 1.0 per cent to 0.25 per cent of each bank's fortnightly average outstanding aggregate deposits in 1996-97.	
	i) With effect from the fortnight beginning May 9, 1998, export credit refinance was restored to 100 per cent (instead of earlier 50 per cent) of the increase in outstanding export credit eligible for refinance over the level of such credit as on February 16, 1996. ii) As a temporary measure, export credit refinance rate was fixed at 2 percentage points below the Bank Rate i.e. 7.0 per cent per annum with effect from August 6, 1998. This revision would be applicable upto March 31, 1999.	

Issues/Year	1997-98	1998-99
1	2	3
	iv) Effective from the fortnight beginning January 17, 1998, the export credit refinance limit for banks was reduced from 100 per cent to 50 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) In April 1997, the minimum size of issue of Certificates of Deposits (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) With effect from April 15, 1997, the minimum maturity of Commercial Paper (CP) was brought down from 3 months to 30 days. iii) The Governor, Reserve Bank of India, constituted a Working Group on Money Supply under the chairmanship of Dr.Y.V.Reddy, Deputy Governor, RBI. iv) Banks and Primary Dealers (PDs) decided to form an autonomous, self-regulatory body, viz. Fixed Income Money Market and Derivatives Association (FIMMDA) for the money and securities market trading. v) In October 1997, 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. vi) In October 1997, 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 subject to the prudential limits. vii) It has been decided to dispense with the requirement of minimum current ratio of 1.33:1 as part of the eligibility norms for issue of Commercial Paper.	i) With effect from May 9, 1998, the minimum lock-in period for CDs and units of MMMFs was reduced from 30 days to 15 days. ii) The minimum lock in period of CP was brought down from 30 days to 15 days, effective May 25, 1998. iii) The Working Group on Money Supply submitted its report to the Reserve Bank on June 23, 1998.
4. Internal Debt Management Policies	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	i) With effect from May 9, 1998, the minimum size of operation per transaction by entities routing their lending through PDs in the call money market was reduced from Rs.5 crore to Rs.3 crore. ii) The practice of reverse repos with PDs in specified securities was dispensed with and instead, liquidity

Issues/Year	1997-98	1998-99
1	2	3
	Primary Dealers (PDs) was linked to the Bank Rate in respect of Treasury Bills as well as Central Government dated securities.	support against security of holdings in Subsidiary General Ledger (SGL) accounts was provided.
	iii) In order to activate the repos market, (a) repo/reverse repo transactions among institutions were extended in respect of all Central Government dated securities and, (b) 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.	iii) It was decided to reintroduce auctions of 182-Day Treasury Bills on a fortnightly basis.
	iv) In order to further activate Treasury Bills market, Treasury Bills of various maturities were proposed to be issued to facilitate the cash management requirements of various segments of the economy.	iv) Foreign Institutional Investors (FIIs) were permitted to purchase/sell Treasury Bills within the overall approved debt ceilings.
	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.	v) It was decided that the periodicity of auctions of 364-Day Treasury Bills would be on a monthly basis as against the present arrangement of fortnightly auctions.
	vi) The Reserve Bank announced a 'Scheme for payment of underwriting fee to Primary Dealers'.	vi) The limit for Ways and Means Advances (WMA) to the Government of India for the fiscal year 1998-99 was fixed at Rs. 11,000 crore for the first half of the year (April to September) and Rs. 7,000 crore for the second half of the year (October to March). It was also decided that effective April 1, 1998, the interest rate on shortfall in minimum balance as well as WMA would normally be at Bank Rate and on overdraft at Bank Rate plus two percentage points.
	vii) Effective April 1, 1997, the Government of India introduced the scheme of 14-day intermediate TBs. Further, 14-day auction of TBs were introduced effective May 20, 1997.	vii) RBI decided to notify amounts for competitive bidders (and accept non-competitive bids outside the notified amount) in all Treasury Bills auctions effective from April 2, 1998.
	viii) 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.	viii) The Government of India issued a notification on March 31, 1998 for 'Sale of Government of India Treasury Bills by auction' in supersession of all previous notifications in this regard. The important features of the notification were: a) the bills can be of varying maturities with a maximum tenor of 364 days; b) the nominal amount of bills to be sold to competitive bidders will be notified; c) allocations can be made by means of either 'uniform price auction' or 'multiple price auction', the method to be pre-announced by the Reserve Bank; d) all Treasury Bills are to be issued for a minimum amount of Rs. 25,000 and in multiples thereof; and, e) allocation for non-competitive bids will be done at the discretion of the Reserve Bank and will be outside the notified amount.
	ix) 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 auctions of 91-day TBs and dated securities . . .	
	x) It was decided that the 'non-competitive' bids in respect of 91-day and 14-day TBs auctions were to be kept outside the notified amount of respective auctions.	
	xi) Foreign Institutional Investors (FIIs)	ix) With reduction in the Bank Rate in

Issues/Year	1997-98	1998-99
I	2	3
	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.	two stages to 9 per cent per annum effective from April 2 and April 29, 1998, respectively, the special rate on shortfall in minimum balance, WMA and Overdrafts of the State Governments, were withdrawn.
	xii) 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.	x) Satellite Dealers have been permitted to issue CPs with effect from June 17, 1998.
	xiii) The interest rate for liquidity support to PDs by the Reserve Bank was linked to Bank Rate in respect of Treasury Bills and Central Government dated securities effective April 16, 1997.	xi) The 'Scheme of payment of Underwriting fee to PDs' was modified in August 1998.
	xiv) The size of transaction for lending by entities which route transaction through Primary Dealers in the call/notice money market was reduced from Rs.10 crore to Rs.5 crore in October 1997.	
	xv) Banks were permitted to undertake transactions in securities among themselves or with non-bank clients through the members of OTC Exchange of India, in addition to the National Stock Exchange.	
	xvi) It was decided that for securities which are held in dematerialised form under the depository system, the requirement that the shares/debentures should be transferred in bank's name be withdrawn. Banks are, therefore, free to take their own decisions in regard to the transfer of securities in their name.	

II. In-House Issues

a) Capital Adequacy Norms

- i) In March 1998, banks were asked to lay down, with the approval of their Boards, prudential limits on taking open position in gold and also obtain the specific approval of the RBI on such limits. Banks keeping open position in gold should also maintain Tier I capital to the extent of 5 per cent of the open position limit, in addition to the existing capital adequacy requirements specified by the RBI.

Issues/Year	1997-98	1998-99
1	2	3
b) Income Recognition and Provisioning	i) On April 9, 1997, banks were advised that advances granted for agricultural purposes where interest/ installment remained in arrears for more than two quarters (as against two seasons of harvest or two half years earlier) should be treated as NPA from the accounting year 1997-98. ii) On April 9, 1997, banks were advised that 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. iii) On June 12, 1997, banks were advised that excess provisions towards depreciation on investments should be transferred to Capital Reserve Account by way of appropriation under the head 'Appropriation to Profit and Loss Account'. iv) The ratio of 'permanent' and 'current' investments of banks in the approved securities was prescribed to be 40:60 for the year 1997-98. v) 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. vi) Banks were advised to make the following additional disclosures in the 'Notes on Account' to the balance sheet for the year ended March 31, 1997: a) percentage of net NPAs to net advances; b) the amounts of provisions made towards NPA, depreciation in the value of investments, and income tax during the year. vii) Banks were advised to suitably indicate the amount of subordinated	i) As a continuation of the trend of increasing the ratio of 'current' category in total investments to move towards 'marked to market' valuation of the investment portfolio, banks were, directed to classify a minimum of 70 per cent of their securities as 'current' investments for the year ending March 1999. ii) The Committee appointed by the Government to look into the issues of non-performing assets (NPAs) of public sector banks (Chairman: Shri A.T. Pannir Selvam) submitted its Report to the Government.

Issues/Year	1997-98	1998-99
1	2	3
	debt raised as Tier-II capital by way of explanatory notes/remarks in the balance sheet as well as in Schedule 5 relating to "Other Liabilities and Provisions".	
	viii) Banks were advised to indicate the gross value of investments in India and outside India, the aggregate of provisions for depreciation separately on investments in and outside India and arrive at the net value of investments in and outside India, and the total of these should be carried to the Balance Sheet.	
	ix) Commercial banks were advised to disclose additional business ratios in the 'Notes on Accounts' commencing from the Balance Sheet as at 31 March, 1998.	
	i) Capital Adequacy Ratio Tier I and II, separately, (ii) Interest income as a percentage of working funds, (iii) Non-interest income as a percentage of working funds, (iv) Operating profit as a percentage of working funds, (v) Return on assets, (vi) Business (deposits plus advances) per employee, (vii) Profit per employee.	
	x) From the accounting year 1997-98, the advances granted for agricultural purposes may be treated as NPA, if interest and/or installment of principal remains unpaid, after it has become past due, for two harvest seasons but for a period not exceeding two half years.	
c) Recovery of Bank Loans	i) The revised guidelines for classification of bank advances for agricultural purposes treating advances on which interest/ installment 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.	
d) Lending Norms	i) Effective April 15, 1997, for 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 from 75 per cent earlier. For borrowers with working capital limit of Rs.10 crore and above but less than Rs.20 crore, the loan component was raised to 75 per cent from 60 per cent earlier. Further, the minimum period of loan could be fixed by the concerned banks.	
	i) Banks were advised to monitor unhedged exposures of their clients by building in adequate risk evaluation procedures in their credit appraisal system.	
	ii) On June 11, 1998, banks were advised to compute their share of housing finance allocation for the financial year 1998-99, at 1.5 per cent of their incremental deposits as on the last reporting Friday of March 1998 over the last reporting Friday	

Issues/Year	1997-98	1998-99
1	2	3
	ii) In order to provide greater freedom in assessing the working capital requirements of borrowers, effective April 15, 1997, all instructions relating to MPBF were withdrawn. Banks were advised to evolve their own methods for assessment of working capital requirements of borrowers. iii) In June 1997, banks were advised to compute their share of the housing finance allocation for the year 1997-98 at 1.5 per cent of their incremental deposit as on the last reporting Friday of March 1997 over the corresponding figure of the last reporting Friday of March 1996 or the amount of their housing finance allocation fixed for the year 1996-97, whichever was higher. iv) Effective October 22, 1997, the 'loan component' for borrowers with working capital credit limits of Rs.10 crore to Rs.20 crore was raised to 80 per cent, thereby making uniform level for borrowers with working capital credit limits of Rs.10 crore or above. v) The credit exposure to borrowers belonging to a group was allowed to exceed the exposure norm of 50 per cent of the bank's capital funds by an additional 10 per cent (i.e. upto 60per cent), provided the additional credit exposure is on account of Infrastructure projects (i.e., power, telecommunication, roads and ports). vi) Effective October 22, 1997, banks were permitted to sanction bridge loans to companies against expected equity flows/issues with the stipulation that such bridge loans should not exceed one year period and should be accommodated within the ceiling of 5 per cent of Incremental deposits prescribed for banks' investment in shares. vii) 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. viii) 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	of March 1997 or the amount of their housing finance allocation fixed for the year 1997-98, whichever was higher.

Issues/Year	1997-98	1998-99
1	2	3

Rs.50 crore per borrower, subject to observance of exposure limits.

ix) The system of Credit Monitoring Arrangement (CMA) was no longer considered necessary and it was therefore discontinued.

x) Banks were given same freedom regarding uses and rates relating to lending out of resources mobilised under FCNR(B)/NRNR pools as was available to them in the case of advances in general.

xi) In the light of the operational freedom granted to banks on the various aspects of credit management, the safeguards to be observed by banks in the case of transfer of borrowal accounts are expected to be laid down by them as a part of their lending policy/procedures.

xii) Banks were given freedom to stipulate margins on loans to individuals against preference shares and debentures/bonds of corporate bodies.

xiii) 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'.

e) Investment Norms

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) 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.

iii) In respect of housing finance companies (HFCs) which are eligible to draw refinance from National Housing Bank (NHB), the stipulation restricting the quantum of term-loans to be extended to HFCs by banks to 3 times of the Net Owned Funds of

Issues/Year	1997-98	1998-99
1	2	3

HFCs within the overall quantitative ceiling prescribed by NHB was withdrawn.

- iv) Banks will grant term-loans to housing intermediary agencies, only against the direct loans sanctioned/proposed to be sanctioned (including those to Non-Resident Indians) by the latter, where the per individual loan by such intermediary does not exceed Rs.5 lakh and Rs.10 lakh in rural/semi-urban and metropolitan areas, respectively.

III. Other Issues

a) Priority Sector Lending

i) Rural Infrastructure Development Fund (RIDF III) was launched at NABARD with a corpus of Rs.2,500 crore. The domestic banks which failed to achieve the overall priority sector lending target and sub-target under agriculture as of March 1997 were advised to contribute to RIDF-III. ii) Effective April 1, 1997, priority sector lending target for RRBs was fixed at 40 per cent of their outstanding advances as in the case of commercial banks. Within the overall target of 40 per cent, advances to weaker sections of the society was fixed at 25 per cent of the total of priority sector lending i.e. 10 per cent of the total outstanding advances. iii) Effective April 15, 1997, banks were advised that out of the funds available to all segments of the SSI sector, 40 per cent should be made available for SSI units with investment in plant and machinery upto Rs.5 lakh, 20 per cent for SSI units with investment between Rs.5 lakh and Rs.25 lakh and the remaining 40 per cent for other SSI units. iv) The ceiling on investment limit by SSI was enhanced by the Government from Rs. 60 lakh to Rs. 3 crore and for the tiny sector from Rs. 5 lakh to Rs. 25 lakh. v) 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.	i) The Committee on Agricultural Credit through Commercial Banks (Chairman : Shri R.V. Gupta) submitted its Report to the Reserve Bank. ii) With the objective of promoting credit to Khadi and Village Industries Board (KVIB), a consortium of banks has been formed under the leadership of State Bank of India. In this consortium, the shares will be allotted to each bank on the basis of priority sector shortfall. iii) The one-man Committee (Chairman : Shri S.L. Kapur) set up by the Reserve Bank in December 1997 to review the working of the credit delivery system for SSIs submitted its Report.

Issues/Year	1997-98	1998-99
1	2	3
	vi) It was decided to treat bank advances to road and water transporters owning not more than ten vehicles (including one proposed to be financed), instead of six vehicles earlier, as priority sector advances. vii) Loans for Housing upto Rs.5 lakh to individuals, granted for the purpose of construction, and loans upto Rs.50,000 for repairs, additions and alterations etc. to individual borrowers, be considered as priority sector advances. viii) 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. ix) Banks should advise their corporate borrowers that they should, with effect from January 1, 1998, finance their domestic credit purchases from SSI units, as also from SSI and others taken together, at least to the extent of 25 per cent, by way of acceptance of bills drawn on them by their suppliers. x) It is clarified that banks should charge interest on agricultural advances at annual rates instead of quarterly or longer rates and can compound the interest if the loan/instalment becomes overdue.	
b) Customer Services	i) Banks were advised to extend the facility of affording immediate credit upto Rs.5,000 in respect of local cheque to the customers who wish to avail of the facility and are prepared to bear charges of Rs.5 per instrument. ii) With the appointment of the 15th Banking Ombudsman at Thiruvananthapuram in September 1997, all the States and a Union Territory Administrations in the country have been brought under the purview of Banking Ombudsman Scheme, 1995. iii) Banks have been advised to ensure that the pre-funding arrangements to meet the payments on the instruments are suitably tied up before the grant of 'at par' facility	

Issues/Year	1997-98	1998-99
1	2	3
	to a client so that the dividend/interests warrants are not dishonoured due to lack of funds, when presented for payment.	
c) Preventing frauds and malpractice	i) With a view to taking appropriate remedial action for disposal of complaints expeditiously, banks were advised to review the existing system of handling complaints and fraud cases at the level of their Boards. ii) Banks were advised in September 1997 to put in place adequate internal control mechanism to safeguard their interests while determining the policy regarding 'at par' facility with the approval of their respective Boards.	i) Banks were advised in May 1998 to strengthen the internal control mechanism, especially in regard to remittance of funds through DDs/TTs/MTs and put in place proper systems and procedures for reconciliation of remittance of transactions at regular and frequent intervals.
d) Export / Import Credit	i) 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, the 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) It was decided to extend rupee export credit facilities at concessional rate of interest to all categories of supply of goods regarded as 'deemed exports'. iv) Effective September 13, 1997, the ceiling interest rate on post shipment export credit upto 90 days and the rate on such credit beyond 90 days and upto six months were also reduced by one percentage point each to 11.0 per cent and 13.0 per cent, respectively. Further, it was indicated that in respect of post-shipment credit beyond 90 days and upto six months, the rate of interest of 13.0 per cent per annum would apply from the date of advance. v) 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,	i) Effective April 30, 1998, interest rate on pre-shipment export credit up to 180 days reduced from the existing 12 per cent to 11 per cent. ii) Effective April 30, 1998, interest rate against incentives receivable from Government covered by ECGC guarantee in respect of pre-shipment credit upto 90 days reduced from the existing 12 per cent to 11 per cent. iii) With effect from June 12, 1998, interest rate charged by scheduled commercial banks to exporters on rupee export credit granted in respect of "incremental exports" over and above the base-year level of exports in 1997-98 would be '6.5 per cent per annum' for post-shipment credit for a total period upto 90 days. The above facility would be available upto December 31, 1999. iv) In August 1998, post-shipment credit upto 90 days and preshipment credit upto 180 days were made available to exporters at 9 per cent per annum.

Issues/Year	1997-98	1998-99
1	2	3
	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 cent per annum.	
	vi) 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.	
	vii) Effective November 27, 1997, the interest rate on post-shipment rupee export credit for period beyond 90 days and upto six months was increased from 13.0 per cent to 15.0 per cent per annum. This will be applicable only for the period beyond 90 days, and not from the date of advance. With effect from December 15, 1997, the interest rate of 15 per cent was made applicable from the date of advance.	
	viii) With effect from December 18, 1997, banks were advised to charge a minimum interest rate of 20 per cent applicable from the date of advance on overdue export bills; banks were till then free to fix interest rate on such credit.	
	ix) It was announced on December 31, 1997 that the higher interest rate at 20 per cent per annum (minimum) on post-shipment rupee export credit outstanding against overdue bills would be applicable only for the overdue period and not from the date of advance. The above rate would however, not be applicable to overdues in respect of chronic cases where overdues existed as on July 1, 1997, effective retrospectively from December 18, 1997.	
	x) The interest rate surcharge of 15.0 per cent of the lending rate was imposed on bank credit for imports (not applicable for export related imports and certain bulk imports) with effect from December 18, 1997.	
	xi) Banks are advised to submit the export credit data on a quarterly	

Issues/Year	1997-98	1998-99
1	2	3
	basis in a new format commencing from the quarter ending March 1998.	
	xii) On a review of the situation, effective January 1, 1998, the interest rate on post-shipment rupee export credit for period beyond 90 days and upto six months was reduced from '15.0 per cent per annum' to '13.0 per cent per annum'. Further, the interest rate of '13.0 per cent per annum' would be applicable only for the period beyond 90 days, and not from the date of advance. xiii) The interest rate surcharge on import finance was enhanced from 15.0 per cent to 30.0 per cent effective January 17, 1998.	
e) Regional Rural banks	i) Government of India provided Rs. 270 crore in the Union Budget 1997-98 for further recapitalisation of RRBs. ii) In order to allow a greater role to sponsor banks in the ownership and management of RRBs, it was decided that the entire responsibility of monitoring and guiding RRBs will henceforth be taken over by sponsor banks. iii) The instructions issued by the Reserve Bank of India to commercial banks in respect of the prudential norms on income recognition, asset classification and provisioning guidelines applicable to agricultural advances will, <i>mutatis mutandis</i>, apply to RRBs.	i) Government of India provided Rs.264.65 crore in the Union Budget 1998-99 for recapitalisation of RRBs.
f) Levy of interest tax on interest income	i) The levy of interest tax on the interest income of the lending institutions was reduced from 3 per cent to 2 per cent in respect of any chargeable interest accruing or arising after March 31, 1997.	
g) Non-banking activities of the banks	i) Regarding the guidelines to be followed by banks for undertaking equipment leasing, hire purchase finance and factoring services, it was decided to give freedom to banks in regard to the period of lease finance.	i) On June 2, 1998, it was decided to give freedom to banks to undertake credit card business either independently or in tie-up arrangement with other card issuing banks.
h) Technological Issues	i) RBI has decided to extend the ECS to 4 more centres effective from July 1, 1997.	i) The increase of individual credit limit under the Electronic Clearing Service (Credit Clearing) was raised to Rs.1,00,000 from July 1998 from the earlier level of Rs.50,000.

Issues/Year	1997-98	1998-99
1	2	3
	ii) A Guidance Note was prepared by the Reserve Bank which explained the basic principles to be used by management of banks to evaluate the adequacy of controls while addressing the various risks associated with computer and telecommunication systems.	ii) It has been decided to extend the ECS (Credit Clearing) scheme to eight more centres viz., Bhubaneswar, Chandigarh, Guwahati Jaipur, Kanpur, Nagpur, Patna and Thiruvananthapuram with effect from July 1998.
i) Supervisory Issues	i) After a review of the various statements submitted by banks to the Reserve Bank, it was decided that banks need not henceforth submit the following Reports/reviews to the Reserve Bank : (i) Review Reports on the workings of the banks' subsidiaries and of companies offering financial services in which banks have made portfolio investments, (ii) Review Reports on merchant banking and para banking activities undertaken departmentally, (iii) Review reports on equipment leasing, hire purchase, factoring etc., undertaken by banks departmentally. ii) With regard to Inspection under Section 35 of the Banking Regulation Act, 1949, it has been decided that (a) the present practice of keeping a copy of the RBI's inspection Report for the perusal of the Members of the Board of Directors at the time of Board Meeting itself should continue; (b) it has been considered functionally necessary and technically desirable that each Member of the Audit Committee be individually provided with a copy of the RBI's Inspection Report, if the RBI Report and the matter of compliance therewith is included in the agenda; (c) the Statutory Auditors of the banks may be permitted to peruse the RBI's Inspection report, within the bank during the course of their Audit.	i) The High Level Committee on Banking Sector Reforms (Chairman : Shri M. Narasimham) submitted its report to the Ministry of Finance, Government of India in April 1998.
IV) Reforms in Co-operative Banking	i) It was decided in December 1997 to allow District Central Co-operative Banks (DCCBs) to open and maintain Non-Resident accounts in Rupees subject to certain eligibility conditions. ii) Effective September 13, 1997, a primary co-operative bank which is an Authorised Dealer in foreign exchange and which accepts term-deposits under the Non-Resident (External) Rupee (NRE) Accounts	



Issues/Year	1997-98	1998-99
1	2	3

Scheme was free to fix its own interest rates on such deposits of money accepted by it or renewed by it for 6 months and over.

- iii) It has been decided that Urban Co-operative Banks should adopt the following method of valuation of investments for valuation of Public Sector companies shares and bonds. Shares : (1) Wherever Stock Exchange Quotations are available, the shares should be valued accordingly. (2) In the case of public sector companies, shares of PSUs should be valued at the break-up value as per balance sheet as at March 31, 1997. In case the balance sheet is not available, the break up value as per March 31, 1996 balance sheet should be worked out and it should be reduced or discounted by 20 per cent. PSU Bonds valuation may be done at lower of the cost or market value.

V) Reforms in Non-banking Financial Sector

a) Non-banking Financial Companies (NBFCs)

- 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 IB, 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) In order to enhance the financial soundness of the NBFCs, the percentage of liquid assets to be maintained was raised by the unregistered loan/investment companies to 7.5 per cent and 10 per cent effective January 1, 1998 and April 1, 1998, of their deposits. Other NBFCs (excluding residuary NBFCs) were directed to maintain higher liquidity at 12.5 per cent and 15 per cent of deposits, effective January 1, 1998, and April 1, 1998, respectively.
 - iv) Housing finance companies (HFCs) were exempted from all the
- i) Reserve Bank of India announced formation of an Informal Advisory Group on "Non-Banking Financial Companies" in April 1998 in order to review the implementation of the new NBFC regulations issued earlier this year. Besides, specific operational matters relating to regulatory and supervisory concerns will also be referred to this committee for its suggestions.
 - ii) The Reserve Bank decided to introduce in May 1998 certain modifications in the norms for accounting for investments and provisioning against non-performing assets (NPAs) in consultation with the Institute of Chartered Accountants of India (ICAI).

Issues/Year	1997-98	1998-99
1	2	3
	provisions of Chapter IIB of the Reserve Bank Act, 1934, as amended by the Reserve Bank of India (Amendment) Act, 1997.	
	v) Reserve Bank of India announced on January 2, 1998 a new regulatory framework for Non-Banking Financial Companies (NBFCs) to protect the interest of depositors and provide more effective supervision over NBFCs particularly those which accept public deposits. While NBFCs accepting public deposits were subjected to all the provisions of the Directions, those not accepting public deposits were supervised in a limited manner. vi) Reserve Bank of India on February 3, 1998, exempted merchant banking companies from the provisions of Reserve Bank of India Act, 1934, relating to compulsory registration (Section 45-IA), maintenance of liquid assets (Section 45-IB), creation of reserve fund (Section 45-IC) and all the provisions of the recent Directives relating to deposit acceptance and prudential norms. vii) It was decided that the Government securities/ guaranteed bonds required to be held by NBFCs under Section 45-IB of the Reserve Bank of India Act, 1934, in the custody of a branch of a scheduled commercial bank should be valued at a price not exceeding the current market price of such securities.	
b) Term Lending Institutions	i) 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. ii) 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	i) The Working Group on the Harmonisation of the Role of Banks and DFIs (Chairman: Shri S.H. Khan) submitted its Report to the Reserve Bank .

Issues/Year	1997-98	1998-99
1	2	3
	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.	
	iii) Financial Institutions were allowed to sanction/grant bridge loan/interim finance to companies other than NBFCs against public issue of equity whether in India or abroad from January 1998. The guidelines for sanction of bridge loans were required to be laid down by each FI with the approval of their respective Boards.	
	iv) It was decided that effective February 2, 1998, guarantees issued by Financial Institutions against the counter guarantees of banks and public financial institutions (including EXIM Bank) will be treated as claim on banks/FIs and shall carry 20 per cent risk weight.	

Table VI-1: 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
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
1997-98	1062.6	1238.4	924.7	1060.1 (-7.6)	5.23
1997-98 (April-Sept.)	1100.6	1238.4	1010.6	1099.6	4.81@
1998-99 (April-Sept.)	933.0	1149.5	841.0	979.4	6.28@

@ Data relate to the period April-August.

Note: Figure in brackets are percentage variations over the year.**Table VI-2: Important Indicators on National Stock Exchange (Capital Market Segment)**

Indicators	1995-96	1996-97	1997-98	Percentage variation	
				(Col.4 over Col.3)	(Col.3 over Col.2)
1	2	3	4	5	6
1. NSE-50 Index					
I) Average	962.64	1009.32	1087.41	7.7	4.9
II) End of the year	985.3	968.3	1116.9	15.4	-1.7
2. Turnover	67,287	2,94,504	3,70,193	25.7	337.7
3. Market Capitalisation on end -March					
i) No. of Companies (A+B)	1,268	1,482	1,357	-8.4	16.9
ii) Market Capitalisation (Rs. crore) (A+B)	4,00,958	4,19,367	4,81,503	14.8	4.6
a) Listed Companies	422	550	612	11.3	30.3
1. No. of Listed Companies.					
2. Market Capitalisation of Listed Companies	2,17,221	2,52,894	3,08,520	22.0	16.4
b) Permitted equities					
1. No. of permitted Equities	846	932	745	-20.1	10.2
2. Market Capitalisation of permitted Equities	1,83,737	1,66,473	1,72,983	3.9	-9.4

Source: National Stock Exchange of India Ltd.

Table VI-3: Financial Assistance Extended by All Financial Institutions

(Year : April-March)

(Rupees crore)

Institutions	1996-97		1997-98		Percentage Variations 1997-98 over 1996-97	
	S	D	S	D	S	D
1	2	3	4	5	6	7
A. All India Development Banks (1 to 5)	45,647.3 (42,645.9)	32,911.3 (31,008.5)	70,258.4 (67,560.9)	43,016.3 (41,306.4)	53.9 (58.4)	30.7 (33.2)
1. IDBI	17,049.9 (16,307.1)	11,439.0 (10,769.6)	24,198.6 (23,825.6)	15,165.4 (14,830.5)	41.9 (46.1)	32.6 (37.7)
2. IFCI	7,212.3	5,157.1	10,982.6	5,650.1	52.3	9.6
3. ICICI @	14,083.8	11,180.9	25,532.0	15,806.9	81.3	41.4
4. SIDBI	6,485.3 (4,226.7)	4,584.7 (3,351.3)	7,484.2 (5,159.7)	5,240.7 (3,865.7)	15.4 (22.1)	14.3 (15.3)
5. IIBI #	816.0	549.6	2,061.0	1,153.2	152.6	109.8
B. Specialised Financial Institutions (6 to 8)	350.7	228.2	373.7	224.2	6.6	-1.8
6. RCTC	30.5	20.7	10.8	18.2	-64.6	-12.1
7. TDICI	16.7	24.6	42.8	19.2	156.3	-22.0
8. TFCI	303.5	182.9	320.1	186.8	5.5	2.1
C. Investment Institutions (9 to 11)	7,763.2	7,222.3	9,315.0	8,614.2	20.0	19.3
9. UTI	3,669.1	3,336.3	4,579.1	3,499.0	24.8	4.9
10. LIC	2,820.8	2,960.6	3,563.1	3,971.4	26.3	34.1
11. GIC \$	1,273.3	925.4	1,172.8	1,143.8	-7.9	23.6
D. Total Assistance by All-India Financial Institutions (A + B + C)	53,761.2	40,361.8	79,947.1	51,854.7	48.7	28.5
E. State-level Institutions (12 and 13)	5,558.6	4,446.4	4,731.0	3,822.4	-14.9	-14.0
12. SFCs	3,747.5	2,944.6	2,911.4	2,227.1	-22.3	-24.4
13. SIDCs	1,811.1	1,501.8	1,819.6	1,595.3	0.5	6.2
F. Total Assistance by All Financial Institutions (A+B+C+E)	56,318.4	42,905.4	81,980.6	53,967.2	45.6	25.8

S Sanctions D Disbursements

@ 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 and was rechristened as 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.

\$ Relates to GIC and its subsidiaries; data include figures for public sector bonds.

Note: 1. Data for 1997-98 are provisional for all institutions.

2. Data in parentheses are adjusted for inter-institutional flows. This involves adjustment in regard to IDBI/SIDBI's refinance to SFCs and SIDCs.

3. Data for SFCs pertain to assistance through loans.

Source: IDBI and respective financial institutions.

CHAPTER VII

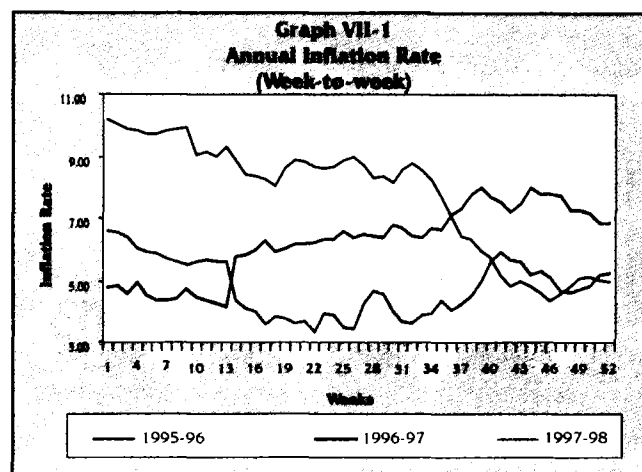
There was a distinct moderation in the price situation during 1997-98, notwithstanding an increase in the administered prices of petroleum and electricity. The annual rate of inflation measured in terms of variation in Wholesale Price Index (WPI), on a point-to-point basis, was placed lower at 5.3 per cent in 1997-98 as compared with 6.9 per cent in the preceding year. Similarly, on an average basis, the annual inflation rate fell sharply to 4.8 per cent in 1997-98 from 6.4 per cent in 1996-97 (Table VII-1). The lower rate of inflation during 1997-98 could be attributed to both demand and supply side factors. Notwithstanding the decline in agricultural output, the supply position was comfortable with stocks of foodgrains remaining high at 18.12 million tonnes at end-March 1998 as against the norm of 14.5 million tonnes. Moreover, sluggish industrial growth coupled with inadequate export demand led to subdued demand in the economy.

A noticeable aspect of inflation during 1997-98 was that the weekly annualised inflation rate not only varied in a lower range of 3.4-6.7 per cent than that of 4.2-7.9 per cent in 1996-97, but also it was consistently lower than the inflation rate during the corresponding period of the previous year since July 1997. The weekly year-on-year inflation rate which was above the previous year's level up to end-June 1997 fell below the 5.0 per cent level by July 1997 and reached a 11 year low of 3.4 per cent by end-August 1997. The rate of inflation exceeded the 5.0 per cent mark from end-December 1997 and crept up to 5.3 per cent by end-March 1998 (Graph VII-1). The rate of inflation remained below 5.0 per cent for seven months in 1997-98 as against three months in 1996-97 (Table VII-2).

During 1997-98 the price movements of major groups of WPI were lower in the first

phase (April-August) as compared with the corresponding phases in 1996-97 while the price rise was consistently higher during the second phase (September-December) than those in the comparable period a year ago. During the first phase the inflation rate was 1.7 per cent as compared with 5.2 per cent in the same phase of the preceding year. 'Primary articles' registered a rise of 1.5 per cent (6.2 per cent in the previous year), 'fuel' group exhibited a modest rise of 1.3 per cent (11.9 per cent) primarily reflecting the higher base of the index of WPI emanating from the hike in the prices of petroleum products in July 1996.

During the second phase (September-December), the inflation rate picked up to 3.4 per cent as compared with 1.8 per cent in the corresponding phase of the previous year with higher price inflation in all the major groups. 'Primary articles' group rose by 4.7 per cent, (3.6 per cent) due to the inflationary expectations arising out of decline in the *Kharif* foodgrains production (coarse cereals and pulses). 'Fuel' group increased by 8.0 per cent (1.2 per cent) owing to increase in the prices of select items of petroleum products in September 1997. The increase in prices of 'manufactured products' group at 1.7 per cent, *albeit* higher than that in the preceding year (0.8 per cent), was subdued due to slack demand conditions in the economy and also



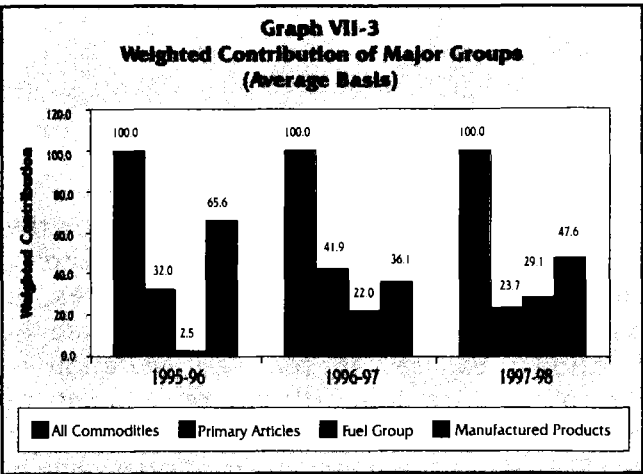
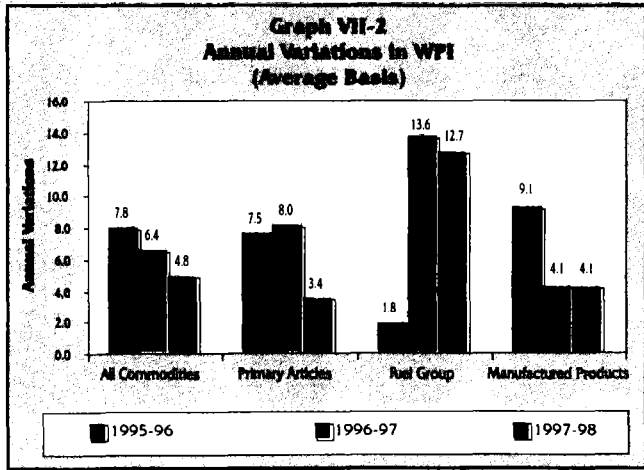
* This chapter is based on data/material available up to end-September, 1998.

decline in the exports and imports which had a dampening effect on the manufactured products.

During the third phase (January-March), the inflation rate was very low as compared with the first and second phases of 1997-98. However, the 'all commodities' index rose by 0.1 per cent as against a decline of 0.2 per cent in the previous year. The prices of 'primary articles' showed a decline of 0.7 per cent on top of a decline of 2.7 per cent in the previous year. This was aided by better supply management-the Union Government announced the import of 2.0 million tonnes of wheat to augment the stocks of Targeted Public Distribution System (TPDS) so as to ensure adequate availability of foodgrains. 'Fuel' group and 'manufactured products' group registered lower rises in the third phase of 1997-98 (Table VII- 5).

Commodity/Group-wise Trend

All the three groups of WPI exhibited a lower rise on a point-to-point basis as well as on an average basis, during 1997-98 with the sole exception of 'manufactured products' group which rose by 4.1 per cent in 1997-98 as in the previous year. 'Primary articles' group registered a lower rise of 5.5 per cent and 3.4 per cent, on point-to-point and average bases during 1997-98 as compared with 7.0 per cent and 8.0 per cent, respectively, in 1996-97. The order of price rise in the case of 'manufactured products' at 4.1 per cent in 1997-98, on an average basis, was similar to that in 1996-97 although it was lower on a point-to-point basis at 4.0 per cent as compared with 4.9 per cent



in 1996-97. During 1997-98, the increase in the price index of 'fuel group' both on point-to-point and average bases were relatively lower at 11.4 per cent and 12.7 per cent as compared with 16.9 per cent and 13.6 per cent, respectively, in 1996-97 (Table VII-3 and Graph VII-2).

Weighted Contributions of Major Groups

The weighted contributions, on an average basis, of the three major groups of WPI, to the overall rise of WPI during 1997-98, indicate that the highest contribution was by 'manufactured products' group followed by 'fuel' and 'primary articles' groups (Graph VII.3). The 'manufactured products' group with a weight of 57.04 contributed 47.6 per cent to the overall price rise in 1997-98 (36.1 per cent in the previous year), while the 'fuel' group with a weight of 10.66 accounted for 29.1 per cent (22.0 per cent in 1996-97). The average weighted contribution of the 'fuel' group was higher in 1997-98 as compared with its contribution during the 1980s, as also in the first half of 1990s. However, the weighted contribution of the 'primary articles' group at 23.7 per cent in 1997-98 was not only lower than its contribution in 1996-97 (41.9 per cent) but also it remained much below its average contribution during the 1980s (33.4 per cent) and the first half of the 1990s (35.0 per cent) (Table VII-4). On a point-to-point basis, the weighted contributions of the 'primary articles', 'fuel, power, light and lubricants' and 'manufactured products' groups were 34.6 per cent, 24.6 per cent and 41.3 per cent, respectively, in 1997-98, which were comparable with 34.0 per cent,

25.8 per cent and 40.2 per cent, respectively, in the previous year (Table VII-4).

Revision of the WPI series

Keeping in view the fact that WPI is used for formulation of economic policies in general and monetary policy in particular, there is a need that selection of commodities and weights assigned to them in Wholesale Price Index (WPI) should reflect structural changes taking place in the Indian economy since 1981-82. Accordingly, a Working Group under the Chairmanship of Professor Y. K. Alagh was set up in June 1993 to revise the existing WPI number series (Base: 1981-82). The objectives of the Working Group, *inter alia*, are to select a more appropriate base year, review the commodity basket of the current series, determine suitable weights for the revised basket of commodities. Presently Professor S. R. Hashim, Member Secretary Planning Commission, is the Chairman of the Working Group. Five Sub-groups on 'Agricultural Commodities', 'Manufactured Items', 'Unorganised/Unregistered Sector Manufactured Items', 'Analytical Issues' and 'Computerisation' were set up to recommend various measures for the revision of the series. The Group has decided on the year 1993-94 as the base year for the revised series. The Office of the Economic Adviser in the Ministry of Industry, which is also the secretariat of the Working Group, is in the process of collecting wholesale price information on weekly basis for the period April 1993 onwards for the commodities/items recommended by the Working Group. Revised WPI series would be released after the price information collection is completed.

Consumer Price Indices

The annual inflation rate during 1997-98 based on the three measures of Consumer Price Index – for industrial workers (CPI-IW), urban non-manual employees (CPI-UNME), and agricultural labourers (CPI-AL), showed lower increases both on a point-to-point as well as on an average basis, as against the respective levels in the previous year (Table VII-6). On a point-to-point basis, CPI-IW was lower at 8.3 per cent during 1997-98 as compared with 10.0

per cent in the previous year, while on an average basis, it stood at 6.8 per cent during 1997-98 as against 9.4 per cent in the preceding year. However, the increase in CPI-IW during 1997-98 was higher than that in WPI both on point-to-point and average bases. Notwithstanding the moderate increase in the overall prices of food articles, the higher rise in CPI-IW emanated from significant increase in the prices of certain food items, *viz.*, milk, condiments and spices. In addition, higher retail prices in respect of housing, education, recreation and medical care which were not included in the WPI basket, pushed up the consumer prices.

Although the decline in average weighted contribution of food in WPI was substantial from 46.4 per cent in 1996-97 to 31.0 per cent in 1997-98, in CPI-IW, the decline was marginal from 62.9 per cent in 1996-97 to 60.5 per cent in 1997-98 (Table VII-7).

The centre-wise data on CPI-IW reveal that the decline in the inflation rate was widespread. Of the 70 centres for which CPI-IW are computed, 17 centres recorded an inflation rate below 5.0 per cent whereas none of the centres recorded such a low consumer price inflation in 1996-97. A significant aspect of price rise during 1997-98 was the occurrence of single digit rate of inflation in all the centres except five as against double digit rates of inflation witnessed in 26 centres during the corresponding period of the previous year (Table VII-8).

CPI (IW) – WPI Differential

The examination of the inflation differential based on the annualised monthly variations of CPI-IW and WPI indicated that the differential narrowed down during 1997-98 as compared with the preceding two years. During the year the differential in the annualised (point-to-point) variations in the CPI and WPI was as low as 0.5 percentage point in November 1997 and hovered around 1.5 percentage points, except during April 1997 and January-February 1998, when it exceeded 3.0 percentage points partly reflecting the relatively high retail prices of certain food articles such as oils and fats, fruits

and vegetables, eggs, fish and meat and condiment and spices. Besides, higher retail price increases were observed in respect of items such as housing, medical care and education and recreation which are not included in the WPI basket.

Trends in Administered Prices

The prices of administered items (weight=15.929 in WPI), comprising mainly energy inputs *viz.*, petroleum, electricity, coal and urea, increased by 9.2 per cent during 1997-98 as compared with a higher rise of 11.0 per cent in the previous year (Table VII-9). The contribution of this group to the overall price rise, however, declined to 23.7 per cent in 1997-98 from 27.2 per cent in 1996-97. The decline in the share of administered items to the overall price rise was due to lower increase in prices in respect of mineral oils (11.3 per cent), coal mining (11.6 per cent) and urea (0.0 per cent) as compared with the respective increases of 14.9 per cent, 13.2 per cent and 1.0 per cent during the previous year. On the other hand, the price index of petroleum crude and natural gas increased by 4.5 per cent in 1997-98 (1.5 per cent in 1996-97) while that of electricity increased by 13.9 per cent (10.6 per cent in 1996-97).

Factors Affecting Prices

During 1997-98, the Government continued with its policy of inflation containment through a combination of demand and supply side measures. Supply-side measures like import of 1.75 million tonnes of wheat during 1997-98 in the wake of the spurt in the wheat prices during the second half of 1996-97 (October-March) aided to dampen the inflationary expectations in 1997-98 despite a marginal decline in production of wheat. Notwithstanding the rise in money supply and fiscal deficit, the overall sluggish industrial growth and slackness in export demand led to a subdued demand in the economy, and consequently to the decline in the price level.

Keeping in view the effect of major foodgrains on the price situation, the Union

Government during 1997-98 procured 9.3 million tonnes of wheat and 14.5 million tonnes of rice for the purpose of distribution under Targeted Public Distribution System (TPDS). Although there was a decline in wheat production during 1997-98 to 66.1 million tonnes from 69.3 million tonnes in 1996-97, the supply position of wheat was comfortable in the domestic market due to the import of 1.75 million tonnes of wheat. Reflecting this, the WPI of wheat, on a point-to-point basis, declined by 10.9 per cent during 1997-98 as against a substantial increase of 30.9 per cent in 1996-97. The prices of seasonal items such as onions increased sharply in November-December 1997 owing to floods in major onion producing states, *viz.*, Maharashtra, Gujarat and Karnataka. These items, however, did not have significant influence on the overall price level in view of their low weight in WPI.

The WPI of sugar, *khandsari* and *gur* increased significantly by 20.9 per cent, on an average basis, in 1997-98 as compared with 3.0 per cent in the previous year. The price of sugar increased by 13.8 per cent as compared with 6.9 per cent in 1996-97. The spurt in the price of sugar emanated from the marginal decline in sugar production during 1997-98 to 12.8 million tonnes from 12.9 million tonnes in 1996-97, diversion of sugarcane for manufacturing of *gur* and *khandsari*, caused partly by the hike in the issue price of sugar from Rs.10.50 per kg to Rs.11.40 per kg to offset the additional subsidy burden on account of the hike in the statutory minimum price of sugarcane from Rs.45.90 per quintal to Rs.48.45 per quintal for the 1997-98 season. The price of *gur* increased substantially by 29.7 per cent as against (-) 0.7 per cent in 1996-97. The escalation in the price of *gur* resulted from the decline in sugarcane production to 260.2 million tonnes during 1997-98 from 277.3 million tonnes in 1996-97, and also due to reported excess demand. The price index of raw cotton increased by 21.2 per cent during 1997-98 as compared with 3.3 per cent in 1996-97, mainly due to decline in the production of cotton to 11.4 million bales in 1997-98 as against 14.3 million bales in the previous year.

With decanalisation, sizeable quantities of edible oils have been imported under OGL by private parties. This made the availability of edible oils quite comfortable and prices were maintained at a reasonable level. The imported edible oils were also made available through TPDS at subsidised rates. During 1997-98, total edible oil imports by the government and private agencies were 11.3 lakh tonnes.

Developments in 1998-99

The significant deceleration in the inflation rate during 1997-98 was somewhat reversed in the first half of 1998-99 (up to September 26, 1998). The annualised rate of inflation from May 2, 1998, on a point-to-point basis, consistently exceeded the inflation rate during the corresponding period of the previous year. As on September 26, 1998 the rate of inflation stood at 8.69 per cent, significantly higher than that of 3.5 per cent in the previous year. The upward movement in the inflation rate during the current year could be attributed primarily to the sharp rise in the prices of primary articles, particularly fruits and vegetables with an increase of 48.2 per cent as against a rise of 4.6 per cent in the corresponding period of the previous year. The composite index of food items up to September 26, 1998 increased substantially by 14.0 per cent as against 2.2 per cent in the comparable period a year ago. As per the detailed data available up to the end-September 1998, the average weighted contribution of the 'primary articles' was as high as 55.8 per cent (with the share of fruits and vegetables being 27.0 per cent) as compared with 16.0 per cent in the corresponding period of the previous year. In this context, there is a need to estimate core inflation by filtering out the transitory impact of supply factors from the headline inflation measure, keeping in view the attempts made by some central banks in other countries (Box VII.1). The consumer price inflation as reflected in CPI-IW, on a point-to-point basis, accelerated to 16.3 per cent by end-September 1998 as compared with 4.9 per cent during the same period of the preceding year on account of an upward trend in the prices of food articles.

The Union Government has increased the

minimum support price (MSP) of *Kharif* crops for 1998-99. The MSP for paddy has been pegged at Rs.440 per quintal as against Rs.415 per quintal in 1997-98 season and 'Grade A' variety at Rs.470 per quintal as against Rs.445 per quintal during the 1997-98 season. The MSP for bajra, jowar, ragi and maize has been fixed at Rs.390 per quintal as against Rs.360 per quintal in the previous year. Consequent to the reclassification of paddy, 'Grade A' variety is supplied at Rs. 7 per kg. for families above the poverty line and at Rs. 3.50 per kg. for families below the poverty line and the common variety at Rs.5.50 for the APL segment. The economic cost of rice is around Rs.9.21 per kg. with the average sales realisation by the FCI at Rs.5.91 per kg., the consumer subsidy thus works out to around Rs.3.30 per kg.

Bullion Prices

Gold

The average price of gold in the domestic market declined by 14.3 per cent to Rs.4,347 per 10 gms. during 1997-98 from Rs.5,071 per 10 gms. in the previous year. On a point-to-point basis, the monthly average price of gold dropped by 16.5 per cent to Rs.3,995 in March 1998 from Rs.4,789 in March 1997 (Table VII-10).

The monthly average gold prices in the Mumbai market declined continuously during 1997-98 from Rs.4,778 per 10 gms. at end April 1997 to Rs.3,995 by the end of March 1998 with the exception of August 1998 (Statement 35, Volume II). The monthly average price of gold in the Mumbai market moved in the lower range of Rs.4,850-3,900 per 10 gms. in 1997-98 as compared with the range of Rs.5,360- 4,680 per 10 gms. in 1996-97. Gold prices in the Mumbai market moved in tandem with the prices in the international market.

In the London market, the price of gold, on an annual average basis, declined by 15.6 per cent from US \$ 375.5 per troy ounce during 1996-97 to US \$ 316.9 per troy ounce in 1997-98. The monthly average price moved in the range of US \$ 351-279 per troy ounce during

Box VII.1: Core Inflation

There is a general recognition that maintaining low and stable level of inflation should constitute the primary objective of monetary policy. As a corollary to this, the immediate concern of the central bank should be in regard to the choice of a particular measure of inflation as a point of focus of monetary policy. The countries which have adopted explicit inflation targeting consider 'core' inflation rather than the standard (measured or headline) rate of inflation as the numeraire for the conduct of monetary policy. The measurement of inflation as a monetary phenomenon is difficult as non-monetary events such as sector specific shocks and measurement errors can temporarily produce noise in the price data that substantially affects the aggregate price indices at higher frequencies. The measured (headline) inflation rate, is decomposed into a non-permanent and permanent component, with the latter component being viewed as 'underlying' or 'core' rate of inflation. While supply shocks get captured in the non-permanent component, the permanent component captures the long persistence of exogenous shocks. It is the latter that the monetary policy should attempt to counteract.

In the literature, various methods of core inflation have been suggested. Among the existing methods, Eckstein (1981) has decomposed inflation rate in to three components-core, demand and shock, in which core inflation rate is defined in terms of factor price increase. As per the stochastic approach to core inflation modelling, robust measures of core inflation have been devised through statistical measures of trimmed mean and weighted median etc., especially when the empirical distribution of disaggregated price change is not normal and sample mean loses its robustness.

The statistical methodology has potential advantages over other standard approaches in terms of simplicity, statistical robustness and verifiability. The high kurtosis of the distribution of price changes in New Zealand indicated that a median based measure of price change is likely to be more efficient and robust than alternative estimators of core inflation. The strong points of pure statistical basis of the stochastic approach are two fold: it provides a sound basis for computation of core inflation and it can be readily verified by an independent observer with access to data. However, a potential weakness of the approach is that no explicit distinction is made between relative price movements arising from supply shocks as opposed to demand shocks. A second potential weakness of the approach is that the degree of asymmetry in the distribution of price changes may change through time in which case an estimator assuming an unchanging distribution will be biased.

Important contributions include those of Bryan and Cecchetti (1993), and Scot Roger (1997). The former used the weighted median and 15 per cent trimmed mean of CPI

in the case of the US in estimating the core inflation, which was found to be highly correlated with money growth. The latter used the methodology of Bryan and Cecchetti (1993), relying on stochastic approach to the measurement of core inflation in the case of New Zealand during the period 1949-96.

As per the time series approach to the modelling of core inflation, one method has been the decomposition of stochastic time series into permanent and transitory component as suggested by Beveridge and Nelson (1981). An exercise was carried out in the case of India to estimate core inflation over 1975-76 to 1996-97 and reported in RBI Annual Report, 1996-97. Another time series approach has been through a Vector Auto Regression (VAR) approach as suggested by Danny Quah and Shaun P. Vahey (1995), who estimated core inflation in the case of England by using a VAR system. This approach assumes that the observed changes in the measure of inflation are affected by two types of disturbances, first there would be no impact on the real output in the medium to long run, and the second there would be unrestricted effects on measured inflation and real output without affecting core inflation.

The economic rationale for considering the core rate of inflation in the conduct of monetary policy is guided by the fact that it is this rate (being permanent in nature) which is fully anticipated by the economic agents and incorporated into their decision making processes thereby making it output neutral. Viewed from another angle, it is the existence of the permanent component which imparts downward rigidity to the measured rate of inflation in the event of a positive supply shock. Therefore, it would be worthwhile for the economy to ensure that the permanent or core rate of inflation is reduced. The objective of reducing inflation as the prime objective of monetary policy should be viewed against this perspective.

References

1. Bryan, M.F., and Cecchetti S.G., (1993), "Measuring core inflation", *National Bureau of Economic Research Working Paper* No.4303, March.
2. Quah D., and Vahey S.P., (1995), "Measuring Core Inflation", *The Economic Journal*, 105, September.
3. Reserve Bank of India (1997) : "Box III.4 : Core Inflation", *Annual Report*, 1996-97.
4. Roger, Scot (1997), "A Robust Measure of Core Inflation in New Zealand", *Reserve Bank of New Zealand Discussion Paper*, G97/7.

1997-98 as against US \$ 398-337 per troy ounce in 1996-97 (Statement 35, Volume II).

The spread between the domestic and international prices of gold has narrowed considerably from 59.5 per cent in 1990-91 to 15.1 per cent in 1997-98, and further narrowed to 7.3 per cent during the financial year 1998-99 (up to September 1998), reflecting greater integration of the two markets consequent upon

the liberalisation of the Indian gold market. These apart, the bearishness in the market during the major part of 1997-98 could be attributed to low inflationary expectations, a strong dollar and gold dishoarding in South-East Asia.

According to World Gold Council (WGC), in face of an increase of 9.0 per cent in the world demand, the demand for gold in India

increased by 45.0 per cent to a record level of 737 tonnes during 1997 from 507 tonnes in 1996, reflecting the increased response to decline in gold prices. The official imports into India had increased by 88.6 per cent to 528.0 tonnes in 1997 as compared with the level of 280 tonnes in 1996 (Table VII-11). Non-resident Indians (NRIs) accounted for a whopping 397.7 tonnes (75.5 per cent of total official imports during the year 1997). The quantity of gold imported by NRIs increased significantly over the last five years from 132.4 tonnes in 1992-93 to 336.1 tonnes in 1997-98 (Table VII-12). Besides consumers' traditional affinity for gold, the substantial increase in the domestic demand was met by enlarged supply of gold facilitated by (i) allowing non-resident Indians to import 10 kg. of gold (as against 5 kg. earlier) once in every six months with effect from January 1, 1997, (ii) allowing 12 authorised agencies, subsequently increased to 15, to import gold under Open General Licence (OGL) without any limit on the quantity and to sell it in the local market against rupees after payment of approximately 5.0 per cent duty, and (iii) lower prices in the international market.

Silver

The domestic market price of silver, on an average basis, declined to Rs.6,332 per kg. in July 1997 from Rs.6,939 per kg. in April 1997, since then it exhibited a steady rise to Rs.8,557 per kg. in March 1998 (Statement 35, Volume II). However, the annual average price of silver registered a small increase of 2.6 per cent to Rs.7,352 per kg. during 1997-98 from Rs.7,165 per kg. a year ago as against a decline of 2.5

per cent in 1996-97 (Table VII-10). It may be noted that, the price of silver in Mumbai market had risen to its highest level in the last nine and half years on February 5, 1998 at Rs.9,350 per kg. in tandem with the highest price recorded in the New York market emanating from the reported buying of a large quantity of silver (about 20.0 per cent of world supply) by the US investment firm Berkshire Hathway.

In the Mumbai market, the price of silver moved in a range of Rs.9,350- 6,310 per kg. during 1997-98 as compared with the range of Rs.7,711- 6,710 per kg. in 1996-97. In the New York market, the annual average price of silver increased by 3.2 per cent 521 cents in 1997-98 from 505 cents in 1996-97. The monthly average price, with intervening fluctuations, increased from 477 cents at end-April, 1997 to 657 cents by end-March 1998.

During 1998-99 (up to end-September) the price started declining from 629 cents at end-April 1998 to 503 cents by end-September 1998 due to lower demand. The spread between the domestic and international prices, on an average basis, declined from 24.3 per cent during 1996-97 to 19.6 per cent during 1997-98 and further to 10.3 per cent by the end-September 1998 (Statement 35, Volume II).

According to the World Silver Survey-1998, the aggregate silver imports into India declined to 99.8 million oz. (3,104 tonnes) during 1997 from 105.5 million oz. (3,281 tonnes) in the preceding year.

Table VII-1: Major Inflation Indicators

(Per cent)

Item			April-September	
	1996-97	1997-98	1997-98	1998-99
1	2	3	4	5
1. WPI : All commodities				
a) Point-to-point basis	6.9	5.3	2.5	5.8 P
b) Average basis	6.4	4.8	3.2	5.8 P
2. CPI : Industrial Workers				
a) Point-to-point basis	10.0	8.3	2.8	10.5
b) Average basis	9.4	6.8	4.2	10.1

P Provisional.

**Table VII-2: Frequency Distribution of Annualised Inflation Rate*
(Month-wise)**

(Number 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	1997-98
1	2	3	4	5	6
0.0 - 5.0	29 (24.2)	nil (-)	2 (16.7)	3 (25.0)	7 (58.3)
5.1 - 7.0	44 (36.7)	3 (5.0)	2 (16.7)	5 (41.7)	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	1996-97		1997-98	
	Point-to-Point	Average	Point-to-Point	Average
1	2	3	4	5
Primary Articles	7.0	8.0	5.5	3.4
'Fuel' Group	16.9	13.0	11.4	12.7
Manufactured Products	4.9	4.1	4.0	4.1
All Commodities	6.9	6.4	5.3	4.8

* Measured in terms of changes in the Wholesale Price Index (WPI).

**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	1997-98
I	2	3	4	5	6
Point-to-point basis					
Primary Articles	34.7	34.0	35.9	34.0	34.6
'Fuel' Group	15.8	12.3	7.8	25.8	24.6
Manufactured Products	49.5	53.7	56.2	40.2	41.3
All Commodities	100.0	100.0	100.0	100.0	100.0
Average basis					
Primary Articles	33.4	35.0	32.0	41.9	23.7
'Fuel' Group	12.5	12.6	2.5	22.0	29.1
Manufactured Products	54.1	52.4	65.6	36.1	47.6
All Commodities	100.0	100.0	100.0	100.0	100.0

**Table VII-5: Three Phases of Variations in Wholesale Price Index during 1995-96 to 1997-98
(Base : 1981-82=100)**

Item	Phase-I (End-March to End-August)			Phase-II (End-August to End-December)			Phase - III (End-December to End-March)		
	1995-96	1996-97	1997-98	1995-96	1996-97	1997-98	1995-96	1996-97	1997-98
I	2	3	4	5	6	7	8	9	10
All Commodities	3.9	5.2	1.7	0.2	1.8	3.4	0.9	-0.2	0.1
Primary Articles	4.6	6.2	1.5	-1.1	3.6	4.7	2.0	-2.7	-0.7
'Fuel' Group	-0.1	11.9	1.3	0.0	1.2	8.0	3.8	3.2	1.8
Manufactured Products	4.2	3.4	2.1	1.0	0.8	1.7	-0.2	0.7	0.2

Table VII-6: Consumer Price Indices

Item	Indices				Percentage Variations			
	1996-97		1997-98		1996-97		1997-98	
	End-March	Average	End-March	Average	Point-to-Point	Average	Point-to-Point	Average
I	2	3	4	5	6	7	8	9
CPI - Industrial Workers (Base : 1982 = 100)	351	342.3	380	365.7	10.0	9.4	8.3	6.8
CPI - Urban Non-Manual Employees (Base : 1984-85 = 100)	291	282.9	312	302.4	10.2	9.3	7.2	6.9
CPI - Agricultural Labourers (Base : 1986-87 = 100)	262	255.8	272	264.4	10.5	9.1	3.8	3.4

Table VII-7: 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	46.4	53.6	62.9	37.1
1997-98	31.0	69.0	60.5	39.5

Table VII-8: 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	1997-98
1	2	3	4	5
Up to 5.0	—	—	—	17
5.1 - 7.5	3	6	11	33
7.6 - 9.9	38	32	33	15
10.0 - 12.5	20	24	19	4
above 12.5	9	8	7	1

**Table VII-9: Hike in the Administered Prices
(Average basis)**

(Per cent)

Item	Weight	1990-91 to 1994-95	1995-96	1996-97	1997-98
1	2	3	4	5	6
1. Petroleum crude & Natural gas	4.274	7.2	0.9	1.5	4.5
2. Coal Mining	1.256	9.7	1.1	13.2	11.6
3. Mineral Oil	6.666	12.7	0.1	14.9	11.3
4. Electricity	2.741	13.7	5.0	10.6	13.9
5. Urea N content	0.992	9.0	3.4	1.0	0.0
Administered Items	15.929	11.3	1.7	11.0	9.2
Memo Item : Inflation Rate (change in WPI)		10.7	7.8	6.4	4.8

Table VII-10: 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
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)
1997-98	4,347	3,776 (317)	571 (15.1)	7,352	6,154 (521)	1,198 (19.5)
March 1994	4,598	3,871 (384)	728 (18.8)	7,063	5,488 (544)	1,557 (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)	1,368 (22.4)
March 1997	4,789	4,065 (352)	724 (17.8)	7,421	5,990 (519)	1,431 (23.9)
March 1998	3,995	3,758 (296)	237 (6.3)	8,577	7,417 (617)	1,160 (15.6)

* 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.

Source: 1. Mumbai Bullion Association Ltd.
2. Press Trust of India.

Table VII-11: Total Imports of Gold to India

(Tonnes)			
Year	Official	Unofficial	Total
1	2	3	4
1992	95.3	224.9	320.2 (76.2)
1993	114.0	149.9	263.9 (56.8)
1994	178.4	102.6	281.0 (36.5)
1995	249.0	98.3	347.3 (28.3)
1996	280.0	113.0	393.0 (28.8)
1997	528.0	92.0	620.0 (14.8)
1998 (upto August)	430.0	42.0	472.0 (8.9)

Figures in brackets indicate column (3) as percentage of column (4).

Source: World Gold Council.

Table VII-12: Imports of Gold by Non-resident Indians

Year	Quantity of Imports on price basis(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	256.51	554.44
1997-98	336.10	736.79
1998-99 (April-May)	20.77	45.69

Source : Government of India, Ministry of Finance.



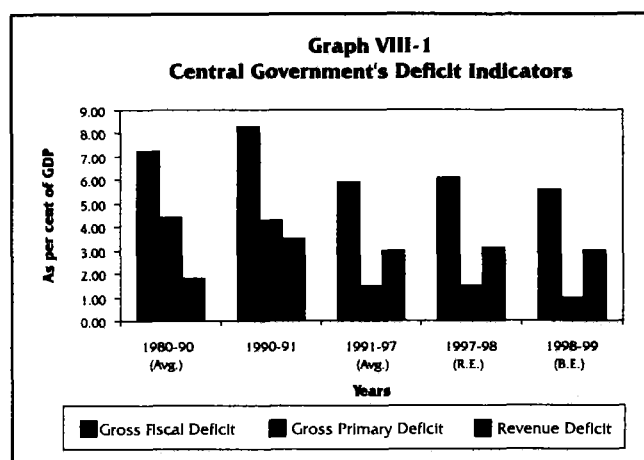
CHAPTER VIII

The review of fiscal developments is covered under four sections. The budgetary developments of the Central Government are set out in Section I, while Section II details 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 Government⁵

Major Developments during 1997-98

The process of fiscal consolidation suffered a major setback during 1997-98 with a rise in the major deficit indicators. Gross fiscal deficit (GFD) rose sharply by Rs.20,891 crore (31.9 per cent) to Rs.86,345 crore (6.1 per cent of GDP) in the revised estimates as against the budget estimates of Rs.65,454 crore (4.5 per cent of GDP). Revenue deficit at Rs.43,686 crore (3.1 per cent of GDP) exceeded the budget estimates by Rs.13,420 crore (44.3 per cent) from Rs.30,266 crore (2.1 per cent of GDP). The primary surplus of Rs.2,546 crore (0.2 per cent of GDP) envisaged in the budget estimates turned into a deficit of Rs.20,645 crore (1.5 per cent of GDP) in the revised estimates [Table VIII-1 and Graph VIII-1]. The monetary effects of the deteriorating fiscal situation were reflected in the monetised deficit which increased sharply to Rs.12,914 crore (0.9 per cent of GDP) at end-March 1998 as compared to Rs.1,934 crore at end-March 1997 (0.2 per cent of GDP). There were sharp fluctuations in the level of net RBI credit during the year with the monetised deficit



being negative during the second and third quarters and averaging to Rs.7,495 crore during the fourth quarter. As per the supplemental agreement between the Reserve Bank and the Government of India, with effect from April 1, 1997, issuance of *ad hoc* Treasury Bills was discontinued and a system of Ways and Means Advances (WMA) was introduced to meet the temporary mismatches in receipts and expenditures of the Central Government. For the fiscal year 1997-98, the WMA limit for the first half (April-September) was placed at Rs.12,000 crore and for the second half (October-March) it was placed at Rs.8,000 crore. During the major part of the fiscal year, the Centre did not resort to WMA because of strong money market support to the Government's borrowing programme. The Centre had availed of WMA in the initial weeks and in the last quarter of the fiscal year and the amounts availed were within the stipulated limits. The outstanding WMA at end-March 1998 was placed at Rs.2,000 crore (Table VIII-2).

The deterioration in the fiscal situation occurred on account of a substantial decline in revenue receipts by Rs.13,597 crore (8.5 per cent) and shortfall of Rs.3,894 crore in disinvestment receipts, while aggregate expenditure showed a nominal increase of Rs.4,101 crore (1.7 per cent) [Statement 142, Volume II]. Revenue receipts during 1997-98

* Based on material available up to September 1998. 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 1997-98 (Revised Estimates) and 1998-99 (Budget Estimates) was presented in an article on "Finances of Government of India : 1998-99" in the October 1998 issue of the Reserve Bank of India Bulletin.

suffered a major setback due to a substantial shortfall in tax collection by Rs.14,235 crore (12.6 per cent), while non-tax revenue recorded only a marginal shortfall of Rs.638 crore (1.4 per cent). The sharp deterioration in tax collection, stemmed from a marked decline in revenue mobilisation from major taxes. Custom duties fell short of the budget estimates by Rs.11,550 crore due to deceleration in imports particularly POL in terms of volume as well as unit value. Union excise duties collection was also lower by Rs.2,383 crore than the budget estimates in the wake of deceleration in the growth of industrial sector. The shortfall in revenue collection was, however, modest in respect of income tax (Rs.831 crore) and corporation tax (Rs.500 crore) (Statement 143, Volume II).

Capital receipts in the revised estimates at Rs.96,731 crore increased by Rs.17,698 crore (22.4 per cent). Almost 90 per cent of the capital receipts constituted market borrowings and other liabilities (small savings, provident funds, special deposits, etc.). Market borrowings in the revised estimates are substantially higher at Rs.42,484 crore, an increase of 25.6 per cent over the budget estimates of Rs.33,820 crore. The net accretion from small savings amounted to Rs.21,434 crore in the revised estimates as against Rs.10,950 crore in the budget estimates. The larger accretion under small savings had stimulated the autonomous expenditure of the Government in the form of loans to States and Union Territories as seventy-five per cent of the small savings are passed on to the States in the form of non-Plan loans. If the increase in expenditures under small savings is netted out, the GFD-GDP ratio in 1997-98 would come down to 5.8 per cent as against 6.1 per cent (Statement 145, Volume II).

On the expenditure front, aggregate expenditure exceeded the budget estimates by Rs.4,101 crore mainly on account of an increase in capital disbursements (Rs.4,277 crore or 8.8 per cent). Revenue expenditure at Rs.1,89,459 crore was marginally lower than the budget estimates with non-developmental revenue expenditure recording a relatively larger decline of Rs.1,967 crore (-1.6 per cent). Developmental revenue expenditure registered an increase of Rs.1,791 crore (2.6 per cent).

The main heads which underwent an increase in allocation were Economic services, namely, Industry and minerals (Rs. 1,446 crore or 18.6 per cent) and Energy (Rs.13,479 crore or 834.6 per cent). Developmental Grants to States and UTs declined substantially by 25 per cent to Rs.14,197 crore. Non-developmental revenue expenditure declined on account of a decrease in allocation for administrative services, which were curtailed to Rs.7,275 crore from Rs.10,263 crore (-29.1 per cent) and non-developmental grants to States and UTs which were reduced to Rs.3,793 crore from Rs.4,450 crore (-14.8 per cent). Interest payments too showed a reduction in the revised estimates by Rs.2,300 crore (3.4 per cent) at Rs.65,700 crore (Statement 144, Volume II). Capital disbursements at Rs.53,045 crore recorded an increase of Rs.4,277 crore (8.8 per cent) in the revised estimates. This was, however, mainly due to increased outgo under loans to States and UTs on account of the spurt in small savings collection (Rs.3,853 crore or 15.3 per cent). Non-developmental capital outlay showed an increase of 3.1 per cent at Rs.9,601 crore. Defence capital outlay allocated at Rs.9,297 crore increased by 4.4 per cent. Developmental capital outlay was reduced to Rs.9,079 crore from Rs.9,267 crore. Within this, the major head undergoing a decline was Social and Community services (31 per cent) followed by General services (16.5 per cent) and disbursements of Union Territories (8.7 per cent) [Statement 146, Volume II].

The share of developmental expenditure increased from 45.2 per cent in the budget estimates to 46.8 per cent in the revised estimates. Due to deterioration in the revenue deficit, 50.6 per cent of borrowed funds were utilised for financing revenue deficits as against 46.2 per cent allocated in the budget estimates. With the result, resources available for meeting capital outlay and net lending declined from 28.4 per cent and 32.7 per cent in the budget estimates to 21.6 per cent and 28.8 per cent, respectively, in the revised estimates. Budget estimates projected that market borrowing would finance 51.7 per cent of GFD, other liabilities 44.6 per cent and external loans 3.7 per cent of GFD. The actual outcome showed that the share of market borrowings was lower at 49.2 per cent, while that of other liabilities

increased to 46.7 per cent. The share of external finance declined to 1.4 per cent, while withdrawal of cash balance financed 2.7 per cent of GFD (Statement 147, Volume II).

Budget Estimates : 1998-99

The Union Budget (Final) 1998-99¹ presented on June 1, 1998 was formulated against the backdrop of a slowdown in the growth of real Gross Domestic Product (GDP) in 1997-98, sharp rise in fiscal deficit in 1997-98 and uncertainties on the external front. The growth in GDP is estimated to be lower at 5.1 per cent in 1997-98 compared with 7.5 per cent achieved in 1996-97. The budget, having recognised the underlying need for ensuring macro-economic stability and sustained growth of the economy, the policy initiatives and expenditure and taxation measures proposed in the budget are accordingly poised toward the attainment of these objectives. For strengthening fiscal consolidation, the budget envisages a reduction in the ratio of fiscal deficit to GDP from 6.1 per cent in 1997-98 to 5.6 per cent in 1998-99. The revenue deficit - GDP ratio is also projected to decline from 3.1 per cent in 1997-98 to 3.0 per cent in 1998-99. The primary deficit ratio is budgeted to decline by 0.5 percentage point to 1.0 per cent. The taxation measures proposed in the budget aim at raising the tax - GDP ratio mainly through broadening of the tax base. The budget has also taken measures to carry forward the policy of fiscal reform through rationalisation of indirect taxes. The Government has ratified the alternative scheme of sharing of Centre's tax revenue as recommended by the Tenth Finance Commission with some modification. The budget has also announced policy measures to improve rural sector, strengthen infrastructure and deepen financial sector reform. Aggregate expenditure as well as aggregate receipts budgeted at Rs.2,76,233 crore would show an increase of Rs.33,729 crore (13.9 per cent) (Statement 142, Volume II).

The budget endeavours to continue the tax

reform process both in the direct and indirect tax areas². The budget has recognised that long-term stability in tax structure would lead to increased productivity, voluntary compliance and enhanced efforts at tax-widening. The emphasis has been on widening the tax base as well as plugging the loopholes to curb tax evasion. As measures towards widening the tax base, filing of the income tax return made obligatory for individuals on the four economic criteria introduced in 1997-98 have been increased to six. New initiatives of making obligatory for assesseees to quote their PAN or GIR number mandatorily in respect of certain high value transactions such as, immovable property, motor vehicles, share transaction, fixed deposits, bank accounts, hotel expenses have been proposed. Other measures to curb revenue leakage include withdrawal of various concessions and exemptions which are found to be no longer necessary. On the indirect tax front, the budget has observed that the restructuring process that has been initiated has resulted in progressive reduction in tariffs and also resulted in certain distortions and anomalies. The proposals in the budget are intended to rectify these anomalies by increasing the rates in respect of some commodities and reducing in some other cases. In the case of excise duties, the objective is to introduce greater transparency in the system through a significant rationalization of rates, with a move towards a Central Value Added Tax (VAT) which can then be merged with a generalised VAT. The rate structure proposed is to gradually ensure convergence towards a mean rate of 18 per cent *ad valorem*. The budget proposals also effected revision in the postal services (Box VIII-1).

Revenue receipts budgeted at Rs.1,70,300 crore would record an increase of Rs.24,527 crore (16.8 per cent) and would account for almost 73 per cent of the increase in aggregate receipts (Statement 142, Volume II). Tax revenue at Rs.1,16,857 crore (net of States' share) is estimated to increase by 17.9 per cent and would contribute 72.2 per cent of the increase in revenue receipts (Statement 143, volume II). The budget proposed additional resource mobilisation (ARM) to the extent of

1. On March 25, 1998, the Government had presented an interim Budget for the purpose of a Vote-on-Account to enable the Government to carry on its business and meet essential expenditure during the first four months of fiscal 1998-99.

2. For a detailed version of tax proposals see article on "Finances of Government of India : 1998-99" published in the RBI Monthly Bulletin for October 1998.

Box VIII-1 : Major Changes in Tax Structure**Direct Taxes**

- The limit for tax exemption is being raised from the existing Rs.40,000 to Rs.50,000 with no change in rates of corporate and personal income taxes.
- For salary earners of income upto one lakh, the ceiling in respect of standard deduction has been raised from Rs.20,000 to Rs.25,000. Salary earners of more than Rs. 5 lakh will not be entitled to the standard deduction. Enhanced ceiling of tax free medical reimbursement from Rs.10,000 to Rs.15,000.
- For expanding the tax base, "One-by-Six" criteria for identifying potential tax assesseees has been proposed. In addition to the previous year's four criteria of: possession of telephone, foreign travel, car, house; two more criteria viz., possession of credit card and club membership have been proposed for identifying potential tax assesseees. Persons fulfilling any one of the six will have to file Income-Tax returns. These criteria are extended to 23 more cities, with this the total number of cities to be covered now are 35.
- Gift tax after September 30, 1998 will be discontinued.
- To simplify the tax return, a one page tax return called "SARAL" will be introduced for all non-corporate tax payers.
- To reduce litigation in payment of direct and indirect taxes, a new scheme called "SAMADHAN" to be introduced, which would offer waiver of interest, penalty and immunity from prosecution on payment of arrears.
- To encourage house building activity incentives like tax holiday for approved housing projects, increased deduction against income from house property, exemption to certain specified properties like commercial complexes under the Wealth Tax Act proposed. Tax holiday on housing schemes proposed with 100 per cent deduction for first five years and 30 per cent for next five years.
- To encourage employment, an amount equal to 30 per cent of additional wages paid to new workmen will be allowed as deduction against profit subject to certain conditions.
- 100 per cent tax holiday granted to industrial undertakings located in any industrially backward State or district till the year 2000. For power sectors and refineries, extension upto year 2003. Similar deduction for environment friendly undertakings.
- The benefit of full amortisation to the film industry will be available if the film is released on commercial basis for 90 days instead of the present limit of 180 days.
- Under Section 44 AA of the Income Tax Act, every person carrying on business or profession is required to maintain account books, if his income from business exceeds Rs.40,000 or total turnover of Rs.5 lakh. These limits have now been enhanced to Rs.1,20,000 and Rs.10 lakh, respectively.

Indirect Taxes

- With a view to provide a level playing field to domestic producers an additional non-modvatable levy of 8 per cent subsequently reduced to 4 per cent on imports will be imposed. The levy would not apply to crude oil, newsprint, capital goods sector under a special tariff regime or goods which are subject to additional duties of excise in lieu of sales tax, gold and silver imported by passengers and life savings drugs.
- Customs duty on cold rolled coils of Iron and Steel increased from 25 per cent to 30 per cent, paper and paper board from 20 per cent to 30 per cent. Furthermore that on stainless steel melting scrap reduced from 10 per cent to 5 per cent, apparel grade raw wool from 25 per cent to 20 per cent, standard newsprint from 10 per cent to 5 per cent and refractory ceramic goods from 40 per cent to 30 per cent.
- Import duty on gold raised by Rs.30 to Rs.250 per 10 grams.
- Duty on industrial diamonds reduced from 30 per cent to 20 per cent, floppy disk drives, hard disk drives and CD ROM drives reduced from 12 per cent to 5 per cent.
- An additional tax at the rate of Re.1 per litre on petrol to be charged with immediate effect which would be utilised for augmenting the corpus of the National Highway Authority of India. This levy is expected to generate an amount of Rs.790 crore in a year.
- The import duty on crude oil will be reduced from 27 per cent to 22 per cent, which would lead to a revenue loss of Rs.965 crore. This amount would be recouped through an increase in excise duty from 20 per cent to 35 per cent on motor spirits.
- For small scale sector the exemption limit for excise purposes raised from Rs.30 lakh to Rs.50 lakh. The clearances between Rs.50 lakh to Rs.100 lakh shall be charged a flat nominal rate of 5 per cent. These proposals would result in a revenue loss of Rs. 300 crore in a year.
- In order to reduce the multiplicity of rates and ensure convergence towards a mean rate of 18 per cent *ad valorem*, excise duty of 8 per cent imposed on commodities like packaged tea, sewing machines, branded edible preparations produced in factories, spectacle lenses and frames. Excise duty on cigarettes increased ranging from 6 per cent to 11 per cent.
- The scope of service tax widened to include Architects, Interior Decorators, Management Consultants, Chartered Accountants, Cost Accountants, Company Secretaries, Real Estate Agents, Market Research Agencies, Credit Rating Agencies and Private Security Services.
- Postal tariff on competition postcards and inland letters revised upwards, but no change in rates of ordinary postcards and registered newspapers.

Rs.9,205 crore incorporating the effect of better tax compliance and widening of tax base. Of the total ARM of Rs.9,205 crore, Rs.7,425 crore would accrue to the Centre and the remaining Rs.1,780 to the States. The break up of the ARM is as follows – corporation tax is to contribute Rs.2,400 crore, customs duties Rs.2,748 crore and excise duties Rs.4,290 crore³. The proposals relating to service tax are estimated to result in a revenue loss of Rs.233 crore. The budget proposed revision of postal tariff rates during 1998-99, which will yield an additional revenue of Rs.272 crore in full year and Rs.159 crore in 1998-99. Receipts from disinvestment of equity holdings of public sector enterprises are budgeted at Rs.5,000 crore as against Rs.907 crore garnered in 1997-98 (Statement 145, Volume II). Net market borrowings, comprising normal, medium and long-term as well as short-term borrowings, budgeted at Rs.48,326 crore would record an increase of Rs.5,842 crore (13.8 per cent) over the revised estimates of Rs.42,484 crore. Small savings collections estimated at Rs.17,540 crore during 1998-99 would be lower by 18.2 per cent. This would also make a compositional shift in the financing of GFD in favour of market borrowings at 53.1 per cent while the share of other liabilities would be lower at 44.3 per cent.

Revenue expenditure estimated at Rs.2,18,368 crore would increase by Rs.28,909 crore (15.3 per cent) as against the decline of 0.1 per cent in 1997-98. Over 57 per cent of this increase is accounted for by the increase in non-developmental expenditure, which at Rs.1,35,689 crore is higher by Rs.16,636 crore (14.0 per cent). The expansion in non-developmental expenditure is under interest payments (Rs.9,300 or 14.2 per cent), administrative services (Rs.898 crore or 12.3 per cent) and defence expenditure (Rs.4,038 crore or 15.1 per cent). Non-developmental grants to States and UTs would increase substantially by Rs.1,360 crore (35.9 per cent)

mainly towards meeting the pay and allowances of University and College teachers and towards grants under Tenth Finance Commission's award. Developmental expenditure is budgeted to grow by Rs.12,273 crore (17.4 per cent) on account of increase in allocation towards social and community services (Rs.3,222 crore or 27.9 per cent) and developmental grants to States and UTs (Rs.8,874 crore or 62.5 per cent). The expenditure overrun, in both non-developmental and developmental revenue heads has resulted in an increase in the revenue deficit to Rs.48,068 crore in 1998-99 from Rs.43,686 crore in 1997-98, an increase of Rs.4,382 crore (10.0 per cent). As a consequence, the revenue deficit to GFD ratio is estimated to rise from 50.6 per cent in 1997-98 to 52.8 per cent in 1998-99, accounting for more than half of the GFD. Capital expenditure has been budgeted to record an increase of Rs.4,820 crore (9.1 per cent) from Rs.53,045 crore to Rs.57,865 crore. A substantial portion of the increase is on account of developmental capital outlay which is estimated to increase from Rs.9,079 crore to Rs.12,507 crore (Rs.3,428 crore or 37.8 per cent). Defence capital outlay has been stepped up to Rs.10,360 crore from Rs.9,297 crore (Rs.1,063 crore or 11.4 per cent).

Non-developmental loans would record a rise of 31.8 per cent at Rs.456 crore in 1998-99 (Statement 146, Volume II).

The Central Plan Outlay for 1998-99 budgeted at Rs.1,05,187 crore shows an increase of Rs.24,154 crore (29.8 per cent) over the revised estimates for 1997-98. Budgetary support is estimated to contribute Rs.42,464 crore (40.4 per cent) and internal and extra budgetary resources (IEBR) of public sector enterprises are projected to contribute Rs.62,723 crore (59.6 per cent) in 1998-99. The share of budgetary support in financing the Central Plan Outlay would, however, decline from 41.5 per cent to 40.4 per cent in 1998-99 while that of the IEBR would correspondingly increase from 58.5 per cent to 59.6 per cent. In the allocation of resources in percentage term, Plan Outlays for all sectors have been enhanced over the levels for 1997-98, the highest being energy, followed by science, technology and environment, communication and agriculture and allied activities. The share

3. After the presentation of the budget, the Finance Minister rolled back some duties such as, the withdrawal of increase in the price of urea, reduction of duty on petrol prices, reduction in the non-modifiable customs duties from 8 per cent to 4 per cent. The Finance Minister has, however, not quantified the loss of revenue on account of these rollbacks. Further, while replying to the draft on Finance Bill, the Finance Minister announced some concessions in excise duties and customs duties which are estimated to result in a net revenue loss of Rs.263 crore.

of energy in the Plan Outlay is budgeted to rise from 26.1 per cent to 28.6 per cent, communications from 13.7 per cent to 14.1 per cent and social services in the Plan Outlay would increase from 15.0 per cent to 15.2 per cent. The share of transport, however, would decline from 16.0 per cent to 15.4 per cent and rural development from 8.6 per cent to 7.8 per cent.

Gross transfer of resources from the Centre to the State and Union Territory Governments, comprising shareable tax revenue, grants and loans are estimated to be higher by Rs.2,140 crore (2.2 per cent) at Rs.98,194 crore in 1998-99, over the revised estimates of Rs.96,054 crore in 1997-98. The States' share of taxes and duties is budgeted to decline by Rs.2,708 crore (6.2 per cent) to Rs.40,854 crore in 1998-99 from Rs.43,562 crore in 1997-98. During 1997-98, besides the normal sharing of taxes, an amount of Rs.7,594 crore was given as the States' share from the total collections of Rs.10,050 crore under the Voluntary Disclosure of Income Scheme (VDIS) as per the revised estimates. The States' share in taxes and duties show a 13.6 per cent increase in 1998-99 over 1997-98 (when States' share is under normal sharing of taxes and duties amounted to Rs.35,968 crore). Total grants to States and the UTs are budgeted to increase by Rs.4,843 crore (20.7 per cent), of which, non-Plan grants would increase by Rs.2,111 crore (45.1 per cent), while Plan grants would increase by Rs.2,732 crore (14.6 per cent). The Plan loans are budgeted to rise by Rs.1,529 crore, while the non-Plan loans would show a decline of Rs.1,524 crore. The net transfer of resources to State and Union Territory Governments, after adjusting for recovery of loans and advances, is estimated at Rs.90,288 crore as compared with Rs.89,207 crore (including the VDIS collections) in the revised estimates for 1997-98. The Government has ratified the alternative scheme of sharing of Centre's tax revenue as recommended by the Tenth Finance Commission with some modification.

The GFD-GDP ratio at 5.6 per cent during 1998-99 is higher than 5.4 per cent in 1995-96 and 5.2 per cent in 1996-97, although lower than 6.1 per cent in 1997-98. Expenditure

prioritisation has to be effected in order to release adequate resources for productive sectors. A sustainable fiscal policy requires that fiscal consolidation process is not only facilitated but also strengthened by concerted efforts to boost revenue flows to meet the growing expenditure requirements (see Box VIII-2). 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 11.0 per cent in 1992-93 and have stagnated at under 10.5 per cent since 1993-94. Furthermore, tax revenue (net of States' share) 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 7.2 per cent in 1998-99. Despite the tax reform measures resulting in an increase in the direct tax ratio to GDP, there has been sharp deterioration in the indirect tax to GDP ratio. Following the reforms in the tax system since 1991-92, the share of direct tax in total tax revenue (in gross terms) has increased from 19.1 per cent, on an average, in the latter half of the 'eighties to 35.9 per cent in 1997-98 and estimated at 31.0 per cent for 1998-99. Consequently, the direct tax to GDP ratio has improved from 2.1 per cent in the latter half of the 'eighties to 3.6 per cent in 1997-98 (due to VDIS income) and is estimated to be 3.0 per cent in 1998-99. Correspondingly, the share of indirect taxes in the total tax revenue (gross) declined sharply from 80.9 per cent in the second half of the 'eighties to 64.1 per cent in 1997-98 and is budgeted at 69.0 per cent for 1998-99. The pressure on the fiscal system would still persist, as the ratio of revenue deficit to gross fiscal deficit has increased to 52.8 per cent in 1998-99 from 44.8 per cent in 1991-92 and an average of 31.5 per cent during the latter part of the 'eighties (Table VIII-1). This has inevitably resulted in 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 1.4 per cent in 1998-99. It is important to set in motion a qualitative improvement in expenditure management alongside the reduction in fiscal deficit, by bringing about a reduction in certain expenditures such as, interest payments and subsidies which as proportion of GDP have remained rigid at 4.6 per cent and 1.4 per cent, respectively (Table VIII-1). Interest payments, as a percentage

Box VIII-2 : Fiscal Consolidation

The fiscal consolidation programmes undertaken by various countries have led to a number of issues concerning the size of fiscal adjustment, the component to be adjusted, the permanence of the adjustment and the nature of consolidation. The issue of fiscal consolidation acquires importance in view of the widening budget deficits and rising public debt in both industrialised and developing nations.

The traditional theory, mainly Keynesian in orientation, suggests that reduction in the Government deficit could reduce economic growth owing to contraction in aggregate demand. However, the Neo-Classical theory, incorporating rational expectations, suggests that there might, in fact, be an expansionary effect on the economy of a tight fiscal policy in periods of fiscal crises. This emphasises the role of expectation formation in the economy.

In empirical literature, two kinds of fiscal consolidation are identified. The first exercise or Type 1 correction refers to those adjustments, which mainly rely on expenditure reduction in the Government Budget. The cuts in this case are primarily on current expenditures like social security, government wages and transfers. The rates of taxation and types of taxes in this case are not raised and could on the contrary, be reduced. The alternative type of consolidation or Type 2 refers to that which relies mainly on broad-based tax increases without affecting current public expenditure. There may, however, be reductions in public investment expenditure.

The process of fiscal consolidation through tax increases or reductions in expenditure has different implications for the macroeconomic aggregates. It has been empirically estimated that fiscal consolidation through Type 1 adjustments (expenditure reduction) is generally more successful and permanent than Type 2 adjustments (tax increases), which can sustain itself only over a short period.

In Type 1 adjustments, the composition of spending cuts is an important consideration as it has an impact on formation of expectations of the current and impending measures, credibility of the reform process and the conditions in the labour markets. A reduction in current expenditure rather than in public investment would indicate impending strong measures to be followed in future. A reduction in the components of expenditure like wages, and subsidies also signals the 'seriousness' of the fiscal reform measures. It needs to be recognised that a weak government generally lacks the political strength and resolve to implement strong adjustment programmes as opposed to a stable government.

of revenue receipts, have shown rapid increase from 29.0 per cent in the second half of the 'eighties to 38.5 per cent in 1991-92 and to 45.1 per cent in 1997-98. Such a revenue pre-emption by interest payments needs to be contained by an appropriate reduction in Government's market borrowing. The persistent rise in public debt and its servicing, which is the cumulative impact of larger market borrowings resorted to for financing of expenditure poses a serious problem to the fisc. Placing a statutory ceiling on public debt could be considered to

The size of fiscal adjustment is also important. A large magnitude of fiscal consolidation would probably lead to a greater and more effective reduction in the debt - GDP ratio. This is possible because a bold exercise of fiscal consolidation is more likely to generate positive expectations in periods of fiscal crises.

The macroeconomic effects of each type of consolidation exercise may also be enumerated. If there is a decline in Government Consumption (as in Type 1), it could lead to reduced domestic price levels due to decline in demand for goods. Due to the reduced need for Government borrowings to finance its expenditures, the domestic rates of interest could drift downwards, leading to increased private investment and thus to increased output over time. An attempt at consolidation through a reduction in Government investment (as in Type 2) could lead to reduction in real output in the long run, with similar effects on private capital investment. *Ceteris paribus*, this would eventually raise prices and interest rates and depress private consumption. However, increase in taxation (under Type 2) would lead to reduction in Government borrowing leading to a fall in interest rates which should increase private investment. Increased taxes under this framework would also mean lower disposable income and hence lower private consumption. Since current expenditure of the government continues to rise, large monetisation of the deficit may finally have to be resorted to. This would raise the price level and interest rates, finally causing private investment to suffer.

Thus, while a successful fiscal consolidation exercise is fraught with difficulties - needing not only the right mix of fiscal policies but also a strong political will, it is nonetheless essential, that nations which have hitherto engaged in fiscal profligacy, undertake some strong fiscal consolidation measures in order to record long-run sustainable development.

Selected References:

1. Alesina, A. and Perotti, R. (1997), 'Fiscal Adjustments in OECD Countries: Composition and Macroeconomic Effects', *IMF Staff Papers*, Vol.44, No.2, June.
2. McDermott, C.J. and Wescott, R.F., (1996), 'An Empirical Analysis of Fiscal Adjustments', *IMF Staff Papers*, Vol.43, No.4, December.
3. Haque, N.U. and Montiel, P.J., (1993), 'Fiscal Adjustment in Pakistan', *IMF Staff Papers*, Vol.40, No.2, June.
4. Khan, M.S. and Montiel, P.J., (1989), 'Growth-Oriented Adjustment Programs', *IMF Staff Papers*, Vol.36, No.2, June.

curb this stress factor of government finances. The increased interest rate movements, besides inflating the debt service obligation of the Government, inflicts a 'crowding out' impact on private investment as long as the saving rate does not move in tandem with the demand for investible funds from the private sector.

The achievement under the programme of disinvestment of government holdings in PSUs has been much below the targets during the last two years. The budget for 1998-99 has

proposed the restructuring of PSUs by strengthening the process of privatisation and reforms of PSUs. The budget has specified the portion of equity of select major PSUs which would be divested in a given time frame. The government has also indicated that unviable PSUs could be closed down. The budget has taken credit for a sum of Rs.5,000 crore through disinvestment of PSUs' shares. Any shortfall in disinvestment proceeds, given the downward stickiness of expenditure, would increase borrowing requirements and the size of the GFD.

The containment of gross fiscal deficit in relation to GDP and fiscal restoration envisaged in the budget would, by and large, depend on receipts and expenditures staying on the charted course. The budget has projected a 17.8 per cent increase in net tax revenue to the Centre. To a large extent, the achievement would depend on growth performance of the economy. The burden of additional expenditure that the Centre would have to bear on account of the acceptance of the new formula for devolution of resources to the States as suggested by the Tenth Finance Commission is not provided for in the budget. However, the expected saving in expenditure on account of the enhancement of retirement age from 58 to 60 years may provide some cushion to the Central finances. Further, it is expected that the loss of revenue on account of roll back of some tax measures would be made good by the buoyancy in tax revenue.

Budgetary Operations of the State Governments

Revised Estimates – 1997-98

The revised estimates for 1997-98, reveal a sharp deterioration in the overall budgetary position of State Governments, as indicated by a rise in all the deficit indicators over their budgeted levels (Table VIII-3). Revenue deficit increased by 27.7 per cent to Rs.19,636 crore, over the estimated level of Rs.15,373 crore. The gross fiscal deficit too increased sharply by 11.6 per cent to Rs.51,049 crore in the revised estimates. The primary balance which indicates the sustainability of current policies, also registered further deterioration with growth

of 35.3 per cent to Rs.19,813 crore, underscoring the need for better fiscal consolidation. Likewise, the conventional budget deficit grew by Rs.1,908 crore (143.0 per cent) to Rs.3,242 crore in the revised estimates. The increased deficits reflected the larger than anticipated growth in revenue expenditure *vis-à-vis* receipts. Growth in revenue expenditure was, however, brought about mainly by the developmental component, which registered an increase of 8.9 per cent from Rs.1,09,874 crore to Rs.1,19,672 crore.

The consolidated revenue receipts of State Governments, as per the revised estimates show a marginal increase of 0.5 per cent to Rs.1,77,084 crore over the budgeted level. Revenue receipts reflect a mixed trend, in that, while interest receipts registered a sharp rise of 22.8 per cent, receipts from sales tax, dividends and profits, taxes on income and taxes on properties registered a decline *vis-à-vis* their budgeted levels. The receipts from small savings and provident funds, exhibited moderate buoyancy, recording an increase of 4.9 per cent to Rs.7,758 crore over their anticipated levels. However, States' expenditures exceeded the budgeted level, the increase being Rs. 8,553 crore (3.7 per cent), mainly on account of developmental expenditure, particularly economic services. Non-developmental expenditures registered a decline of 5.6 per cent. The overshooting of expenditure and the concomitant lack of buoyancy in revenue receipts, therefore, led to a sharp spurt in the revenue deficit by 27.7 per cent in the revised estimates. Thus, the revenue deficit absorbed 38.5 per cent of the overall borrowing requirements in 1997-98 against the budgeted 33.6 per cent, implying a lower availability of funds for investment purposes.

The gross transfer of resources from the Centre to States (comprising shareable taxes, grants and loans) in the revised estimates was placed at Rs.98,721 crore, 3.5 per cent higher than the budgeted level. The transfers financed 41.2 per cent of aggregate disbursements in 1997-98. The net transfer of resources excluding discharge of debt (interest payments *plus* repayment of loans), stood at Rs.74,532 crore showing an increase of Rs.3,221 crore (4.5 per cent) over the budget estimates.

Budget Estimates – 1998-99

The analysis of the consolidated budgetary position of twenty-six States reflects deterioration in all the major deficit indicators. The GFD is slated to increase by 16.1 per cent to Rs.59,277 crore on top of the rise of 36.3 per cent in the previous year, mainly attributable to increase in revenue deficit and loans advanced by State Governments. The revenue deficit is budgeted higher at Rs.25,635 crore showing a growth of 30.6 per cent as compared with the previous year. The deceleration in revenue receipts at 14.7 per cent in 1998-99 and a sharp rise of 16.3 per cent in revenue expenditure on top of an increase of 16.4 per cent in 1997-98, would increase the gap on the revenue account. Due to the surplus of Rs.22,403 crore on capital account, the conventional deficit is estimated to show a marginal decline by Rs.10 crore to Rs.3,232 crore, and the net primary deficit would increase by Rs.1,024 crore in 1998-99 to Rs.20,527 crore. Moreover, there is an imbalance in the quality of expenditure being undertaken. Non-developmental expenditure in 1998-99 would significantly rise by 31.9 per cent on top of a rise of 19.8 per cent in 1997-98, absorbing 36.5 per cent of aggregate disbursements compared with 31.6 per cent in the previous year. The spurt in the non-developmental component is due to committed expenditures *viz.*, interest payments (+Rs.5,164 crore), implementation of the Fifth Pay Commission awards as reflected in the rise in administrative services (+Rs.14,051 crore) and miscellaneous general services (+Rs.2,225 crore).

The resource position of States indicates a sluggishness in its own tax revenues, which are estimated to rise by 15.6 per cent in 1998-99 as against 19.5 per cent in the previous year. States' non-tax receipts on the other hand, are estimated to grow by 10.6 per cent compared with a growth of 3.4 per cent in the previous year mainly on account of an increase in receipts from State lotteries. The current transfers from Centre (comprising shareable tax revenue and grants from Centre) are budgeted to increase by 10.8 per cent during 1998-99, mainly due to rise in shareable taxes which is estimated to grow by Rs.6,640 crore (16.6 per cent) to Rs.46,679 crore. Contribution through

grants-in-aid would record a much lower order of growth of 2.4 per cent from 19.9 per cent in the previous year. Gross market borrowings of State Governments are budgeted to increase by 15.7 per cent (Rs.1,203 crore) to Rs.8,883 crore in 1998-99. Net market borrowings, after repaying the maturing loans of Rs.1,377 crore, are estimated at Rs.7,506 crore. Loans from the Centre projected at Rs.35,800 crore, would account for 53.2 per cent of the capital receipts compared to 52.1 per cent in 1997-98.

A worrisome feature of State finances in 1998-99 is the significant rise in the overall borrowing requirements (GFD) with the revenue deficit being budgeted to absorb 43.2 per cent of the GFD as against 38.5 per cent in 1997-98, leaving a lower portion for investment expenditure. The financing pattern of States' GFD shows a heavy dependence on loans and advances from the Centre, comprising 48.4 per cent of GFD. The net market borrowings are budgeted to finance 12.7 per cent of GFD as compared with 14.0 per cent in 1997-98. The balance would be financed by other sources *viz.*, loans from financial institutions, provident funds, reserve funds, deposits and advances, etc.

Several issues that require focused attention in the management of State finances, in the context of financial sector reforms, need to be examined. These include, *inter alia*, alternative methods for States' borrowings, statutory limit on debt, consolidated sinking fund and the issue of Government guarantees. State Governments, like the Central Government, could consider accessing funds from the market through auctioning of their securities, within the overall borrowing programme. This assumes significance since banks would no longer be captive investors in State Government paper, in view of the given statutory liquidity ratio. In this context, issues relating to improving and strengthening the cash management system alongwith improved reporting and accounting standards, provision of greater freedom to States in treasury and cash management, the extent and desirability of such borrowings, together with the issue of having a legal ceiling on guarantees extended by the State, and creation of a Consolidated Sinking Fund to provide a buffer to State

Governments in meeting their future repayment schedules with some level of comfort gain in importance.

State-wise Position

There are wide variations amongst individual States with respect to deficits, revenue mobilisation and expenditure management. Out of twenty-six States, seventeen have presented deficit budgets and nine have surpluses. Twelve State Governments have made proposals for additional resource mobilisation measures, while one has extended concessions in 1998-99, as compared to fourteen States proposing ARM during the previous year. The ARM for 1998-99 is estimated much higher at Rs.2,938 crore as compared to Rs.1,013 crore in 1997-98, reflecting serious efforts by the States to augment resources to improve their fisc. The States which have proposed ARM measures are Assam (Rs.60 crore), Bihar (Rs. 506 crore), Goa (Rs.7 crore), Jammu and Kashmir (Rs.60 crore), Karnataka (Rs.230 crore), Kerala (Rs.317 crore), Maharashtra (Rs.600 crore), Punjab (Rs.213 crore), Rajasthan (Rs.20 crore), Tamil Nadu (Rs.340 crore), West Bengal (Rs.35 crore) and Delhi (Rs.555 crore). Madhya Pradesh has extended concessions worth Rs. 4 crore.

The consolidated GFD of States is budgeted at Rs.59,277 crore in 1998-99. States which are anticipated to show a high fiscal deficit in 1998-99 are Bihar (Rs.3,898 crore), Maharashtra (Rs.7,148 crore), Tamil Nadu (Rs.4,471 crore), Uttar Pradesh (Rs.10,707 crore) and West Bengal (Rs.4,355 crore). These five States taken together would account for almost 52 per cent of GFD for all States. However, the States which would record lower deficits during 1998-99 as compared with the previous year include Uttar Pradesh (Rs.10,707 crore), West Bengal (Rs.4,355 crore), Delhi (Rs.253 crore), Arunachal Pradesh (Rs.93 crore), Mizoram (Rs.88 crore) and Nagaland (Rs.68 crore). Eight State Governments have budgeted a revenue surplus, with the remaining estimating revenue deficits. States which have estimated high revenue deficits are Bihar (Rs.2,628 crore), Madhya Pradesh (Rs.2,507 crore), Maharashtra (Rs.4,621 crore), Tamil Nadu (Rs.2,669 crore) and Uttar Pradesh (Rs.7,094 crore), accounting

for 76.1 per cent of the aggregate revenue deficit.

The consolidated revenue from States' own taxes are budgeted higher at Rs.98,215 crore in 1998-99, showing a growth of 15.6 per cent over the previous year. States taxes are estimated to meet 42.9 per cent of the aggregate revenue expenditure in 1998-99 as compared with 43.2 per cent in the preceding year. Some of the States which have budgeted higher growth in their own tax revenue as compared with the previous year are: Gujarat (24.6 per cent), Haryana (48.5 per cent), Himachal Pradesh (6.6 per cent), Orissa (20.7 per cent), and Uttar Pradesh (33.4 per cent). States showing a decline in their own tax collections are Bihar (-1.1 per cent) and Nagaland (-9.0 per cent). States' own non-tax revenue is anticipated to show a sharp growth of 10.6 per cent in 1998-99 as compared to 3.4 per cent in 1997-98.

The quality of expenditure undertaken is a matter worth mentioning. Some States have estimated to show steep growth in the non-developmental component viz. Goa (36.2 per cent), Himachal Pradesh (29.5 per cent), Madhya Pradesh (90.2 per cent), Maharashtra (67.7 per cent), Orissa (45.5 per cent), Rajasthan (28.1 per cent), Tamil Nadu (47.2 per cent), Uttar Pradesh (27.3 per cent) and Punjab (37.0 per cent). On the other hand, Arunachal Pradesh (3.1 per cent), Delhi (4.2 per cent) and Nagaland (9.3 per cent) have budgeted a decline in non-developmental expenditures over those of the previous year.

Gross transfer of resources from the Centre are estimated to increase by Rs.12,190 crore (12.3 per cent) to Rs.1,10,911 crore during 1998-99. After accounting for repayments, net transfers of resources to States would increase by Rs.8,674 crore (11.6 per cent) to Rs.83,206 crore in 1998-99 as compared to the previous year. During 1998-99, net transfers are anticipated to finance 33.8 per cent of the net aggregate disbursements of State Governments as compared to 34.6 per cent in 1997-98.

Net transfer of resources would finance a lower proportion of net aggregate disbursements for the non-special category States like Goa (10.7 per cent), Maharashtra

(19.3 per cent), Delhi (18.5 per cent), Haryana (19.8 per cent), Punjab (13.1 per cent), Gujarat (21.1 per cent), Karnataka (27.8 per cent) and Kerala (26.4 per cent). In case of Special Category States, usually financially weaker States, net transfers finance a higher proportion (70-80 per cent) of net aggregate disbursements. These include the States of Arunachal Pradesh (86.3 per cent), Meghalaya (71.2 per cent), Mizoram (84.0 per cent) and Nagaland (83.3 per cent).

Even though there has been some deterioration in the finances of State Governments due to a spurt in non-developmental expenditures on account of the increased wage bill and rising debt servicing requirements, States are taking significant policy initiatives to consolidate and stabilise their finances. This is evidenced in the sustained efforts towards ARM by several States. Moreover, policy initiatives have been proposed and undertaken with focus on tax rationalisation, user charges and inflow of private investment into key infrastructure sectors. Karnataka has set up an Infrastructure Development and Finance Corporation, Andhra Pradesh has proposed a Road Development Fund and Maharashtra has floated bonds to finance irrigation projects. Karnataka and Punjab have proposed an infrastructure cess to raise funds for important projects.

Ways and Means Advances and Overdrafts of State Governments

Despite doubling of Ways and Means Advances (WMA) to State Governments with effect from August 1, 1996, sixteen State Governments resorted to overdrafts during the year 1998-99 (upto September 1998). Four State Governments could not clear the overdrafts within the time frame stipulated under the Overdraft Regulation Scheme and payments had to be suspended on their behalf varying from one to four occasions.

Combined Domestic Public debt and Contingent Liabilities of the Governments

The combined domestic liabilities of the governments (netting out inter-governmental loans and advances) rose to 59.1 per cent of GDP at end-March 1998 from 56.3 per cent at

end-March 1997, emanating from a slippage in achieving fiscal deficit targets for 1997-98, thus reversing a declining trend in the debt-GDP ratio initiated in fiscal 1994-95 (Table VIII-11). This ratio would record a marginal rise to 59.5 per cent of GDP by end-March 1999. At this level, notwithstanding the fiscal consolidation measures, the combined liabilities of the government sector do not exhibit any improvement over the level of 1990-91. Thus, the prevailing levels of domestic debt stay at a high level, providing downward stickiness to interest payment expenditures in the budgets of Centre and States. The interest burden of debt (i.e., the ratio of interest payments to revenue receipts) steadily rose to 28.7 per cent in 1997-98 from 23.6 per cent in 1991-92. Interest payments, would further pre-empt 27.9 per cent of the combined revenue receipt of the governments in 1998-99. A high burden of public debt is leading to crowding out of capital outlays in the budget, which has implications for growth. This is evidenced by a declining share of capital outlay and loans and advances in aggregate disbursements of the governments from 14.2 per cent in 1991-92 to 12.1 per cent in 1997-98.

Public Debt of the Central Government

The Central Government's public debt/GDP ratio, reflecting a sharp deterioration in fiscal situation during 1997-98, witnessed a rise to 54.6 per cent at end-March 1998 from 52.9 per cent at end-March 1997 (Statement 149, Vol.II). Although the debt/GDP ratio is estimated to decline to 53.9 per cent by end-March 1999, it would still be higher than the level of end-March 1997. Domestic debt as ratio to GDP rose to 50.7 per cent at end-March 1998 from 48.7 per cent at end-March 1997, which reflects that the deterioration in public debt was led by domestic debt (Statement 183, Vol.II). Notwithstanding a reduction in debt-GDP ratio from its high level in 1990-91, the immediate concern for the existing level of domestic debt emanate from the rapid growth in interest payments burden, and consequent strain on the finances of the Central Government. For instance, interest payments pre-empted 47.4

per cent of revenue receipts during 1997-98 and are budgeted at 46.3 per cent during 1998-99. The ratio of interest payment on public debt to revenue receipts stayed at a high level of 45.6 per cent during the period 1991-98 which is significantly higher than the ratio of 30.4 per cent during the latter half of the eighties. Another implication of high level of public debt on government finances is discernible from the rising repayment burden of marketable debt. The share of gross market borrowings for meeting repayment obligations consistently increased to 32.1 per cent of gross borrowings in 1997-98 and 39.1 per cent in 1998-99. Furthermore, there is a steep rise in repayment schedule during the next five years (Table VIII-A). The high repayment obligations led to higher amount of fresh and frequent borrowings from the market, with implications for liquidity in the market and interest rate evolution.

Table VIII-A: Repayment Schedule for Market Loans of the Central and State Governments Issued up to end-March 1998^P

(Rupees crore)

Year	Central Government	State Governments
1	2	3
1998-1999	14,803	1,414
1999-2000	21,353	1,301
2000-2001	22,321	420
2001-2002	21,357	1,446
2002-2003	27,763	1,789
2003-2004	20,252	4,145
2004-2005	15,013	5,123
2005-2006	24,473	6,287
2006-2007	15,394	6,528
2007-2008	20,651	11,538
2008-2009	7,338	2,282
2009-2010	9,195	2,605
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

Concomitant to changes in the levels, the composition of domestic debt has also witnessed significant shifts in recent years. The share of market loans in total domestic debt rose from 24.6 per cent at end-March 1992 to 30.3 per cent at end-March 1998 and estimated to rise further to 33.4 per cent by end-March 1999 (Statement 183, Vol.II). The share of small savings and provident funds together increased from 21.9 to 23.8 per cent during the same period. With the growing share of market loans in domestic public debt, a significant shift is discernible in the maturity structure. The move to market related interest rates offered on Central Government borrowings and the increasing reliance on market to finance fiscal deficit leads to interest rate expectations. A policy move to minimise the borrowing cost of the government consisted of placing larger part of borrowings at the shorter end of the market. Consequently, the share of outstanding rupee loans of short-term maturity (i.e., under 5 years) in the total rupee loans witnessed a sharp increase from 8.6 per cent to 45.2 per cent between 1991 and 1997 and stayed at 41 per cent in 1998. On the other hand, the share of long-term loans i.e., over 10 years compressed to 18.2 per cent in 1998 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
1998	41.0	40.8	18.2	100.0

Despite the various reform measures to develop and widen the primary market for Government securities, the predominance of captive investors has not come down. The ownership pattern of Central and State Government securities exhibited predominant

holdings by commercial banks and insurance companies. However, the investment of commercial banks declined to 64.9 per cent of stock of Government dated securities at end-March 1996 from 69.6 per cent at end-March 1995. Although the statutory liquidity ratio of banks has been significantly lowered from 38.5 per cent in 1992-93 to 25.0 per cent with effect from October 1997, 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 (viz. LIC) also rose from 12.3 per cent to 16.8 per cent between 1991 and 1996 and further to 18.7 per cent in 1997 (Table VIII-C). Consequent upon the development of domestic Government securities market, the holdings of the Reserve Bank declined sharply to 2.8 per cent at end-March 1997 from 20.3 per cent in 1991. However, this trend was reversed with the surge in Reserve Bank's holdings to 10.7 per cent at end-March 1998, emanating mainly from the conversion of special securities in the Bank's portfolio to marketable lots with a view to facilitate open market operations.

Table VIII-C: Ownership Pattern of Investment in 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	64.9	16.8	11.0
1997	2.8	..	18.7	..
1998	10.7	..	18.0	..

.. Not Available.

Market Borrowings

During 1997-98, the net market borrowings of the Central Government at Rs.40,494 crore (gross Rs.59,637 crore) exceeded the budget target of Rs.33,820 crore by 19.7 per cent (Table VIII-9). The gross amount mobilized through

dated securities and 364-day Treasury Bills aggregated to Rs.43,390 crore and Rs.16,247 crore, respectively. The relatively comfortable liquidity condition in the financial market enabled the completion of a major part of the Government's borrowing programme during the first half of the fiscal year without much devolvement on the Reserve Bank. However, Reserve Bank's subscription to primary issues of Central Government dated securities rose to 30 per cent of the total primary issues as against 13.2 per cent in 1996-97, mainly on account of private placement of securities amounting to Rs. 11,000 crore with the Reserve Bank. The Government also converted special securities aggregating Rs.20,000 crore into marketable lots of varying maturities (5 to 10 years) and interest rates (11.15 to 13.05 per cent) during June, August and September 1997. These converted stocks would not add to the borrowings of the Central Government during 1997-98.

During 1998-99, Central Government's net market borrowings are estimated at Rs.48,326 crore (gross Rs.79,376 crore), a 19.3 per cent growth over 1997-98 (Table VIII-9). During the current fiscal year (upto September 1998), the Central Government mobilised a gross amount of Rs. 63,621 crore, implying a net borrowing of Rs. 43,735 crore, thus, completing 80 per cent of its gross borrowing programme for the full fiscal year. The Central Government mobilised Rs. 61,121 crore through dated stock and Rs. 2,500 crore through 364-day Treasury Bills. Although the primary issues of auctioned Government dated stock were highly subscribed in the market, the higher order of devolvement (29.8 per cent) on the Reserve Bank was mainly on account of private placement of Rs.10,000 crore with the Reserve Bank for facilitating open market operations.

Comfortable liquidity condition in the money market was reflected in declining yields on primary issues of Government dated stocks. For instance, during 1997-98 the primary market yield ranged between 12.14 and 13.05 per cent for stocks of 3 to 10-year maturity with a weighted average coupon rate of 12.01 per cent, as against 13.70 to 13.85 per cent for similar maturities with a weighted average coupon rate of 13.69 per cent during the previous year (Table VIII-10 and Table VIII-D).

The declining trend in interest rates was reflected in the coupon rate on 10-year stock declining by 150 basis points. A perceptible downward shift in rates across the maturity spectrum was evidenced during the year. This declining trend was further strengthened in 1998-99 as the coupon rate on the long maturity loan (i.e. 10-year) came down to 12.00 per cent by May 1998. However, the impact of a large borrowing programme of the Government was reflected in reversal of the downward movement of coupon rates. For instance, the coupon rate on a 10-year stock rose to 12.10 per cent in June and subsequently to 12.22 per cent in July and 12.25 per cent in September 1998.

Table VIII-D: Weighted Average Coupon Rates on Government of India Dated Securities

Fiscal Year	(Per cent per annum)	
	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
1997-98	12.01	10.85-13.05

Debt position of State Governments

Reflecting the rise in fiscal deficits, the aggregate public debt of State Governments as ratio to GDP rose to 20.1 per cent at end-March 1998 from 19.0 per cent at end-March 1997. It is estimated at a still higher level of 20.7 per cent at end-March 1999 (BE) (Statement 182, Vol. II). The declining trend in State debt-GDP ratio evident since 1991-92 up to 1996-97, although marginal, reversed thereafter, mainly on account of the rising internal debt. Although debt-GDP ratio of States has remained in the band of 19 to 20 per cent, the debt profile has changed with the share of market loans in total debt witnessing a gradual rise from 15 per cent in 1991-92 to 17.4 per cent in 1997-98. The interest burden (i.e. ratio of interest payments to revenue receipts) of

States also steadily rose from 13.6 per cent in 1991-92 to 17.6 per cent in 1997-98 and is estimated at 18.2 per cent in 1998-99(BE).

Decomposition of State debt reflects significant growth in the share of internal debt in total debt, which increased from 17.4 per cent in 1990-91 to 21.4 per cent in 1997-98 and to 21.6 per cent in 1998-99. Loans and advances from the Central Government which constitute a predominant share of total liabilities, have significantly declined from 66.1 per cent in 1990-91 to 60.8 per cent in 1997-98. Provident funds contributed a higher share in total liabilities to 17.8 per cent in 1997-98 as against 15.7 per cent in 1990-91 (Statement 184, Vol.II).

Market Borrowings of State Governments

The net allocation of borrowings to the State Governments for the fiscal year 1998-99 is placed at Rs.9,434 crore and the gross borrowing programme at Rs.10,848 crore. During 1998-99 so far (upto October 1998), 23 State Governments entered the market on April 20, 1998 for 12.15 per cent State Development Loans 2008 with a notified amount of Rs.2,780 crore. Excess liquidity in the money market enabled the States to fully retain the oversubscribed amount aggregating Rs.5,130 crore. On October 12, 1998, in the second tranche of market loans for a similar maturity, the State Governments mobilised Rs. 4,462 crore. Thus, the State Governments raised a total amount of Rs.9,592 crore, completing 88 per cent of their gross borrowing programme. The interest rate, however, rose by 35 basis points to 12.50 per cent on account of a general strengthening of interest rates in the system.

Contingent Liabilities of Governments

An important aspect of finances of governments relates to the implications of contingent liabilities/guarantees provided to facilitate certain economic activities. The aggregate outstanding guarantees of Centre and 17 major States increased from Rs. 90,734 crore to Rs.1,18,204 crore between end-March 1992 and end-March 1996. Guarantees are given for repayment of borrowings and the payment of interest, repayment of share capital and a minimum dividend, guarantees in

pursuance of agreements entered into by the Government of India and international financial institutions, foreign governments etc. and counter guarantees to banks for having issued letters of authority to foreign suppliers etc. The total amount of outstanding guarantees of the Central Government as on March 31, 1996 were placed at Rs. 65,573 crore. Guarantees given for repayment of share capital and payment of a minimum dividend (Rs. 28,980 crore), agreements with international financial institutions, foreign lenders and foreign governments etc. (Rs. 28,806 crore) accounted for 88 per cent of the outstanding guarantees.

The guarantees given by State Governments broadly include guarantees for repayment of loans raised by statutory corporations and boards, government companies, joint stock companies, co-operative banks and societies, local bodies, other institutions and private parties. The outstanding guarantees of States increased from Rs. 40,159 crore in 1991-92 to Rs. 52,631 crore in 1995-96. During 1995-96, two-third of the total outstanding State guarantees were extended by Andhra Pradesh (Rs. 4,343 crore), Gujarat (Rs. 6,519 crore), Karnataka (Rs. 4,669 crore), Maharashtra (Rs. 8,127 crore), Rajasthan (Rs. 4,758 crore) and Uttar Pradesh (Rs. 4,730 crore). The rationale of extending guarantees by States for the borrowings of its public enterprises viz., State Finance Corporations, State Land Development Banks etc., which are incurring losses and negative returns on the capital, would need to be critically examined, as these institutions need to be rated by the market based on their financial efficiency and viability. Secondly, there is a possibility of States extending higher level of guarantees to compensate for the budgetary investment of the government, so as to maintain the given trajectory of total investment and growth. Thirdly, there is an indirect ceiling on State borrowings, on account of allocation of market borrowings by the Planning Commission and dependence on grant of loans from the Central Government. Any reduction in the loans from the Centre coupled with difficulty in raising resources from the market may force States to resort to extending larger guarantees. It is in this context, a transparent

guarantee policy and ceiling on guarantees assume importance.

Combined Budgetary Operations of the Centre and States

The combined finances of the Government sector suffered a major setback in 1997-98 with all the crucial deficit indicators in the revised estimates exceeding their budget estimates. The combined gross fiscal deficit of the government sector (GFD of the Centre and States) as proportion of GDP in the revised estimates for 1997-98 escalated to 8.2 per cent, higher by 1.8 percentage points over the budgeted level. The combined GFD in the revised estimates was placed at Rs.1,16,028 crore, higher by Rs.22,352 crore (23.9 per cent) over the budgeted combined GFD of Rs.93,676 crore. The deterioration in the combined GFD is a result of worsening of Centre's as well as States' GFD. The combined revenue deficit at Rs.63,321 crore (4.5 per cent of GDP) overshoot its budget estimates of Rs.45,639 crore (3.1 per cent of GDP) by Rs.17,682 crore (38.7 per cent). This was the outcome of an increase in Centre's revenue deficit to GDP ratio from the budgeted 2.1 per cent to 3.1 per cent in the revised estimates along with a rise in the States' revenue deficit to GDP ratio from 1.1 per cent to 1.4 per cent. The deterioration was more pronounced in respect of gross primary deficit which showed a sharp rise from the budget estimates of Rs.12,279 crore by Rs. 24,808 crore to Rs.37,087 crore (2.6 per cent of GDP). The net primary deficit too exceeded the budget estimates of Rs.12,741 crore (0.9 per cent of GDP) by more than three times at Rs.40,589 crore (2.9 per cent of GDP).

For the fiscal year 1998-99, the combined gross fiscal deficit to GDP ratio is budgeted lower at 8.0 per cent as compared to 8.2 per cent in the revised estimates, although in absolute terms it is higher by Rs.13,947 crore (12.0 per cent) at Rs.1,29,975 crore. The combined revenue deficit is projected to be higher at Rs.73,703 crore although its ratio to GDP is budgeted to be at 4.5 per cent, same as that in the revised estimates for 1997-98. Gross primary deficit as well as net primary deficit is projected to be lower in terms of proportion to GDP (Table VIII-6).

Combined aggregate expenditure has not undergone significant change in the growth rate, while total receipts are budgeted to increase at a decelerated rate. Combined aggregate disbursements are estimated to increase by 16.7 per cent, marginally higher than the rate of 16.2 per cent in the previous year. Combined aggregate receipts estimated at Rs.4,62,424 crore would record a relatively lower growth of 16.8 per cent as against 22.4 per cent in the previous year. Revenue receipts are estimated to grow at the rate of 18.4 per cent, which is a substantial improvement over 11.5 per cent growth the previous year. Tax receipts too would show a considerable improvement, increasing by 16.8 per cent as against 12.2 per cent in 1997-98 (Statement 170, Volume II). As a result of the budgeted improvement in tax receipts, the tax-GDP ratio would move up to 16.1 per cent from 15.8 per cent in 1997-98 (Statement 174, Volume II). Along with the increase in tax revenue, the non-tax revenue also showed an increase of 19.8 per cent during 1998-99 from 8.4 per cent during 1997-98.

The moderation in aggregate disbursements is mainly on account of developmental expenditure, which is budgeted to increase by 13.2 per cent in 1998-99 as against 14.1 per cent in 1997-98. Non-developmental expenditure, on the other hand, is budgeted to increase by 20.6 per cent as compared to 18.5 per cent in 1997-98 (Statement 170, Volume II). Concomitantly, the share of developmental expenditure in aggregate expenditure would be lowered to 51.4 per cent from 53.0 per cent in 1997-98 and 54.0 per cent in 1996-97, while the share of non-developmental expenditure would increase to 48.6 per cent in 1998-99 from 47.0 per cent in 1997-98 and 46.0 per cent in 1996-97 (Statement 173, Volume II). Interest payments account for a sizeable proportion of the non-developmental expenditure and are estimated to grow at the rate of 14.8 per cent as against 12.6 per cent in 1997-98. Social sector expenditure comprising an important component of developmental expenditure is slated to be at 27.9 per cent of aggregate expenditure which is lower than its proportion to aggregate expenditure of 29.1 per cent in 1997-98 (Table VIII-8). As proportion to GDP too, the share of

social sector expenditure has been reduced from 8.2 per cent in 1997-98 to 8.0 per cent in 1998-99.

Finances of Departmental Undertakings

Financial Performance of Railways

The finances of Railways continue to show structural weaknesses as manifested in high operating ratio. The deterioration in Railway finances continued during 1997-98 reflecting in a spurt in operating ratio by 4.8 percentage points to 91.0 per cent compared with that of 86.2 in 1996-97 (Statement 179, Vol.II). Rapid growth in working expenses juxtaposed with a slowdown in gross traffic receipts have reinforced the deterioration. Consequently, net railway revenue as percentage of capital at charge (indicating the return on capital investment) declined to 8.9 per cent from 11.7 per cent in 1996-97. Thus, the overall surplus witnessed a sharp decline of 30.6 per cent during 1997-98. 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 37.9 per cent during 1997-98. Similarly, contribution to depreciation reserve fund, meant for maintaining the existing assets, witnessed a 13.5 per cent decline.

The contribution of internal resources to Plan financing sharply declined to 40.7 per cent as against a higher contribution of 53.7 per cent of Plan outlay during 1996-97 (Statement 180, Vol.II). However, the share of budgetary support and market borrowings rose significantly from 17.6 per cent and 23.5 per cent in 1996-97 to 23.8 per cent and 30 per cent, respectively, in 1997-98. Given the 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 reduces 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 5.5 per cent of total Plan outlay.

The Budget for 1998-99, taking into account the additional resource mobilisation (ARM) of Rs. 450 crore, would show an overall surplus to Rs.1,656 crore, as compared with that of Rs.1,470 crore in 1997-98, reflecting a 12.6 per cent growth (Statement 179, Vol. II). The budget assumed a moderate growth of 9.8 per cent in gross traffic receipts, as against 17.8 per cent recorded in 1997-98, mainly through a moderate revision in passenger fares. The higher surplus is budgeted mainly from a sharp reduction in the growth of working expenses to 9.6 per cent as against a rise of 23.4 per cent in 1997-98. The moderation in growth in working expenses is on account of a sharp reduction of Rs.1,149 crore in appropriation to Pension Fund on account of enhancement in the retirement age. Apart from this, ordinary working expenses, which account for over 80 per cent of total working expenses, showed slower growth of 14.9 per cent in 1998-99 as against 27.6 per cent in 1997-98. The higher surplus of Railways would be utilised towards enhanced contribution to Capital Fund and Development Fund. An encouraging feature of Railway finances is the rise in return on investment (i.e. net Railway revenue as percentage of capital-at-charge and investment from capital fund) from 8.9 per cent in 1997-98 to 9.3 per cent in 1998-99.

Keeping in view growing investment requirements of Railways, the size of Annual Plan for 1998-99 has been set higher at Rs.9,500 crore, reflecting a growth of 13.1 per cent over Rs.8,403 crore in 1997-98 (Statement 180, Vol. II). In the allocation of investment funds, priority was sought to be given to augmentation and upgradation of rolling stocks and track renewals. On the financing side, the internal resources would finance 46.3 per cent of total Plan outlay, which is higher than that of 40.7 per cent in 1997-98. The share of budgetary support and market borrowings as financing items would decline to 23.2 per cent and 28.0 per cent, as against 23.8 per cent and 30.0 per cent, respectively, during 1997-98. The share of private investment would come down to 2.5 per cent from 5.5 per cent in 1997-98 on account of slack market response

to Own Your Wagon (OYW) and Build Own Lease and Transfer (BOLT) schemes. Low rates of return on investment along with rising share of high cost borrowings for meeting financial requirements, would add strain on railway finances in the current financial year and are likely to place stress in future years as well. Thus, the structural weaknesses in railway finances as reflected in the high operating ratio needs to be tackled by arresting the present high growth in working expenses and improving the return from investment. A "Status Paper on Indian Railways" presented to the Parliament on May 27, 1998, highlighted the issues confronting the Railways. The paper highlighted the fund requirements of Railways and emphasised the need for evolving a financing strategy to tap private funds and make optimal use of scarce resources, sharpen the market capabilities to attract traffic volume. 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 in the rising magnitudes of overall deficit (Statement 175, Vol.II). The deficit as ratio to working expenses witnessed a secular growth from 5.6 per cent in 1992-93 to 24.7 per cent in 1997-98, notwithstanding a sharp increase in revenue receipts during 1997-98. This deterioration in the financial operations over the years could be attributed to the stunted growth in revenue receipts juxtaposed with a steady growth in working expenses. Persistence of high overall deficit could not enable the Department to make any contribution either to capital expenditure or Revenue Reserve and Capital Funds. The Budget for 1998-99 aims at reducing the deficit, mainly through significant slowdown in the working expenses. The Union Budget has proposed a revision in tariffs for postal services, which is estimated to yield an additional revenue of Rs. 159 crore during 1998-99. Structural reforms in the postal finances would need to be directed at arresting the growth of subsidies and rationalisation of user charges, improving the

operational efficiency by introducing new technology, and curtailing the growth of expenditures on operational expenses, general administration and pensionary outgo.

Finances of Department of Telecommunications

The Department of Telecommunications (DOT) has shown notable improvement in its financial operations over the past few years as reflected in a steady rise in their surplus. This has been mainly on account of a strong growth in revenue receipts. The growth in revenue receipts has been maintained 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 1997-98 (RE), however, revenue receipts recorded a slower growth of 17 per cent. The working expenses also grew at a slower rate of 25.3 per cent as against 37.4 per cent in 1996-97. As a result, the surplus of DOT grew by 7.3 per cent. During 1998-99, revenue receipts would show improvement with a rise of 19.5 per cent. However, a sharp deterioration in working expenses, which are estimated to grow faster by 32.5 per cent, would lead to a significant slowdown in the growth of surplus. The Plan outlay of DOT in 1997-98 was met to the extent of Rs.11,136 crore from internal and extra-budgetary resources (IEBR), while budgetary support was to the tune of Rs.8 crore. During 1998-99 (BE) the Plan outlay is Rs.14,888 crore which will be met from IEBR to the extent of Rs.14,880 crore.

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)	1993-94	1994-95	1995-96	1996-97	1997-98 (Revised Estimates)	1998-99 (Budget Estimates)
1	2	3	4	5	6	7	8	9
1. Conventional Deficit	(1.2)	(2.1)	10,960 (1.4)	961 (0.1)	9,807 (0.9)	13,184 (1.0)	2,324* (0.2)	& (..)
2. Gross Fiscal Deficit	(6.3)	(8.2)	60,257 (7.4)	57,704 (6.0)	60,243 (5.4)	66,733 (5.2)	86,345 (6.1)	91,025 (5.6)
3. Revenue Deficit	(1.1)	(2.6)	32,716 (4.0)	31,029 (3.2)	29,731 (2.7)	32,654 (2.6)	43,686 (3.1)	48,068 (3.0)
4. Monetised Deficit #	(2.2)	(2.3)	260 (-)	2,130 (0.2)	19,855 (1.8)	1,934 (0.2)	12,914 (0.9)	.. (..)
5. Gross Primary Deficit	(4.1)	(4.8)	23,516 (2.9)	13,643 (1.4)	10,198 (0.9)	7,255 (0.6)	20,645 (1.5)	16,025 (1.0)
6. Net Primary Deficit	(3.1)	(3.8)	24,331 (3.0)	12,050 (1.3)	10,806 (1.0)	9,022 (0.7)	21,086 (1.5)	19,298 (1.2)
7. Revenue Deficit as per cent of Gross Fiscal Deficit	17.0	31.5	54.3	53.8	49.4	48.9	50.6	52.8
8. Monetised Deficit as per cent of Gross Fiscal Deficit	35.3	27.9	0.4	3.7	33.0	2.9	15.0	..
9. Subsidies	(1.4)	(2.0)	12,682 (1.6)	12,932 (1.3)	13,372 (1.2)	16,125 (1.3)	19,644 (1.4)	22,025 (1.4)
<i>of which :</i>								
i) Food	(0.4)	(0.6)	5,537 (0.7)	5,100 (0.5)	5,377 (0.5)	6,066 (0.5)	7,900 (0.6)	9,400 (0.6)
ii) Fertiliser	(0.5)	(0.8)	4,562 (0.6)	5,241 (0.5)	6,235 (0.6)	5,906 (0.5)	7,426 (0.5)	6,983 (0.4)
iii) Export	(0.3)	(0.3)	665 (0.1)	658 (0.1)	318 (-)	20 (-)	440 (-)	500 (-)
10. Defence Expenditure	(2.8)	(3.4)	21,845 (2.7)	23,245 (2.4)	26,856 (2.4)	29,505 (2.3)	36,099 (2.6)	41,200 (2.5)
11. Interest Payments	(2.2)	(3.4)	36,741 (4.5)	44,060 (4.6)	50,045 (4.5)	59,478 (4.7)	65,700 (4.6)	75,000 (4.6)
12. Wages and Salaries \$	(1.8)	(2.1)	13,357 (1.6)	14,497 (1.5)	17,036 (1.5)	19,606 (1.5)	29,344 (2.0)	.. (..)
13. Total Non-Plan Expenditure +	(10.5)	(13.4)	98,191 (12.1)	1,13,361 (11.8)	1,31,901 (11.8)	1,47,473 (11.5)	1,74,615 (12.3)	1,95,925 (12.1)
14. Budgetary Support to Public Enterprises @	(2.6)	(1.9)	7,451 (0.9)	8,205 (0.9)	6,418 (0.6)	6,834 (0.5)	7,555 (0.5)	8,600 (0.5)
15. Direct Taxes (Net to Centre)			12,522	18,409	22,287	25,374	30,144	34,909
As per cent of total tax revenue	21.9 (1.6)	15.1 (1.4)	23.4 (1.5)	27.3 (1.9)	27.2 (2.0)	27.1 (2.0)	30.4 (2.1)	29.9 (2.1)
16. Indirect Taxes (Net to Centre)			40,927	49,045	59,652	68,327	69,014	81,948
As per cent of total tax revenue	78.1 (5.7)	84.9 (8.8)	76.6 (5.0)	72.7 (5.1)	72.8 (5.3)	72.9 (5.4)	69.6 (4.9)	70.1 (5.0)
17. Interest Receipts	(1.4)	(1.8)	15,078 (1.9)	15,797 (1.6)	18,419 (1.6)	22,106 (1.7)	25,327 (1.8)	27,954 (1.7)

* Draw-down of Cash Balances.

& With the discontinuance of *ad hoc* Treasury bills and tap 91 days Treasury bills, the concept of conventional deficit loses relevance.

According to Reserve Bank of India Records.

\$ According to the Economic and Functional Classification of the Central Government Budget; figures for 1996-97 and 1997-98 relate to revised estimates and budget estimates, respectively.

+ Does not include Commercial Departments.

@ Figures relate to revised estimates, for all years except 1998-99.

.. 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		
		1998-99	1997-98	1996-97	1998-99	1997-98	1996-97
1		2	3	4	5	6	7
Budget Estimates		11,000 (April-September)	12,000 (April-September)	6,900 (RE)		13,000 (RE)	
Fortnightly Actuals	Date \$	7,000 (October-March)	8,000 (October-March)				
1	11-4-97	8,463	4,711	8,319	-4,030	6,149	9,303
2	25-4-97	6,224	0	12,672	-4,740	1,475	12,620
3	9-5-97	9,000	0	16,173	13,323	6,641	14,985
4	23-5-97	8,306	0	17,527	8,048	6,715	13,727
5	6-6-97	7,517	0	15,843	8,961	5,971	15,105
6	20-6-97	4,953	0	17,935	15,163	4,038	15,569
7	4-7-97	8,996	0	23,877	14,730	6,677	20,192
8	18-7-97	5,681	0	20,915	18,721	3,011	14,168
9	1-8-97	3,560	0	20,380	16,316	-2,640	12,292
10	15-8-97	-1,474	0	14,250	11,297	-4,515	11,347
11	29-8-97	-2,000	0	10,950	6,163	-10,255	5,518
12	12-9-97	844	0	14,112	11,717	-6,164	9,893
13	26-9-97	-669	0	6,346	1,856	-7,731	3,801
14	10-10-97	4,996	0	8,758	10,189	-5,964	6,486
15	24-10-97	426	0	8,096	14,017	-6,065	6,261
16	7-11-97	1,380	0	10,970	16,293	448	6,351
17	21-11-97	844	0	11,682	16,429	-2,420	7,470
18	5-12-97	3,286	0	15,998	16,232	1,854	8,526
19	19-12-97		0	10,437		7,191	6,381
20	2-1-98		0	15,071		3,927	8,500
21	15-1-98		0	14,466		5,367	5,608
22	30-1-98		0	12,517		8,186	-654
23	13-2-98		408	16,031		6,054	7,837
24	27-2-98		1,514	12,483		8,732	-1,966
25	13-3-98		5,233	13,919		14,968	3,795
26	27-3-98		0	13,270		5,231	-197
End-March	31-3-98		2,000	13,156		12,914	1,934
Quarterly Averages							
First Quarter (April-June)		7,411	785	14,745	6,121	5,165	13,552
Second Quarter (July-Sept.)		2,134	0	15,833	11,543	-3,088	11,030
Third Quarter (Oct.-Dec.)		2,186*	0	10,990	14,632*	-826	6,913
Fourth Quarter (Jan.-March)			1,022	13,965		7,495	3,275
Fiscal Year Average			514	13,932		2,585	8,328

\$ The relevant dates of fortnights for 1997-98 have been specified; the data for other years pertain to corresponding fortnights.

(-) Indicates surplus.

* Upto December 4, 1998.

Note: As per budgetary data, Centre's budget deficit was Rs.13,184 crore in 1996-97 (Accounts).

Table VIII-3: 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 (-)	5,309.0 (1.0)
1991-92	18,900.1 (3.1)	15,746.4 (2.6)	10,122.0 (1.6)	155.9 (-)	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	37,444.4 (2.9)	33,653.2 (2.6)	16,247.8 (1.3)	7,041.5 (0.6)	16,113.5 (1.3)
1997-98 (B.E)	45,729.6 (3.1)	37,873.1 (2.6)	12,602.9 (0.9)	1,333.9 (0.1)	15,372.7 (1.1)
1997-98 (R.E)	51,048.9 (3.6)	43,593.4 (3.1)	19,503.3 (1.4)	3,241.7 (0.2)	19,635.5 (1.4)
1998-99 (B.E)	59,276.6 (3.6)	50,046.9 (3.1)	20,526.9 (1.3)	3,231.6 (0.2)	25,634.8 (1.6)

Note: 1. Figures in brackets indicate percentage to GDP.
2. Negative figures indicate surplus

Source: Budget documents of the State Governments.

Table VIII-4: Overall Budgetary Position of State Governments

(Rupees crore)

Item	1996-97 (Accounts)*	Percentage variation over the previous year	1997-98 (Budget Estimates)	1997-98 (Revised Estimates)	Percentage variation 1997-98 (RE) over 1997-98 (BE)	Percentage variation 1997-98 (RE) over 1996-97 (Accounts)	1998-99 (Budget Estimates)	Percentage variation 1998-99 (BE) over 1997-98 (RE)
I	2	3	4	5	6	7	8	9
I Aggregate Receipts (A+B)	1,95,727.3	8.5	2,29,826.7 (2,28,813.9)	2,36,471.2	2.9 (3.3)	20.8	270,531.4 (2,67,593.1)	14.4 (13.2)
A. Revenue Receipts (1+2)	1,52,836.4	11.7	1,76,178.2 (1,75,165.4)	1,77,083.6	0.5 (1.1)	15.9	2,03,176.0 (2,00,237.7)	14.7 (13.1)
1. Tax Receipts (a+b)	1,06,139.1	14.2	1,24,770.9 (1,23,806.4)	1,24,998.1	0.2 (1.0)	17.8	1,44,893.8	15.9
a. States' Taxes	71,101.5	11.3	84,656.2 (83,691.7)	84,958.9	0.4 (1.5)	19.5	98,214.9	15.6
b. Share in Central Taxes	35,037.6	20.6	40,114.7	40,039.2	-0.2	14.3	46,678.9	16.6
2. Non-Tax Receipts (c+d)	46,697.3	6.4	51,407.3 (51,359.0)	52,085.5	1.3 (1.4)	11.5	55,343.9	6.3
c. Grants from the Centre	23,154.7	10.3	27,509.9	27,752.2	0.9	19.9	28,431.9	2.4
d. States' Non-Tax Receipts	23,542.6	2.8	23,897.4 (23,849.1)	24,333.3	1.8 (2.0)	3.4	26,912.0	10.6
B. Capital Receipts (1+2)	42,890.9	-1.7	53,648.5	59,387.6	10.7	38.5	67,355.4	13.4
1. States' Capital Receipts of which:	19,109.3	-20.5	25,912.6	28,457.6	9.8	48.9	31,555.3	10.9
a. Market Borrowings (Gross)	6,519.0	1.8	7,615.5	7,678.9	0.8	17.8	8,882.6	15.7
b. Recovery of Loans and Advances	5,754.3	64.4	2,169.8	3,853.4	77.6	-33.0	2,176.3	-43.5
2. Loans from the Centre	23,781.6	21.3	27,735.9	30,930.0	11.5	30.1	35,800.1	15.7
II. Aggregate Disbursements(A to E)	2,02,768.8	14.2	2,31,160.5	2,39,712.9	3.7	18.2	2,73,762.9	14.2
A. Developmental Expenditure@ (1 + 2)	1,30,821.7	13.9	1,41,111.0	1,53,029.6	8.4	17.0	1,60,995.0	5.2
1. Social Services of which: Expenditure on Natural Calamities	65,383.2	13.1	74,717.8	79,017.9	5.8	20.9	86,621.7	9.6
2. Economic Services	1,964.2	1.9	1,449.1	2,018.1	39.3	2.7	1,411.9	-30.0
2. Economic Services	65,438.5	14.8	66,393.2	74,011.7	11.5	13.1	74,373.3	0.5
B. Non-Developmental Expenditure@	63,281.4	14.3	80,256.9	75,785.3	-5.6	19.8	99,965.9	31.9
C. Repayment of Loans to the Centre	6,234.4	29.9	6,084.3	6,668.8	9.6	7.0	7,109.5	6.6
D. Discharge of Internal Debt of which : Market Loans(Gross)	499.3	-52.7	998.7	1,058.3	6.0	112.0	2,024.5	91.3
E. Others #	3.9	-99.2	553.6	545.0	-1.6	-	1,376.7	152.6
III. Overall Surplus(+)/Deficit(-)(I-II)	-7,041.5		-1,333.8 (-2346.6)	-3,241.7			-3,231.5 (-6,169.8)	
IV. Financing of surplus(+)/Deficit(-)								
A. Increase(+)/Decrease(-)in cash balances(Net)	-6,793.9		-153.8 (-1,166.6)	-2,977.9			-2,229.6 (-5167.9)	
B. Additions to(+)/Withdrawals from(-) Cash Balance Investment Account(Net)	415.2		-1,458.0	-589.9			-1,084.9	
C. Repayment of(+)/Increase in(-) Ways and Means Advances and Overdrafts from R.B.I.(Net)	-662.8		278.0	326.1			83.0	

* 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 1997-98 include the estimated net yield of Rs.1,012.8 crore from Additional Resource Mobilisation measures proposed by the States.

2. Figures outside brackets under budget estimates for 1998-99 include the estimated net yield of Rs.2,938.3 crore from Additional Resource Mobilisation measures proposed by the States.

3. Provisional data relates to 26 State Governments including the National Capital Territory of Delhi.

Table VIII-5: 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 (GFD) (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	17,547.3 (46.9)	6,515.1 (17.4)	13,382.0 (35.7)	37,444.4 (100.0)
1997-98 (Revised Estimates)	24,261.2 (47.5)	7,133.9 (14.0)	19,653.7 (38.5)	51,048.8 (100.0)
1998-99 (Budget Estimates)	28,690.7 (48.4)	7,505.9 (12.7)	23,080.0 (38.9)	59,276.6 (100.0)

Note: 1. Figures in brackets are proportion to GFD.

2. Data relates to 26 State Governments including National Capital Territory of Delhi.

Table VIII-6: 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 (10.0)	45,224 (8.4)	28,585 (5.3)	26,204 (4.9)	23,871 (4.5)
1991-92	45,850 (7.4)	40,370 (6.5)	14,857 (2.4)	19,084 (3.1)	21,912 (3.6)
1992-93	52,404 (7.4)	46,002 (6.5)	15,976 (2.3)	18,141 (2.6)	23,688 (3.4)
1993-94	70,952 (8.8)	62,257 (7.7)	27,939 (3.4)	29,519 (3.6)	36,529 (4.5)
1994-95	71,640 (7.4)	63,820 (6.6)	19,314 (2.0)	21,518 (2.2)	37,185 (3.9)
1995-96	77,671 (6.9)	69,127 (6.2)	18,797 (1.7)	21,376 (1.9)	37,930 (3.4)
1996-97	87,438 (6.8)	80,047 (6.3)	17,350 (1.4)	25,270 (2.0)	48,768 (3.8)
1997-98 (Budget Estimates)	93,676 (6.4)	81,919 (5.6)	12,279 (0.8)	12,741 (0.9)	45,639 (3.1)
1997-98 (Revised Estimates)	1,16,028 (8.2)	1,05,052 (7.4)	37,087 (2.6)	40,589 (2.9)	63,321 (4.5)
1998-99 (Budget Estimates)	1,29,975 (8.0)	1,16,391 (7.2)	39,372 (2.4)	39,825 (2.5)	73,703 (4.5)

Note: 1. Figures in brackets are percentages to GDP at current market prices.

2. Regarding State Governments, data relate to the budgets of 26 States, including National Capital Territory of Delhi.

Source: Budget Documents of Government of India and State Governments.

Table VIII-7: 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	2,384
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	-1862	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	-13,184	-7,042	-20,226	1,934	898	2,832
1997-98 (Revised Estimates)	-2,324 &	-3,241	-5,565	12,914	-1,936	10,978
1998-99 (Budget Estimates)	#	-3,231	-3,231	..	..	..

\$ 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 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 deficit loses relevance.

& Draw down of cash balances.

.. Not available.

Source: 1. Budget Documents of Government of India and State Governments.
2. Reserve Bank records.

Table VIII-8: 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)	1,19,315	44,468 (37.3)	2,03,043	51,729 (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 (26.2)
1995-96	1,83,059	18,701 (10.2)	1,77,584	65,053 (36.6)	3,03,586	83,754 (27.6)
1996-97	2,06,414	20,209 (9.8)	2,02,769	72,991 (36.0)	3,43,548	93,200 (27.1)
1997-98 (Budget Estimates)	2,38,403	25,925 (10.9)	2,31,161	85,626 (37.0)	3,98,053	1,11,551 (28.0)
1997-98 (Revised Estimates)	2,42,504	25,086 (10.3)	2,39,713	90,845 (37.9)	3,99,046	1,15,931 (29.1)
1998-99 (Budget Estimates)	2,76,233	30,725 (11.1)	2,73,763	99,103 (36.2)	4,65,656	1,29,828 (27.9)

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. State Governments' data from the year 1993-94 onwards 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-9: Market Borrowings of Central and State Governments and their Sponsored Institutions

(Rupees crore)

Government/Authority	Gross			Repayments			Net		
	1998-99 (BE)	1997-98 +	1996-97 +	1998-99 (BE)	1997-98 +	1996-97 +	1998-99 (BE)	1997-98 +	1996-97 +
1	2	3	4	5	6	7	8	9	10
1. Central Government (a+b+c)	79,376	59,637	36,152 (48,880) #	31,050	19,143	9,796	48,326	40,494	26,356 (39,084) #
a) Normal Market Borrowings	..	3,000	5,000	14,803	1,998	975	..	1,002	4,025
b) Other Medium and Long Term Borrowings @	..	40,390	22,911	..	8,904	6,946	..	31,486	15,965
c) 364-day Treasury Bills	..	16,247	8,241	16,247	8,241	1,875	..	8,006	6,366
2. State Governments	..	7,749	6,536	..	557	-	..	7,193	6,536
3. Institutions Sponsored by Central Government	..	553	484	..	153	144	..	400	340
4. Institutions Sponsored by State Governments (includes SFCs and SLDBs)	..	433	490 P	..	83	152	..	350	338 P
Grand Total(1+2+3+4)	..	68,372	43,662	..	19,936	10,092	..	48,437	33,570

P Provisional.

BE Budget Estimates.

+ 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, Capital Indexed Bonds etc.

- Nil

.. Not Available.

Source: Budget Documents of Government of India and Reserve Bank Records.

Table VIII-10: Coupon Rates on Central and State Government Securities

(Per cent per annum)

Maturity (in years)	1998-99 (upto October, 1998)	1997-98	1996-97	1995-96
1	2	3	4	5
Central Government Securities				
1 1/2				13.50@
2	11.40		13.50 +	13.25 +
			13.62	13.50#
3	11.55	12.14	13.70	13.65
			13.40	
4	11.68	10.85	13.72 \$	13.73++
5	11.10	12.69	13.75	13.25**
	11.75	11.15	13.55	13.85\$\$
	11.78	6.00 *		
6	11.50	11.83	13.82	
	11.75	11.57 @		
	11.95			
	11.98			
7		12.59 #		13.80
8	11.75 #	11.19		
9	11.90			
10	12.00 #	13.05 #	13.85##	13.75
	12.10	12.15	13.65	14.00 @
	12.22			
	12.25			
12	12.25			
15	12.40			
State Government Securities				
10	12.15 @	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.

++ 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.

* Fixed coupon on Capital Indexed Bonds issued on tap.

Government of India Partly Paid Stock and Fixed Coupon Issue.

Note: Coupon rates are based on Auctions.

Source: Reserve Bank of India Records.

Table VIII-11: Combined Domestic Liabilities of Central and State Governments

(Rupees crore)

Year (end-March)	Liabilities of Central Government	Liabilities of State Governments	Loans advanced by the Central Government	Combined Liabilities (2+3-4)	Combined Liabilities/ GDP (%)
1	2	3	4	5	6
1981	48,451	23,959	16,980	55,430	40.8
1986	1,19,331	53,660	37,812	1,35,179	51.6
1991	2,83,033	1,10,289	73,889	3,19,433	59.7
1992	3,17,714	1,26,338	83,265	3,60,787	58.5
1993	3,59,665	1,42,178	91,254	4,10,589	58.2
1994	4,30,623	1,60,075	1,01,154	4,89,544	60.4
1995	4,87,682	1,84,527	1,14,915	5,57,294	57.8
1996	5,54,984	2,12,226	1,28,913	6,38,297	57.0
1997	6,21,437	2,42,864	1,45,573	7,18,728	56.3
1998(RE)	7,18,299	2,84,942	1,66,939	8,36,302	59.1
1999(BE)	8,18,516	3,36,366	1,87,265	9,67,617	59.5

BE Budget Estimates.

RE Revised Estimates.

Sources: 1. Budget Documents of Government of India.
2. Budget Documents of State Governments.
3. Combined Finance and Revenue Accounts.

CHAPTER IX

Overall Trend

Broadly in line with the trends in world trade, India's foreign trade during 1997-98 remained subdued. According to the provisional data released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S), India's total exports during 1997-98 at US \$ 33,980 million recorded an increase of 1.5 per cent over the final export figures for 1996-97. Export growth rates were higher during 1996-97 (5.3 per cent) and 1995-96 (20.8 per cent). Total imports during 1997-98 at US \$ 40,779 million rose by 4.2 per cent, as compared with 6.7 per cent and 28.0 per cent growth recorded in 1996-97 and 1995-96, respectively. Non-oil imports increased sharply in 1997-98 by 11.9 per cent in contrast to a decline of 0.2 per cent in 1996-97. In 1995-96, non-oil imports rose by a high of 28.3 per cent (Table IX-1 and Graph IX-1). India's trade performance, measured in terms of SDR, though slightly different, showed trends similar to the ones seen when the value of trade is measured in US dollar terms. India's exports, in rupee terms, showed an increase of 6.3 per cent during 1997-98, as against 11.7 per cent increase registered during 1996-97. Imports, in rupee terms, increased by 9.1 per cent during 1997-98, compared to 13.2 per cent rise recorded during 1996-97. Sharper deceleration in exports and imports in US dollar terms *vis-à-vis* the rupee figures is essentially reflective of the depreciation of rupee against US dollar by 4.5 per cent between 1996-97 and 1997-98.

The deceleration in India's exports during 1997-98 needs to be viewed in the context of the sluggishness in world trade during 1997. In US dollar terms, the growth rate of world exports decelerated from 19.7 per cent in 1995 to 4.8 per cent in 1996 and further to 3.5 per cent in 1997. Many of the Asian countries recorded negative export growth during 1997 and similar trend continued during the first quarter of 1998. Sharp fall in the international

prices of manufactured products for the second consecutive year during 1997 was the major factor behind the slower growth of world trade. The magnitude of the price decline was 3.0 per cent in 1996 and 8.2 per cent in 1997. The South-East Asian crisis also had some adverse impact on India's exports, with the share of the crisis-affected countries, namely, Indonesia, Philippines, the Republic of Korea and Thailand, taken together, in India's aggregate exports declining from 5.2 per cent in 1996-97 to 4.2 per cent in 1997-98. Among the other factors which contributed to the slowdown in India's exports, the lack of adequate infrastructural facilities and certain sector-specific problems were significant.

The growth of India's imports also remained sluggish during the year under review. The provisional figures of imports during 1997-98 at US \$ 40,779 million showed an increase of 4.2 per cent over the final import figures for 1996-97. While oil imports had increased sharply by 33.3 per cent during 1996-97, they declined by 18.1 per cent during 1997-98 mainly reflecting the sharp fall in international oil prices. Non-oil imports, which had declined by 0.2 per cent during 1996-97, increased by 11.9 per cent during the year under review, notwithstanding the fall in the international prices of manufactured products and lack of buoyancy in domestic industrial activities (Table IX-1 and Graph IX-1).

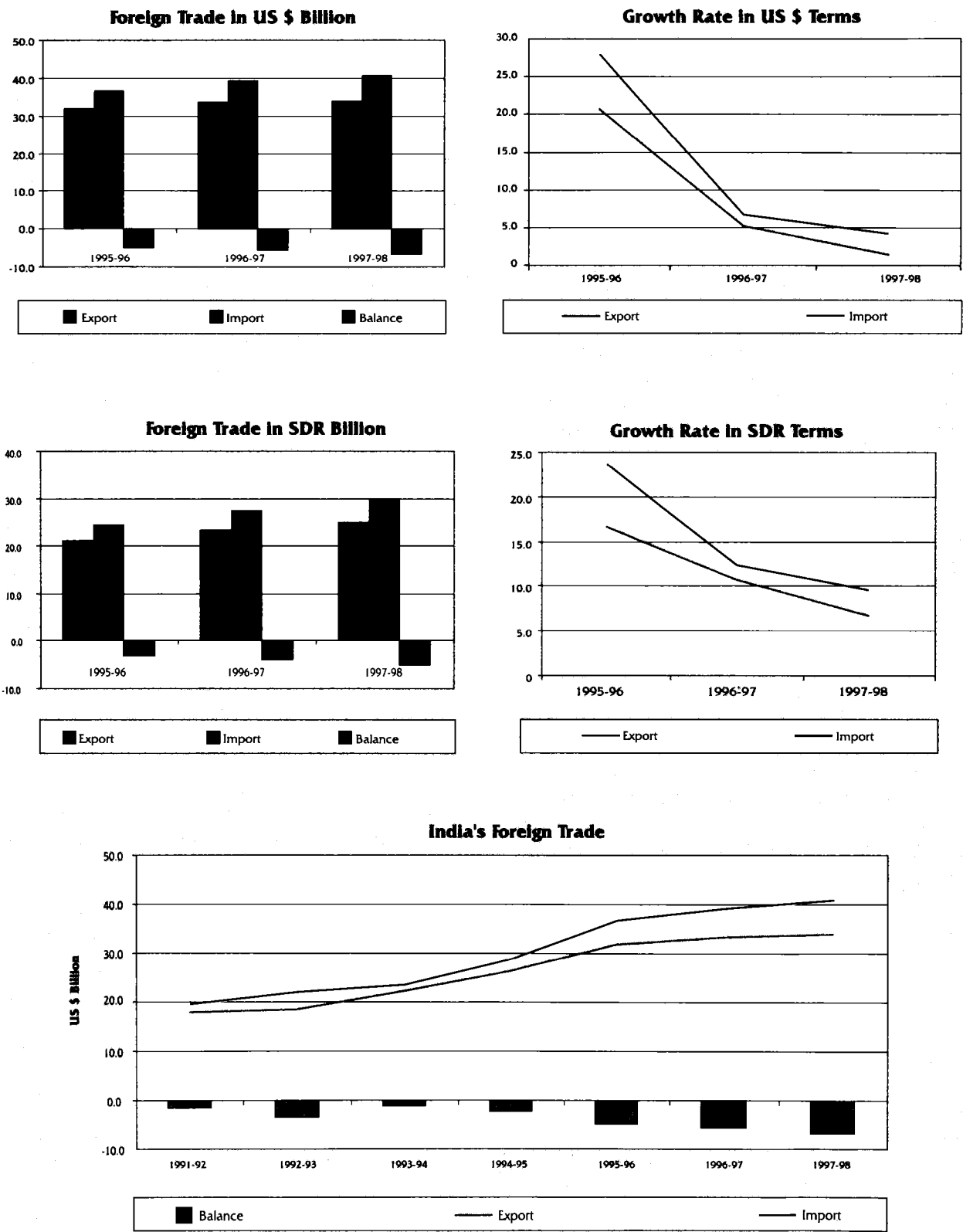
India's trade deficit in 1997-98 widened by US \$ 1,136 million to US \$ 6,799 million reflecting a sharper deceleration in export growth (Table IX-1 and Graph IX-1). The export-import ratio dropped to 83.3 per cent in 1997-98 from 85.5 per cent in 1996-97, implying thereby a fall in the import financing capacity of exports.

Commodity-wise Performance of Exports

The export performance across the commodity groups was rather asymmetric. During 1997-98, exports of primary products

* This chapter is based on information available up to November 1998.

Graph IX-1
India's Foreign Trade



declined by 7.0 per cent in comparison to an increase of 10.3 per cent in 1996-97. As a result, their share in total exports dropped by two percentage points to 22.0 per cent (Table IX-2). Within the primary products group, agriculture and allied products and ores and minerals experienced sharp fall in exports during 1997-98 by 6.7 per cent and 9.1 per cent, respectively. However, certain individual items within the group recorded appreciably positive export growth during the year. These include tea (38.6 per cent), tobacco (33.6 per cent) and spices (11.9 per cent). At the same time, exports of certain primary products fell significantly, which include sugar and molasses (-78.0 per cent), raw cotton including waste (-49.0 per cent), processed fruits, juices and miscellaneous processed items (-43.6 per cent) and mica, coal and other ores and minerals (-14.5 per cent).

Destination-wise data on exports of primary products showed that exports of oil meals to Indonesia, Japan and Singapore, spices to Malaysia and Singapore, cashew kernels to Hong Kong and Singapore, marine products to Hong Kong and Malaysia and iron ore to Republic of Korea declined significantly during 1997-98. As already indicated, these countries have had difficult economic circumstances in 1997. However, there was an improvement in the export performance in respect of oil meals to Philippines and iron ore to Chinese Taipei.

A redeeming feature of India's primary product exports during 1997-98 was the gain in the market shares of certain items in the CIS and the UAE. For instance, the intake of Indian tea, unmanufactured tobacco and oil meals by the CIS countries increased considerably during 1997-98. Similarly, India's exports of tea and marine products to the UAE increased significantly during the year under review. Other markets where India's primary product exports registered noticeable improvements during 1997-98 include the UK for tea, Bangladesh, Nigeria and Saudi Arabia for rice, Belgium for unmanufactured tobacco, Germany for spices, France for cashew kernels, China and Democratic Republic of Korea for oil meals and China for iron ore. However, during 1997-98, India's rice exports to the CIS and Kenya declined sharply. Similarly, the exports of

marine products to Netherlands and the UK also fell sharply (Statement 208 of Volume-II).

Poor agricultural performance and softening in the international prices for certain commodities could be regarded as factors behind the unsatisfactory export performance in 1997-98. In the case of commodities such as cotton, domestic crop failure was accompanied by the decline in international prices. Interestingly, the export volumes and unit values of the primary products during 1997-98 over 1996-97 had, by and large, moved in the opposite direction. Commodities such as, tea, coffee, rice, marine products and sugar and molasses registered fall in export volume, while their unit values moved up. On the other hand, the export volumes of cashew kernels, oil meal, iron ore and mica increased, while their unit values showed a decline. Tobacco and spices experienced rise in both unit value and quantity, while raw cotton including waste and coal witnessed fall in both unit value and volume (Table IX-3).

Among the manufactured goods, the items which registered relatively higher growth during 1997-98 included chemicals and allied products (16.0 per cent), natural silk yarn, fabrics, made-ups, etc. (15.7 per cent) and coir and manufactures (11.9 per cent). The growth rates were positive, *albeit* marginal, during 1997-98 for several of India's major export items such as, engineering goods, ready-made garments, cotton yarn, fabrics, made-ups, etc. Within the manufactured goods category, the ones which experienced marked fall during the year included jute manufactures including floor coverings (-37.2 per cent), leather and manufactures (-8.7 per cent) and hand-made carpets excluding silk carpets (-7.1 per cent)(Table IX-2).

During the recent high-growth phase of India's exports, that is, between 1993-94 and 1995-96, major export items which had contributed significantly to the growth process included engineering goods, cotton yarn, fabrics, made-ups, etc., chemicals and allied products, rice, coffee, processed fruits, juices and miscellaneous processed items and marine products. The growth rates of export of all these items have dropped considerably during the last two years. Among the manufactured exports,

the deceleration in growth rate has been most marked for engineering goods. Within the agricultural and allied products group, export levels of both rice and coffee declined between 1995-96 and 1997-98.

Analysis of the destination-wise data on exports of manufactured products revealed certain interesting features. For example, gems and jewellery, India's single largest export item, showed some signs of improvement. While the in-take of the same by the Asian countries such as, Japan, Thailand and Singapore declined sharply during 1997-98, these exports showed promising growth in other markets such as the USA, Israel, the UAE and the UK.

During 1997-98, the growth of engineering exports suffered reversals in the major markets such as the USA, the UK and the UAE. Fall in international prices coupled with certain domestic problems including the environmental regulations faced by the metal-based industries affected the performance of these exports. However, during the year, these exports gained some new grounds in countries such as, Italy, Philippines, Belgium and Switzerland.

Ready-made garment exports also remained subdued during 1997-98. One can sense some change in the demand pattern in certain important markets such as, the USA, the UK and Germany have effect on these exports during 1997-98. However, there are indications that the UAE is emerging as an important market for these products.

The decline in raw cotton production and the resultant rise in domestic prices coupled with the fall in international cotton prices have seriously undermined the viability of cotton yarn, fabrics and made-up exports during the year under review. These exports have declined in major markets such as, the USA and Bangladesh. The deceleration in the export of these items could also be reflective of the adverse impact of the protectionist policies adopted by some of the industrialised countries, notably the UK.

Exports of chemicals and allied products continued to record relatively high growth rates throughout the 1990s so far. A major factor behind such a steady performance is the

diversified market base. As a result, India is not dependent on a small number of countries for a very high proportion of the exports. During 1997-98, relatively new markets such as the UAE, Switzerland and Brazil showed good prospects for these exports.

Exports of leather and leather manufactures are steadily losing hold in two most important markets, namely, Germany and the USA. Domestic supply constraints including labour problems and concerns about the pollution aspect associated with such industries are affecting these exports. Furthermore, many of the industrialised countries have expressed concern about the nature of chemicals used by these industries. However, the demand for these products is picking up in the CIS countries. It may be noted that these countries were the principal importers of Indian leather and leather manufactures during 1980s.

Commodity-wise Performance of Imports

Reflecting mainly the steep fall in oil imports, the bulk imports during 1997-98 declined sharply by 10.4 per cent in US dollar terms as against an increase of 14.3 per cent in 1996-97. In the result, its share in total imports fell from 41.8 per cent in 1996-97 to 35.9 per cent in 1997-98 (Table IX-4). On the other hand, the non-bulk imports rose by 14.7 per cent during 1997-98, as against a marginal increase of 1.8 per cent recorded in the previous year.

Among the items covered under bulk imports, sharp increases were noticed in respect of sugar, wheat and fertilizers. Items which witnessed noticeable decline during 1997-98 included metalliferous ores, metal scrap, etc., petroleum, petroleum products and related products and non-ferrous metals. Another notable development in bulk imports during 1997-98 was the increase in wheat imports by 130 per cent. This mainly reflected the measures taken to maintain sufficient supply of food grains in the wake of the shortfall in domestic production.

During 1997-98, excepting for the edible (fixed) vegetable oil and pulp and waste paper, the quantities of all other items of bulk imports either increased or remained almost unchanged

at their 1996-97 levels. The unit costs of these imports, however, showed a mixed trend during the year under review. While the unit costs of wheat, crude fertilizers, sulphur and unroasted iron pyrites, edible (fixed) vegetable oil, pulp and waste paper and iron and steel increased, those of pulses, manufactured fertilizers, paper, paper boards and manufactures thereof including newsprint, sugar and crude rubber (including synthetic and reclaimed) declined (Table IX-5).

Within the non-bulk category, the import of capital goods declined by 7.4 per cent during 1997-98, on top of a fall of 4.0 per cent during 1996-97. However, among capital goods, the import of electrical and electronic machinery and computer software increased by 31.6 per cent. The other items which witnessed significant import growth included organic and inorganic chemicals (12.4 per cent), professional, scientific controlling instruments, photographic optical goods (29.1 per cent) and non-metallic mineral manufactures (18.2 per cent). The growth of the import of pearls, precious and semi-precious stones slipped from 38.9 per cent in 1996-97 to 7.5 per cent in 1997-98. Imports within the non-bulk category, which declined sharply during 1997-98 included transport equipment (-38.9 per cent), project goods (-25.3 per cent) and manufactures of metals and machine tools (-11.5 per cent).

Reflecting the liberalisation of gold and silver import policy under which selected commercial banks have been allowed to import gold and silver, there has been a sharp increase in these imports during 1997-98. Valued at US \$ 2,919 million during 1997-98, these imports recorded a rise of 194.4 per cent than those in the previous year. However, the import of gold and silver during 1997-98, through passenger baggage route showed a marginal rise of 3.7 per cent as against a sharp increase of 33.6 per cent during 1996-97, indicating a shift in the channel for such imports.

Direction of Trade

The direction of India's exports across the major country groups remained almost unaltered between 1996-97 and 1997-98. However, the shares of the OECD, the OPEC

and East European countries in India's total exports increased marginally, while that of the developing countries as a group declined, reflecting the concentration of the economic crisis in high growth economies of East Asia and Japan (Table IX-6).

During 1997-98, countries to which India's exports registered sizable improvements in both absolute and percentage terms include Belgium, Chile, China, the CIS, Democratic Republic of Korea, Egypt, Israel, Italy, Saudi Arabia, South Africa, Switzerland and the UAE. The countries to which India's exports declined sharply during 1997-98 include Bangladesh, Indonesia, Japan, the Netherlands, Singapore, South Korea, Thailand and Yemen.

At the aggregate level, the changes in the sources of India's imports have been more pronounced than the changes in the destination of exports. Between 1996-97 and 1997-98, the share of developing countries and the OECD countries in India's total imports increased by 1.7 per cent and 1.1 per cent, respectively, while that of the OPEC group declined by 2.8 per cent. Among the developing countries, the share of Latin American countries in India's total imports increased from 3.3 per cent during 1996-97 to 4.4 per cent during 1997-98 (Table IX-6).

Countries from which India's imports registered considerable increase during 1997-98 included Belgium, Canada, China, the CIS, Egypt, Indonesia, Iraq, Malaysia, Morocco, Singapore and South Africa. Apart from the improvements in bilateral relations, the currency depreciation in the South-East Asian countries and the partial lifting of international sanctions in the case of Iraq contributed to the increase in the imports from these countries. India's imports from countries such as, Argentina, Austria, Bahrain, Denmark, Germany, Iran, Nigeria, Romania and Saudi Arabia declined sharply, mainly reflecting the fall in international prices of oil and manufactured commodities.

Trade Performance during April-September 1998-99

During April-September 1998, India's exports at US \$ 16,270 million declined by 3.3 per cent as against an increase of 4.2 per cent

during the comparable period of the previous year. On the other hand, India's imports during April-September 1998 at US \$ 21,261 million increased by 10.1 per cent which was higher than the increase of 7.6 per cent during April-September 1997. Oil imports during April-September 1998 at US \$ 2,913 million declined sharply by 25.5 per cent. On the other hand, non-oil imports during April-September 1998 at US \$ 18,347 million increased significantly by 19.1 per cent. India's trade deficit during April-September 1998 rose considerably to US \$ 4,991 million from US \$ 2,496 million during April-September 1997.

In SDR terms, India's exports during April-September 1998 at SDR 12,125 million declined by 1.1 per cent over April-September 1997. During this period, India's imports at SDR 15,845 million increased by 12.6 per cent. Oil imports during April-September 1998 at SDR 2,171 million declined by 23.8 per cent, while the non-oil imports at SDR 13,674 million increased by 21.8 per cent. India's trade deficit during April-September 1998 rose to SDR 3,720 million from SDR 1,819 million during April-July 1997.

Developments in Trade Policy

A number of measures have been taken since July 1991 to substantially liberalise India's foreign trade through the dismantling of tariff and non-tariff barriers. Reflecting the objective of further integration with the world economy and India's commitment under the WTO framework, the process of trade reforms continued during 1997-98 and focussed on further easing of trade restrictions, simplification of procedures and improvement of environment relating to India's export competitiveness. Against the backdrop of the sluggishness in foreign trade experienced during the last couple of years, certain modifications were announced in the Export and Import (EXIM) Policy 1997-2002 on April 13, 1998. The modifications in the trade policy were set in the direction of further liberalisation, simplification and decentralisation, while seeking to address some of the difficulties faced by the exporters and enhancing the competitiveness of India's exports.

Notwithstanding the substantial liberalisation measures undertaken during the

nineties, there were quantitative restrictions on imports of 2,714 items as on April 1, 1998. As per the current plans, these would be removed in a phased manner in about six years beginning with April 1, 1997. As a part of the efforts towards further integration with the world, nearly 340 import items were shifted from the Restricted List to the Open General List. Various quantitative restrictions on export items have also been removed. In a bid to provide a boost to India's exports, the modified EXIM Policy announced in April 1998 has initiated certain new schemes, while enhancing the scope of several existing schemes. Easing of import restrictions also reflects India's efforts to meet the obligations under the WTO framework. India's resolve for and the achievements in dismantling tariff as well as non-tariff barriers have been recognised by the World Trade Organisation (see, Box-IX.1).

The new schemes announced in the modified EXIM policy include: (i) setting up of bonded warehouses for exports, (ii) provision of automatic advance licence issue to export houses and various trading houses under Duty Exemption Scheme, and (iii) uninterrupted movement of export consignments. Existing schemes in respect of which significant improvements have been effected include: (i) changes in the method of calculation of credit rates under Duty Exemption Pass Book (DEPB) Scheme, (ii) reduction of the threshold limits for zero duty Scheme under Export Promotion Capital Goods (EPCG) Scheme, (iii) changes in the modes of fulfillment of obligation under EPCG Scheme, (iv) changes in the minimum net foreign exchange earning criterion for agricultural and allied sector Export Oriented Units (EOUs) and such units situated in Export Processing Zones (EPZs), and (v) changes in the threshold limits for export houses and various trading houses, etc.

The emphasis of these policy measures has been to create a trust-based system. Major aspects of the modifications announced in the revised EXIM policy are discussed below:

General Provisions Regarding Exports and Imports

In a bid to decentralise the administrative procedures, consultation with Advance Licensing

Box-IX.1 : WTO on India's Trade Policy

During April 1998, the Trade Policy Review Body (TPRB) of the World Trade Organisation (WTO) undertook evaluation of India's trade policy. The previous assessment of India's trade policy by the apex body on world trade was done in 1993. However, with the replacement of the General Agreement on Tariffs and Trade (GATT) by the WTO, over and above the "conventional areas" of trade policy, the recent review by the TPRB also included the "new areas" of services trade and trade-related aspects of intellectual property rights. Here, the discussion is essentially on the issues relating to India's merchandise trade policy deliberated upon by the TPRB.

The TPRB have commended the evolution of Indian trade policy since the conclusion of the last review in 1993. The TPRB has noted sharp tariff reductions undertaken by India between 1993-94 and 1997-98. The simple average of all tariff rates has come down from 71 per cent in 1993-94 to 35 per cent in 1997-98. During the same period, average tariff on imports of manufactures has declined from 73 per cent to 36 per cent. The applied rate and the peak tariff for agricultural imports during 1997-98 were at 26 per cent and 45 per cent, respectively. The overall import-weighted average tariff has declined from 87 per cent in 1990-91 to 20 per cent in 1997-98, even after taking into account the temporary duty of 5 per cent.

The TPRB noted that since the last review, India has made significant progress in the reduction of non-tariff barriers as well. During the time of the recent review, the list of freely importable goods and goods under SIL covered about 68 per cent and 10 per cent, respectively, of the total tariff lines.

Between 1995-96 and 1997-98, India has increased the coverage of SIL by about one-third. The country has proposed a six-year phase-out programme for shifting the remaining restricted goods to the freely importable category. The share of imports on which state trading corporations have some monopoly has also been reduced from 27 per cent during the turn of the last decade to 19 per cent in 1997-98.

Notwithstanding such notes of appreciation, the TPRB felt that the process of liberalisation of India's trade policy has not made much progress in certain directions. Further, the focus of Indian trade reforms is on export-orientation rather than on a more general outward-orientation. This has happened because the reforms in tariff and non-tariff barriers have not been accompanied by similar reforms pertaining to export subsidies and incentives. In particular, WTO consistency of the income tax exemption on profits from export earnings has been questioned. Some members of TPRB pointed out that many exporters in India are entitled to SILs. Since these licences are freely transferable and fetch a premium in the market, they argued that the facility may be perceived as an export subsidy.

References

1. World Trade Organisation (1998): *India Should Keep Up With Its Trade Reforms to Ensure Strong Economic Growth*, Press Release, April 1.
2. World Trade Organisation (1998): *Review of India: TPRB's Evaluation*, Press Release, April 17.

Committee or Policy Relaxation Committee by the Director General of Foreign Trade has been made mandatory before considering any request for relaxation of provisions of EXIM Policy or any other procedure.

Earlier, goods which were freely importable or which could be imported under Special Import Licences (SILs) were allowed to be imported and warehoused in private bonded warehouses which could be set up in the Domestic Tariff Area (DTA). As per the modified EXIM policy, all goods except the prohibited items, arms and ammunition and hazardous waste and chemicals could be imported and warehoused in such private bonded warehouses. Further, these warehouses were earlier allowed to clear the products for home consumption against SILs, whenever applicable. With the modification, they can clear goods against any import licence, whenever applicable.

Under the modified EXIM Policy,

consignments of items allowed for exports cannot be withheld/delayed for any reason by any government agency. In case of any doubt, the authorities concerned may ask for an undertaking from the exporter.

Imports

The list of goods, that exporters coming from abroad can import without a licence as a part of passenger baggage, has been extended to include trimming and embellishments. The limit for licence-free import of machinery and equipment used in projects abroad has been increased from 15 per cent of the CIF value of such machinery and equipment to 20 per cent of CIF value.

Export Promotion Capital Goods Scheme

EPCG Schemes allow exporters of specified products to import capital goods required for the production of such goods at concessional

rates of customs duty. Such Schemes were further liberalised whereby along with spares, jigs, fixtures, dies and moulds have been made eligible for import subject to the overall limit of 20 per cent of the CIF value at concessional rate of customs duty subject to certain stipulated export obligations. The threshold limit for zero duty EPCG Scheme has been reduced from CIF value of Rs. 5 crore and above to Rs.1 crore and above. So far, this facility was available to units in agricultural and allied sectors. The new Policy has brought electronics, food processing, garments, leather, sports goods and gems and jewellery sectors under the purview of this Scheme. Furthermore, a new zero duty Scheme has been devised exclusively for the software sector with a threshold limit of Rs.10 lakh.

Under the recent modification, if the licence issued under the zero duty scheme has actually been utilised for imports of a value in excess of or less than 10 per cent of the CIF value of the licence, enhancement or reduction in licenced amount and the export obligations under it would be automatic. In order to fulfill their export obligations under the EPCG Scheme, exporters so far were allowed to export only goods manufactured or produced by the use of the capital goods imported under the Scheme. Under the recent modifications, exporters have been provided with the option of adding further value to these goods before exporting them. However, in that case, export obligation shall stand enhanced by 50 per cent.

Duty Exemption Scheme

In the case of mandatory spares that can be imported under Duty Free Licence, the limit has been increased to 10 per cent of the CIF value of the licence from 5 per cent earlier. Over and above the exemption from payment of additional customs duty, holders of Advance Licences issued with actual user condition have now been exempted from the payment of anti-dumping duties as well. Earlier, the general rule for the issue of Advance Licences was subject to a minimum of 33 per cent value addition condition. This stipulation on value addition has been replaced by a condition of positive value addition. The modified EXIM Policy also

provides for conversion of SILs into Advance Licences with actual user condition.

Earlier, exporters were eligible to apply for SIL without an export order on the basis of their export performance in the preceding three licensing years. Now they can apply for Advance Licence and Advance Intermediate Licence without an export order. Additionally, the licensing authority may grant, on application by the exporter, further licences under production programme to the extent the exports have been completed.

Diamond, Gems & Jewellery Export Promotion Schemes

Recognising the large contribution of gems and jewellery products in India's export earnings, exporters of these products are granted certain special facilities. In order to facilitate the growth of such exports, norms for import of rough diamonds have been further simplified. Many of the provisions of DTC Import Licences have now been made available under Diamond Imprest Licences. Under the new Policy, any overseas company with its branch office in India whose annual average turnover in diamond during the preceding three licensing years is not less than Rs.150 crore has also been made eligible to apply for bulk licence for rough diamonds. The changed Policy provides for setting up of public bonded warehouses, along with private bonded warehouses for the use of gems and jewellery segment. Previously, these warehouses were allowed to transact only in rough diamonds. As per the modified EXIM policy, they can deal in other categories of diamonds, gemstones, uncut and unset precious and semi-precious stones as well. Import and re-export of cut and polished diamonds and cut and polished coloured gemstones would, however, be subjected to achievement of minimum value addition of 5 per cent.

Exporters of partly processed gold jewellery have been made eligible to avail of the facilities under the Scheme for Gold/Silver/Platinum Jewellery. The minimum value addition conditions for this purpose have also been changed. Previously, the minimum value addition

norm for these products ranged between 10 per cent and 25 per cent. With the modifications, the minimum value addition ranges between 3 per cent and 15 per cent.

Earlier, EOUs and units in EPZs producing gems and jewellery products were allowed to procure gold and silver chains from DTA units in exchange of equivalent amount of gold and silver. Now such exchanges can take place for any type of gold, silver and platinum jewellery. EOUs and units in EPZs have been allowed to re-export imported goods and export domestically processed goods including goods generated out of the partial processing/manufacture from such goods. Further, earlier DTA sales by these units required furnishing of freely transferable SIL and payment of applicable duties in free foreign exchange by the recipient. The revised EXIM policy has removed the requirement of the SIL while allowing payment of duties in Indian rupee.

The policy with regard to import of gold was further liberalised. Under this, eleven agencies, including eight banks, have been authorised to import gold and silver for sale in the domestic market. While there is no licensing requirement, a nominal import duty of Rs. 220 per 10 gram of gold and Rs.500 per Kg of silver is applicable.

Export Oriented Units (EOUs) and Export Processing Zones (EPZs), Electronic Hardware Technology Park Units (EHTP) and Software Technology Park Units (STP)

In order to encourage exports from the country, Government provides special facilities to units specifically catering to export demand. Under the same, the EOUs and units in EPZs, EHTP and STP are allowed to import various types of goods, including capital goods, without attracting any import duty. With regard to software exports, the mode of export by the software units under these Schemes has been enhanced to include export through data communication links and in the physical form, which may be through courier service also. The limit to which electronic hardware products can be sold to DTA has been revised in the following way :

Net Foreign Exchange Earning as a Percentage of exports		Permissible Sale in the DTA
Prior to Current Revision	Effectuated through Current Revision	
Less than 15 per cent	Less than 10 per cent	Nil
15 per cent to 25 per cent	10 per cent to 25 per cent	Up to 30 per cent of the production in value terms of electronics items, including components manufactured in the unit
More than 25 per cent	More than 25 per cent	Up to 40 per cent of the production in value terms of electronics items, including components manufactured in the unit

The limits for DTA sales of samples of goods, produced by new EOU/EPZ/EHTP/STP units going into production, has been increased from Rs.1 lakh to Rs. 5 lakh. These samples can also be exported through courier agencies. A method has also been devised for transferring goods from EOU/EPZ/EHTP/STP units for quality testing/R & D purpose. EHTP/STP units have been made eligible for tax holiday and their FOB value of exports can be clubbed with FOB value of exports by their parent companies situated in DTA for the purpose of according the status of Export House and other categories of trading houses for the latter. Certain norms relating to sub-contracting by and the periods of bonding for EOU/EPZ/EHTP/STP units have also been changed. A mechanism has been devised for conversion/merger between EOUs and EHTP/STP units.

Deemed Exports

With a view to reducing import intensity of export products, domestic sourcing of inputs is being encouraged through various incentives. Accordingly, benefits of deemed exports have been extended to domestic manufacturer supplying inputs for export products. The scheme has been further modified during the year under which supplies of Marine Freight Containers by EOUs (domestic freight containers-manufacturers) to shipping companies including Shipping Corporation of

India is also considered as deemed export, provided the payments for the same are received in free foreign exchange and these goods are produced in India.

Exports

For various reasons, certain types of exports are subjected to restrictions. However, the successive EXIM Policies have gradually eased such restrictions. Under the current modification of EXIM Policy, the limit for goods that can be exported as gifts has been raised from Rs.15,000 to Rs.25,000. A new Scheme has been mooted for setting up of Private Bonded Warehouses within DTA. Such warehouses would be entitled to procure the goods from domestic manufacturers without payment of duty. The supplies made by the domestic supplier to the notified warehouses would be treated as physical exports provided the payments for the same are made in free foreign exchange.

Export Houses (EHs), Trading Houses (THs), Star Trading Houses (STHs) and Super Star Trading Houses (SSTHs)

Recognising the crucial role of export houses and various trading houses, the EXIM Policy provides certain facilities to such houses. The modified Policy has clarified that exports made, both in free foreign exchange and in Indian rupee, would be taken into account for the purpose of recognition of these houses. The minimum level of export performances for the purpose of recognition has been revised as under :

Providing double weightage to certain exports for the purpose of recognition has been extended to include project exports. Further, for the same purpose, manufacturing units registered with KVIC or KVIBs would be granted triple weightage on FOB or Net Foreign Exchange earnings (NFE) on export of products manufactured by them and directly exported by them with effect from August 15, 1997.

Quality Standards

In order to improve the quality standards of Indian exports, the EXIM Policy provides for special benefits to the holders of certain internationally recognised quality standards. The list of quality standards, the holders of which are eligible for such benefits, has been extended to include ISO 14000 (series), HACCP and WHO-GMP.

Other Measures

Apart from the modifications in the EXIM Policy 1997-2002, a number of other important policy measures relating to India's foreign trade were also initiated during 1997-98. These measures aimed at reviving the growth momentum of exports, inculcating resilience and viability in India's exports in the medium-term, and containing the adverse effects of the South-East Asian crisis on the Indian economy.

In order to provide the framework for improving the growth prospects of Indian exports, the Ministry of Commerce announced a "Medium Term Export Strategy", based on the

Eligibility Criteria	(Rupees)			
	Export Houses	Trading Houses	Star Trading Houses	Super Star Trading Houses
Average FOB value of exports made during the preceding three licensing years	12.5 crore (20 crore)	62.5 crore (100 crore)	312.5 crore (500 crore)	925 crore (1,500 crore)
FOB value of exports made during the preceding licensing year	18.75 crore (30 crore)	93.75 crore (150 crore)	468.75 crore (750 crore)	1,387.5 crore (2,250 crore)
Average net foreign exchange value of exports made during the preceding three licensing years	10 crore (16 crore)	50 crore (80 crore)	250 crore (400 crore)	740 crore (1,200 crore)
Net foreign exchange value of exports made during the preceding licensing year	15 crore (24 crore)	75 crore (120 crore)	375 crore (600 crore)	1,100 crore (1,800 crore)

Note: Figures within brackets indicate the eligibility criteria prior to the current revision.

detailed analysis of the trends in world markets and production conditions in India and focussing on innovative sector-specific and trade partner-specific measures. Under this, specific products and niches of international markets have been identified where Indian exports can expand very fast. The need for intensifying other market promotion measures and developing forward-looking and trust-based framework related to the procedures associated with India's foreign trade have also been emphasised.

Subsequent to the announcement of the modifications in the EXIM Policy 1997-2002, during August 1998, the Ministry of Commerce initiated certain promotional measures for exports. These included permission to use legal undertaking in place of bank guarantee by the established manufacturer exporters, improvements in incentives and facilities given to the EPZs and EOUs, and enhancement of the scope for EPCG Scheme. A special fiscal package has also been announced for the software sector.

The Government of India has initiated several measures to mitigate certain infrastructural constraints faced by Indian exporters. Establishment of a single window clearance system for setting up of Inland Container Depots/Container Freight Stations is one such step. Further, in order to strengthen India's foreign trade monitoring mechanism, several measures have been initiated towards Electronic Data Interchange (EDI) and Electronic Commerce (EC). The emphasis of the current phase of EDI and EC is to implement these schemes at key departments and organisations and to evolve suitable infrastructural and legal arrangements for the smooth functioning of these systems.

Trade finance is another area of crucial importance for trade performance. In the light of the decline in domestic inflation rate, the Monetary and Credit Policy announced by the Reserve Bank for the second half of 1997-98 provided for reductions in the interest rates charged on pre-shipment export credit. However, in order to encourage faster

realisation of export proceeds and as a part of an overall package to stabilise exchange market conditions, the Reserve Bank initiated a series of measures between November 1997 and January 1998. These included the increase in interest rates on certain types of post-shipment export credit by two percentage point, the steep increase in the penal interest rate for overdue export bills and the reduction in the limits up to which commercial banks could avail export credit refinancing from the Reserve Bank. Subsequently, with the easing of monetary conditions, the Monetary and Credit Policy for the first half of 1998-99 effected one percentage point reduction in the interest rates on certain types of export credit. The refinance limit for export credit was also restored to 100 per cent. Further, during August 1998, the Reserve Bank reduced the interest rates on almost all types of export credit in rupee terms by two percentage points. The interest rate charged for export credit refinancing was also reduced. The last round of reduction in interest rates for export credits was, however, a short-term measure; at the end of 1998-99, these interest rates would revert to their earlier levels.

India has played an active role in promoting regional cooperation among South Asian countries. Towards this objective, India has offered tariff concessions on 911 commodities to South Asian Association for Regional Cooperation (SAARC) member countries. The objective has been to establish a Free Trade Area in the region (South Asia Free Trade Area) by year 2001. In continuation of the efforts in this direction, import restrictions were removed for all import items in respect of SAARC members in August 1998.

In pursuance of the recommendation of the Committee on "Hedging through International Commodity Exchanges" (Chairman Shri R.V. Gupta) set up by the Reserve Bank, the Government, during September 1998, has allowed Indian corporates to hedge their genuine underlying price risk through international commodity exchanges. However, such facilities would not be available to the petroleum and related commodities. Indian

parties have been allowed to access recognised international commodity exchanges through brokerage firms, which are the clearing members of the exchanges. Instruments available to the Indian parties would include standard exchange traded futures and option contracts (purchase).

Table IX-1: India's Foreign Trade

Item	U.S. Dollar million			S.D.R. million		
	1995/96	1996/97	1997/98 P	1995/96	1996/97	1997/98 P
(1)	(2)	(3)	(4)	(5)	(6)	(7)
I. Export	31,797	33,470	33,980	21,070	23,350	24,921
	(20.8)	(5.3)	(1.5)	(16.7)	(10.8)	(6.7)
POL	454	482	353	301	336	259
	(8.8)	(6.2)	(-26.8)	(5.2)	(11.8)	(-23.0)
Non-Oil	31,343	32,988	33,627	20,769	23,014	24,663
	(21.0)	(5.2)	(1.9)	(16.9)	(10.8)	(7.2)
II. Import	36,678	39,132	40,779	24,304	27,300	29,908
	(28.0)	(6.7)	(4.2)	(23.7)	(12.3)	(9.6)
Oil and POL	7,526	10,036	8,217	4,987	7,002	6,026
	(27.0)	(33.3)	(-18.1)	(22.7)	(40.4)	(-13.9)
Non-Oil	29,152	29,096	32,562	19,317	20,299	23,881
	(28.3)	(-0.2)	(11.9)	(24.0)	(5.1)	(17.7)
III. Trade Balance	-4,881	-5,663	-6,799	-3,234	-3,950	-4,986
Oil Balance	-7,073	-9,554	-7,864	-4,686	-6,666	-5,768
Non-Oil Balance	2,192	3,892	1,065	1,452	2,715	781

P Provisional.

Note: 1. Figures in brackets relate to percentage variation over the previous year.
2. For data in Rupees 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	1993/94	1994/95	1995/96	1996/97	1997/98 P
(1)	(2)	(3)	(4)	(5)	(6)
I. Primary products	4,915.7	5,214.4	7,286.8	8,035.1	7,469.7
	<i>(22.1)</i>	<i>(19.8)</i>	<i>(22.9)</i>	<i>(24.0)</i>	<i>(22.0)</i>
A. Agriculture and allied products	4,027.5	4,226.1	6,111.8	6,862.7	6,403.5
<i>of which :</i>	<i>(18.1)</i>	<i>(16.1)</i>	<i>(19.2)</i>	<i>(20.5)</i>	<i>(18.8)</i>
Tea	337.7	310.7	350.1	292.1	405.0
Coffee	173.9	335.3	449.3	401.9	436.4
Rice	410.2	384.0	1,365.7	893.6	881.1
Cotton raw (incl. waste)	208.4	44.5	60.9	443.5	226.0
Tobacco	147.0	81.1	133.6	213.2	284.8
Cashew kernels (incl. CNSL)	334.2	397.2	369.9	362.9	374.2
Spices	181.4	195.0	237.2	338.6	378.8
Oil meal	740.9	572.6	702.2	984.6	915.8
Fruits and vegetables	132.1	139.1	157.7	163.0	152.2
Processed fruits, juices and misc. processed items	90.6	115.0	265.4	307.1	173.3
Marine products	813.6	1,126.4	1,010.9	1,128.9	1,160.4
Sugar and molasses	56.8	19.8	151.4	303.6	66.8
Meat and preparations	109.8	128.3	187.5	199.7	216.0
B. Ores and minerals	888.2	988.3	1,175.0	1,172.4	1,066.1
<i>of which :</i>	<i>(4.0)</i>	<i>(3.8)</i>	<i>(3.7)</i>	<i>(3.5)</i>	<i>(3.1)</i>
Iron ore	438.0	413.1	514.5	480.7	474.4
Mica, coal and other ores and minerals	450.2	575.2	660.5	691.7	591.7
II. Manufactured goods	16,656.7	20,404.4	23,748.7	24,613.4	25,430.4
<i>of which :</i>	<i>(74.9)</i>	<i>(77.5)</i>	<i>(74.7)</i>	<i>(73.5)</i>	<i>(74.8)</i>
Leather and manufactures	1,299.8	1,610.6	1,731.0	1,579.9	1,442.9
Chemicals and allied products	1,477.8	1,955.5	2,359.1	2,690.3	3,120.3
Engineering goods	3,038.8	3,508.0	4,391.3	4,962.7	4,981.9
Readymade garments	2,586.2	3,281.9	3,675.8	3,753.3	3,775.9
Cotton yarn, fabrics, made-ups, etc.,	1,537.1	2,233.8	2,576.8	3,121.7	3,254.1
Natural silk yarn, fabrics, made-ups, etc.,	127.2	136.2	133.2	128.8	149.1
Jute manufactures (Incl. floor coverings)	124.0	150.6	185.7	155.4	97.6
Coir and manufactures	41.4	55.0	62.9	61.0	68.2
Handicrafts	4,768.1	5,328.2	6,129.6	5,664.7	6,039.9
<i>of which:</i>					
Gems and jewellery	3,995.8	4,500.4	5,275.2	4,752.7	5,116.1
Carpets (handmade excl. silk)	453.8	441.5	420.4	436.3	405.3
Works of art	318.5	386.3	433.9	475.7	518.6
III. Petroleum products	397.8	416.9	453.8	481.8	352.8
	<i>(1.8)</i>	<i>(1.6)</i>	<i>(1.4)</i>	<i>(1.4)</i>	<i>(1.0)</i>
IV. Others	268.0	294.5	307.9	339.5	727.1
	<i>(1.2)</i>	<i>(1.1)</i>	<i>(1.0)</i>	<i>(1.0)</i>	<i>(2.1)</i>
Total exports	22,238.3	26,330.3	31,797.2	33,469.8	33,979.9

P Provisional.

Note: 1. Figures in brackets represent percentage to total exports.
2. For data in Rupees 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	Quantum (Thousand tonnes)		Unit value Realisation (\$ per tonne)	
	1996/97	1997/98 P	1996/97	1997/98 P
(1)	(2)	(3)	(4)	(5)
I. Primary goods				
A. Agriculture and allied products				
<i>of which :</i>				
Tea	179.6	171.5	1,626.6	2,361.4
Coffee	163.0	147.9	2,465.4	2,950.3
Rice	2,512.2	2,303.6	355.7	382.5
Cotton raw (incl. waste)	269.6	165.0	1,645.1	1,369.7
Tobacco	117.0	142.9	1,822.0	1,993.1
Cashew kernels (incl. CNSL)	70.6	80.5	5,140.1	4,648.4
Spices	222.1	241.2	1,524.7	1,570.4
Oil meal	4,787.9	5,825.2	205.6	157.2
Marine Products	394.5	387.8	2,861.6	2,992.4
Sugar and molasses	1,716.4	248.6	176.9	268.7
B. Ores and minerals				
<i>of which :</i>				
Iron ore	27,627.9	27,655.6	17.4	17.2
Mica	28.9	30.0	243.8	222.4
Coal	478.0	355.3	48.7	47.4
II. Manufactured goods				
<i>of which :</i>				
Inorganic, organic and agro chemicals	448.9	443.6	1,237.1	1,331.5
Iron and steel	2,108.2	2,051.4	365.2	375.0
Jute manufactures	171.2	116.8	859.5	764.5

P Provisional.

Source: D G C I & S

Table IX-4: India's Imports of Principal Commodities

(US \$ million)

Commodity group	1993/94	1994/95	1995/96	1996/97	1997/98 P
(1)	(2)	(3)	(4)	(5)	(6)
I. Bulk imports	9,125.0	11,320.6	14,315.4	16,365.1	14,655.0
	(39.2)	(39.5)	(39.0)	(41.8)	(35.9)
Cereals and cereal preparations	92.6	29.4	24.0	137.2	285.5
<i>of which :</i>					
Wheat	40.1	0.1	3.1	113.7	261.3
Rice	17.6	2.7	—	—	—
Pulses	180.7	188.8	205.0	250.8	224.3
Fertilizers	838.7	1,052.4	1,682.8	911.2	1,104.1
Crude	122.0	152.6	156.8	134.5	185.7
Sulphur and unroasted iron pyrites	84.9	135.8	144.4	91.0	93.7
Manufactured	631.7	763.9	1,381.6	685.7	824.8
Vegetable oils, fixed, edible	53.1	198.8	676.3	825.1	735.3
Paper, paper boards, mgfs thereof incl. newsprints	221.9	246.2	473.4	498.7	496.2
Metalliferous ores, metal scrap, etc.	442.4	748.1	822.5	819.6	617.8
Petroleum, petroleum products and related materials	5,753.5	5,927.8	7,526.3	10,036.3	8,217.0
Pulp and waste paper	158.6	202.3	275.3	231.7	281.5
Iron and steel	795.0	1,163.6	1,446.3	1,370.6	1,505.5
Sugar	0.2	727.1	64.5	0.9	119.3
Non ferrous metals	479.2	717.9	904.0	1,105.6	908.7
Crude rubber, including synthetic and reclaimed	109.0	118.1	215.0	177.3	159.6
II. Non-bulk imports	14,181.2	17,333.8	22,362.6	22,767.4	26,124.1
	(60.8)	(60.5)	(61.0)	(58.2)	(64.1)
A. Capital goods	6,232.3	7,638.1	10,330.9	9,922.0	9,187.1
	(26.7)	(26.7)	(28.2)	(25.4)	(22.5)
<i>of which :</i>					
Machinery other than electrical and electronic	1,881.7	2,727.8	3,924.6	3,644.3	3,541.1
Machinery electri., electro. and computer software	1,134.5	1,523.1	2,259.7	1,833.6	2,413.6
Transport equipment	1,269.2	1,113.6	1,105.2	1,484.3	906.3
Manufactures of metals and machine tools	333.0	419.8	650.2	841.4	744.3
Project goods	1,613.9	1,853.6	2,391.2	2,118.3	1,581.8
B. Pearls, precious and semi-precious stones	2,634.5	1,629.7	2,106.2	2,925.0	3,142.9
	(11.3)	(5.7)	(5.7)	(7.5)	(7.7)
C. Others	5,314.4	8,066.0	9,925.5	9,920.4	13,794.1
	(22.8)	(28.1)	(27.1)	(25.4)	(33.8)
<i>of which :</i>					
Organic and inorganic chemicals	1,370.7	2,137.1	2,565.7	2,660.9	2,992.1
Gold and silver	..	712.7	867.2	991.5	2,919.3
Professional, scientific controlling instruments, photographic optical goods	422.3	491.9	669.1	552.6	713.7
Artificial resins and plastic materials, etc.	434.5	606.2	803.5	796.0	690.1
Textile yarn, fabrics, made-ups, etc.	228.4	329.6	358.7	358.5	401.4
Medicinal and pharmaceutical products	257.9	298.5	406.0	306.8	350.1
Non-metallic mineral manufactures	86.8	131.5	151.5	120.9	142.9
Chemical materials and products	167.0	201.9	245.5	263.6	271.4
Synthetic and regenerated fibre	40.2	141.4	150.1	119.2	123.6
Cashew nuts	153.9	220.2	227.2	193.7	200.2
Total imports	23,306.2	28,654.4	36,677.9	39,132.5	40,779.1

P Provisional.

Note: 1. Figures in brackets represent percentage to total imports.
 2. For data in Rupees 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	Quantum (Thousand tonnes)		Unit value Payment (\$ per tonne)	
	1996/97	1997/98 P	1996/97	1997/98 P
(1)	(2)	(3)	(4)	(5)
I. Bulk Imports				
Cereals and cereal preparation	664.2	1,401.4	206.5	203.7
<i>of which :</i>				
Wheat	612.7	1,344.5	185.6	194.3
Rice	—	0.1	—	254.7
Pulses	654.9	659.4	383.0	340.2
Fertilizers				
<i>of which :</i>				
Crude	2,038.4	2,470.7	66.0	75.2
Sulphur and unroasted iron pyrites	1,543.2	1,547.9	59.0	60.5
Manufactured	3,464.1	4,533.8	197.9	181.9
Vegetable oils, fixed, edible	1,416.8	1,129.9	582.4	650.8
Paper, paper boards, mgfs thereof incl. newsprints	600.6	802.5	830.3	618.4
Pulp and waste paper	760.0	483.8	304.9	581.8
Iron and steel	2,174.7	2,068.8	630.2	727.7
Sugar	2.1	330.2	426.6	361.3
Crude rubber, including synthetic and reclaimed	113.6	107.5	1,561.2	1,484.8
II. Others				
Synthetic and regenerated fibre	84.4	84.3	1,412.7	1,466.3

P Provisional.

Source: D G C I & S

Table IX-6: Direction of India's Foreign Trade

(US \$ million)

Country	1980/81			1990/91			1996/97			1997/98 P		
	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance	Export	Import	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	18,601.4 (55.6)	19,456.6 (49.7)	-855.2	18,925.0 (55.7)	20,731.7 (50.8)	-1,806.7
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	8,354.9 (25.0)	9,913.3 (25.3)	-1,558.4	8,554.9 (25.2)	9,754.4 (23.9)	-1,199.5
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	6,908.4 (20.6)	3,999.3 (10.2)	2,909.2	7,046.9 (20.7)	4,061.8 (10.0)	2,985.1
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	2,456.9 (7.3)	3,584.1 (9.2)	-1,127.2	2,352.3 (6.9)	3,706.8 (9.1)	-1,354.5
Other OECD countries	208.9 (2.5)	411.4 (2.6)	-202.5	535.6 (3.0)	781.7 (3.2)	-246.1	881.1 (2.6)	1,959.9 (5.0)	-1,078.8	970.8 (2.9)	3,208.8 (7.9)	-2,237.9
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	3,232.5 (9.7)	10,154.1 (25.9)	-6,921.6	3,400.6 (10.0)	9,419.9 (23.1)	-6,019.3
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	1,098.5 (3.3)	1,102.7 (2.8)	-4.2	1,202.4 (3.5)	1,100.0 (2.7)	102.4
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	10,033.0 (30.0)	8,415.2 (21.5)	1,617.8	10,074.0 (29.6)	9,460.8 (23.2)	613.2
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	8,133.9 (24.3)	6,573.4 (16.8)	1,560.5	7,745.7 (22.8)	7,081.8 (17.4)	663.9
SAARC	298.7 (3.5)	177.2 (1.1)	121.5	533.4 (2.9)	131.4 (0.5)	402.0	1,701.6 (5.1)	241.6 (0.6)	1,460.1	1,566.9 (4.6)	249.9 (0.6)	1,317.0
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	6,432.3 (19.2)	6,331.8 (16.2)	100.4	6,178.8 (18.2)	6,831.9 (16.8)	-653.1
Africa	436.7 (5.1)	258.2 (1.6)	178.5	393.6 (2.2)	572.7 (2.4)	-179.2	1,420.0 (4.2)	1,287.7 (3.3)	132.3	1,606.8 (4.7)	1,794.3 (4.4)	-187.6
Latin American countries	40.5 (0.5)	383.5 (2.4)	-343.0	95.2 (0.5)	545.8 (2.3)	-450.6	479.1 (1.4)	554.1 (1.4)	-75.0	721.5 (2.1)	584.6 (1.4)	136.9
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 (0.0)	8.4	22.6 (0.1)	3.8 (0.0)	18.8	25.5 (0.1)	66.7 (0.2)	-41.2
Total	8,494.9	15,884.8	-7,389.9	18,145.2	24,072.5	-5,927.3	33,469.8	39,132.4	-5,662.7	33,980.2	40,779.1	-6,798.9

P Provisional

Note: 1 Exports of petroleum products amounting to \$ 31.5 million in 1980/81, \$ 522.7 million in 1990/91, \$ 481.8 million in 1996/97 and \$ 352.8 million in 1997/98 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

The year 1997-98 was marked by continuing weakness in external demand and in real domestic activity. The current account deficit widened to 1.7 per cent of GDP in 1997-98 from 1.2 per cent of GDP in 1996-97 (Table X-1 and X-2). Net inflows under the capital account were marginally lower than those in the preceding year and were subjected to fluctuations in response to exchange rate developments. Nevertheless, as the capital flows for the year as a whole exceeded the current account deficit, the overall balance of payments recorded a surplus of US \$ 4,511 million. With the IMF repurchases at US \$ 618 million, the reserves (excluding valuation changes) increased by US \$ 3,893 million during the year.

Merchandise Trade

The sluggishness in exports visible since 1996-97 continued during 1997-98. In the case of imports, non-oil Customs imports recovered during the year to record a growth of 11.9 per cent from the trough in 1996-97. POL imports, on the other hand, were substantially lower than those of the previous year as they benefited from softer international POL prices. The overall import growth, measured on payments basis, at 4.4 per cent was, therefore, lower than that in the previous year (12.1 per cent). The merchandise trade deficit, nonetheless, widened from US \$ 14,815 million (4.1 per cent of GDP) in 1996-97 to US \$ 16,277 million (4.3 per cent of GDP) in 1997-98.

Invisibles

The net surplus under invisibles remained buoyant during the year with the surplus amounting to US \$ 9,804 million as against a surplus of about US \$ 9,300 million in 1996-97. This was after adjusting for transfer of India Development Bonds (IDBs) to residents of the

order of about US \$ 1,000 million (including such transfers, the surplus in the invisible account in 1996-97 was US \$ 10,321 million) (Table X-3). Invisibles surplus has been a durable source of support to the balance of payments; for instance, the invisible surplus financed almost 60 per cent of the trade deficit in 1997-98 although down from 70 per cent in 1996-97 reflecting the widening of the trade deficit over the year.

Under non-factor services, software exports surged by about 55 per cent to an estimated US \$ 1,700 million (on the top of a rise of 46 per cent in 1996-97) and offset higher outgo on account of resumption of trend levels under travel payments and technology transfer related service payments and a deceleration in tourist arrivals; accordingly, net earnings from non-factor services increased from US \$ 851 million to US \$ 1,143 million in 1997-98. Private transfers continued to provide healthy support to the balance of payments; net remittances at US \$ 11,830 million were higher than those in 1996-97, taking into account the one-time redemption on account of IDBs. In the recent period, private exchange houses have emerged as an important channel for remittances supplementing the banks on account of the relatively attractive exchange rate offered by them and their wider coverage, especially in the Middle East. Net investment income payments increased moderately during 1997-98, mainly due to higher interest payments on external borrowings even when the outgo on account of profits and dividend remained subdued.

Current Account

Reflecting the continuing slowdown in export growth, the current account deficit widened from US \$ 4,494 million (1.2 per cent of GDP) in 1996-97 to US \$ 6,473 million (1.7 per cent of GDP) in 1997-98 (Tables X-1 and X-2), despite stable net invisible earnings and substantial saving in POL imports on account of softening of world oil prices. Nevertheless,

* This chapter is based on data/information available up to end-October 1998.

this order of current account deficit is viable, given the present level of current receipts to GDP ratio and the level of normal capital flows. Reflective of the policy induced compositional shift in the capital account towards non-debt flows, the debt service ratio declined from 21.2 per cent in 1996-97 to 19.5 per cent in 1997-98. Even by a wider definition, the liability service ratio (which includes remittances of profits and dividends along with debt service as a ratio of current receipts) showed a downward trajectory, with the ratio declining from 21.6 per cent in 1996-97 to 20.5 per cent in 1997-98.

Capital Account

Developments in the capital account during 1997-98 shifted dramatically from capital flows exceeding the current financing requirements leading to accretion in Reserve Bank's foreign currency assets in the period April-August 1997 to a phase in September-February 1997-98 when exchange market turbulence dampened capital inflows, and required the Reserve Bank's intervention sales during the period. In March 1998, there was return of stability in the exchange market and the resumption of capital flows; accordingly, the Reserve Bank recouped reserve losses.

Under the impact of exchange market volatility, portfolio investment by foreign institutional investors (FIIs) and deposit schemes for non-resident Indians were adversely affected. On the other hand, direct foreign investment, external assistance, and external commercial borrowings remained unaffected notwithstanding the sporadic speculative attacks on the exchange rate, although entities raising funds under commercial borrowings revealed a preference for holding funds abroad, partly to avoid exchange risk and partly in response to sluggish industrial activity.

Overall Balance

Despite fluctuations in capital flows during the year, net capital flows at US \$ 10,984 million exceeded the current account deficit during the year, resulting in an overall balance of payments surplus of US \$ 4,511 million in 1997-98 as against that of US \$ 6,793 million

in 1996-97. The overall surplus in 1997-98 enabled repurchases from the IMF of US \$ 618 million and accretion to the foreign exchange reserves, excluding valuation changes, of US \$ 3,893 million (Table X-2).

External Assistance

Disbursements under external assistance (net of amortisation and interest payments) during the financial year 1997-98 turned negative to US\$ 145 million as against net inflow of aid of US\$ 38 million during 1996-97.

Authorisation

The declining trend in fresh authorisation of external assistance (loans and grants taken together) witnessed since 1988-89 continued during 1997-98 with the authorisation of total external assistance amounting to US \$ 4,555 million as against US \$ 4,829 million during 1996-97. Authorisation of loans as well as that of grants decreased during 1997-98. While the loans authorised during the year at US \$ 3,990 million fell by US \$ 13 million, authorisation of grants during 1997-98 amounted to US \$ 565 million, a decrease of US \$ 261 million over the preceding year (Table X-5 and X-6).

Utilisation

Utilisation of total aid (comprising loans and grants) by India during the year 1997-98 amounted to US \$ 3,162 million as against US \$ 3,375 million during 1996-97. As a proportion to authorisation, the amount of utilisation, however, remained almost the same as in the preceding year at around 69 per cent during 1997-98. The proportion of annual utilisation flows to the stock of unutilised balance at the end of the year increased to 19.1 per cent in 1997-98 as compared with 18.3 per cent during 1996-97.

Debt Service Payments

The total debt service payments (i.e. amortisation and interest payments) under external assistance during the year 1997-98 amounted to US \$ 3,307 million as against US \$ 3,337 million during the year 1996-97.

The total debt service payments, however, exceeded the total disbursement during the year resulting in a negative transfer of resources under external assistance.

Cumulative Assistance

Cumulative utilisation of external assistance as a proportion of cumulative authorisation at the end of March 1998 was around the same as that at the end of March 1997, i.e., at around 71 per cent. The share of the World Bank group (comprising the IBRD and the IDA) and Japan in the cumulative authorisation also remained almost same at 42 per cent and 16 per cent, respectively.

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 erstwhile USSR, increased to US \$16,585 million (Rs.65,502 crore) in 1997-98 from US \$ 15,787 million (Rs.56,700 crore in 1996-97)

India's Financial Assistance to other Countries

Fresh commitments under external assistance during the year 1997-98 amounted to Rs.131.02 crore as against Rs.99.0 crore during 1996-97. The major beneficiaries of this assistance were Nepal and Vietnam, each accounting for 26 per cent of the total authorisation.

Utilisation of external assistance during 1997-98 was Rs.94.13 crore mainly because of higher utilisation by Sri Lanka of Rs.51.22 crore and by Vietnam of Rs.28.24 crore.

India's external assistance to developing countries, in cumulative terms, amounted to Rs.3,310 crore, comprising a loan component of Rs.1,544 crore and a grant component of Rs.1,766 crore. As a proportion of cumulative authorisation at the end of March 1998, cumulative utilisation at the end of March 1998 amounted to 83.2 per cent as against 82.6 per cent as at the end of March 1997. The amount

of outstanding undisbursed assistance from India as at the end of March 1998 stood at Rs.554.23 crore as against Rs.542.34 crore as at the end of March 1997.

IMF Transaction

Repurchases from the IMF during 1997-98 under the Stand-by Credit Tranche and Contingency and Compensatory Financing Facility (CCFF) amounted to US \$ 618 million or SDR 449 million.

Commercial Borrowings

Drawals under external commercial borrowings (medium- and long-term) during the year at US \$ 7,371 million were marginally lower than those in the previous year (US \$ 7,571 million) as demand for external commercial borrowings slumped in the second half mainly on account of slow down in economic activity and partly reflecting a sharp rise in forward premia. Net inflows under external commercial borrowings amounted to US \$ 3,999 million, significantly higher than that of US \$ 2,848 million in 1996-97 on account of lower amortisation (Table X-2).

The policy for external commercial borrowings is subject to continuous review as part of a prudent external debt management strategy. The demand for external resources for new investment as well as for expansion of existing capacity is modulated through annual ceilings on access, prioritisation of end-use and monitoring of costs. In the light of the Asian financial crisis and its impact on international markets and the need for according importance to infrastructure and export sectors as thrust areas, shifts in the policy for external commercial borrowings were effected in April 1998, July 1998 and August 1998. ECBs are now permitted for project related expenditure in all sectors. In view of the changed external financial environment, the average maturity for ECB was reduced from 7 years to 5 years for proposals above US \$ 20 million. The limit under the US \$ 3 million scheme, approved by the Reserve Bank, was increased to US \$ 5 million. Average maturity for long-term maturity ECBs outside the ECB cap was reduced from 10 years and 20 years, to 8 years and 16 years,

respectively. Furthermore, to enable corporates to hedge exchange risks, domestic rupee denominated structured obligations have been permitted to be credit enhanced by international banks, international financial institutions and joint venture partners. (Please see Box (X-1) for a capsule on India's external commercial borrowings for 1998-99.)

Foreign Investment : Emerging Trends

Foreign investment inflows, which recorded a healthy rising trend since 1991-92 except for a temporary decline during 1995-96, exhibited a reversal during 1997-98. Foreign investment flows, which showed deceleration during 1997-98, amounted to US \$ 5,025 million as compared with US \$ 6,008 million during 1996-97. This was mainly due to a decline in portfolio investment inflows, which could be attributed partly to turbulence in the Indian foreign exchange market in the second half of 1997-98.

Foreign Direct Investment (Foreign Collaboration)

Foreign direct investment flows increased to US \$ 3,197 million during 1997-98 from US \$ 2,696 million during 1996-97. There was increase in flows under various schemes for foreign direct investment, except those for NRI investments. There was a sharp rise of US \$ 832 million in foreign investment under proposals approved by the Secretariat of Industrial Approvals (SIA)/ Foreign Investment Promotion Board (FIPB). Foreign investment flows under the Reserve Bank automatic route went up to US \$ 202 million during 1997-98 from US \$ 135 million during 1996-97. There was substantial decline of flows under NRI investments during 1997-98, which stood at US \$ 241 million in comparison with US \$ 639 million during 1996-97.

The proposals approved for foreign equity participation (excluding NRI direct investment routed through the Reserve Bank) rose substantially to US \$ 14,867 million (Rs. 53,934 crore) in 1997 from US \$ 9,225 million (Rs. 32,659 crore) in 1996 (Statement 210, Vol.II). Actual inflows as a proportion of approvals under

foreign direct investment (excluding NRI direct investment routed through the Reserve Bank) increased marginally from 19 per cent in 1996 to 20 per cent in 1997. Cumulative actual inflows as a percentage of approvals under foreign direct investment, stood at 18 per cent (excluding NRI direct investment routed through the Reserve Bank) at the end of April 1998. As in the preceding year, the U.S.A and Germany with 459 and 254 proposals, respectively, dominated the total number of foreign investment proposals at 2,325 approved in 1997 (Statement 210 Vol. II). The U.S.A and Mauritius, with Rs.13,570 crore and Rs.10,428 crore, respectively, accounted for the highest share in the total amount of foreign investment approved in 1997. The total number of proposals and total amount under foreign direct investment have recorded a healthy rising trend since 1991.

The foreign equity investment flows to developing countries recorded a rising trend over the years till 1996, but this trend reversed in 1997 when these flows declined from US \$ 165 billion in 1996 to US \$ 152 billion in the year 1997. India's share in the total foreign direct investment in developing countries remained at 2.3 per cent as it was during 1995 and 1996, but India's share in portfolio equity investment increased from 6.3 per cent in the year 1996 to 7.8 per cent in the year 1997. (Table X-9)

Portfolio Investment

Portfolio investment flows in India come in various forms such as issuance of Global Depository Receipts (GDRs) by Indian corporates, investment by Foreign Institutional Investors (FIIs) and non-resident Indians (NRIs) in equity and debt instruments (both corporate and Government securities) and through floating of off-shore funds. Portfolio flows boost the sentiment in the capital market and help in bringing down the cost of capital of new issues. In the development of the capital market and foreign exchange market, portfolio flows play a synergic role. Reflecting adverse external and internal developments, portfolio investment flows, however, declined substantially to US \$ 1,828 million during 1997-98 from US \$ 3,312 million during 1996-97 (Table X-10).

The decline in portfolio flows during 1997-98 was mainly on account of lower offerings of GDR issues and sharp decrease in investments by FIIs. The amount raised under GDRs fell from US \$ 1,366 million in 1996-97 to US \$ 645 million in 1997-98 (Table X-10) due to pessimistic sentiments prevailing in domestic stock exchanges. GDR offerings were recorded predominantly in the month of April, May and December in 1997-98.

The slackening of investments by FIIs during the year under review was mainly on account of currency turmoil in East Asia. Portfolio investments by FIIs decreased from US \$ 1,926 million in 1996-97 to US \$ 979 million in 1997-98 (Table X-10) with net outflows of US \$ 375 million during November 1997 to February 1998.

Inflows under various offshore funds and other schemes increased from US \$ 20 million in 1996-97 to US \$ 204 million in 1997-98 (Table X-10). Offshore funds and others schemes flows occurred mainly in the months of May and November 1997 and March 1998.

NRI Investments and Deposits

Policy efforts have been directed towards providing a congenial environment for investments by Non Resident Indians (NRI) ever since India implemented economic reforms in 1991. NRIs are allowed to bring capital in the form of direct investment, portfolio investment and deposits on repatriable and non-repatriable basis.

Various special schemes are formulated for NRIs to attract foreign direct investment. Under the portfolio investment scheme, NRIs are permitted to invest individually 5 per cent and collectively 10 per cent of the total paid up capital of the company. In 1997-98, direct investment by NRIs declined to US \$ 241 million from US \$ 639 million in 1996-97 (Table X-10). The amount approved under various schemes of NRI direct investment routed through the Reserve Bank declined substantially from Rs. 3,590 crore in 1996 to Rs. 1,077 crore in 1997 (Statement 211, Vol.II).

Inflows under various schemes for non-resident deposits decreased markedly to US \$ 1,154 million in 1997-98 from US \$ 3,314 million during 1996-97 (Table X-11). Exclusive of accrued interest, there was a net outflow of US \$ 677 million under NRI deposits during 1997-98 as compared with net inflows of US \$ 1,541 million in 1996-97. This was mainly due to a net outflow of US \$ 2,270 million (Table X-11) recorded under the discontinued Foreign Currency Non Resident (Account) [FCNR (A)] scheme during 1997-98. For other schemes, exchange rate movements combined with imposition of incremental cash reserve ratio (CRR) of 10 per cent on NRI deposits in April 1997 started taking hold in the form of subdued inflows in July 1997 which turned into a net outflow of US \$ 194 million in August 1997. Net inflow amounted to US \$ 971 million under Foreign Currency Non Resident (Banks) [FCNR (B)], US \$ 1,197 million under Non Resident (External) Rupee Account [NR (E) RA] and US \$ 1,256 million under Non Resident (Non Repatriable) Rupee Deposit [NR (NR)RD] during 1997-98 (Table X-11). In the preceding year, i.e., 1996-97 there was net inflow of US \$ 1,773 million under FCNR (B), US \$ 1,244 million under NR (E) RA and US \$ 2,246 million under NR (NR) RD scheme.

The outstanding balances under all the NRI deposit schemes combined amounted to US \$ 20,402 million at the end of March 1998, a marginal increase from US \$ 20,389 million at the end of March 1997 (Table X-12). Outstanding balances under various existing schemes i.e., FCNR (B), NR (E) RA and NR (NR) RD amounted to US \$ 8,467 million, US \$ 5,637 million and US \$ 6,262 million at the end of March 1998 in comparison with US \$ 7,496 million, US \$ 4,983 million and US \$ 5,604 million at the end of March 1997, respectively (Table X-12).

Indian Investment Abroad

In addition to existing Reserve Bank's single window for receipt and disposal of proposals for overseas investment by Indian companies in Joint Ventures (JVs)/ Wholly Owned

Subsidiaries (WOSs) up to US\$ 4 million, 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 of 50 per cent of the amount raised).

Total number of approvals issued for JVs/WOSs decreased to 217 during 1997 from 283 approvals issued during 1996. Under the Fast Track Route (FTR), a total number of 104 approvals were issued involving US \$ 79 million (of which US \$ 49 million was through equity participation and loans and US \$ 30 million through guarantees) and 112 proposals of US \$ 483 million (of which US \$ 401 million in the form of equity participation and loans and US \$ 82 million in the form of guarantees) were issued under the Normal Track during 1997-98. A total number of 623 proposals involving an amount of US \$ 1141 million (comprising US \$ 800 million, US \$ 15 million and US \$ 327 million through equity, loans and guarantee, respectively) were issued from December 1995 to August 1998.

Actual outflows under Indian Investment Abroad in JV/WOSs stood at US \$ 121 million in 1997-98 as against US \$ 202 million during the preceding year. Actual outflows on account of Indian investment abroad during 1997-98 comprised US \$ 107 million by the way of cash remittances, US \$ 13 million in the form of exports and other forms. The substantial decline in the actual outflows during 1997-98 is attributed mainly to unsettled global environment for investment in 1997.

Policy and Developments

External Commercial Borrowings (ECBs)

The policy for external commercial borrowings has been operated flexibly, keeping in view the objectives of prudent and cost effective external debt management as also the varying need of industry in the light of the cyclical changes in overall economic activity. In the light of the adverse developments in the international markets and requirements of different sectors of the industry, ECB policy was reviewed for the year 1998-99 (See Box X-1).

Box X-1 : Policy for External Commercial Borrowings : An Update

External Commercial Borrowings (ECBs) include commercial bank loans, buyer's credit, suppliers' credit, securitised instruments such as Floating Rate Notes and Fixed Rate Bonds etc., credit from official export credit agencies and commercial borrowings from the private sector window of Multilateral Financial Institutions such as International Finance Corporation (Washington), ADB, AFIC, CDC, etc.

The policy for ECBs is administered with a view to ensuring access to external finance for Indian corporates for expansion of existing capacity as well as for fresh investment. Consistent with the objective of prudent debt management, access to ECBs is allowed within an annual cap or ceiling. Higher priorities in access to ECBs are given for projects in the infrastructure and core sectors such as Power, Oil Exploration, Telecom, Railways, Roads and Bridges, Ports, Industrial Parks and Urban Infrastructure etc. and export sector. Development Financial Institutions, through their sub-lending against the ECB approvals, are also expected to give priority to the needs of medium and small-scale units.

ECBs should have the following minimum average maturities :

- a) Minimum average maturity of three years for external commercial borrowings equal to or less than USD 20 million equivalent;
- b) Minimum average maturity of five years for external commercial borrowings greater than US \$ 20 million equivalent;
- c) Minimum average maturity of three years for any

amounts for 100% Export Oriented Units (EOUs);

- d) Bonds and FRNs can be raised in tranches of different maturities as long as the average maturity of the different tranches within the same overall approval satisfies the maturity criteria.

All Corporates and Institutions are permitted to raise ECBs up to US \$ 5 million equivalent at a minimum simple maturity of 3 years. Borrowers may utilise the proceeds under this window for general corporate objective without any end-use restrictions excluding investments in stock markets and in real estate. Sanctioning power rests with Reserve Bank of India (RBI) under this scheme with effect from 15th December 1996.

Corporates who have foreign exchange earnings are permitted to raise ECB upto thrice 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 general corporate objectives excluding investments in stock markets and in real estate.

Holding Companies/ promoters are permitted to raise ECB upto a maximum of US\$ 50 million equivalent to finance equity investment in a subsidiary/ joint venture company implementing infrastructure projects so that domestic investor can meet the minimum domestic equity requirements.

ECB of eight years and above are outside the ECB ceiling, though prior approval for such borrowings is necessary. Funds raised under this window are not subject to end-use restriction other than that relating to investment in real estate and stock

market upto the extent of :

- (a) US\$ 100 million if the maturity is 8 years and above but less than 16 years.
- (b) US\$ 200 million if the average maturity is 16 years and above.

Furthermore, the long-term debt instrument should not include any "put" or "call" options potentially reducing the stated maturities. Development Financial Institutions may raise ECB under this window in addition to their normal annual allocation covered by the cap.

While DFIs are required to adhere to the average maturity criteria prescribed, they can on-lend at different maturities. They may also on-lend for project-related rupee expenditure. All financial intermediaries, including DFIs, are required to on-lend their external commercial borrowings within 12 months of drawdown.

ECBs are to be utilised for import of capital goods and services (on FOB or CIF basis). ECBs are also permitted for project related rupee expenditure in all sectors subject to certain conditions. Under no circumstances, ECB proceeds can be utilised for :

- (i) Investment in stock market; and
- (ii) Speculation in real estate.

All the infrastructure and greenfield projects are permitted to avail ECB upto an extent of 35% of the total project cost. For telecom projects, upto 50 % of the project cost (including the license fee) is allowed. Greater flexibility is also allowed in case of power projects and other infrastructure projects based

on merits.

Keeping in view recent market conditions, upto 50 % of the permissible debt is allowed in the form of sub-ordinate debt at a higher interest rate, provided the composite spread for senior and sub-ordinate debt taken together comes within the overall project financing limit. Interest payable by an industrial undertaking in India, related to external commercial borrowings as approved by GOI/RBI is eligible for withholding tax exemptions. While ECB for minimum maturity of three years and above will be sanctioned by the Ministry of Finance, approvals of short-term foreign currency loans with a maturity of less than three years are sanctioned by RBI.

Refinancing of outstanding amounts under existing loans by raising fresh loans at lower costs is permitted on a case-to-case basis, subject to the condition that the outstanding maturity of the original loan is maintained. Rolling over an ECB or inter corporate swapping of ECBs is not permitted. Corporates can, however, undertake liability management for hedging the interest and/ or exchange rate risk on their underlying foreign currency exposure without any prior approval through :

- (i) Interest rate swaps
- (ii) Currency swaps
- (iii) Coupon swaps
- (iv) Forward rate agreements.

The ECB guidelines and procedures are periodically reviewed in the light of prudent management of external debt, changing market conditions and sectoral requirements etc.

Foreign Investment

Foreign Direct Investment was allowed into sixteen non-banking financial services (merchant banking, underwriting, portfolio management services, investment advisory services, financial consultancy, stock broking, asset management, venture capital, custodial services, factoring, credit reference, credit rating, leasing and finance, housing finance, forex holding and credit card services) during the year through the Foreign Investment Promotion Board (FIPB) subject to guidelines relating to minimum capitalisation norms, schedule of capitalisation and domestic equity participation. In a major drive to simplify procedures for foreign direct investment under "automatic" route, the Reserve Bank dispensed with the need for its prior approval for such proposals. In order to simplify procedures further in respect of foreign direct investment cases already approved by the Government of India (SIA/FIPB), the Reserve Bank dispensed with requirement for its "in principle" permission before receiving overseas investment or for issuing shares to foreign

investors. Indian companies satisfying the conditions stipulated in the letters of approvals issued by SIA/FIPB could issue shares/securities to foreign investors and file one copy of the application together with the required documents with the concerned Regional Office of the Reserve Bank within 30 days from the date of issue of shares. Expanding the scope of "automatic route" for foreign direct investments, the Government of India approved 13 additional categories of industries/items under services sector for foreign equity participation up to 51 per cent of the equity, 3 items relating to mining activity up to 50 per cent foreign equity participation and 9 categories of industries/activities up to 74 per cent foreign equity participation.

As a part of liberalisation process, the Reserve Bank of India decided to permit foreign banks operating in India to remit their profits/surplus to their head offices without the approval of the Reserve Bank. The permission is subject to the banks complying with the provisions of the Banking Regulation Act, 1949

and the directions issued by the Reserve Bank from time to time. With a view to relaxing exchange control further, the Reserve Bank allowed branches of foreign companies operating in India to remit profits to their head offices without the prior approval of the Reserve Bank. The powers to allow such remittances had been delegated to Authorised Dealers (ADs) in foreign exchange. Regional offices of the Reserve Bank were delegated the work relating to grant of approval for foreign technical collaboration proposals so as to extend easy accessibility to applicants, effective April 21, 1997.

Authorised Dealers (ADs) were permitted to provide forward cover to FIIs in respect of their fresh investment in equity in India as well as to cover the appreciation in the market value of their existing investments in India, effective June 12, 1998. The amount eligible for cover would be the (i) difference between the market value of their investments as at the close of business on June 11, 1998 converted at the Reserve Bank reference rate of Rs. 42.38 per US dollar and the market value of investments at the time of providing the cover converted at the current rate; or (ii) fresh inflows (including reinvestments of cash balances lying in the accounts of the FIIs at the close of business on June 11, 1998) since June 11, 1998, whichever is higher. ADs were given the option of extending the cover fund-wise or FII-wise according to their operational feasibility. The same facility was extended to NRIs/OCBs for their portfolio investments, effective June 16, 1998.

Liberalising further foreign investment in India, the Government of India announced that the individual and aggregate portfolio investment ceiling for NRIs/OCBs/PIOs would be exclusive of the individual portfolio investment ceiling of 10 per cent and aggregate portfolio investment ceiling of 30 per cent of the paid up capital for FIIs. The aggregate investment ceiling for NRIs/OCBs/PIOs would be 10 per cent of the paid-up capital of a company. In case of Indian companies listed on stock exchanges, the ceiling can be raised to 24 per cent of the paid up capital by passing a General

Body Resolution to that effect. The investment limit by a single NRI/OCB/PIO in the shares of a company under the portfolio investment scheme would continue to be 5 per cent of the paid up capital. To simplify the procedure for investments from NRIs/OCBs in Indian companies, the Reserve Bank decided to grant general permission under the Foreign Exchange Regulation Act (FERA) 1973 in respect of the 100 per cent scheme. Henceforth, Indian companies would not require the Bank's permission for the purpose of receiving inward remittances and issue of shares to NRI/OCB investors under the 100 per cent scheme. These companies would, however, have to file the required documents with the concerned regional offices of the Reserve Bank within 30 days after the issue of shares to NRIs/OCBs. Please see Box X-2 for a summary of the current policy environment for foreign investment in India.

Indian Investment Abroad

Banks were permitted to invest up to 15 per cent of their unimpaired Tier-1 capital in overseas money market as against the previous ceiling of US\$ 10 million. However, nostro balances arising on account of FCNR (B), EEFC, RFC and ESCROW deposits and overnight investments were kept outside the limit. In the wake of turbulence in the exchange market, the Reserve Bank decided that overnight investments out of nostro funds (except for FCNR (B), RFC and EEFC etc.) by banks would come under the cap of 15 percent of unimpaired Tier I capital in overseas money markets.

Non-Resident Indian (NRI) Deposits

In order to bring non-resident deposits at par with resident deposits, the cash reserve ratio (CRR) on incremental basis on non-resident deposits was re-introduced. With a view to providing greater flexibility to the banks in mobilising non-resident deposits, banks were advised that effective September 13, 1997, they are free to fix interest rates on deposits of all maturities under Non-Resident (External) Rupee (NRE) Account Scheme. The minimum period of maturity of NRE deposits will, however,

Box X-2: Facilities Available for FIIs and NRIs / OCBs / PIOs

	Areas of Investment	NRIs/OCBs/PIOs	Foreign Investors
	<i>Financial Collaboration</i>		
1. a)	48 high priority industries	100% equity, repatriable	51% equity, repatriable
b)	Export/Trading/ Star Trading House	100% equity, repatriable, approval by RBI.	51% equity, repatriable, automatic approval by RBI.
c)	Hotels and tourism related industries	100% equity, repatriable, approval by RBI.	51% equity, repatriable, automatic approval by RBI.
d)	9 Infrastructure industries	—	74% equity, repatriable, automatic approval by RBI.
e)	3 industries relating to mining	100% equity repatriable, approval by RBI	up to 50% equity, repatriable, automatic approval by RBI.
2.	100% EOU and units in FTZ and EPZ	100% equity, approval by SIA/DC(EPZ)	100% equity, approval by SIA/DC(EPZ)
3.	Sick industries	100% private placement, approval by RBI *	—
4.	Telecommunications	up to 49% with approval in basic cellular, mobile and paging, VSAT and other wireless services and up to 51% with approval in others	up to 49% with approval in basic cellular, mobile and paging, VSAT and other wireless services and up to 51% with approval in others
5	Power	upto 100% with approval from SIA/ FIPB.	automatic approval up to 100 per cent subject to a limit of Rs 1,500 crores upto 51% with case-by-case approval by SIA/ FIPB.
6.	Medical clinics, Hospitals, Shipping Oil exploration, deep sea fishing, Ind. with licenses	upto 100% with approval from SIA/ FIPB.	
7.	Industries reserved for SSI	up to 24 %, repatriable, approval by SIA	upto 24% equity, prior SIA approval.
8.	Housing, real estate business centres, infrastructure	up to 100 % equity on repatriation basis, approval by RBI *	no foreign investment is allowed except for company property
9.	30% equity on repatriation basis	investment in new/existing issues companies in any activity including services but except for plantation and agriculture	investment in new/existing issues companies except plantation and agriculture (For FIIs only)
10.	22 Consumer Goods Industries	permitted with a dividend balancing clause of export earnings from 7 years of the date of commencement of commercial production.	permitted with a dividend balancing clause of export earnings from 7 years of the date of commencement of commercial production.
11.	Domestic air taxi operations	up to 100% with approval	up to 100% with approval. Foreign airline companies are not allowed equity participation.
12.	Banking operations	up to 40% with approval	up to 20% with approval
13.	Non-Banking Financial Companies (NBFCs)	up to 51% with no condition, up to 100% with condition	up to 51% with no condition, up to 100% with condition
	<i>Technical collaboration</i>		
14.	Transfer of technology	royalty not to exceed 5% of the domestic sales and 8 % of the exports, technical fees not to exceed US \$ 2 million or	royalty not to exceed 5 % of the domestic sales and 8 % of the exports, technical fees not to exceed US \$ 2 million or

Box X-2: Facilities Available for FIIs and NRIs/OCBs/PIOs (Concl'd.)

	Areas of Investment	NRIs/OCBs/PIOs	Foreign Investors
		equivalent for automatic approval from RBI.	equivalent for automatic approval from RBI
15.	Entertainment Electronics	51% equity automatic approval	51% equity automatic approval
	<i>Portfolio Investment</i>		(only for FIIs)
16. a)	Portfolio Investment (Investment in shares and debentures)	individual ceiling of 5% and collective ceiling of 10% relaxable upto 24 % by General Body Resolution.	Individual ceiling of 10% collective ceiling of 30% through SE/OTCEI for FIIs (inclusive of these investment both in primary and secondary markets and excluding NRIs/OCBs).
b)	Open Offers	allowed to deal directly with companies in case of open offers.	allowed to deal directly with companies in case of open offers.
17.	Unlisted companies	allowed to invest only in debt securities.	allowed only 100% debt funds
18. a)	Government securities	allowed	allowed in dated securities as well as in T-bills.
b)	Units in UTI, Public sector mutual funds and Private sector mutual funds	NRIs/OCBs and PIOs are permitted to invest now on a repatriable basis either in the units of UTI or in Mutual Funds floated either by the public sector or private sector financial institutions and both through primary and secondary markets.	allowed investment in the units of UTI or in Mutual Funds floated either by the public sector or private sector financial institutions and both through primary and secondary markets.
19.	Forward Cover	allowed for their investments in debt instruments effective August 11, 1997. Allowed for their fresh investments in equity as well as for the appreciation in the market value of their existing investment in India in equity, whichever is higher, effective June 16, 1998.	allowed for their investments in debt instruments effective August 11, 1997. Allowed for their fresh investments in equity as well as for the appreciation in the market value of their existing investment in India in equity, whichever is higher, effective June 11, 1998.

NRIs = Non-Resident Indians.

OCBs = Overseas Corporate Bodies.

FIIs = Foreign Institutional Investors.

PIOs = Persons of Indian Origin.

FIIs = Foreign Investors.

* Subject to certain conditions.

continue to remain at six months. Hitherto, interest rates on deposits under NRE account scheme with maturity of 6 months and up to 1 year were prescribed, at not exceeding Bank rate minus 2.0 percentage points, by the Reserve Bank.

Liabilities under NR(E)RA deposits and NR(NR)RD were exempted from CRR requirement of 10 per cent, imposed on an

incremental basis as on April 11, 1997, effective the fortnight beginning December 6, 1997 to boost the inflows under these deposits. Furthermore, in order to provide flexibility to banks in determining interest rates on FCNR(B) deposits, banks were permitted to determine interest rates subject to the ceiling of LIBOR/swap rate prevailing on the last working day of the previous week for relevant maturity and currency instead of earlier ceiling interest rates

Box X-3: Deposit Schemes for Non-Resident Indians

Name of the Scheme	Introduced in	Designated in	Repatriability	Rate of Interest	Other Features
1. Non-Resident (External) Rupee Account [(NR(E)RA] Scheme	February 1970	Indian Rupee	Repatriable	Banks are free to determine on varying maturities.	Maintained in savings and fixed deposits. Exempted from income tax and wealth tax
2. Non-Resident (Non-Repatriable) Rupee Deposit Scheme [NR(NR)RD]	June 1992	Indian Rupee	Non-Repatriable	Banks are free to determine on varying maturities.	Authorised dealers are free to fix maturities between 6 months to 3 years.
3. Foreign Currency Non-Resident (Banks) Account Scheme [FCNR(B)]	May 1993	U.S.dollar, Pound Sterling, Yen and Deutsche Mark	Repatriable	Banks are free to offer interest rates subject to ceiling of 50 basis points above LIBOR/swap rates for the deposits of one year and above and 25 basis points below LIBOR/swap rates for the deposits of below one year prevailing on the last working day of the previous week for the relevant maturity and currency.	Maturities of 6 months to 3 years. No exchange risk guarantee provided by RBI but by ADs. Deposits are exempted from part of net demand and time liabilities for the purpose of determining priority sector lending.

prescribed by Reserve Bank from time to time. In order to encourage banks to mobilise long term deposits and discourage them to mobilise short term deposits under FCNR (B), the interest rate ceiling on deposits under FCNR (B) of one year and above was increased by 50 basis points and those on such deposits below one year were reduced by 25 basis points. Banks were permitted to fix their overdue interest rates in respect of FCNR (B) and NRE deposits, subject to these deposits being renewed. Banks were permitted to determine their own penal interest rates for premature withdrawal of NRE deposits as in the case of FCNR (B) deposits. Interest rates charged on rupee loans out of/against FCNR (B) deposits were rationalised making these consistent with lending rates for rupee loans in general. The latest position on various non resident deposit schemes is contained in Box X-3.

External Debt

The stock of India's external debt, which stood at US \$ 93,431 million at the end of March 1997, increased to US \$ 94,404 million at the end of March 1998. The increase in the stock of India's external debt in US dollar terms of US \$ 973 million during 1997-98 was muted

by the appreciation of the US dollar vis-à-vis most other international currencies during this period. This imparted valuation gains, which counteracted the net increase in debt-creating flows of US \$ 3,286 million.

The items under external debt showed varied movements during the year. On the one hand, the outstanding amount of government borrowings from both multilateral and bilateral creditors, debt owed to the International Monetary Fund (IMF), debt owed to Russia and other East European countries denominated in Indian rupees and short term debt declined at the end of March 1998 as compared with their levels at the end of March 1997. On the other hand, non-government debt owed to multilateral and bilateral creditors, debt owed under medium and long term trade credits, other external commercial borrowings and long term non-resident deposits increased at end-March 1998 compared with end-March 1997.

These changes fortified the compositional shifts in India's external debt obligations, which have been occurring in recent years. The share of concessional debt in total debt which declined from 45.1 per cent at the end of March 1996 to 42.3 per cent at the end of

March 1997 fell further to 39.2 per cent at the end of March 1998. Similarly, the concessional element of multilateral and bilateral debt fell steadily from 72.2 per cent at the end of March 1995 to 66.5 per cent at the end of March 1998. While the share of total multilateral and bilateral debt (excluding IMF, trade credits, commercial borrowings and rupee debt) in total debt fell from 51.3 per cent at the end of March 1996 to 49.5 per cent at the end of March 1998, debt owed to the IMF declined from 2.6 per cent at the end of March 1996 to 0.7 per cent at the end of March 1998. The share of debt owed to Russia and other East European countries denominated in Indian rupees in total debt also declined from 8.5 per cent at the end of March 1996 to 8.0 per cent at the end of March 1997 and further to 6.3 per cent at the end of March 1998. On the other hand, the share of medium and long term trade credits gradually increased from 5.9 per cent at the end of March 1996 to 6.1 per cent at the end of March 1997 and to 7.1 per cent at the end of March 1998 while that of other external commercial borrowings rose from 14.2 per cent at the end of March 1996 to 15.5 per cent at the end of March 1997 and to 18.3 per cent at the end of March 1998. The share of long term non-resident deposits increased from 11.8 per cent at the end of March 1997, to 12.7 per cent at the end of March 1998. As a result, while the share of government debt in total external debt has been declining continuously since 1993, private sector external debt has been rising steadily.

A major strengthening of the debt position during 1997-98 has been in respect of India's short-term debt. After an increase to US \$ 6,726 million or 7.2 per cent of total debt at the end of March 1997, the stock of short term debt comprising trade credits of more than six months and up to one year and non-resident deposits of up to one year fell to US \$ 5,046 million or 5.3 per cent of total debt at the end of March 1998.

There has been a significant improvement in the external sector solvency and sustainability indicators during the year 1997-98. The debt-service ratio (defined as the ratio of total debt service, both principal repayments and interest

payments, to current receipts less official transfers) decreased considerably from 21.2 per cent during 1996-97 to 19.5 per cent during 1997-98. Following the gradual composition shift in the capital account of the balance of payments in favour of non-debt creating flows, there is a need to ensure the overall sustainability of capital flows by monitoring movements in external servicing which includes current payments made to service foreign investment. Therefore, debt service should not be looked at in isolation but in conjunction with other liability servicing requirements. The liability service ratio, (defined as the ratio of the sum of repayments, interest payments and payments of profit and dividend to total current receipts) also shows a consistent improvement since 1994-95 as this ratio declined from 26.6 per cent to 24.7 per cent during 1995-96, 21.6 per cent during 1996-97 and further to 20.5 per cent during 1997-98.

The Global Development Finance 1998, published by the World Bank placed India as eighth among the developing countries in terms of the stock of external debt as compared to sixth in its earlier publication. It classifies a country as severe, moderate or less indebted according to the ratio of (i) external debt to gross national product, (ii) external debt to current receipts, (iii) debt service to current receipts, (iv) interest payments to current receipts, (v) present value of debt to exports and (vi) present value of debt to gross national product. These ratios have shown a steady improvement since 1991-92. While the interest payments to current receipt ratio at 7.8 per cent and debt to current receipt ratio at 164.1 per cent during 1997-98 are below the lower bound in terms of the moderately indebtedness criterion, the debt service ratio is marginally above the lower bound for moderately indebted countries. India's debt-GDP ratio also falls comfortably within the band set for moderate indebtedness, despite a marginal increase at the end of March 1998 to 26.4 per cent from 26.2 per cent at the end of March 1997.

The principal objective in the management of external debt continues to be the maintenance of a sustainable balance between the maturity profile, the currency composition of external debt and, at the same time, limiting

the interest/cost structure with special emphasis on the management of short-term debt. The recent crisis in East Asia has also highlighted the importance of prudent debt management which involves, *inter alia*, avoiding the lumping of payments, assessing short term debt to unencumbered foreign exchange reserves and containment of contingent liabilities at prudent level. The Technical Group on External Debt which was set up by the Reserve Bank (Chairman Shri. M.R. Nair) in March 1998 submitted its Report in May 1998. The Report covers wide-ranging recommendations on various aspects of debt management in India. A summary of the major recommendations is given in Box X-4.

Developments in Foreign Exchange Reserves

India's foreign exchange reserves comprising foreign currency assets of the Reserve Bank, gold held by the Reserve Bank and Special Drawing Rights (SDRs) held by the Government of India increased by US \$ 2,944 million during 1997-98 to US \$ 29,367 million (Rs. 1,15,905 crore) as at the end of March 1998 from US \$ 26,423 million (Rs. 94,932 crore) as at the end of March 1997. As a result, the stock of reserves went up reflecting an overall excess supply condition in the foreign exchange market.

Component-wise, the increase in foreign currency assets after adjusting for the effects of valuation loss on account of depreciation of non-dollar currencies *vis-a-vis* the US dollar was of the order of US \$ 3,608 million. Large capital inflows in the face of weak demand necessitated intervention purchases of the order of US \$ 7,208 million during April- September 1997. This phase was followed by a period October-December 1997 of relative dull supply condition strewn with disparate exchange rate expectation, till active demand control measures by the Reserve Bank in mid-January restored normalcy in the market. During this period, there was net intervention sales of US \$ 3,896 million by the Reserve Bank. Since mid-January 1998, the direction of net intervention changed and excess supply in the foreign exchange market

resulted in net purchase by the Reserve Bank of US \$ 3,869 million. The other major transactions in the year which affected the movement of foreign currency assets of the Reserve Bank were aid receipts of US \$ 1,408 million, withdrawal of deposits under FCNR(A) scheme of US \$ 2,243 million, purchase of SDR through the IMF to the tune of US \$ 702 million.

There was a marginal decline in SDR balances held by the government from US \$ 2 million (SDR 1.38 million) as at the end of March 1997 to US \$ 1 million (SDR 0.79 million) as at the end of March 1998.

The Reserve Bank's gold holdings as at the end of March 1997, decreased from a level of 397.5 tonnes at end- March 1997 to 396.2 tonnes at end-March 1998 on account of redemption to the Government of India under the Gold Bond Scheme. The fall in gold stock along with a fall in the international price of gold resulted in the decline in the value of the stock of gold held by the Reserve Bank from US \$ 4,054 million as at the end of March 1997 to US \$ 3,391 million as at the end of March 1998.

There has been an increase in foreign exchange reserves of the order of US \$ 390 million during the first seven months of 1998-99. Foreign exchange reserves as at end-October 1998 stood at US \$ 29,757 million as compared to US \$ 29,367 million at end March 1998. The foreign currency assets of the Reserve Bank increased by US \$ 607 million during April- October 1998 to reach a level of US \$ 26,582 million. On the other hand, there was a significant decline in the stock of gold held by the Reserve Bank from 396.2 tonnes to 357.3 tonnes on account of final redemption of gold to the Government under the Gold Bond Scheme resulting in the decrease in the value of gold holdings of the Reserve Bank from US \$ 3,391 million at end- March 1998 to US \$ 3062 million at end- October 1998. The amount of SDRs held by the Government of India increased by US \$ 112 million from a level of US \$ 1 million at the end of March 1998 to US \$ 113 million at the end of October 1998.

Box X-4 : Report of the Technical Group on External Debt

The Reserve Bank of India appointed a Technical Group on External Debt to examine the need to refine the coverage, compilation and presentation of India's external debt statistics in the light of recent international developments, innovations in India's financial transactions and to cope with the prospective requirement of the emerging scenario. The recommendations of the Technical Group have been accepted for operationalisation by the Governor, Reserve Bank of India.

The Technical Group reviewed the existing definitions, accounting procedures and institutional arrangements concerning the collection, monitoring and presentation of India's External Debt Statistics. It has made recommendations relating to definitional issues, classification and compilation practices which would ensure consistency with international standards. It has proposed methodological frameworks for estimation of elements of external debt, which were hitherto not accounted in the debt statistics. Short term debt, debt by residual maturity, the institutional arrangements for the monitoring of the stock of debt and analytically useful debt indicators have received focussed attention in the Technical Group's Report.

The major recommendations of the Technical Group are :

Deposits under the Non-Resident Non-Repatriable Rupee Deposit Scheme [NR (NR) RD] may be included under the external debt statistics. Lease transactions, borrowings by commercial banks including nostro debits, vostro credits, balances of exchange houses held in India, overseas lines of credits, and trade related credits of maturity less than six months may also be included under external debt. Foreign Institutional Investment (FII) in debt instruments may be shown separately in the debt statistics under a new head "Foreign Investment in Debt Securities" further disaggregated into government and non-government. Contingent liabilities such as derivatives, letters of credit, guarantees and intra entity cross border liabilities may be monitored closely, although they do not form a part of external debt.

External debt may be compiled and presented both on **original** and **residual** maturity for some time before a final shift to residual maturity is made. Residual maturities may be presented

over a span of five years ahead of a reference date.

External debt statistics may be published on a quarterly basis within a quarter of the reference date. Information on contingent liabilities and off balance sheet items may be collated and published on a quarterly basis, synchronous with the release of external debt statistics.

The RBI may be empowered with legal authority to collect information from entities with external liabilities and assets.

The Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) may continue to be the main database management system for India's external debt statistics. Concomitantly, efforts could be made by the principal users to develop in-house database management systems to suit their particular requirements with an emphasis on capability for interfacing.

The Reserve Bank of India may undertake the responsibility of consolidating information received from the various departments and units of the Ministry of Finance dealing with external debt and the Securities and Exchange Board of India on a quarterly basis. Compilation and monitoring of external debt statistics may be centralised in the Reserve Bank. A Monitoring Group on External Debt may be set up for effective coordination of monitoring and management of external debt.

The ratio of short term debt to unencumbered foreign exchange reserves, the ratio of external debt liabilities to total foreign assets (comprising foreign exchange reserves, foreign assets of the banking system and assets held abroad by non-banking entities) and the ratio of debt service payments to reserves may be monitored as analytical debt indicators. Furthermore, the movements in the debt service ratio, defined as the ratio of principal and interest payments to current receipts, may be seen in conjunction with the developments in the current account deficit to GDP ratio and the current receipts to GDP ratio. In view of the fact that the debt service ratio, as conventionally defined, has a downward bias, a broader measure of the debt service ratio may be developed to include the principal repayments (including roll-overs) of short term debt and NRI deposits.

Exchange Rate Developments

The exchange rate of the rupee remained reasonably stable during the first five months of 1997-98 and traded in a narrow range of Rs.35.70 to Rs.36.38 per US dollar. During the second half of 1997-98, the rupee came under downward pressure as negative market sentiment built up in reaction to the intensification of the South-East Asian financial crisis and certain domestic developments. While an initial flare of volatility in the second half of September 1997 ebbed away in October 1997, there was precipitation of market pressure during the last week of November 1997. The Reserve Bank undertook decisive monetary policy measures to contain excess liquidity and

to squelch speculation in the market. The interest rate on post-shipment credit in rupees for the period 90 days and up to six months was increased from 13 per cent to 15 per cent; cash reserve ratio (CRR) was increased by 0.5 percentage point; incremental CRR of 10 per cent on NR(E)RA and NR(NR) deposits was removed with effect from the fortnight beginning December 6, 1997; interest rate on fixed rate repos was increased by 0.5 percentage point; and the facility granted to ADs to offer forward contracts based on past performance and declaration of an exposure was suspended. The rupee was at the average level of Rs.39.22 per US dollar during December

1997 (Table X-14).

With the spread of the South-East Asian crisis, the rupee further depreciated to the level of Rs.40.36 per US dollar on January 16, 1998. The Reserve Bank undertook a series of measures to contain volatility and speculative activities in the foreign exchange market. The Bank Rate was increased from 9 per cent to 11 per cent; the CRR raised from 10 per cent to 10.5 per cent with effect from the fortnight beginning January 17, 1998; interest rate on fixed rate repo pegged up from 7 per cent to 9 per cent; the General Refinance limit reduced from 1 per cent to 0.25 per cent of fortnightly average outstanding aggregate deposits in 1996-97; the export refinance limit reduced from 100 per cent to 50 per cent of the increase in outstanding export credit eligible for refinance over the level of such credit as on February 16, 1996. The exchange market responded positively to these measures and stability set in upon the exchange rate. The rupee was broadly stable until the second week of June 1998.

In the second week of June (i.e., on June 11, 1998) the exchange rate, depreciated to Rs.42.38 per US dollar in response to reactions to sanctions imposed in the wake of nuclear testing and the downgrading of sovereign ratings by Moody's Investors Services. In order to arrest volatility and to restore orderly market condition in the forex market, the Reserve Bank announced a set of measures on June 11, 1998. These included (a) lowering of interest rate on export credit on "incremental exports" over the base year level of exports in 1997-98; (b) allowing Foreign Institutions Investors (FIIs) to undertake foreign exchange cover on their "incremental" equity investment with effect from June 12, 1998; (c) advising importers as well as banks to monitor their credit utilisation so as to meet genuine foreign exchange demand but not unanticipated import requirements beyond a reasonable period, thereby discouraging undue build-up of inventory stocks; (d) allowing domestic financial institutions, with the Reserve Bank approval, to buy back their own debt paper or other Indian papers from international market and (e)

allowing banks/ ADs, acting on behalf of the FIIs, to approach the Reserve Bank in order to buy foreign exchange directly from the Reserve Bank at the prevailing market rate. These measures contributed to restore normalcy in the forex market in the month of June and the rupee reached the level of Rs. 42.47 per US dollar by the end of June 1998 and remained reasonably stable till mid-August 1998.

With the deepening of the Russian financial turmoil and fear of renminbi devaluation exacerbating the turbulence in the foreign exchange market, the rupee reached a low of Rs.43.42 per US dollar on August 19, 1998. The Reserve Bank undertook a series of measures on August 20, 1998 to prevent speculative sentiments from building up in the domestic foreign exchange market. As a temporary measure, in order to absorb excess liquidity, the CRR to be maintained by scheduled commercial banks was increased from 10.0 per cent to 11.0 per cent effective from the fortnight beginning August 29, 1998. The interest rate on fixed rate repo was hiked from 5 per cent to 8 per cent with an announcement for periodic review, keeping in view the liquidity conditions. ADs were allowed to offer forward cover facilities to FIIs to the extent of 15 per cent of their investment as on June 11, 1998 in addition to available facilities. The facility of rebooking cancelled contracts for imports was withdrawn. The facility for splitting forward and spot legs for a commitment was withdrawn. Flexibility was allowed in the use of EEFC accounts. Extension of time limit for repatriation of export proceeds was allowed only in exceptional circumstances. ADs were advised to report their peak intra-day positions.

With the announcement of measures during the month August 1998, the exchange rate of the rupee appreciated in the foreign exchange market, reaching Rs.42.55 per US dollar by end-August 1998. During September 1998, there was a modest appreciation in the exchange rate which reached Rs.42.49 per US dollar by September 29, 1998 and further appreciated to Rs.42.32 per US dollar by November 13, 1998.

Developments Relating to Exchange Control

Current and capital transactions were further liberalised by lifting several exchange control restrictions related to these transactions during 1997-98. Furthermore, to insulate the Indian economy from the contagion from global financial crises and to deepen and widen exchange market further, various measures were taken during 1997-98.

With a view to promoting exports in India, exporters were allowed to set up offices abroad by utilizing funds held in their EEFC account. All exporters were allowed to extend trade related advance to their import clients out of their EEFC accounts up to US \$ 15,000; subsequently, this limit was increased up to US \$ 3 million per EEFC account, without the need for obtaining the Reserve Bank's approval. The interest rates on post-shipment rupee export credit were reduced by one percentage point to provide an incentive for accelerated realisation of export proceeds effective September 13, 1997. ADs were permitted to credit up to 70 per cent of inward remittances received by 100 per cent Export Oriented Units (EOUs) or units located in Export Processing Zones (EPZs)/ Electronic Hardware Technology Park (EHTP)/ Software Technology Parks (STPs) in to their EEFC accounts. Exporters were permitted to retain up to 50 per cent of foreign exchange receipts in foreign currency accounts with banks in India. ADs were permitted to allow exporters to credit up to 50/70 per cent, as the case may be, of the inward remittances received towards export advance, in freely convertible currencies, to their EEFC accounts. Interest rate surcharge of 15 per cent of the lending rate on bank credit for imports was introduced.

With a view to imparting flexibility for corporates and improving liquidity in the forward markets for longer periods (beyond six months), ADs were permitted to book forward cover (beyond six months) for exporters and importers without the requirement of documentary evidence of a firm order or letter of credit, but on the basis of a declaration of exposures supported by past performance and business projections. In the light of turbulence in the exchange market, however, the provisions

for negotiating forward contracts were reversed to documents evidencing exposure. ADs were allowed to run a swap book within their open position/gap limits and arrange forex rupee swaps between corporates without prior approval of the Reserve Bank.

ADs were allowed to grant housing loans to NRIs with similar terms and conditions as applicable to residents. Residents were allowed to avail interest free loans from non-residents 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. The basic travel quota (BTQ) was made available for eligible travelers, irrespective of age. ADs were allowed to release foreign exchange towards service related remittances.

The Reserve Bank announced detailed eligibility criteria for applying for authorization as a nominated agency for import of Gold/Silver/Platinum from nominated agencies. As per the criteria, the applicant entity should be a scheduled commercial bank with an unimpaired total capital of at least Rs.300 crores, Capital to Risk-Weighted Assets Ratio (CRAR) in India of at least 9 per cent, fairly advanced risk management system, excellent track record and previous experience in gold related business activities.

ADs/commercial banks in ACU countries were allowed to transfer ACU dollars among themselves instead of routing the transactions only through their respective central banks. Authorised dealers were allowed to advance payments in respect of other transactions such as engagement of foreign nationals, consultancy services, advertisement space in overseas newspapers/periodicals, specialised training to be imparted abroad/in India, etc., but for payments exceeding US \$ 15,000 or its equivalent a guarantee from an overseas bank of international repute was required. ADs were allowed to release foreign exchange for studies abroad to students whose parents are foreign nationals but permanently resident in India provided the parents do not have/hold foreign currency balances abroad and the student is fully dependent on his parents. The Reserve

Bank had advised authorised dealers to release quota of foreign exchange to students going abroad for studies in one or more installments as required and for a longer period, i.e., beyond six months. Authorised dealers were permitted to allow remittances up to US\$ 1,00,000 by Indian companies to overseas consultancy organisations for conducting feasibility studies for project to be set up abroad by the proposed joint venture/ wholly owned subsidiary of the applicant Indian company. The Reserve Bank removed quantitative restrictions on remittances of claims by Indian tour operator/ travel agents to foreign tourists. In case of refund of the advance, partly or fully, due to failure of the exporter to execute the export contract, the same would be debited to the EEFC account. However, if the balance held in the EEFC account is not sufficient, the exporter will have to arrange for replenishment of funds from other EEFC accounts, if any, maintained with other branches/ADs.

As a part of risk management, banks were advised to monitor unhedged exposures of their clients by building in adequate risk evaluation procedures in their credit appraisal system. Export credit refinance was restored to 100 per cent (instead of the prevailing 50 per cent) effective fortnight beginning May 9, 1998. Interest rate on pre-shipment export credit up to 180 days was reduced from the existing 12 per cent to 11 per cent. Interest rate against incentives receivable from Government covered by ECGC guarantee in respect of pre-shipment credit up to 90 days was reduced from the existing 12 per cent to 11 per cent.

In order to facilitate the implementation of the Government's decision of reduction in interest rates for pre-shipment and post-shipment credit to exporters by 2 percentage points (from the prevailing level) announced in August 1998, to be effective upto the end of March 1999, the Reserve Bank announced a corresponding reduction of 2 percentage points in the refinance rate available to banks for export credit (to 7 per cent from 9 per cent per annum). In order to ensure internationally competitive interest cost for exporters, on June 11, 1998, the Reserve Bank had advised banks to charge a spread of not more than 1.5 percentage points over LIBOR on foreign

currency loans (as against 2.0/2.5 percentage points over LIBOR prior to this date). Such foreign currency loans can be serviced out of foreign currency export receipts. Exporters are advised to make maximum use of this facility and banks are also requested to make this facility easily accessible without any procedural hassles.

Several changes were effected in the policies for both outward and inward investments. These are detailed in the section on policy and developments.

Developments in World Economy¹

The most significant development of 1997-98 that has had a profound impact on the world economy was the financial crisis in Asia. Its contagion effects were widespread and particularly pronounced in the case of countries in the Asian region. Notwithstanding the adverse effects of the crisis, the world output for 1997 showed a growth rate of 4.1 per cent, a shade lower than the growth of 4.2 per cent recorded in 1996. While the advanced economies group experienced higher growth during 1997 (3.1 per cent) as compared to the previous year (3.0 per cent), the growth momentum decelerated in the developing countries as a group, particularly in Asia due to the crisis. The developing countries in the Western Hemisphere, however, recorded an increase of 5.1 per cent in 1997 as compared with 3.5 per cent in 1996, whereas the output growth in Middle East and Europe was stable at 4.7 per cent in both the years. Countries in transition experienced a positive growth of 2.0 per cent in 1997 as compared to a negative growth of 1.0 per cent recorded during the previous year (Table X-15).

During the first half of 1998, economic and financial conditions deteriorated considerably in many Asian emerging market economies and in Japan. Among the industrial countries of North America and Europe, the effects of the crisis on activity have been limited so far but are being felt, especially in the industrial sector. A number of adverse developments including

1. This section is based upon the information contained in World Economic Outlook, IMF.

deepening of recession in the East Asian emerging market economies and Japan, deceleration in the volume of world trade, subdued oil and non-fuel commodity prices, and adverse developments in Russia point to a likely deceleration in the world output growth to 2.0 per cent in 1998.

Domestic Activity

Advanced Economies

The advanced economies recorded an output growth of 3.1 per cent in 1997 as compared with 3.0 per cent in 1996. A noteworthy feature was the improvement in growth rate together with a decline in inflation as well as unemployment rates. Among the major industrial countries in the advanced economies group, US, Germany, France, UK, Italy and Canada registered higher growth in 1997 as compared to the previous year, whereas the output growth in Japan decelerated to 0.8 per cent in 1997 due to the spillover effects of the crisis as compared with a growth rate of 3.9 per cent in 1996. The US economy recorded an accelerated growth of 3.9 per cent in 1997, higher than that of 3.4 per cent in 1996. The US growth performance was aided by supportive fiscal and monetary measures and a buoyant domestic demand. The GDP growth witnessed in 1997 in US was the highest in the last 9 years. Another significant development in regard to the US was the sharp fall in unemployment rates from 5.4 per cent in 1996 to 4.9 per cent in 1997. The deceleration in Japan reflected fragilities in the financial system, the fall out from the crisis and the withdrawal of fiscal stimulus initiated in April 1997. The newly industrialised economies of Asia, viz., Hong Kong Special Administrative Region of China, Korea, Singapore, and Taiwan province of China, have been significantly affected by the crisis. The recessionary conditions in many crisis affected countries of East Asia and Japan deepened in 1997. Economic climate in many other industrial countries remained favourable during 1997. Barring Israel, Iceland, Korea, Australia, New Zealand and Norway, all other advanced economies registered higher growth during 1997.

The inflation rates showed further deceleration in 1997. The consumer price

inflation in advanced economies declined from 2.4 per cent in 1996 to 2.1 per cent in 1997. Among the major industrial countries, the inflation rates declined in the US, France, Italy, Canada and UK, while in Japan and Germany there was a spurt in inflation rate. The broad money growth in advanced countries showed a marginal rise from 4.6 per cent in 1996 to 5.0 per cent in 1997, while in the US the increase in broad money was as high as 5.7 per cent in 1997, the highest recorded since 1991. In Germany, there was a sharp deceleration in the growth of broad money from 8.7 in 1996 to 3.6 per cent in 1997. The increase in the broad money was observed in the case of Italy (9.0 per cent), while in Canada the broad money declined by 1.5 per cent. The short-term interest rates in many countries did not show much change in 1997 from their levels in 1996.

Developing Countries

Developing countries were adversely affected in varying degrees by the Asian financial crisis. In the developing countries, growth in output decelerated to 5.8 per cent in 1997 as compared to a growth of 6.6 per cent witnessed during the previous year. The growth of output declined in all the regions, excepting Middle East and Europe where real GDP growth remained at the same level as in 1996. The consumer price inflation further declined to 9.1 per cent in 1997 from 14.1 per cent in 1996, the lowest rate in nearly a quarter century. The median inflation rate declined to 5.9 per cent in 1997 from 7.3 per cent in 1996.

The Asian and African countries performed poorly in 1997 as the output growth was just 6.6 per cent and 3.2 per cent, respectively which were markedly lower than 8.2 per cent and 5.8 per cent growth achieved in 1996. Among the developing countries in Asia, however, China continued to perform well, recording a growth rate of 8.8 per cent, albeit marginally lower than in 1996. China has remained relatively immune to contagion from the crisis, partly because its capital inflows consists primarily of direct investment, while opportunities for financial speculation are limited. In general, the growth rate in many developing countries in Asia decelerated, with

the only exception of Bangladesh. The disappointing output growth in Africa is attributable largely to the impact of adverse weather conditions and decline in commodity prices in many countries, and in a few cases armed conflicts. In the Middle East and the European region, the direct spillover effects of the crisis have been limited. However, if the declining trend in oil prices continue, the growth prospects for the Middle East region are likely to be affected adversely.

Countries in Transition

The countries in transition which had recorded a negative growth, witnessed favourable developments in 1997. Real GDP grew by 2.0 per cent in 1997 indicating a turnaround from a decline of 1.0 per cent in 1996. There was substantial improvement in Russia from a decline of 5.0 per cent noticed in 1996 to a growth of 0.9 per cent in 1997. In 1997, Russia recorded positive growth for the first time after eight years of deep decline in output. The rate of inflation in the transition countries declined from 41 per cent in 1996 to 28 per cent in 1997. Notably in Russia, the inflation rate declined from a high of 48 per cent in 1996 to 15 per cent in 1997. When the rouble came under attack during the year, the authorities successfully defended the exchange rate by raising interest rates sharply. In Ukraine, the growth performance and prospects have been damaged by the intensity of financial market pressure since May 1997. The GDP growth in Transcaucasus Central Asian countries improved from 1.6 per cent in 1996 to 2.1 per cent in 1997.

International Trade and Payments

The world trade growth was stronger in 1997 than expected, largely due to the performance of North and South America whose strong output growth boosted export and import growth rates. The export volume growth in advanced economies increased to 10.3 per cent in 1997 from a growth of 6.0 per cent in 1996. The import volume in advanced economies also increased to 9.0 per cent in 1997 (6.4 per cent in 1996). The volume growth of exports in developing countries

surged to 10.9 per cent in 1997 as against 8.8 per cent in 1996. The import volume growth also increased from 9.3 per cent in 1996 to 9.8 per cent in 1997. The large variation in the trade performance of the transition economies in 1997 reflects the uneven progress made in the reform process. The Russian Federation, the largest regional trader, recorded a strong increase in imports, and a fall in exports owing to decline in world oil prices. The Middle East region, which records more than 70 per cent of its exports as fuels, showed stagnation in its exports and imports, largely due to the changing fortune of oil. After rising nearly 20 per cent in 1996, spot crude oil prices fell by 6 per cent on an average in 1997. While the trade volumes were buoyant, the appreciation of the US dollar *vis-à-vis* the currencies of major trading nations in Western Europe and Asia exerted a strong downward pressure on trade growth rates measured in US dollar terms.

The combined surplus in the current account of advanced economies increased to US \$ 69.4 billion in 1997 from US \$ 34.3 billion in 1996. The current account deficit of the US increased from US \$ 134.9 billion in 1996 to US \$ 155.2 billion in 1997. On the other hand, Germany, Canada, Korea, Hong Kong SAR, and all other countries in the advanced economies group recorded current account surpluses in 1997. Japan's current account surplus increased from US \$ 65.8 billion in 1996 to US \$ 94.1 billion in 1997 reflecting recessionary conditions. The current account surplus of the EU increased from US \$ 90.8 billion to US \$ 123.3 billion during this period. The current account balance as a per cent of GDP in respect of advanced economies as a group increased to 0.3 per cent in 1997 from 0.1 per cent in 1996. The combined current account deficit of developing countries declined from US \$ 71.4 billion in 1996 to US \$ 61.8 billion in 1997.

Developments in Foreign Exchange and Financial Markets

The deepening Asian financial market crisis and the deteriorating economic situation in Japan have had sizeable spillover effects on financial markets in the industrial countries in 1997. Financial markets in the US and Europe

had benefited during the initial part of the year, as bond yields declined, equity markets reached new high and the US dollar and core European currencies strengthened on multilateral basis. The deeper downturn in the financial markets during the second half of the year was generally attributable to the turmoil in Asia, decline in asset values, political turmoil in Indonesia, mounting serious problems in financial and corporate sectors, and deceleration in economic activities in Japan. The downward pressures on financial markets were confined mainly to Japan and major commodity exporting countries such as Canada and Australia, which were perceived as most vulnerable to the negative effects of a prolonged slowdown in Asia.

In the foreign exchange markets, the value of the US dollar reached its highest level since 1986, in mid-July 1997, buoyed by strong demand growth in the US, interest rate differentials favouring dollar denominated assets, and safe heaven demand in the face of deteriorating sentiment towards emerging markets. The yen experienced strong selling pressure for most of the period during 1997-98, reflecting market concern about progress in Japanese economic recovery. After falling to Y127 per dollar at the end of April 1997, the yen rebounded sharply in May and early June, 1997 to reach a high of Y110. With the recovery losing momentum by the mid-year coupled with concern about the domestic financial sector, the yen subsequently weakened anew. By the end of April 1998, it depreciated to Y132 per dollar. Although, the deutsche mark depreciated further against the dollar during 1997 and in early 1998, the depreciation in nominal effective terms was moderate. The currencies of Canada, Germany, France and Italy did not show much fluctuation during 1997. The pound sterling rose steeply in 1997 and in early 1998, owing mainly to short-term cyclical factors. Most currencies in the EU countries remained near their central ERM parities, except the Irish pound which has appreciated following its revaluation by 3 per cent in March 1998 and the Greek drachma which entered the ERM in March, 1998 at a central rate that entailed a 12.3 per cent devaluation against the European currency unit (ECU).

International Reserves

The growth in global international reserves during 1997 (excluding gold) decelerated to 10.2 per cent from 15.0 per cent in the previous year (Table X-16). The reserve holdings of industrial countries recorded a lower growth of 5.3 per cent to SDR 577.7 billion in 1997 while the reserves of developing countries grew at the rate of 14.9 per cent to SDR 675.5 billion.

Among the components of international non-gold reserves, foreign exchange reserves totalled SDR 1185.7 billion at the end of 1997, a growth of 9.7 per cent over the year. During 1997, the foreign exchange reserves of industrial countries increased to SDR 520.9 billion (3.8 per cent) while those of developing countries increased to SDR 664.8 billion (14.9 per cent). The reserve position in the Fund for all member countries increased substantially by 23.9 per cent in 1997 to SDR 47.1 billion as against an increase of 3.6 per cent in 1996.

Resource Flows

The net long-term flows to the developing countries increased from US \$ 281.6 billion in 1996 to US \$ 300.3 billion in 1997. The total private flows which constitute 85.2 per cent of the total flows, increased to US \$ 256.0 billion in 1997. While the portfolio equity flows declined from US \$ 45.8 billion in 1996 to US \$ 32.5 billion in 1997, foreign direct investment flows increased to US \$ 120.4 billion in 1997 as compared to US \$ 119.0 billion during the previous year (Table X-17).

However, the year 1997 proved to be good for the emerging markets. External finance from private sources rose strongly during 1997, as low international interest rates and high stock market valuations in some countries encouraged creditors to seek out higher yields in emerging market debt instruments. Stock market booms in Latin America and Eastern Europe was accompanied by substantial equity flows. However, with the onset of the Asian crisis, there was some retreat from new investments in emerging markets.

Developments in EMU

European Economic and Monetary Union

(EMU), represents a milestone in the economic integration of Europe. During 1997, the EU countries had already achieved a high degree of convergence in the areas required by the Maastricht Treaty. The European Union Council had approved for launch of an 11-member EMU on January 1, 1999. Two member countries viz., Greece and Sweden were considered to have not met the necessary conditions for joining the EMU. Denmark and UK exercised their right under the Treaty not to participate in EMU for the time being. The European Central Bank which was established on June 1, 1998 and the national central banks of the EMU countries will form the European System of Central Bank (ESCB), which will formulate and define the single monetary policy in the third stage of EMU. The new currency of the EMU – Euro would be introduced as per the schedule, on January 1, 1999.

External Debt Situation

The total external debt of developing countries (excluding IMF credit) in 1997 was at the same level of the previous year at US \$1774.0 billion (Table X-18). While the external debt of African countries declined to US \$ 283 billion in 1997, the debt of Asia, Middle East and Europe and Western Hemisphere increased during the year as compared to the previous year.

The declining trend in the ratio of total debt to export of goods and services of the developing countries continued during 1997 and it came down to 141.8 per cent in 1997 from 151.2 per cent in 1996. The debt to GDP ratio in respect of all developing countries also declined from 34.6 per cent in 1996 to 32.9 per cent in 1997.

The debt service ratio for the developing countries as a group, declined to 21.0 per cent in 1997, from 22.0 per cent in 1996. While the debt servicing ratio improved for Africa, Asia, the Middle East and Europe, it deteriorated for Western Hemisphere.

All but four of the 40 Heavily Indebted Poor Countries (HIPC) rescheduled their debt with Paris Club official bilateral creditors which involved 169 rescheduling agreements, covering

debt of about US \$ 54 billion, including amounts rescheduled repeatedly. In the case of debt to private commercial creditors, 15 HIPC have completed market-related restructuring of their debt to commercial banks, covering claims of US \$ 11.9 billion. Assistance under the HIPC Initiative had been committed by the international financial communities to six countries (Bolivia, Burkina Faso, Cote d'Ivoire, Guyana, Mozambique and Uganda) for a nominal debt relief of US \$ 5.6 billion.

International Monetary Fund

Use of IMF Resources

The Asian financial crisis had a major impact on the scale of financial assistance from the IMF in 1997-98 (May 1997 - April 1998). During the year, the Fund approved 9 new stand-by arrangements, with total commitments of SDR 27.3 billion, and four new extended arrangements with total commitments of SDR 2.8 billion. In addition, the Fund approved eight new ESAF arrangements with commitments totaling SDR 1.7 billion. As of April 30, 1998, 14 stand-by arrangements, 13 extended arrangements and 33 ESAF arrangements were in effect. Total Fund credit outstanding as on April 30, 1998 (net of repayments) rose substantially to a record SDR 56.0 billion, compared with SDR 40.5 billion in the previous year. In December 1997, the Fund established the Supplementary Reserve Facility to provide additional financial assistance to member countries facing exceptional balance of payment difficulties attributable to a large short-term financial need resulting from a sudden and disruptive loss of market confidence.

During the year, the member countries drew SDR 19.0 billion (excluding reserve tranche purchases) from the General Resources Account (GRA) which was nearly four times the level of the previous year. The gross disbursements under short-term stand-by arrangements increased substantially to SDR 16.1 billion in the financial year 1997-98 from SDR 1.8 billion during 1996-97. Drawings under extended arrangements, however, were at the same level of the previous year at SDR 2.8 billion (Table X-19 & X-20). Korea made the largest purchase

from the Fund to the tune of SDR 11.2 billion followed by Indonesia at SDR 2.2 billion and Thailand at SDR 2.0 billion. Russia was the largest user of Extended Fund Facility at SDR 1.5 billion during 1997-98. Other significant users of the Fund resources during 1997-98 were Algeria, Bulgaria, Argentina, Pakistan, Philippines, and Ukraine. Total repurchases in the GRA during 1997-98 stood lower at SDR 3.8 billion as compared to SDR 6.7 billion during the previous year. During 1997-98, large repurchases were made by Argentina, India, Mexico, Russia, Algeria, South Africa and Venezuela.

As a result of the sharp increase in drawals and decline in repurchases during the year, Fund credit outstanding in the GRA increased to SDR 49.7 billion as on April 30, 1998, compared with SDR 34.5 billion at the end of the previous year. The outstanding total Fund credit and loans as at the end of April 30, 1998 were at SDR 56.0 billion which included SDR 0.7 billion under SAF, SDR 5.5 billion under ESAF arrangements and SDR 90 million under Trust Fund Loans (Table X-21).

Eleventh General Review of Quotas

The Board of Governors of the IMF approved the recommendation to increase the quotas by 45 per cent under the Eleventh General Review in January 1998. The member countries are required to give consent to the quota increase before January 29, 1999. The quota increase will take effect only after members having not less than 85 per cent of total quotas as of December 23, 1997, have consented.

Special Drawing Right (SDR) Allocation

The SDR is an international reserve asset created by the Fund. It is also used as a unit of account for IMF operations and transactions. In addition, to a very limited extent, the SDR has been used to denominate financial instruments created outside the International Monetary Fund by the private sector. In September 1997, the Board of Governors adopted a resolution proposing a Fourth Amendment to the Articles of Agreement for

special one time allocation of SDR 21.4 billion, which would raise all participants' cumulative allocation of SDR to a common bench mark ratio of 29.315788813 per cent of the quotas based on the Ninth General Review. The proposed amendment, will become effective when it is approved by three-fifths of the members having 85 per cent of the total voting power.

SDR Valuation and Interest rate

Since January 1, 1981, the value of, and interest rate on the SDR is based on a basket of five currencies, viz., US dollar, deutsche mark, Japanese yen, French franc and pound sterling. In tandem with the movements in interest rates on short-term instruments in these currencies, the SDR interest/ remuneration rate, increased from an average of 4.00 per cent for the quarter ended June 1997 to 4.27 per cent for the quarter ended June 1998. 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. For the fiscal year 1997-98, the basic rate of charge for the use of the Fund's resources was fixed at 107.0 per cent higher than the SDR interest rate. The average rate of charge on the use of the Fund resources during 1997-98 was 4.54 per cent before adjustment for burden sharing. The rate of remuneration, before the adjustments under the burden-sharing mechanisms, is set equal to the SDR interest rate, which averaged at 4.18 per cent in 1997-98 (Table X-22). The SDR interest rate and the rate of remuneration on quarterly average basis is given in Table X-23.

The level of outstanding financial obligations overdue to the Fund increased marginally in 1997-98 to SDR 2.3 billion from SDR 2.2 billion in 1996-97. There were no new cases of protracted arrears in 1997-98, and the number of countries in arrears to the Fund stood at seven whose arrears were overdue by six months or more.

Borrowings by the Fund

During the financial year, the Fund renewed the General Arrangements to Borrow (GAB) for

a further five year period from December 26, 1998. The New Arrangements to Borrow (NAB) was adopted on January 27, 1997 for borrowing by the Fund in circumstances similar to those covered by the GAB. The amount potentially available under the NAB is upto SDR 34 billion, which is also the maximum combined amount available under the two arrangements.

The Fund has had no outstanding borrowings since it repaid all its remaining debt to lenders in March 1996. 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 Group²

The World Bank made strong headway during the fiscal 1998 (July 1997 to June 1998) in implementing the Strategic Compact³ aimed at increasing development impact and playing its part in the fight against poverty more effectively. The Bank reacted quickly to adjust both lending programmes and advisory services to the East Asian countries which faced dramatic downturn in their financial markets during the early part of the fiscal year. The Bank pledged about US \$ 16 billion to support reform programmes in the countries facing critical situation of which, US \$ 5.65 billion was disbursed. Additional resources were approved to reinforce the financial sector programme and a Special Financial Operations Unit was established to help respond to the crisis in all affected countries, not just in East Asia, by providing support to help to strengthen its members' weak financial systems and reduce the impact of the crisis. The Bank promptly organised a series of technical assistance missions to assist the governments of Indonesia, the Republic of Korea and Thailand. In a swift response to the crisis, the Bank approved a record US \$ 5.0 billion in loans to the Republic of Korea. The Board of Governors

approved a selective capital increase of 23,246 shares for five countries – Brazil, Denmark, the Republic of Korea, Spain and Turkey.

International Bank for Reconstruction and Development (IBRD)

As the Republic of Palau became a member of the IBRD during the fiscal 1998, the total membership increased to 181. The authorised capital of IBRD as at end-June, 1998 was at US \$ 190,811 million, of which US \$ 186,436 million has been subscribed. Of the subscribed capital, US \$ 11,288 million had been paid in and US \$ 175,148 million was callable.

Lending commitments of the IBRD during the fiscal 1998 increased substantially by 45.2 per cent to US \$ 21,086 million as against a commitment of US \$ 14,525 million during the previous fiscal year. Disbursements by the IBRD also increased by 37.4 per cent to US \$ 19,232 million during the fiscal 1998 compared to US \$ 13,998 million disbursed during the fiscal 1997 (Table X-24). The larger borrowers from IBRD were the Republic of Korea (US \$ 5,000 million), China (US \$ 2,323 million), Mexico (US \$ 1,767 million), Russia (US \$ 1,629 million), Brazil (US \$ 1,617 million) and Argentina (US \$ 1,333 million). India received US \$ 1,068 million in the fiscal 1998 (5.1 per cent of total IBRD loans) as compared with US \$ 627 million in the fiscal 1997 (4.3 per cent of total IBRD loans). The sector-wise details of IBRD loans to India are indicated in Table X-25.

The financial strength of the IBRD is based on the support received from its shareholders and on its array of financial policies and practices. Beginning with the fiscal 1998, a new policy specifying the minimum size of the liquid asset portfolio, was implemented. At the end of the fiscal 1998, the IBRD's liquidity totalled US \$ 24,648 million (US \$ 18,107 million in 1997) and the financial return on the investment portfolio was 5.6 per cent. Medium and long-term debt raised by the IBRD during the fiscal 1998 amounted to US \$ 28,020 million. During the fiscal 1998, IBRD repurchased US \$ 540 million of its outstanding borrowings and prepaid US \$ 561 million of its outstanding borrowings.

2. Source : World Bank Annual Reports.

3. The Strategic Compact set ambitious objectives for the Bank including strengthening the development effectiveness of lending and non-lending services, developing a broader range of products and services, further decentralising activities, rebuilding professional expertise and technical capacity, etc.

International Development Association (IDA)

Though all members of the IBRD are eligible to join IDA, only 160 countries have joined as of fiscal 1998. IDA provides credit to the poorest countries, mainly those with an annual per capita gross national product of US \$ 925 or less. By this criterion, about 63 countries are eligible for credit. During the fiscal 1998, the lending commitments of IDA stood at US \$ 7,508 million, an increase of 62.4 per cent from US \$ 4,622 million in the previous year. Disbursement from IDA amounted to US \$ 5,630 million, a decrease of 5.8 per cent over US \$ 5,979 million in fiscal 1997. India was the largest borrower of IDA credit (\$ 1,074 million), followed by Ethiopia (\$ 669 million), Bangladesh (\$ 646 million) and Pakistan (\$ 558 million). The sector-wise composition of IDA loans to India is shown in Table X-26.

IDA is mainly funded by donor contributions and "replenished" by an agreement among donors every three years. Fiscal 1998 was the second year of the 11th replenishment of IDA (IDA-11), which is designed to provide IDA with resources to fund credits committed during the period from July 1, 1996 to June 30, 1999. The total commitment authority for IDA -11 is SDR 14.1 billion, including the Interim Trust Fund (ITF) administered by IDA. The commitment authority of IDA -11 comprises SDR 4.6 billion from donor contributions, SDR 2.1 billion from ITF donor contributions, SDR 1.3 billion from the unreleased portion of contributions carried over from the IDA-10 period, and SDR 6.1 billion from other resources. Total contribution received at the end of the fiscal 1998 amount to SDR 9,785 million including ITF.

Region-wise, assistance by the World Bank (IBRD and IDA) increased by 97.8 per cent to East Asia and Pacific, 92.1 per cent to South Asia, 65.5 per cent to Africa and 32.4 per cent to South America and Caribbean countries. The increase in World Bank assistance to Middle East and North Africa (5.9 per cent) and Europe and Central Asia (3.4 per cent) was low.

International Finance Corporation (IFC)

The IFC which was founded in 1956 as part of World Bank group fosters economic

growth in the developing world by financing private sector investments, mobilising capital in the international financial markets, and providing technical assistance and advice to governments and businesses. It provides loans and equity finance for business ventures in developing countries in partnership with private investors and helps them to stimulate the flow of savings and investments. Its share capital is provided by 174 member countries, which collectively determine policies and activities. Upto the fiscal 1998, IFC has committed more than \$ 23.9 billion of its own funds and has arranged \$ 17.0 billion in syndications and underwriting for 2,067 companies in 134 developing countries.

The IFC signed investment commitments of \$ 5.1 billion for 226 projects during the fiscal 1998 (July 97 - June 98), compared with \$ 5.6 billion for 203 projects for the previous year. Of the total investment commitments, \$ 2.4 billion was mobilised through loan syndications and underwriting. Financing committed for IFC's own account included \$ 2.0 billion in project finance and \$ 718 million in equity and quasi-equity investments. Total project cost commitment during the fiscal 1998 amounted to \$ 17.5 billion and the ratio of IFC funding to the total cost was 1 : 3.4. The IFC approved \$ 5.9 billion for financing 308 projects in 83 countries during the fiscal 1998 as compared with \$ 6.7 billion for 276 projects in 84 countries during the previous year.

Developmental and operational work of the IFC is supported by bilateral and multilateral donors through its Technical Assistance Trust Fund (TATF) programme. Technical assistance provided under this programme includes feasibility and pre-feasibility studies, project identification studies, strengthening of the environment for private sector development, capacity building for private business and government officials and privatisation. The IFC works to help private companies in developing countries gain access to the capital markets. During 1997-98, IFC helped to arrange two landmark securities issue of Arab Insurance Group and Banque Arab de Tunisie.

The IFC played an important role in several investment projects in India before approvals were suspended towards the end of the fiscal

1998. During the fiscal 1998, total project financing by the IFC to India on various projects amounted to US \$ 54.09 million comprising of IFC loan (\$ 5.0 million), IFC equity (\$ 40.98 million) and quasi-equity (\$ 8.11 million). The total Project cost of these projects worked out to US \$ 539.1 million. The cumulative investments held in India by the IFC amounted to \$ 801.7 million comprising of loans at \$ 569.1 million and equity participation at \$ 232.6 million.

Multilateral Investment Guarantee Agency (MIGA)

The number of member countries of MIGA increased from 141 to 145 in the fiscal 1998. 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 1998, MIGA issued 55 guarantee contracts totalling \$ 830.9 million. These investments benefit 26 developing countries, of which 10 countries have received MIGA-insured investment for the first time, including India. So far, 62 developing member countries have benefited from MIGA guarantee projects. MIGA signed a memorandum of understanding with Export Import Bank of India to foster close collaboration with the investor community in India.

World Trade Organisation (WTO)

The WTO was established on January 1, 1995 and at present there are 133 members in the WTO. The pace and direction of WTO activities in 1997 were strongly influenced both by the negotiations on trade in information technology products, telecommunications and financial services. In the area of goods, 43 members of WTO agreed in March 1997 to the elimination of tariffs on information technology products. Further, a group of seven countries and the EU agreed to accord duty-free treatment to 465 pharmaceutical products. The use of dispute settlement mechanism continued to be high. During 1997-98, the Dispute Settlement Body (DSB) of the WTO received 40 notifications of formal request for consultations under the dispute settlement undertaking. Ten new panels were established during the period and five Appellate Body and panel reports were adopted.

The relations of the WTO and IMF and World Bank have been developed under two agreements between the organisations. During the year, cooperation on technical assistance with the IMF, World Bank and other international agencies, including, notably, UNCTAD and the International Trade Centre has also been reinforced. In addition, non-governmental organisations have been brought more closely into contact with WTO activities.

Table X-1: India's Balance of Payments : Key Indicators

Item	Preliminary				
	1997-98	1996-97	1995-96	1994-95	1990-91
1	2	3	4	5	6
a. Indicators of Integration and Openness					
i) Exports/GDP (%)	9.1	9.5	9.7	8.8	6.2
ii) Imports/GDP (%)	13.4	13.6	13.1	11.7	9.4
iii) Current Receipts @ / GDP (%)	15.1	15.4	14.9	13.7	8.5
iv) Foreign Investment/GDP (%)	1.3	1.6	1.4	1.6	0.03
v) Foreign Investment/Exports (%)	14.2	17.1	14.4	17.9	0.6
b. Invisibles Account					
i) Invisible Receipts/GDP (%)	6.0	6.0	5.3	5.1	2.5
ii) Invisible Payments/GDP (%)	3.5	3.1	3.7	3.2	2.6
iii) Invisible Net/GDP (%)	2.5	2.9	1.6	1.9	-0.1
c. Indicators of Sustainability					
i) Import Purchasing Power of Exports (Base: 1978-79=100); Annual Growth Rate	..	519.7	530.0	446.0	212.2
Annual Growth Rate (%)	..	-1.9	18.8	19.5	0.2
ii) Exports Volume Growth (%)	..	7.2	31.3	13.7	11.0
iii) Current Receipts Growth (%)@	4.2	11.3	18.2	24.9	6.6
iv) Current Receipts @ / Current Payments (%)	89.2	91.9	88.9	91.7	71.5
v) CAD/GDP (%)	-1.7	-1.2	-1.8	-1.1	-3.2
vi) Debt-GDP Ratio (%)	26.4	26.2	28.3	32.3	30.4
vii) Debt-Service Ratio(%)	19.5	21.2	24.3	26.2	35.3
viii) Liability Service Ratio (%)	20.5	21.6	24.7	26.6	35.6
ix) Import Cover of Reserves (In months)	7.3	6.6	6.1	8.5	2.7

@ Excluding official transfers.

.. Not Available.

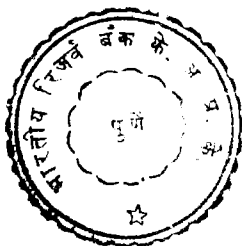


Table X-2: India's Balance of Payments

Item	(Rupees crore)					(US \$ million)				
	Preliminary					Preliminary				
	1997-98	1996-97	1995-96	1994-95	1990-91	1997-98	1996-97	1995-96	1994-95	1990-91
A. Current Account										
1. Exports, f.o.b.	1,29,516	1,21,194	1,08,481	84,328	33,153	34,849	34,133	32,311	26,855	18,477
2. Imports, c.i.f.	1,90,267	1,73,753	1,46,542	1,12,748	50,086	51,126	48,948	43,670	35,904	27,915
3. Trade Balance	-60,751	-52,559	-38,061	-28,420	-16,933	-16,277	-14,815	-11,359	-9,049	-9,438
4. Invisibles, net	36,196	36,720	18,454	17,837	-435	9,804	10,321	5,460	5,680	-242
(a) Non factor services	4,331	3,064	-662	1,884	1,758	1,143	851	-186	602	980
(b) Investment Income	-13,204	-11,769	-10,716	-10,772	-6,732	-3,520	-3,307	-3,205	-3,431	-3,752
(c) Private Transfers	43,764	43,968	28,660	25,416	3,711	11,830	12,367	8,506	8,093	2,069
(d) Official Transfers	1,305	1,457	1,172	1,309	828	351	410	345	416	461
5. Current Account Balance	-24,555	-15,839	-19,607	-10,583	-17,368	-6,473	-4,494	-5,899	-3,369	-9,680
B. Capital Account										
1. External Assistance, net	3,430	3,998	3,356	4,798	3,965	899	1,109	883	1,526	2,210
a) Disbursements	10,795	10,893	10,101	10,025	6,095	2,877	3,056	2,933	3,191	3,397
b) Amortisation	-7,365	-6,895	-6,745	-5,227	-2,130	-1,978	-1,947	-2,050	-1,665	-1,187
2. Commercial Borrowings, net	14,557	10,004	4,548	3,238	4,035	3,999	2,848	1,275	1,030	2,248
a) Disbursements	27,210	26,867	14,440	13,041	7,630	7,371	7,571	4,252	4,152	4,252
b) Amortisation	-12,653	-16,863	-9,892	-9,803	-3,595	-3,372	-4,723	-2,977	-3,122	-2,004
3. Short Term Credit, net	-530	2,979	94	1,236	1,929	-96	838	49	393	1,075
4. NRI Deposits, net	4,324	11,894	3,821	539	2,756	1,125	3,350	1,103	172	1,536
5. Foreign Investment, net	18,433	20,721	15,624	15,087	184	4,993	5,838	4,604	4,807	103
6. Rupee Debt Service	-2,784	-2,542	-3,105	-3,090	-2,140	-767	-727	-952	-983	-1,193
7. Other Capital, Net @	3,779	-6,995	-8,780	6,934	2,168	831	-1,969	-2,284	2,211	1,209
8. Total Capital Account	41,209	40,059	15,558	28,742	12,897	10,984	11,287	4,678	9,156	7,188
C. Overall Balance [A(5)+B(8)]	16,654	24,220	-4,049	18,159	-4,471	4,511	6,793	-1,221	5,787	-2,492
D. Monetary Movements (E+F)	-16,654	-24,220	4,049	-18,159	4,471	-4,511	-6,793	1,221	-5,787	2,492
E. IMF, Net	-2,286	-3,461	-5,749	-3,585	2,178	-618	-975	-1,715	-1,143	1,214
G. Reserves and Monetary Gold (Increase -, Decrease +)	-14,368	-20,759	9,798	-14,574	2,293	-3,893	-5,818	2,936	-4,644	1,278

@ Includes delayed export receipts, advance payments and errors and omission.

- Note:**
1. In accordance with the provisions of the IMF's Balance of Payments manual (5 th 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 DGCIS 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.
 3. With effect from 1996-97, private transfers include local redemption of NRI deposits.

Table X-3: Invisibles by Category of Transactions

(US \$ million)

Item	Preliminary				
	1997-98	1996-97	1995-96	1994-95	1990-91
I	2	3	4	5	6
I. Non-Factor Services, net	1,143	851	-186	602	980
Receipts	9,253	7,599	7,357	6,135	4,551
Payments	8,110	6,748	7,543	5,533	3,571
i) Travel, net	1,477	2,020	1,546	1,547	1,064
Receipts	2,914	2,878	2,713	2,365	1,456
Payments	1,437	858	1,167	818	392
ii) Transportation, net	-726	-441	-158	-167	-110
Receipts	1,796	1,953	2,011	1,696	983
Payments	2,522	2,394	2,169	1,863	1,093
iii) Insurance, net	51	64	36	-29	23
Receipts	234	217	179	152	111
Payments	183	153	143	181	88
iv) G.N.I.E., net	116	-106	-205	-155	-158
Receipts	276	72	13	10	15
Payments	160	178	218	165	173
v) Miscellaneous, net	225	-686	-1,405	-594	161
Receipts	4,033	2,479	2,441	1,912	1,986
Payments	3,808	3,165	3,846	2,506	1,825
II) Investment Income, net	-3,520	-3,307	-3,205	-3,431	-3,752
Receipts	1,561	1,073	1,429	886	368
Payments	5,081	4,380	4,634	4,317	4,120
III) Private Transfers, net	11,830	12,367	8,506	8,093	2,069
Receipts	11,875	12,435	8,539	8,112	2,083
Payments	45	68	33	19	14
IV) Official Transfers, net	351	410	345	416	461
Receipts	351	423	351	421	462
Payments	—	13	6	5	1
V) Invisibles, net (I to IV)	9,804	10,321	5,460	5,680	-242
Receipts	23,040	21,530	17,676	15,554	7,464
Payments	13,236	11,209	12,216	9,874	7,706

Table X-4: Composition of Capital Account Inflows

Item	Preliminary				
	1997-98	1996-97	1995-96	1994-95	1990-91
I	2	3	4	5	9
Total Capital Inflows (net) (US \$ million)	10984	11287	4678	9156	7188
<i>of which : (in per cent)</i>					
1. Non-debt Creating Inflows:	44.7	51.7	100.4	52.5	1.4
(a) Foreign Direct Investment	28.4	22.4	41.9	13.4	1.3
(b) Portfolio Investment	16.3	29.3	58.5	39.1	0.1
2. Debt Creating Inflows	46.0	65.8	56.0	23.4	81.8
(a) External Assistance	8.3	10.0	21.6	16.7	30.7
(b) External Commercial Borrowings #	35.3	25.0	29.2	11.3	31.3
(c) Short Term Credits	-1.3	7.4	0.6	4.3	15.0
(d) NRI Deposits ##	10.5	29.7	24.6	1.9	21.4
(e) Rupee Debt Service	-6.8	-6.3	-20.0	-10.8	-16.6
3. Other Capital @	9.3	-17.5	-56.4	24.1	16.8
4. Total (1 to 3)	100.0	100.0	100.0	100.0	100.0
Memo :					
Stable flows *	85.0	63.3	40.9	56.6	84.9

Refer to medium- and long-term borrowings.

Including NRNRD.

@ include delayed export receipts, advance payments and errors and omissions.

* Stable flows are defined to include all capital flows excluding portfolio flows and short-term credits.

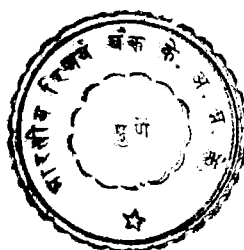


Table X-5: External Assistance (Fiscal Years)

[Rupees crore]

Item	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 @ (1,553)	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	10,833 (3,239)	1,330 (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)	-1,626 (486)
q) 1996-97(R)	14,209 (4,003)	2,933 (826)	17,142 (4,829)	10,893 (3,069)	1,086 (306)	11,979 (3,375)	7,070 (1,992)	4,775 (1,345)	11,845 (3,337)	134 (38)
r) 1997-98(P)	14,828 (3,990)	2,101 (565)	16,929 (4,555)	10,829 (2,914)	921 (248)	11,750 (3,162)	7,550 (2,031)	4,743 (1,276)	12,293 (3,307)	-543 (-145)
2. Amount undisbursed as at the end of March 1998 (P)				57,947 (14,672)	7,555 (1,913)	65,502 (16,585)				

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 1998 represent rupee values calculated at the rates prevalent at end March 1998.

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 1998 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.

R Revised.

P Provisional.

@ Excludes IMF Trust Fund.

Table X-6: Loans Authorised and Utilised during 1996-97 and 1997-98 (Fiscal Years)

(Rupees crore)

Country/ Institution	Authorisations		Utilisation		Loans Undisbursed as at the end of	
	1996-97 (R)	1997-98 (P)	1996-97 (R)	1997-98 (P)	March 1997 (R)	March 1998 (P)
1	2	3	4	5	6	7
1. IBRD	2,348 (661)	4,322 (1,163)	2,437 (686)	2,166 (583)	7,774 (2,164)	11,699 (2,962)
2. IDA	3,696 (1,041)	3,421 (920)	3,380 (953)	3,064 (824)	15,611 (4,346)	17,102 (4,330)
3. IFAD	68 (19)	—	48 (14)	60 (16)	310 (86)	242 (61)
4. ADB	2,238 (630)	2,411 (649)	2,275 (641)	2,229 (600)	5,017 (1,397)	7,532 (1,907)
5. Austria	— (-)	— (-)	— (-)	— (-)	2 (1)	2 (1)
6. Belgium	— (-)	— (-)	— (-)	— (-)	31 (9)	31 (8)
7. United Kingdom	— (-)	— (-)	— (-)	— (-)	— (-)	— (-)
8. Denmark	— (-)	— (-)	— (-)	14 (4)	54 (15)	43 (11)
9. France	273 (77)	78 (21)	144 (41)	222 (60)	958 (267)	608 (154)
10. Germany	1,341 (378)	429 (115)	472 (133)	395 (106)	913 (254)	2,182 (553)
11. Italy	— (-)	— (-)	— (-)	— (-)	— (-)	— (-)
12. Japan	4,245 (1,197)	4,019 (1,082)	1,972 (555)	2,650 (713)	14,630 (4,074)	17,906 (4,533)
13. Netherlands	— (-)	111 (30)	— (-)	— (-)	— (-)	115 (29)
14. Sweden	— (-)	— (-)	109 (31)	— (-)	— (-)	— (-)
15. Switzerland	— (-)	— (-)	4 (1)	— (-)	72 (20)	77 (19)
16. Spain	— (-)	— (-)	— (-)	— (-)	— (-)	— (-)
17. U.S.A.	— (-)	— (-)	— (-)	— (-)	— (-)	— (-)
18. Hungary	— (-)	— (-)	— (-)	— (-)	— (-)	— (-)
19. OPEC*	— (-)	37 (10)	50 (14)	25 (7)	402 (112)	367 (93)
20. Australia	— (-)	— (-)	2 (1)	4 (1)	5 (1)	2 (1)
21. Norway	— (-)	— (-)	— (-)	— (-)	— (-)	39 (10)
Total	14,209 (4,003)	14,828 (3,990)	10,893 (3,069)	10,829 (2,914)	45,779 (12,746)	57,947 (14,672)

* 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 1996-1997 and 1997-1998 (Fiscal Years)

(Rupees crore)

Country/ Institution	Authorisations		Utilisation		Grants Undisbursed as at the end of	
	1996-97 R	1997-98 P	1996-97 R	1997-98 P	March 1997 R	March 1998 P
1	2	3	4	5	6	7
1. Canada	76 (21)	32 (9)	4 (1)	7 (2)	810 (226)	441 (112)
2. Denmark	375 (106)	65 (17)	23 (6)	22 (6)	747 (208)	654 (166)
3. France	2 (1)	— (—)	4 (1)	2 (1)	15 (4)	12 (3)
4. West Germany	198 (56)	333 (90)	23 (6)	38 (10)	543 (151)	562 (142)
5. Japan	65 (18)	91 (24)	112 (32)	120 (33)	227 (63)	158 (40)
6. Netherlands	480 (134)	362 (97)	119 (34)	123 (33)	548 (153)	293 (74)
7. Sweden	473 (133)	24 (6)	99 (28)	45 (12)	897 (250)	107 (27)
8. Norway	15 (4)	50 (13)	15 (4)	16 (4)	52 (14)	55 (14)
9. Switzerland	14 (4)	44 (12)	27 (8)	7 (2)	2,010 (560)	181 (46)
10. U.K.	975 (275)	163 (44)	303 (86)	195 (52)	3,086 (859)	1,802 (456)
11. U.S.A. other than P.L. 480/ P.L. 665	56 (16)	114 (31)	23 (6)	53 (14)	411 (114)	1,195 (303)
12. E.E.C.	131 (37)	823 (222)	312 (88)	227 (62)	1,497 (417)	1,888 (478)
13. Other International Institutions	— (—)	— (—)	21 (6)	27 (7)	— (—)	— (—)
14. IBRD	73 (21)	1 (—)	— (—)	30 (8)	78 (22)	21 (5)
15. IFAD	— (—)	— (—)	— (—)	1 (—)	— (—)	— (—)
16. IDA	— (—)	— (—)	— (—)	8 (2)	— (—)	186 (47)
TOTAL	2,933 (826)	2,101 (565)	1,086 (306)	921 (248)	10,921 (3,041)	7,555 (1913)

R Revised P Provisional.

@ Including debt relief as under:

Country	Authorisations		Utilisation	
	1996-97 R	1997-98 P	1996-97 R	1997-98 P
1	2	3	4	5
By way of Grants				
1. Japan	5.3 (1.5)	7.6 (2.0)	3.0 (0.8)	1.1 (0.3)
2. Netherlands	14.5 (4.1)	3.8 (1.0)	14.5 (4.1)	3.8 (1.0)

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			
	1998 P	1997 R	1996	1995
1	2	3	4	5
I Multilateral	29,572	29,200	28,572	28,542
II Bilateral	17,180	17,492	19,093	20,270
III International Monetary fund	664	1,313	2,374	4,300
IV Trade Credit	6,748	5,706	5,464	6,629
V Commercial Borrowing @	17,296	14,471	13,201	12,991
VI NRI & FC(B&O) Deposits (above one year maturity)	11,948	11,012	11,011	12,383
VII Rupee Debt*	5,950	7,511	8,233	9,624
VIII Total Long-term Debt (ItoVII)	89,358	86,705	87,948	94,739
IX Short-term Debt**	5,046	6,726	5,034	4,269
X Gross Total #	94,404	93,431	92,982	99,008
Concessional Debt	37,017	39,489	41,944	44,845
as % of Total Debt	39.2	42.3	45.1	45.3
Short - term Debt	5,046	6,726	5,034	4,269
as % of Total Debt	5.3	7.2	5.4	4.3
Debt Indicators:				
Debt stock-GDP Ratio (in per cent)	26.4	26.2	28.3#	32.7
Debt Service ratio(%) (For fiscal year) (Including debt service on non-civilian credits)	19.5	21.2	24.3	26.2

P : Provisional. R : Revised

* Debt owed to Russia denominated in rupees and converted at current exchange rates, payable in exports.

@ Include net investment in debt instruments by foreign institutional investors.

** This does not include LC-based trade credit for which no estimates are available.

Multilateral loans do not include revaluation of IBRD pooled loans and exchange rate adjustment under IDA loans for Pre-1971 credits.

Table X-9: Private Non-Debt Creating Flows to Developing Countries, 1991-97

(US \$ billion)

Category	1991	1992	1993	1994	1995	1996	1997*
I	2	3	4	5	6	7	8
Total private non-debt creating (India's share %)	40 (0.3)	56 (1.0)	111 (3.7)	120 (4.2)	133 (3.7)	165 (3.4)	152 (3.5)
Foreign Direct Investment (India's share %)	33 (0.3)	45 (1.0)	66 (0.9)	87 (1.5)	101 (2.3)	119 (2.3)	120 (2.3)
Portfolio equity investment (India's share %)	7 (0.3)	11 (1.0)	45 (7.9)	33 (10.2)	32 (10.1)	46 (6.3)	32 (7.8)

* Projected.

Source: Global Development Finance 1998.

Table X-10: Foreign Investment Inflows by Category

(US \$ million)

Item	1994-95	1995-96	1996-97	1997-98
I	2	3	4	5
A. Direct Investment	1,314	2,133	2,696	3,197
i. Government (SIA/FIPB)	701	1,249	1,922	2,754
ii. RBI	171	169	135	202
iii. NRI	442	715	639	241
B. Portfolio Investment	3,824	2,748	3,312	1,828
i. GDRs	2,082	683	1,366	645
ii. FIIs	1,503	2,009	1,926	979
iii. Offshore funds and others	239	56	20	204
Total (A+B)	5,138	4,881	6,008	5,025

GDRs : Global Depository Receipts

FIIs : Foreign Institutional Investors

Table X-11: Inflows(+)/ Outflows (-) under various NRI Deposit Schemes@

(U.S.\$ Million)

Item	1995-96	1996-97	1997-98
1	2	3	4
1 FCNR(A)	-2,796	-1,949	-2,270
2 FCNR(B)	2,669	1,773	971
3 NR(E)RA	-208	1,244	1,197
4 NR(NR)D	1279	2,246	1,256
Total	944	3,314	1,154

All figures are inclusive of accrued interest

Note: 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-12 : Outstanding balances under various NRI deposits @
(as at the end of March)

(US \$ million)

Item	1995-96	1996-97	1997-98
1	2	3	4
1 FCNR(A)	4,255	2,306	36
2 FCNR(B)	5,720	7,505	8,467
3 NR(E)RA	3,916	5,092	5,637
4 NR(NR)D	3,542	5,611	6,262
TOTAL	17,433	20,514	20,402

All figures are inclusive of accrued interest

Note: 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.

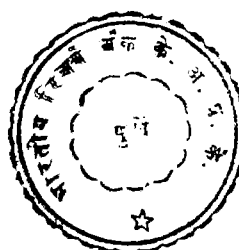


Table X-13: Exchange Rate of the Indian Rupee
(Annual Average)*

(Rupees per unit of SDR/Foreign Currency)

Currency	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
	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)	50.6735 @ (0.4)
U.S.Dollar	24.4700	26.4331 (-7.4)	31.3655	31.3986 (-0.1)	33.4498 (-6.1)	35.4999 (-5.8)	37.1648 (-4.5)
Pound Sterling	42.5200	44.5440 (-4.5)	47.2064	48.8211 (-3.3)	52.3526 (-6.7)	56.3646 (-7.1)	61.0240 (-7.6)
Deutsche Mark	14.6200	16.9042 (-13.5)	18.7403	20.2017 (-7.2)	23.3993 (-13.7)	22.9244 (2.1)	20.9613 (9.4)
Japanese Yen	0.1845	0.2124 (-13.1)	0.2911	0.3163 (-8.0)	0.3484 (-9.2)	0.3159 (10.3)	0.3030 (4.3)
French Franc	4.2985	4.9918 (-13.9)	5.4633	5.8551 (-6.7)	6.7486 (-13.2)	6.7665 (-0.3)	6.2392 (8.5)
Canadian Dollar	21.2666	21.5047 (-1.1)	23.9564	22.7251 (5.4)	24.5409 (-7.4)	26.0865 (-5.9)	26.4913 (-1.5)
Swiss Franc	16.6702	18.6825 (-10.8)	21.4373	23.9576 (-10.5)	28.6245 (-16.3)	27.4646 (4.2)	25.4625 (7.9)
Italian Lira	0.0196	0.0203 (-3.4)	0.0196	0.0196 (0.0)	0.0208 (-5.8)	0.0228 (-8.8)	0.0213 (7.0)
Netherlands Guilder	12.9830	15.0199 (-13.6)	16.7801	17.9876 (-6.7)	20.8856 (-13.9)	20.4336 (2.2)	18.6055 (9.8)
Bangladesh Taka	0.6806	0.6892 (-1.2)	0.7948	0.7929 (0.2)	0.8341 (-4.9)	0.8446 (-1.2)	0.8307 (1.7)
Thailand Baht	0.9770	1.0419 (-6.2)	1.2398	1.2539 (-1.1)	1.3376 (-6.3)	1.3912 (-3.9)	1.0673 (30.3)
Indonesian Rupiah	0.0124	0.0129 (-3.9)	0.0149	0.0144 (3.5)	0.0148 (-2.7)	0.0151 (-2.0)	0.0104 (45.2)
South Korean Won	0.0329	0.0337 (-2.4)	0.0389	0.0393 (-1.0)	0.0434 (-9.4)	0.0430 (0.9)	0.0346 (24.3)
Sri Lankan Rupee	0.5904	0.6021 (-1.9)	0.6450	0.6369 (1.3)	0.6461 (-1.4)	0.6311 (2.4)	0.6187 (2.0)
Pakistan Rupee	1.0214	1.0595 (-3.6)	1.0827	1.0240 (5.7)	1.0304 (-0.6)	0.9500 (8.5)	0.8836 (7.5)
Singapore Dollar	14.4255	16.2180 (-11.1)	19.6413	21.0822 (-6.8)	23.7216 (-11.1)	25.1418 (-5.6)	24.0702 (4.5)
Hongkong Dollar	3.1534	3.4181 (-7.7)	4.0543	4.0616 (-0.2)	4.3244 (-6.1)	4.5880 (-5.7)	4.8000 (-4.4)
Malaysian Ringgit	8.9883	10.3888 (-13.5)	12.0477	12.1853 (-1.1)	13.3338 (-8.6)	14.2063 (-6.1)	12.0187 (18.2)

* Based on monthly averages (April-March).

@ 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: 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 for all the currencies other than US dollar, Pound Sterling, Deutsche Mark and Japanese Yen 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	SDR	FEDAI Indicative Rates			
		U.S. Dollar	Pound Sterling	Deutsche Mark	Japanese Yen @
1	2	3	4	5	6
March 1996	50.2965	34.3936	52.5512	23.2919	32.4960
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)
July	49.2003 (1.2)	35.7372 (0.2)	59.7555 (-1.5)	19.9817 (3.9)	31.0581 (0.9)
August	48.5220 (1.4)	35.9200 (-0.5)	57.6805 (3.6)	19.5045 (2.4)	30.4697 (1.9)
September	49.5167 (-2.0)	36.4318 (-1.4)	58.3107 (-1.1)	20.3470 (-4.1)	30.1558 (1.0)
October	49.6127 (-0.2)	36.2260 (0.6)	59.0645 (-1.3)	20.6058 (-1.3)	29.9077 (0.8)
November	51.0250 (-2.8)	37.2358 (-2.7)	62.8034 (-6.0)	21.5086 (-4.2)	29.7565 (0.5)
December	53.1782 (-4.0)	39.2168 (-5.1)	65.1984 (-3.7)	22.0560 (-2.5)	30.2357 (-1.6)
January	52.8870 (0.6)	39.3843 (-0.4)	64.3730 (1.3)	21.6839 (1.7)	30.3232 (-0.3)
February	52.4890 (0.8)	38.8871 (1.3)	63.7379 (1.0)	21.4291 (1.2)	30.9259 (-1.9)
March	53.1006 (-1.2)	39.5007 (-1.6)	65.6230 (-2.9)	21.6426 (-1.0)	30.6710 (0.8)
1998-99					
April	53.3022 (-0.4)	39.6572 (-0.4)	66.3530 (-1.1)	21.8873 (-1.1)	30.0718 (2.0)
May	54.4973 (-2.2)	40.4708 (-2.0)	66.2206 (0.2)	22.8001 (-4.0)	29.9410 (0.4)
June	56.3143 (-3.2)	42.2423 (-4.2)	69.6570 (-4.9)	23.5823 (-3.3)	30.0644 (-0.4)
July	56.6840 (-0.7)	42.5102 (-0.6)	69.9254 (-0.4)	23.6588 (-0.3)	30.2311 (-0.6)
August	56.7090 (0.0)	42.7563 (-0.6)	69.8113 (0.2)	23.9198 (-1.1)	29.5463 (2.3)
September	58.1532 (-2.5)	42.5217 (0.6)	71.3940 (-2.2)	24.9434 (-4.1)	31.6068 (-6.5)
October	59.5954 (-2.4)	42.3338 (0.4)	71.5872 (-0.3)	25.8415 (-3.5)	35.2260 (-10.3)

@ Rupees per 100 units of foreign currency.

- Note:**
1. Rupees per SDR is arrived by crossing U.S. dollar/SDR rate with RBI Reference rate.
 2. Figures in brackets indicate percentage appreciation / depreciation(-) of the rupee over the preceding month.

Table X-15 : Overview of the World Economic Outlook

(Per cent)

Item / Year	1996	1997	1998 *
1	2	3	4
World Output	4.2	4.1	2.0
Advanced Economies	3.0	3.1	2.0
Developing Countries	6.6	5.8	2.3
Africa	5.8	3.2	3.7
Asia	8.2	6.6	1.8
Middle East and Europe	4.7	4.7	2.3
Western Hemisphere	3.5	5.1	2.8
Countries in Transition	-1.0	2.0	-0.2
Consumer Price			
Advanced Economies	2.4	2.1	1.7
Developing Countries	14.1	9.1	10.3
Countries in Transition	41.4	27.9	29.5
World Trade Volume			
Imports			
Advanced Economies	6.4	9.0	4.5
Developing Countries	9.3	9.8	1.0
Countries in Transition	10.0	8.2	3.5
Exports			
Advanced Economies	6.0	10.3	3.6
Developing Countries	8.8	10.9	3.9
Countries in Transition	7.0	6.9	5.3

* Projected.

Source : World Economic Outlook, IMF, October 1998.

Table X-16 : International Reserves

(SDR million)

Country Group	Total Reserves (excluding gold)		SDRs		Reserve Position in the Fund		Foreign Exchange Reserves	
	1996	1997	1996	1997	1996	1997	1996	1997
1	2	3	4	5	6	7	8	9
All Countries	1,136,857 (15.0)	1,253,245 (10.2)	18,521 (-6.3)	20,532 (10.9)	38,005 (3.6)	47,078 (23.9)	1,080,373 (15.9)	1,185,675 (9.7)
Industrial Countries	548,794 (12.5)	577,696 (5.3)	14,521 (-3.2)	15,512 (6.8)	32,610 (3.1)	41,337 (26.8)	501,666 (13.7)	520,851 (3.8)
Developing Countries	588,063 (17.5)	675,549 (14.9)	4,000 (-16.2)	5,021 (25.5)	5,395 (7.3)	5,742 (6.4)	578,707 (17.9)	664,824 (14.9)

Note : Figures in brackets indicate percentage change over previous year.**Source** : International Financial Statistics, Year Book, 1998.

Table X-17 : Net Resource Flows to the Developing Countries

(US \$ billion)

Type of Flow	1994	1995	1996	1997
1	2	3	4	5
Net Long-Term Flows*	206.2	243.1	281.6	300.3
Official Development Finance	45.5	54.0	34.7	44.2
Total Private Flows	160.6	189.1	246.9	256.0
of which :				
Debt Flows	41.1	55.1	82.2	103.2
Foreign Direct Investment	86.9	101.5	119.0	120.4
Portfolio Equity Flows	32.6	32.5	45.8	32.5

* Preliminary estimate

Source : Global Development Finance, 1998.

Table X-18 : External Debt of the Developing Countries

Item/year	1995	1996	1997
1	2	3	4
External debt (US \$ billion)			
All Developing Countries	1,681.0	1,744.0	1,774.0
Africa	292.0	296.0	283.0
Asia	559.0	603.0	638.0
Middle East and Europe	215.0	214.0	219.0
Western Hemisphere	614.0	631.0	634.0
External Debt to Export of Goods and Services (in per cent)			
All Developing Countries	162.9	151.2	141.8
Africa	246.1	224.0	208.7
Asia	123.1	118.8	114.2
Middle East and Europe	101.1	89.0	85.1
Western Hemisphere	249.3	231.0	211.4
External debt to GDP (in per cent)			
All Developing Countries	36.8	34.6	32.9
Africa	73.8	70.9	66.3
Asia	29.4	28.0	28.0
Middle East and Europe	32.7	29.9	29.2
Western Hemisphere	37.9	36.0	32.9
Debt Service Ratio (in per cent)			
All Developing Countries	21.9	22.0	21.0
Africa	26.6	24.9	21.0
Asia	16.1	16.0	12.7
Middle East and Europe	10.9	10.6	9.0
Western Hemisphere	39.8	41.7	46.7

Source : World Economic Outlook, IMF, October, 1998.

Table X-19 : Fund Purchases and Repurchases

(SDR billion)

Items	Year ended April 30,			
	1995	1996	1997	1998
1	2	3	4	5
1. Total Purchases @	10.59	10.83	4.94	18.95
2. Total Repurchases	3.98	6.70	6.67	3.79
3. Net Purchases (1-2)	6.61	4.13	-1.73	15.16

@ Excludes reserve tranche Purchases

Source : IMF Annual Report, 1998.

Table X-20 : Disbursement of IMF Credit by Facility-wise

(SDR million)

Items	During the Fiscal		
	1996	1997	1998
1	2	3	4
Stand By and First Credit Tranche	9,127	1,836	16,127
Extended Fund Facility	1,554	2,820	2,824
Compensatory and Contingency Financing Facility	9	282	—
Systemic Transformation Facility	136	—	—
Total (GRA)	10,826	4,939	18,951
Loans under SAF/ESAF Arrangements	1,477	705	973
SDA Resources	185	—	—
ESAF Trust Resources	1,292	705	973
Total Disbursements	12,303	5,644	19,924

Source : IMF Annual Report, 1998.

Table X-21 : Outstanding IMF Credit by Facility-wise

(SDR million)

Items	Year ended April 30,		
	1996	1997	1998
1	2	3	4
Stand By Arrangements	20,700	18,064	25,526
Extended Arrangements	9,982	11,155	12,521
Supplementary Reserve Facility	—	—	7,100
Compensatory and Contingency Financing Facility	1,602	1,336	685
Systemic Transformation Facility	3,984	3,984	3,869
Total (GRA)	36,268	34,539	49,701
SAF Arrangements	1,208	954	730
ESAF Arrangements	4,469	4,904	5,505
Trust Fund	95	90	90
Total	42,040	40,488	56,026

Source : IMF Annual Report, 1998.

Table X-22 : 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, 1997	4.38	0.21	4.59	4.00	0.25	3.75
October 31, 1997	4.51	0.21	4.72	4.12	0.24	3.88
January 31, 1998	4.72	0.18	4.90	4.30	0.20	4.10
April 30, 1998	4.55	0.15	4.70	4.25	0.17	4.08

* 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.

@ This is equivalent to the average SDR rate of interest for the quarter concerned.

Table X-23 : SDR Interest and Remuneration Rates

(Per cent per annum)

For the quarter ended	SDR Interest Rate/ rate of Remuneration @
1	2
June 30, 1997	4.00
September 30, 1997	4.09
December 31, 1997	4.27
March 31, 1998	4.26
June 30, 1998	4.27

@ Average of the weekly SDR rates.

Table X-24 : Lending by the World Bank

(US \$ million)

Items	IBRD			IDA			World Bank		
	1996	1997	1998	1996	1997	1998	1996	1997	1998
1	2	3	4	5	6	7	8	9	10
Lending commitments	14,656 -(13.0)	14,525 -(0.9)	21,086 (45.2)	6,861 (21.0)	4,622 -(32.6)	7,508 (62.4)	21,517 -(4.5)	19,147 -(11.0)	28,593 (49.3)
Disbursements	13,372 (5.5)	13,998 (4.7)	19,232 (37.4)	5,884 (3.2)	5,979 (1.6)	5,630 -(5.8)	19,256 (4.8)	19,977 (3.7)	24,862 (24.5)

Note : Figures in parentheses indicate percentage variation over previous year.**Source** : World Bank Annual Reports.

Table X-25 : IBRD's Assistance to India – Sector-wise

(US \$ million)

Sector	1996	1997	1998
1	2	3	4
Agriculture and Rural Development	—	175.0	176.7
Power	350.0	—	60.0
Financial Sector	200.0	—	—
Mining	—	—	530.0
Social Sector	—	—	301.3
Transportation	—	451.5	—
Water Supply and Sanitation	226.6	—	—
Total	776.6	626.5	1,068.0
Total Loans Sanctioned by IBRD	14,488.1	14,524.9	21,086.2
Percentage share of India	5.4	4.3	5.1

Source : World Bank Annual Reports.

Table X-26 : IDA's Assistance to India – Sector-wise

(US \$ million)

Sector	1996	1997	1998
1	2	3	4
Agriculture and Rural Development	432.9	178.0	241.9
Education	425.2	—	211.4
Environment	—	50.0	—
Finance	5.0	—	—
Population, Health and Nutrition	350.0	575.0	376.4
Mining and other Extractive	63.0	—	2.0
Transportation	—	100.0	—
Social Sector	—	—	241.9
Water Supply and Sanitation	25.0	—	—
Total	1,301.1	903.0	1,073.6
Total Loans Sanctioned by IDA	6,864.1	4,621.7	7,434.7
Percentage share of India	19.0	19.5	14.4

Source : World Bank Annual Reports.

CHAPTER XI

This chapter analyses some of the important economic developments in States and Union Territories (UTs).

State Domestic Product

The latest data on net State Domestic Product (SDP) relate to the year 1996-97. Annual growth rates in respect of some States and UTs together with those in Net Domestic Product (NDP) at factor cost at 1980-81 prices for all-India for the period 1991-92 to 1996-97 are presented in Table XI-1. The all-India NDP grew by 7.5 per cent in 1996-97 as compared to a growth rate of 7.0 per cent in 1995-96. Data for 1996-97 in respect of Goa, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Nagaland, Andaman and Nicobar Islands and Delhi are not available. Among other States/UTs, only one State, viz. Arunachal Pradesh recorded a negative rate of growth of 5.0 per cent in 1996-97 as against a positive growth rate of 3.7 per cent during 1995-96. All other States/UTs recorded positive growth rates with Gujarat, Haryana and Rajasthan achieving high growth rates of 19.2 per cent, 10.0 per cent and 14.8 per cent, respectively (Table XI-1). Excluding these three States, Andhra Pradesh, Kerala, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu, Tripura, Uttar Pradesh, and West Bengal recorded growth in their NSDP above 5 per cent. Different categories of States/UTs classified on the basis of annual compound growth rates of NSDP are presented in Table XI-A.

Table XI-A

Compound Annual Growth Rates of NSDP of States/Union Territories 1991-92 to 1996-97

Sr. No.	Compound Annual Growth Rates	No. of States/ Union Territories	Names of States/ Union Territories
1	2	3	4
1.	Less than 3 per cent	6	Arunachal Pradesh, Assam, Bihar, Meghalaya [@] , Orissa and Pondicherry
2.	Between 3 per cent and 4 per cent	1	Uttar Pradesh
3.	Between 4 per cent and 5 per cent	6	Haryana, Jammu and Kashmir, Manipur [@] , Karnataka, Punjab and Delhi [@]
4.	Between 5 per cent and 6 per cent	4	Andhra Pradesh, Goa [@] , Himachal Pradesh [@] and Tamil Nadu
5.	Between 6 per cent and 7 per cent	3	Kerala, Madhya Pradesh and West Bengal
6.	Between 7 per cent and 8 per cent	4	Gujarat, Nagaland ^{@@} , Rajasthan and Tripura
7.	Over 8 per cent	2	Maharashtra and Andaman and Nicobar Islands [@]

[@] Compound Growth Rates are calculated between 1991-92 and 1995-96 due to non-availability of data for 1996-97.

^{@@} Compound Growth Rates are calculated between 1991-92 and 1993-94 due to non-availability of data for 1994-95, 1995-96 and 1996-97.

Note : NSDP data are at constant (1980-81) prices.

Sectoral Growth Rates

Sectoral Growth Rates in different States/UTs during 1995-96 and 1996-97 are presented in Table XI-2. At the all-India level, Agricultural sector registered a positive growth of 8.3 per cent in 1996-97 as against a negative growth of 4.0 per cent during the preceding year. State-wise, Assam, Bihar, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Uttar Pradesh and West Bengal recorded

* This chapter is prepared on the basis of information/data available up to end-October 1998.

improvement in the growth rates of agricultural sector during 1996-97. The remaining States recorded negative growth rates. At the all-India level, "Forestry and Logging" recorded a marginally positive growth rate of 0.1 per cent in 1996-97. Ten States viz., Andhra Pradesh, Assam, Bihar, Haryana, Karnataka, Kerala, Orissa, Punjab, Rajasthan and Tripura recorded positive growth rates and the remaining States/UTs recorded negative growth rates during 1996-97. At the all-India level "Fishing" recorded a positive growth rate of 6.8 per cent, whereas "Mining and Quarrying" recorded a negative growth rate of 2.1 per cent. In the "Fishing" sector, all the States/UTs, excepting Assam, recorded positive growth rates. Except Arunachal Pradesh, Rajasthan and West Bengal, which recorded negative growth rates, all other States/Union Territories recorded positive growth rates, in "Mining and Quarrying" sector during 1996-97. The "Manufacturing" sector recorded a growth rate of 6.8 per cent at the all-India level. Except Arunachal Pradesh, all the States/UTs recorded positive growth rates in "Manufacturing" and these varied between 2.6 per cent for Rajasthan and 26.6 per cent for Gujarat.

The sector-wise compound annual growth rates during the period 1991-92 through 1996-97 are indicated in Table XI-3. The data show that barring Arunachal Pradesh, Orissa and Delhi, the rest of the States/UTs have recorded positive compound growth rates, in "Agriculture". In regard to "fishing" and "manufacturing", only one State viz., Assam has recorded a negative growth rate during the period under review.

Share of Agriculture and Manufacturing

Share of "Agriculture" and "Manufacturing" in the aggregate State Domestic Product (SDP) for the year 1995-96 and 1996-97 is presented in Table XI-4. These data show that output from agriculture provides an important source of growth for most of the States/UTs. For nine States/UTs, contribution of agricultural output varied between 30 and 40 per cent of State Domestic Product in 1995-96. 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 1995-96 (Table XI-4). For as

many as twelve states, the share of agricultural output in SDP in 1996-97 was more than the all-India level of 25.8 per cent. During 1996-97, agricultural sector in Haryana, Madhya Pradesh, Punjab, Rajasthan and Uttar Pradesh accounted for more than 40 per cent of their respective State Domestic Products. In the case of Maharashtra, the share of agriculture in SDP was 17.4 per cent.

The share of the manufacturing sector in the NDP at the all-India level stood at 21.8 per cent during 1996-97. The contribution of manufacturing sector to the SDP in the case of Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh ranged between 15 and 40 per cent during the same year. The States/UTs, where the contribution of manufacturing sector to their SDP was below 10 per cent were: Andhra Pradesh, Arunachal Pradesh, Assam and Tripura.

State-wise share in all-India NDP

Details of State-wise shares of net State Domestic Product at all-India level at constant (1980-81) prices are given in Table XI-5. During the period 1991-92 to 1996-97, the shares of most of the States in the all-India NDP have remained nearly constant. State-wise, Maharashtra led with a share of 16.2 per cent in 1996-97. The other States/UTs, whose share in the national NDP was above 5 per cent were: Andhra Pradesh, Gujarat, Madhya Pradesh, Uttar Pradesh and West Bengal.

Agricultural Production

Data on production of selected foodgrains in respect of States/Union Territories are available upto 1996-97 and these are presented in Statement Nos. 21 and 22, of Volume II of the Report. During 1996-97, eighteen States registered improvement in the foodgrains output over the level of 1995-96, whereas there was a decline in respect of seven States. During the same period, twelve major States recorded improvement in cereals production and ten major States indicated a rise in the production of pulses. Rice production in 1996-97 showed an increase over the level reached in the preceding year in many of the States. In the case of wheat, production in 1996-97 recorded

a rise in majority of States. At the all-India level also, the production of both rice and wheat in 1996-97 showed an improvement.

State-wise data on production of selected non-foodgrains are presented in Statement -22 of Volume II of the Report. Almost all the States which are major producers of oilseeds recorded a rise in output in 1996-97 over that of the preceding year except Andhra Pradesh and Karnataka. In the case of cotton¹, among major cotton producing states, Andhra Pradesh, Gujarat, Haryana, Karnataka, Maharashtra and Rajasthan recorded increases in output in 1996-97 and only Punjab recorded a decline in output in 1996-97, as compared with the previous year. In the case of sugarcane², most of major producers of sugarcane such as Andhra Pradesh, Assam, Karnataka, Maharashtra, Orissa, Rajasthan and Tamil Nadu recorded a decline in output in 1996-97, whereas Bihar, Gujarat, Haryana, Madhya Pradesh, Punjab, 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, Bihar and West Bengal registered an increase in output in 1996-97, whereas in the case of Assam, there was decline in output in 1996-97.

Area under High Yielding Varieties Programme

The data on State-wise area covered under high yielding varieties (HYV) programme for the years 1990-91 to 1996-97 have been presented in Table XI-6. The coverage of the area under high yielding varieties programme improved in 1996-97 over that in the preceding year in majority of the States/UTs excepting Gujarat, Haryana, Himachal Pradesh, Orissa and Delhi. Uttar Pradesh had the highest coverage of the area under high yielding varieties programme at 149.7 lakh hectares followed by Maharashtra (89.6 lakh hectares), Madhya Pradesh (78.0 lakh

hectares), Bihar (67.5 lakh hectares), Punjab (54.2 lakh hectares), West Bengal (48.1 lakh hectares) and Andhra Pradesh (47.0 lakh hectares). The total area under HYV for the States/Union Territories for 1996-97 was placed at 764.3 lakh hectares as against 723.1 lakh hectares in 1995-96.

Consumption of Fertilisers

Data on consumption of fertilisers are available for the period 1991-92 to 1997-98. The data for 1997-98 indicate that the consumption of fertilisers showed a rise in 1997-98 in all the States excepting Sikkim as compared to the position in 1991-92 (Table XI-7). The per hectare consumption was the highest in Punjab at 175.8 kgs. followed by Haryana (144.1 kgs.), Tamil Nadu (135.6 kgs.), Andhra Pradesh (132.0 kgs.), West Bengal (118.5 kgs) and Uttar Pradesh (118.3 kgs.). In comparison to top rankers the consumption of fertilisers was low in the case of Arunachal Pradesh, Nagaland and Assam. Bihar, Gujarat, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh and Maharashtra crossed the level of consumption of fertilisers of 50 kgs. per hectare. Sikkim recorded the lowest level of consumption of fertilisers at 5.8 kgs. per hectare. In 1997-98 fifteen 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 69.8 kgs. per hectare in 1991-92 to 87.5 kgs. per hectare in 1997-98.

Industrial Sector

The main aspects of industrialisation in the States/Union Territories are captured from the Annual Survey of Industries (ASI) data published by the Central Statistical Organisation (CSO). The latest survey pertains to 1994-95. Some of the indicators culled out from the survey are presented in Table XI-8 for two reference years viz., 1990-91 and 1994-95 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. Tamil Nadu had the highest number of factories followed by Maharashtra, Andhra

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 1992-93 to 1996-97.
2. The States are identified on the basis of the annual output of minimum 1 million tonne a year during the five year period ending 1996-97.
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 1992-93 to 1996-97.

Pradesh, Gujarat, Uttar Pradesh, Punjab, Karnataka, West Bengal, Rajasthan and Kerala. These ten states accounted for over 83 per cent of factories all over India in 1990-91 as well as in 1994-95. Meghalaya had the lowest number of employees in both the reference years. The number of employees working in factories in ten states viz., Maharashtra, Tamil Nadu, Andhra Pradesh, Gujarat, Uttar Pradesh, West Bengal, Karnataka, Madhya Pradesh, Punjab and Kerala accounted over 83 per cent of the total employees working in factories all over India in both the reference years. The number of such employees was higher during 1994-95 as compared to 1990-91 in all States/UTs excepting Bihar, Meghalaya, Tripura, Uttar Pradesh and Chandigarh, where the number of employees declined. The total number of employees at the all-India level showed a rise of 11.5 per cent during 1994-95 over 1990-91. The value of fixed capital was the highest in Maharashtra followed by Uttar Pradesh, Gujarat, Tamil Nadu, Andhra Pradesh, West Bengal, Madhya Pradesh, Bihar, Orissa, Rajasthan, Punjab and Karnataka.

In terms of value of output, the top four States during 1994-95 were: Maharashtra, Tamil Nadu, Gujarat and Uttar Pradesh. During the period 1990-91 to 1994-95, the nominal value of output rose in all States/Union Territories. Output in nominal terms nearly doubled at the all-India level. During 1994-95, the nominal net value added was the highest in Maharashtra. The other states, which followed in order were: Gujarat, Tamil Nadu, Uttar Pradesh, Andhra Pradesh, Madhya Pradesh, Karnataka and Delhi.

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/UTs over the period. Similarly, fixed capital per employee, a proxy measure of non-inventory investment to labour, had also shown a rise over the five year period excepting Manipur, Meghalaya and Nagaland. The ratio of fixed capital to output also increased in the case of Bihar, Jammu and Kashmir, Kerala, Orissa, Tamil Nadu, West Bengal, Delhi, Dadra and Nagar Haveli and Pondicherry.

The Annual Survey of Industries (ASI) also provides information about share of seven most important industry-groups in major States. The share of seven industry groups ranged between 74 per cent and 93 per cent of the total industrial output during 1994-95. The industry-groups, which had more than 10 per cent share in the value of industrial output in a State during 1994-95 are summarised below :

Table XI-B: Industry-Group with share of 10 per cent and above in Industrial Output

Sr. No.	Industry Group	State
1	2	3
1.	Food Products	Andhra Pradesh, Assam, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Uttar Pradesh.
2.	Chemicals and Chemical Products	Andhra Pradesh, Gujarat, Kerala, Maharashtra, Orissa, Tamil Nadu 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	Himachal Pradesh and Tamil Nadu.
6.	Electricity	Andhra Pradesh, Bihar, Himachal Pradesh, Karnataka, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, West Bengal and Delhi.
7.	Machinery other than Transport	Haryana, Himachal Pradesh, Karnataka, Maharashtra, Tamil Nadu, 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', 'Chemicals and Chemical Products' and 'Machinery other than Transport' followed by 'Basic Metals and Alloys' and 'Cotton Textiles'.

Banking Developments

Latest data on selected banking indicators available for States/Union Territories pertain to the period ended March 1998. 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 1993 and March 1998 are indicated in Table XI-10. The number of bank offices in the country as at end-March 1998 was higher at 64,267 as compared with that of 61,235 as at end-March 1993. The growth in the number of offices was the highest in the Northern Region at 8.2 per cent during the period end-March 1993 and end-March 1998, followed by Southern Region (6.8 per cent), Western Region (6.1 per cent), Eastern Region and Central Region (2.2 per cent each), and North Eastern Region (1.5 per cent). As on the last Friday of March 1998, the highest CD ratio was recorded by the Southern Region at 72.3 per cent, followed by Western Region (65.5 per cent). The CD ratio at the all-India level was 55.5 per cent as at end-March 1998. The lowest CD ratio of 29.9 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 during the period under review in all the States/UTs. Over the period of 5 years, deposits per branch went up from Rs.4.5 crore at end-March 1993 to Rs.9.2 crore at end-March 1998 at the all-India level. During period under review, all the States/ Union Territories, excepting Maharashtra, Mizoram, Punjab, Sikkim, Tamil Nadu, West Bengal and Chandigarh recorded more than 100 per cent rise in deposits per branch office. The bank credit per branch office also went up from Rs. 2.7 crore at end-March 1993 to Rs.5.1 crore at end-March 1998 at the all-India level. The increase in bank credit was more than 100 per cent during the period under review in Jammu and Kashmir, Karnataka, Madhya Pradesh, Meghalaya, Tamil Nadu, Chandigarh, Dadra and Nagar Haveli, and Lakshadweep.

At the end-March 1993, 57.6 per cent of total bank branches were located in rural areas. By end-March 1998, the share of bank branches in rural areas decelerated to 51.2 per cent at the all-India level. The share of number of offices in rural areas declined in all the States/ Union Territories excepting Arunachal Pradesh, Dadra and Nagar Haveli and Lakshadweep, where the share remained constant (Table XI-

12). Such share as on the last Friday of March 1998 was significantly high in North-Eastern Region (68.9 per cent), Eastern Region (64.5 per cent) and Central Region (61.5 per cent). The share of deposits of rural branches in total deposits of scheduled commercial banks declined marginally from 14.8 per cent in March 1993 to 14.6 per cent in March 1998 at the all-India level. The share of rural credit in total bank credit exceeded the relative share of deposits with rural offices in North-Eastern Region as on the last Friday of March 1993 and March 1998.

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 Sikkim, Andaman and Nicobar Islands, Goa and Lakshadweep recorded positive growth rates in rural branches, all the remaining States/UTs recorded negative growth rates. Over the five year period, deposits with rural offices in majority of States/Union Territories increased substantially. The highest growth rate in bank deposits between end-March 1993 and 1998 was observed in Eastern Region (133.6 per cent), followed by Central Region (125.7 per cent), North-Eastern Region (110.0 per cent), Western Region (105.7 per cent) and Northern Region (103.0 per cent). The all-India growth rate during the corresponding period was 112.6 per cent. The highest growth rate in bank credit during the period was observed in Southern Region (118.2 per cent) and the lowest in North-Eastern Region (53.7 per cent) as against the all-India growth rate of 98.2 per cent.

As on the last Friday of March 1993, credit-deposit ratio of rural offices was the highest in the Southern Region (74.6 per cent) and the lowest in the Northern Region (43.9 per cent). While the credit-deposit ratio of rural offices continued to be the highest in the Southern Region (72.3 per cent), it was the lowest in the North-Eastern Region (29.9 per cent) as at end-March 1998.

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 1997, North-Eastern and Central Regions had achieved the stipulated target at 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 barring Central Region had shown improvement in their share over March 1995. Majority of the States/ Union Territories had achieved the target of 40 per cent lending as at the end of March 1997 excepting Jammu and Kashmir, Chandigarh, Delhi, West Bengal, Goa, Gujarat, Maharashtra, Tamil Nadu and Pondicherry.

The sub-target of 18 per cent of total bank advances for direct and indirect finance to agriculture was achieved by Haryana, Punjab, Rajasthan, Arunachal Pradesh, Assam, Nagaland, Tripura, Bihar, Orissa, Andaman and Nicobar Islands, Madhya Pradesh, Uttar Pradesh and Andhra Pradesh at the end of March 1997 (Table XI-15). The share of Sikkim, Karnataka, Kerala and Pondicherry was close to the target. In Jammu and Kashmir, Chandigarh, Delhi, West Bengal, Goa, Maharashtra, Dadra and Nagar Haveli 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 1992-93, 1995-96, 1996-97 and the cumulative position up to end March 1997 are presented in Table XI-16. The assistance sanctioned and disbursed by Industrial Development Bank of India for the year 1996-97 accounted for 33.4 per cent of the amount sanctioned and 29.7 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 occupied the top position with the share of 17.4 per cent of the total amount sanctioned by All-India Financial Institutions during 1996-97, followed by Gujarat (16.9 per cent), Tamil Nadu (9.3 per cent),

Karnataka (8.1 per cent), Uttar Pradesh (6.9 per cent), Andhra Pradesh (5.8 per cent), Rajasthan (4.7 per cent), Delhi (4.6 per cent) and West Bengal (4.1 per cent). The states, which had relatively lower share of less than 1 per cent, were: Assam, Goa, Himachal Pradesh and Manipur.

As regards disbursements during 1996-97, Maharashtra had the largest share of 21.8 per cent followed by Gujarat (15.8 per cent), Tamil Nadu (8.6 per cent), Uttar Pradesh (7.7 per cent), Karnataka (6.5 per cent), Andhra Pradesh (6.3 per cent) and Madhya Pradesh (4.4 per cent). As in the case of sanction, the share of smaller States in the amount of disbursements was very low. The data on cumulative position upto end March 1997 indicated similar trends. The data on state-wise share of financial assistance sanctioned and disbursed by Industrial Development Bank of India are indicated in Table XI-18. The state-wise sanctions and disbursals by the IDBI indicated similar trends as in the case of All-India Financial Institutions during 1996-97.

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 Bihar, Gujarat, Himachal Pradesh, Madhya Pradesh, Maharashtra, Karnataka, Kerala, Orissa, Punjab, Tamil Nadu, Uttar Pradesh, West Bengal and Delhi in 1996-97 over 1992-93 (Table XI-19). In Uttar Pradesh, the amount sanctioned indicated a sharp increase, whereas in Karnataka and Tamil Nadu the amount sanctioned nearly doubled during 1996-97. Andhra Pradesh, Gujarat, Haryana, Kerala, Maharashtra and Rajasthan crossed the level of amount sanctioned at Rs.100 crore in 1996-97. Assam had the lowest amount sanctioned at Rs. 0.5 crore in 1996-97. Disbursements were higher in 1996-97 in all the States/UTs except Assam, Jammu and Kashmir and Delhi as compared to those in 1992-93. While the amount disbursed registered more than three-fold increase in Uttar Pradesh from Rs.127.6 crore in 1992-93 to 422.7 crore in 1996-97, while in Karnataka, Kerala, Maharashtra and Tamil Nadu the amount disbursed was doubled. The data on cumulative

assistance sanctioned upto March 1997 indicated that Karnataka had the highest cumulative assistance sanctioned at Rs.3,576.8 crore, followed by Maharashtra (Rs.3,334.6 crore), Tamil Nadu (Rs.3,290.8 crore), Uttar Pradesh (Rs.2,808.9 crore), Gujarat (Rs.2,777.5 crore), Andhra Pradesh (Rs.1,763.3 crore), Rajasthan (Rs.1,443.0 crore) and Haryana (Rs.1,227.3 crore). The cumulative disbursements also indicated similar trends.

Small Savings Collections

Gross collections of small savings improved in all the States/Union Territories in 1997-98, over 1994-95 (Table XI-20) excepting Assam, Karnataka, Kerala, Tamil Nadu and Chandigarh, where gross collections declined. Similarly, net collections also recorded a rise in 1997-98 in many States/UTs over the year 1994-95 with the exception of Andhra Pradesh, Assam, Karnataka, Kerala, Meghalaya, Tamil Nadu, Andaman and Nicobar Islands and Chandigarh. At the all-India level, net collections improved from Rs.14,425.7 crore in 1994-95 to Rs.20,149.3 crore in 1997-98. The net collections in Maharashtra showed a five fold increase, whereas in Bihar, Gujarat, Madhya Pradesh, Punjab, Tripura and West Bengal, net collections nearly doubled during the period under review. West Bengal recorded the highest net collections at Rs.3,668.9 crore in 1997-98, followed by Maharashtra (Rs.2,922.4 crore), Uttar Pradesh (Rs.2,612.0 crore), Gujarat (Rs.1,754.1 crore), Bihar (Rs.1,217.1 crore), Punjab (Rs.1,139.2 crore) and Rajasthan (Rs.1,023.4 crore), while Meghalaya recorded negative net collections at Rs.17.4 crore in 1997-98. The target of net collections was achieved by almost all the States/UTs excepting Andhra Pradesh, Jammu and Kashmir, Karnataka, Kerala, Meghalaya, Tamil Nadu and Chandigarh.

Socio-Economic Indicators

Minor Irrigation Facilities

There was an improvement in the total cropped area in all the States/Union Territories excepting Assam, Kerala, Maharashtra, Orissa and Tamil Nadu during the period 1990-91 to 1996-97. In Orissa, the total cropped area declined from 95.9 lakh hectares in 1990-91 to 82.2 lakh hectares in 1996-97, whereas in

Maharashtra the fall was from 218.6 lakh hectares in 1990-91 to 216.6 lakh hectares in 1996-97. There was a marginal decline in the total cropped area in Assam, Kerala and Tamil Nadu (Table XI-21). The share of minor irrigation moved up in all the States/Union Territories excepting Manipur, Nagaland and Pondicherry. 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 16,44,946 in 1996-97, followed by Madhya Pradesh (14,19,324), Rajasthan (13,45,791), Andhra Pradesh (12,65,320), Karnataka (4,72,819) and Uttar Pradesh (2,06,000). The number of tube wells was the highest in Bihar at 9,78,212 followed by Uttar Pradesh (5,59,000), Haryana (5,49,296), Andhra Pradesh (3,63,467), Karnataka (2,45,431), Madhya Pradesh (1,68,288), Tamil Nadu (1,43,207) and Rajasthan (1,16,341). The number of canals was higher in Bihar, Haryana, Madhya Pradesh, Tamil Nadu and Uttar Pradesh in 1996-97 as compared to 1990-91. In Andhra Pradesh and Delhi, the number of canals declined from 93 and 3,140, respectively in 1990-91 to 66 and 2,102, respectively in 1996-97.

Health Facilities

According to the data on health facilities available for some States/Union Territories, the number of hospitals moved up during the period 1990-91 to 1997-98 in all the States/Union Territories excepting Goa, Mizoram, Nagaland, Orissa and Punjab. Gujarat had the highest number of hospitals at 2,528 in 1997-98 followed by Uttar Pradesh (697), Madhya Pradesh (465), West Bengal (404), Andhra Pradesh (350), Karnataka (312), Bihar (310), Tamil Nadu (296), Rajasthan (219) and Punjab (208). The population covered per hospital in 1997-98 was the highest in Bihar 3,07,226 persons, while it was the lowest in Goa at 11,967 persons. Uttar Pradesh had the highest number of dispensaries at 7,738 followed by Gujarat (7,255), Andhra Pradesh (3,066), Karnataka (2,857), Bihar (2,488), Punjab (1,470) and Himachal Pradesh (1,303). In Madhya Pradesh population covered per dispensary was the highest at 6,12,983 persons, whereas it was the lowest in Nagaland at 1,888 persons. The number of beds increased in all the States/UTs excepting Mizoram during the period under review. The population covered per bed was

the highest in Bihar at 2,970 persons, while it was the lowest in Goa at 316 persons.

Educational Institutions and Students' Enrolment in Schools

The data on the number of schools and students' enrolment in schools during the period 1990-91 to 1997-98 (Table XI-22) indicated that the number of primary, middle, secondary/higher secondary schools increased in all the States/Union Territories excepting Karnataka, Kerala, Manipur, Meghalaya, Tamil Nadu, Tripura, West Bengal and Chandigarh. During the period 1990-91 to 1997-98, students' enrolment improved in all the States/Union Territories at the primary level excepting Andhra Pradesh, Goa, Kerala, Nagaland, Tamil Nadu, Uttar Pradesh, West Bengal, Delhi and Pondicherry. At the middle school level, enrolment of students moved up in many of the States/UTs barring Goa, Kerala, Tamil Nadu, Tripura, Uttar Pradesh, West Bengal and Pondicherry. Similarly, at the secondary/higher secondary level, the enrolment increased in all the States/UTs excepting Goa, Punjab and West Bengal.

Drinking Water Facilities

The number of villages with drinking water facilities had either remained constant or increased in all States/Union Territories for which such information was available for the years 1990-91 and 1997-98. In Haryana, Himachal Pradesh, Manipur, Sikkim, Tamil Nadu and Chandigarh, all the villages were reported to have drinking water facilities. In Andhra Pradesh, Arunachal Pradesh, Bihar, Goa, Gujarat, Karnataka, Kerala, Madhya Pradesh, Meghalaya, Mizoram, Rajasthan and Pondicherry the coverage of villages with drinking water facilities was close to the total number of villages in 1997-98.

Rural Roads Length

The proportion of rural road length to the total road length improved in all the States/Union Territories excepting Jammu and Kashmir, Karnataka and Pondicherry (Table XI-23). Such proportion in Lakshadweep was 100 per cent during 1997-98 followed by Orissa (84.9 per cent), Haryana (76.3 per cent), Kerala (75.1 per cent), Andhra Pradesh (69.3 per cent), Madhya Pradesh (69.2 per cent) and Karnataka (66.7

per cent). In Chandigarh, the proportion was the lowest at 4.5 per cent in 1997-98.

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 and Chandigarh. In Andhra Pradesh, Goa, Gujarat, Jammu and Kashmir, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu and Pondicherry, the coverage was nearer to the 100 per cent level. In Assam, Manipur, Mizoram, Orissa, Tripura, Uttar Pradesh and West Bengal, the coverage of villages under rural electrification was above 70 per cent.

Expenditure on Employment Scheme

The available data show that there was an increase in expenditure on employment schemes during the period 1990-91 to 1997-98 (Table XI-24). Such expenditure increased in all the States/UTs excepting Goa, Kerala and Meghalaya. Madhya Pradesh had the highest expenditure on Employment Schemes at Rs.713.7 crore in 1997-98 followed by Andhra Pradesh (Rs.663.6 crore), Bihar (Rs.429.0 crore), Uttar Pradesh (Rs.406.7 crore), Tamil Nadu (Rs.292.6 crore), Karnataka (Rs.226.8 crore), Orissa (Rs.188.6 crore) and Rajasthan (Rs.187.3 crore). The expenditure was the lowest at Rs.0.3 crore each in Arunachal Pradesh and Lakshadweep during the same year. Under Jawahar Rojgar Yojana, the expenditure had increased over the period (1990-91 to 1997-98) in Andhra Pradesh, Arunachal Pradesh, Assam, Haryana, Karnataka, Kerala, Madhya Pradesh, Meghalaya, Orissa, Sikkim, Tamil Nadu, Tripura, and Uttar Pradesh. However, in the remaining States/Union Territories, there was a decline in such expenditure during the same period. The expenditure on Jawahar Rojgar Yojana was the highest in Uttar Pradesh at Rs.865.9 crore, followed by Goa (Rs.424.2 crore) Bihar (Rs.361.7 crore), Madhya Pradesh (Rs.245.7 crore), Tamil Nadu (Rs.207.0 crore), Andhra Pradesh (Rs.193.7 crore), Orissa (Rs.150.7 crore), Karnataka (Rs.125.8 crore) and Rajasthan (Rs.104.8 crore) in 1997-98. The expenditure was the lowest at Rs.0.5 crore in Mizoram during 1997-98.

Table XI-1: Annual Growth Rates and Compound Growth Rates of Net State Domestic Product at Constant (1980-81) Prices

(Per cent)

Sr. No.	States/Union Territories	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	Compound Growth Rates (1991-92 to 1996-97)	Annual Average Growth Rates (1991-92 to 1996-97)
	1	2	3	4	5	6	7	8	9
1.	Andhra Pradesh	2.5	-1.2	9.7	7.2	6.1	5.1	5.3	4.9
2.	Arunachal Pradesh	14.3	2.5	14.6	-0.7	3.7	-5.0	2.8	4.9
3.	Assam	4.4	1.0	3.9	2.3	3.4	3.4	2.8	3.1
4.	Bihar	-5.7	-5.9	2.4	4.0	-3.0	4.6	0.3	-0.6
5.	Goa	-0.4	14.7	4.2	3.0	0.7	-	5.5	4.4
6.	Gujarat	-8.7	3.6	-1.6	13.2	-2.0	19.2	8.0	8.5
7.	Haryana	2.1	-	4.5	7.6	1.5	10.0	4.6	4.3
8.	Himachal Pradesh	0.6	4.6	3.9	5.4	7.1	-	5.2	4.3
9.	Jammu and Kashmir	1.9	4.0	3.9	5.2	4.5	-	4.4	3.9
10.	Karnataka	12.7	2.3	6.9	3.8	5.5	5.0	4.7	6.0
11.	Kerala	1.9	7.2	10.9	4.0	5.8	5.8	6.7	5.9
12.	Madhya Pradesh	-7.2	7.3	10.2	2.3	4.1	6.7	6.1	3.9
13.	Maharashtra	-0.3	15.5	8.9	6.1	9.7	7.6	9.5	7.9
14.	Manipur	8.4	4.7	3.0	7.2	2.7	-	4.4	5.2
15.	Meghalaya	4.9	-5.9	7.0	2.4	5.4	-	2.1	2.8
16.	Nagaland	3.9	13.7	1.6	-	-	-	7.5	6.4
17.	Orissa	12.7	-1.7	6.4	4.3	3.6	1.0	2.7	4.4
18.	Punjab	4.5	4.7	4.3	4.2	3.4	6.8	4.7	4.7
19.	Rajasthan	-7.7	15.0	-8.2	18.0	-0.9	14.8	7.2	5.2
20.	Tamil Nadu	2.7	4.9	9.4	9.5	0.1	5.9	5.9	5.4
21.	Tripura	3.3	4.0	11.1	7.4	10.9	6.9	8.0	7.3
22.	Uttar Pradesh	0.4	1.1	2.7	2.8	3.1	7.4	3.4	2.9
23.	West Bengal	7.8	3.0	7.3	9.3	4.3	9.5	6.6	6.9
24.	Andaman and Nicobar Islands	-7.5	29.9	10.7	14.3	0.4	-	13.3	9.6
25.	Delhi	11.5	-2.4	6.9	4.5	10.2	-	4.7	6.1
26.	Pondicherry	-6.0	12.1	10.0	4.6	6.1	9.9	0.0	0.8
	All-India	0.2	5.2	6.1	7.7	7.0	7.5	6.7	5.6

Source: Government of India, Central Statistical Organisation, New Delhi.

Table XI-2: Sectoral Growth Rates – 1995-96 and 1996-97

(Per cent)

Sr. No.	States/Union Territories	Agriculture		Forestry and Logging		Fishing		Mining and Quarrying		Manufacturing	
		1995-96	1996-97	1995-96	1996-97	1995-96	1996-97	1995-96	1996-97	1995-96	1996-97
	1	2	3	4	5	6	7	8	9	10	11
1.	Andhra Pradesh	8.4	5.7	-1.6	0.6	17.2	18.0	8.7	3.4	5.3	3.9
2.	Arunachal Pradesh	11.6	-23.3	-7.1	..	3.0	8.2	-14.4	-3.6	4.6	-6.7
3.	Assam	1.6	2.2	0.5	0.5	1.4	-0.3	-3.2	5.8	2.6	5.4
4.	Bihar	-12.2	2.4	-4.4	0.9	25.1	4.3	-5.4	15.8	3.5	5.1
5.	Goa	-0.3	..	-9.1	..	-16.4	..	-4.5	..	0.2	..
6.	Gujarat	-2.3	32.1	1.4	1.1	-13.6	24.7	-19.2	36.9	7.4	26.6
7.	Haryana	-6.0	11.6	6.0	5.8	16.1	7.2	-14.2	66.7	8.3	7.4
8.	Himachal Pradesh	8.1	..	..	..	13.7	..	14.3	..	13.7	..
9.	Jammu and Kashmir	4.3	..	28.0	..	11.4	..	-24.9	..	10.6	..
10.	Karnataka	3.5	1.0	-2.8	2.9	22.7	10.8	-15.3	0.6	10.6	8.0
11.	Kerala	6.6	6.6	16.0	16.0	7.7	7.7	8.3	7.4	4.5	4.0
12.	Madhya Pradesh	0.4	8.3	11.3	-4.9	13.8	21.1	5.9	3.2	5.5	6.9
13.	Maharashtra	7.9	16.9	..	-0.5	40.0	24.0	6.4	6.7	14.8	4.2
14.	Tripura	10.6	6.4	-2.7	6.4	1.4	6.4	37.0	6.4	-17.5	18.3
15.	Meghalaya	2.1	..	7.8	..	-1.8	..	-1.5	..	5.4	..
16.	Orissa	-3.1	-15.6	-10.5	4.7	2.7	10.5	22.2	4.8	20.7	18.2
17.	Punjab	0.1	7.2	2.0	0.5	7.5	23.1	211.1	1.8	10.4	10.6
18.	Rajasthan	-6.9	27.0	2.2	1.8	-11.4	15.3	19.7	-2.8	0.9	2.6
19.	Tamil Nadu	-15.5	3.3	-1.0	-1.0	2.6	2.9	7.8	3.3	2.6	5.9
20.	Uttar Pradesh	0.7	10.9	8.4	-25.7	3.9	2.8	25.3	8.3	5.8	7.3
21.	West Bengal	-5.4	16.3	1.2	1.6	10.3	3.6	75.0	-37.7	8.2	8.5
22.	Andaman and Nicobar Islands	4.6	..	-5.1	..	-4.5	..	466.7	..	-20.1	..
23.	Delhi	-30.4	..	..	..	2.5	..	-95.1	..	13.8	..
	All-India	-4.0	8.3	-0.4	0.1	5.7	6.8	10.4	2.1	14.6	6.8

Note : Computed on the basis of data at Constant (1980-81) prices.**Source**: Government of India, Central Statistical Organisation, New Delhi.

**Table XI-3: Compound Annual Growth Rates, Major Sector-wise (period 1991-92 to 1996-97)
Based on Data at Constant (1980-81) Prices**

(Per cent)

Sr. No.	States/Union Territories	Agriculture	Forestry and Logging	Fishing	Mining and Quarrying	Manufacturing	State Domestic Product
	1	2	3	4	5	6	7
1.	Andhra Pradesh	3.7	-1.8	14.7	6.2	1.2	5.3
2.	Arunachal Pradesh	-4.5	9.1	5.2	2.5	5.6	2.8
3.	Assam	1.5	1.1	4.8	2.7	0.7	2.8
4.	Bihar	-1.4	-3.4	5.7	-0.1	-3.9	0.3
5.	Goa	2.7	2.8	3.0	2.9	6.4	5.5
6.	Gujarat	1.6	4.3	3.0	7.5	0.2	8.0
7.	Haryana	3.7	0.9	3.6	2.3	6.1	4.6
8.	Himachal Pradesh	2.3	8.4	-2.1	5.9	5.6	5.2
9.	Jammu and Kashmir	3.4	3.1	4.5	40.4	7.1	4.4
10.	Karnataka	3.0	1.6	6.6	-6.6	5.3	4.7
11.	Kerala	4.9	11.3	10.9	5.8	3.9	6.7
12.	Madhya Pradesh	6.3	-8.0	17.6	9.4	10.0	6.1
13.	Maharashtra	11.6	-1.7	10.1	7.2	10.3	9.5
14.	Manipur	2.1	2.4	7.3	—	-7.4	4.4
15.	Meghalaya	-3.0	7.6	5.2	-1.0	2.6	2.1
16.	Nagaland	4.9	-9.7	2.2	—	8.7	7.5
17.	Orissa	-3.4	-2.2	11.7	12.4	6.9	2.7
18.	Punjab	2.9	0.4	19.2	-25.7	10.3	4.7
19.	Rajasthan	8.7	2.0	13.4	9.2	2.2	7.2
20.	Tamil Nadu	1.4	-1.4	2.9	2.7	6.8	5.9
21.	Tripura	1.6	4.0	3.0	7.5	0.2	8.0
22.	Uttar Pradesh	3.1	-9.5	5.5	1.5	4.5	3.4
23.	West Bengal	6.6	0.4	4.9	-17.8	5.6	6.6
24.	Andaman and Nicobar Islands	5.5	5.0	5.4	37.5	29.3	13.3
25.	Delhi	-25.5	—	1.6	-76.1	7.2	4.7
26.	Pondicherry	3.2	—	4.5	—	11.1	3.4
	All-India	3.9	-1.1	6.4	1.4	9.0	6.7

- Note :**
1. Data in respect of Goa, Gujarat, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, West Bengal, Andaman and Nicobar Islands, Delhi and Pondicherry have been computed for the years 1991-92 and 1995-96 due to non-availability of data for 1996-97.
 2. Data in respect of Nagaland have been computed for the years 1991-92 to 1993-94 due to the non-availability of data for the years 1994-95 and 1995-96 and 1996-97.
 3. Data in respect of Tripura have been computed for the years 1991-92 to 1994-95 due to non-availability of data for the years 1995-96 and 1996-97.

Source : Government of India, Central Statistical Organisation, New Delhi.

Table XI-4: Share of Real Output from Agriculture and Manufacturing to State Domestic Product (SDP)

(Per cent)

Sr. No.	States/Union Territories	1995-96		1996-97	
		Agriculture/SDP	Manufacturing/SDP	Agriculture/SDP	Manufacturing/SDP
	1	2	3	4	5
1.	Andhra Pradesh	34.6	9.5	34.8	9.4
2.	Arunachal Pradesh	32.3	6.7	26.0	6.6
3.	Assam	35.7	5.5	35.3	5.6
4.	Bihar	31.8	14.1	31.2	14.2
5.	Goa	9.3	34.1	..	..
6.	Gujarat	18.5	33.8	20.5	35.9
7.	Haryana	41.3	20.9	41.9	20.4
8.	Himachal Pradesh	28.1	12.1	..	..
9.	Jammu and Kashmir	34.6	7.5	..	..
10.	Karnataka	33.9	17.8	32.6	18.3
11.	Kerala	30.9	37.7	31.1	13.5
12.	Madhya Pradesh	40.8	15.3	41.4	15.3
13.	Maharashtra	16.0	29.8	17.4	28.8
14.	Manipur	28.8	3.0	..	..
15.	Meghalaya	1.1	4.5	..	..
16.	Orissa	31.7	12.6	26.5	14.7
17.	Punjab	45.0	20.8	45.2	21.5
18.	Rajasthan	40.2	9.7	44.5	8.7
19.	Tamil Nadu	19.6	22.2	19.1	22.1
20.	Tripura	25.9	3.9	25.8	4.3
21.	Uttar Pradesh	41.0	15.4	42.3	15.4
22.	West Bengal	27.1	16.6	..	..
23.	Andaman and Nicobar Islands	35.4	14.1	..	..
24.	Delhi	0.7	22.4	..	..
25.	Pondicherry	9.3	32.4	..	..
	All-India	25.6	21.9	25.8	21.8

Note : Computed on the basis of data at Constant (1980-81) prices.**Source** : Government of India, Central Statistical Organisation, New Delhi.

Table XI-5: State-wise Percentage Share in All-India NDP at Constant (1980-81) Prices

(Per cent)

Sr. No.	States/Union Territories	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
	1	2	3	4	5	6	7
1.	Andhra Pradesh	6.3	5.9	6.1	6.1	6.0	5.9
2.	Arunachal Pradesh	0.1	0.1	0.1	0.1	0.1	0.1
3.	Assam	1.9	1.8	1.8	1.7	1.6	1.6
4.	Bihar	5.1	4.5	4.4	4.2	3.8	3.7
5.	Goa	0.3	0.3	0.3	0.3	0.3	..
6.	Gujarat	5.2	6.5	6.0	6.3	5.8	6.4
7.	Haryana	3.1	2.9	2.9	2.9	2.7	2.8
8.	Himachal Pradesh	0.6	0.6	0.6	0.6	0.6	..
9.	Jammu and Kashmir	0.7	0.7	0.7	0.7	0.7	..
10.	Karnataka	5.4	5.2	5.3	5.1	5.0	4.9
11.	Kerala	2.8	2.9	3.0	2.9	2.9	2.8
12.	Madhya Pradesh	5.4	5.5	5.7	5.4	5.3	5.3
13.	Maharashtra	14.2	15.6	16.1	15.8	16.2	6.2
14.	Manipur	0.2	0.2	0.2	0.2	0.2	..
15.	Meghalaya	0.2	0.1	0.2	0.1	0.1	..
16.	Nagaland	0.1	0.1	0.1	..	..	..
17.	Orissa	2.6	2.4	2.4	2.3	2.3	2.1
18.	Punjab	4.1	4.1	4.0	3.9	3.8	3.7
19.	Rajasthan	4.1	4.5	3.9	4.3	3.9	4.2
20.	Tamil Nadu	6.7	6.7	6.9	7.0	6.5	6.4
21.	Tripura	0.2	0.2	0.3	0.3	0.3	0.3
22.	Uttar Pradesh	12.0	11.5	11.2	10.7	10.3	10.3
23.	West Bengal	8.2	8.0	8.1	8.2	8.0	8.2
24.	Delhi	2.9	2.7	2.7	2.7	2.7	..
25.	Pondicherry	0.1	0.1	0.1	0.1	0.1	0.1
	All-India	100.0	100.0	100.0	100.0	100.0	100.0

Source : Government of India, Central Statistical Organisation, New Delhi.

Table XI-6: State-wise Total Coverage of the Area under High Yielding Varieties

(Lakh Hectares)

Sr No	States/ Union Territories	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	45.3	46.8	41.5	40.5	48.5	40.1	47.0
2.	Arunachal Pradesh	0.4	0.4	0.4	0.5	0.3	0.3	0.4
3.	Assam	10.9	12.3	12.8	12.6	13.0	13.6	15.4
4.	Bihar	35.4	37.0	34.0	52.0	57.8	59.5	67.5
5.	Goa	0.5	0.5	0.5	0.5	0.5	0.5	0.5
6.	Gujarat	25.7	23.2	26.0	22.5	25.0	23.0	21.3
7.	Haryana	26.9	26.0	26.7	26.8	28.0	28.4	28.2
8.	Himachal Pradesh	5.4	5.6	5.6	5.2	5.7	6.1	6.0
9.	Jammu and Kashmir	4.2	4.2	6.7	4.4	6.7	7.0	7.2
10.	Karnataka	31.7	33.4	31.6	31.7	36.4	39.4	42.2
11.	Kerala	1.6	1.7	1.8	1.7	1.7	1.6	4.0
12.	Madhya Pradesh	69.8	67.8	66.2	65.9	74.0	77.9	78.0
13.	Maharashtra	76.3	70.9	76.9	79.8	77.3	79.2	89.6
14.	Manipur	0.9	0.9	0.8	0.8	0.8	0.8	0.8
15.	Meghalaya	0.5	0.6	0.6	0.6	0.6	0.6	0.6
16.	Mizoram	0.1	0.3	0.1	0.1	0.1	0.1	0.1
17.	Nagaland	0.4	0.4	0.4	0.1	..	0.1	0.1
18.	Orissa	26.1	28.1	28.3	29.4	30.2	31.5	31.4
19.	Punjab	53.8	53.7	53.6	55.2	55.8	54.1	54.2
20.	Rajasthan	30.7	28.0	33.1	29.4	27.4	33.3	38.5
21.	Sikkim	0.5	0.4	0.4	0.3	0.3	0.3	0.3
22.	Tamil Nadu	26.6	31.7	30.1	31.2	31.5	28.7	30.0
23.	Tripura	2.1	2.1	1.8	2.1	2.1	2.0	2.3
24.	Uttar Pradesh	137.3	133.4	136.5	138.6	143.1	147.0	149.7
25.	West Bengal	35.8	37.1	37.0	37.0	41.4	47.0	48.1
26.	Andaman and Nicobar Islands	0.1	0.1	0.1	0.1	0.1	0.1	0.1
27.	Chandigarh	..	..	..	..	..	..	..
28.	Dadra and Nagar Haweli	0.1	0.1	0.1	0.1	0.1	0.1	0.1
29.	Daman and Diu	..	..	..	..	..	..	..
30.	Delhi	0.6	0.5	0.1	0.6	0.7	0.7	0.5
31.	Pondicherry	0.3	0.3	0.3	0.3	0.3	0.3	0.3
	Total	649.9	647.3	654.1	669.9	709.3	723.1	764.3

Source : Ministry of Agriculture, Government of India.

Table XI-7: Per Hectare State-wise Consumption of Fertilisers (N+P+K) For Cropped Area during 1991-92 to 1997-98

(Kg / Ha)

Sr. No.	State	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
	1	2	3	4	5	6	7	8
1.	Andhra Pradesh	119.9	118.7	121.6	128.6	137.0	138.4	132.0
2.	Arunachal Pradesh	1.9	2.0	2.3	2.2	1.6	2.2	2.2
3.	Assam	9.2	6.9	8.6	9.7	12.9	14.6	21.9
4.	Bihar	59.5	63.7	60.1	66.2	73.0	79.6	85.1
5.	Gujarat	69.8	66.1	62.7	73.1	67.3	72.7	91.5
6.	Haryana	114.4	104.0	115.5	119.5	121.4	122.7	144.1
7.	Himachal Pradesh	34.4	31.5	29.4	30.1	30.6	35.5	36.5
8.	Jammu and Kashmir	44.4	41.4	39.2	43.9	48.3	41.0	56.7
9.	Karnataka	78.1	67.9	64.8	68.5	78.0	68.8	90.0
10.	Kerala	74.3	66.6	58.1	65.4	66.7	61.5	74.8
11.	Madhya Pradesh	35.1	33.3	31.2	36.3	33.5	39.4	51.6
12.	Maharashtra	62.9	53.5	55.8	64.9	64.2	62.1	73.4
13.	Manipur	46.0	49.0	38.0	31.6	43.6	48.6	49.7
14.	Meghalaya	13.9	12.5	13.4	13.6	11.8	14.4	15.0
15.	Mizoram	8.3	11.8	8.8	8.4	6.9	3.4	10.2
16.	Nagaland	3.3	3.3	5.0	2.9	2.4	3.9	4.8
17.	Orissa	20.0	21.6	21.3	22.6	24.4	25.8	35.5
18.	Punjab	165.6	158.8	157.4	167.1	164.2	157.0	175.8
19.	Rajasthan	24.4	24.8	26.1	29.5	31.5	34.4	39.5
20.	Sikkim	11.8	8.8	7.8	6.1	8.3	5.9	5.8
21.	Tamil Nadu	120.3	113.1	109.1	124.5	107.5	112.6	135.6
22.	Tripura	23.3	20.3	17.1	16.8	18.4	18.8	29.3
23.	Uttar Pradesh	88.9	84.9	89.7	96.4	101.2	107.6	118.3
24.	West Bengal	87.2	85.6	85.8	86.4	97.2	102.8	118.5
	All-India	69.8	65.5	66.3	77.1	73.8	76.1	87.5

Note : Figures from 1993-94 are estimated figures.

Source : Ministry of Agriculture, Government of India.

Table XI-8: Some Indicators of Industrial Sector

(Value in Rupees crore)

Sr. No.	States/Union Territories	No. of Factories		No. of Employees		Fixed Capital		Value of Output		Net Value Added	
		1990-91	1994-95	1990-91	1994-95	1990-91	1994-95	1990-91	1994-95	1990-91	1994-95
	1	2	3	4	5	6	7	8	9	10	11
1.	Andhra Pradesh	15,205	16,616	8,32,120	10,49,241	15,779	24,964	16,608	37,619	2,981	7,609
2.	Assam	1,548	1,514	1,08,953	1,24,095	1,032	1,937	2,887	4,316	734	987
3.	Bihar	3,409	3,600	3,60,362	3,42,854	6,938	14,547	12,955	19,169	2,598	4,420
4.	Goa	220	248	17,309	18,120	241	535	910	1,783	158	328
5.	Gujarat	10,943	12,034	6,75,447	7,72,633	13,099	27,912	27,593	56,469	4,468	12,359
6.	Haryana	3,070	3,568	2,52,974	3,05,146	3,658	6,754	9,897	20,344	1,636	3,056
7.	Himachal Pradesh	282	373	53,580	63,058	1,118	2,238	1,117	2,451	378	759
8.	Jammu and Kashmir	235	284	13,577	19,623	66	118	452	726	76	100
9.	Karnataka	5,911	6,184	4,18,955	4,67,275	4,844	10,080	12,424	24,498	2,769	5,906
10.	Kerala	3,484	4,273	2,71,961	3,52,638	2,661	4,306	6,082	9,350	1,222	2,290
11.	Madhya Pradesh	3,962	4,036	4,17,099	4,45,695	10,324	20,819	14,216	28,783	3,007	6,158
12.	Maharashtra	15,595	17,763	12,39,152	13,19,269	22,162	43,409	61,418	1,09,428	12,004	23,881
13.	Manipur	60	74	1,038	1,482	13	13	10	15	..	3
14.	Meghalaya	32	30	5,636	938	245	16	39	16	11	4
15.	Nagaland	50	85	2,513	4,333	25	34	26	70	-1	14
16.	Orissa	1,465	1,774	1,53,220	1,93,626	4,745	12,399	4,870	9,701	1,153	2,064
17.	Punjab	6,255	6,451	4,00,960	4,40,452	5,667	10,772	12,481	22,341	1,857	3,472
18.	Rajasthan	3,358	4,508	2,41,329	2,73,074	5,099	11,201	8,499	17,946	1,556	3,562
19.	Tamil Nadu	14,617	18,755	9,62,589	11,50,913	11,385	27,759	27,654	60,319	5,793	11,696
20.	Tripura	242	157	11,506	7,868	73	85	47	69	8	15
21.	Uttar Pradesh	10,417	10,154	7,89,011	7,60,457	14,691	31,028	26,368	48,702	4,625	10,696
22.	West Bengal	5,606	5,593	7,40,980	7,47,036	8,490	21,533	16,287	25,922	3,198	5,430
23.	Delhi	3,453	3,879	1,44,554	1,80,509	879	3,448	5,644	12,177	1,016	2,917
24.	Andaman and Nicobar Islands	52	35	5,511	6,697	24	32	54	97	14	16
25.	Chandigarh	295	332	12,185	11,999	45	112	457	849	70	117
26.	Dadra and Nagar Haveli	127	176	5,680	8,713	116	450	903	1,806	73	248
27.	Daman and Diu	53	243	2,642	9,443	27	442	98	1,554	14	235
28.	Pondicherry	233	279	21,661	25,220	204	703	567	1,468	97	175
	All-India	1,10,179	1,23,018	81,62,504	91,02,407	1,33,650	2,77,645	2,70,564	5,17,987	51,515	1,08,517

Note: Constituent items may not add upto total due to rounding off.**Source:** Ministry of Industry, Government of India.

Table XI-9: Selected Ratios relating to the Industrial Sector

Sr. No.	States/Union Territories	Gross Output per Employee*		Fixed Capital per Employee*		Fixed Capital to Output		Net Value Added to Output		Fixed Capital to Net Value Added	
		1990-91	1994-95	1990-91	1994-95	1990-91	1994-95	1990-91	1994-95	1990-91	1994-95
	1	2	3	4	5	6	7	8	9	10	11
1.	Andhra Pradesh	2.0	3.6	1.9	2.4	1.0	0.7	0.2	0.2	5.3	3.3
2.	Assam	2.6	3.5	1.0	1.6	0.4	0.4	0.3	0.2	1.4	2.0
3.	Bihar	3.6	5.6	1.9	4.2	0.5	0.8	0.2	0.2	2.7	3.3
4.	Goa	5.3	9.8	1.4	3.0	0.3	0.3	0.2	0.2	1.5	1.6
5.	Gujarat	4.1	7.3	1.9	3.6	0.5	0.5	0.2	0.2	2.9	2.3
6.	Haryana	3.9	6.7	1.5	2.2	0.4	0.3	0.2	0.2	2.2	2.2
7.	Himachal Pradesh	2.1	3.9	2.1	3.5	1.0	0.9	0.3	0.3	3.0	2.9
8.	Jammu and Kashmir	3.3	3.7	0.5	0.6	0.1	0.2	0.2	0.1	0.9	1.2
9.	Karnataka	3.0	5.2	1.2	2.2	0.4	0.4	0.2	0.2	1.7	1.7
10.	Kerala	2.2	2.7	1.0	1.2	0.4	0.5	0.2	0.2	2.2	1.9
11.	Madhya Pradesh	3.4	6.5	2.5	4.7	0.7	0.7	0.2	0.2	3.4	3.4
12.	Maharashtra	5.0	8.3	1.8	3.3	0.4	0.4	0.2	0.2	1.8	1.8
13.	Manipur	1.0	1.0	1.2	0.9	1.2	0.8	..	0.2	84.0	3.7
14.	Meghalaya	0.7	1.7	4.4	1.7	6.2	1.0	0.3	0.2	22.2	4.5
15.	Nagaland	1.0	1.6	1.0	0.8	0.9	0.5	..	0.2	-17.0	2.4
16.	Orissa	3.2	5.0	3.1	6.4	1.0	1.3	0.2	0.2	4.1	6.0
17.	Punjab	3.1	5.1	1.4	2.4	0.5	0.5	0.1	0.2	3.1	3.1
18.	Rajasthan	3.5	6.6	2.1	4.1	0.6	0.6	0.2	0.2	3.3	3.1
19.	Tamil Nadu	2.9	5.2	1.2	2.4	0.4	0.5	0.2	0.2	2.0	2.4
20.	Tripura	0.4	0.9	0.6	1.1	1.5	1.2	0.2	0.2	9.4	5.7
21.	Uttar Pradesh	3.3	6.4	1.9	4.1	0.6	0.6	0.2	0.2	3.2	2.9
22.	West Bengal	2.2	3.5	1.2	2.9	0.5	0.8	0.2	0.2	2.7	4.0
23.	Delhi	3.9	6.7	0.6	1.9	0.2	0.3	0.2	0.2	0.9	1.2
24.	Andaman and Nicobar Islands	1.0	1.4	0.4	0.5	0.4	0.3	0.3	0.2	1.6	2.0
25.	Chandigarh	3.8	7.1	0.4	0.9	0.1	0.1	0.2	0.1	0.6	1.0
26.	Dadra and Nagar Haveli	15.9	20.7	2.0	5.2	0.1	0.2	0.1	0.1	1.6	1.8
27.	Daman and Diu	3.7	16.5	1.0	4.7	0.3	0.3	0.1	0.2	2.0	1.9
28.	Pondicherry	2.6	5.8	0.9	2.8	0.4	0.5	0.2	0.1	2.1	4.0
	All-India	3.3	5.7	1.6	3.1	0.5	0.5	0.2	0.2	2.6	2.6

* In Rs. lakhs.

Table XI-10: State-wise Distribution of the Number of Reporting Offices, Aggregate Deposits and Gross Bank Credit of All Scheduled Commercial Banks

(Rupees crore)

States/Union Territories	As on the last Friday of March 1993				As on the last Friday of March 1998			
	No. of Offices	Bank Deposits	Bank Credit	Credit Deposit Ratio (per cent)	No. of Offices	Bank Deposits	Bank Credit	Credit Deposit Ratio (per cent)
1	2	3	4	5	6	7	8	9
I. Northern Region	9,357	54,607	35,731	65.4	10,125	1,33,042	67,807	51.0
Haryana	1,286	5,064	2,810	55.5	1,423	12,188	5,228	42.9
Himachal Pradesh	742	1,856	589	31.7	768	4,373	945	21.6
Jammu and Kashmir	795	2,233	994	44.5	802	5,806	2,169	37.4
Punjab	2,169	12,661	5,383	42.5	2,427	27,518	10,628	38.6
Rajasthan	3,090	7,256	4,004	55.2	3,259	16,843	7,988	47.4
Chandigarh	117	1,978	1,001	50.6	157	4,975	2,887	58.0
Delhi	1,158	23,559	20,950	88.9	1,289	61,339	37,963	61.9
II. North-Eastern Region	1,873	4,123	1,812	43.9	1,902	9,328	2,786	29.9
Arunachal Pradesh	68	201	28	13.9	68	413	54	13.1
Assam	1,221	2,668	1,301	48.8	1,241	6,022	1,978	32.8
Manipur	85	105	89	84.8	85	283	167	59.0
Meghalaya	174	458	77	16.8	179	2,019	155	7.7
Mizoram	75	113	24	21.2	78	214	49	22.9
Nagaland	70	242	98	40.5	71	545	100	18.3
Tripura	180	337	197	58.5	180	832	283	34.0
III. Eastern Region	11,322	38,777	19,227	49.6	11,576	79,404	37,611	47.4
Bihar	9,897	11,109	4,312	38.8	4,981	25,668	7,061	27.5
Orissa	2,124	3,591	2,394	66.7	2,170	8,818	3,984	45.2
Sikkim	33	122	30	24.6	42	280	58	20.7
West Bengal	4,242	23,876	12,469	52.2	4,352	44,401	20,476	46.1
Andaman and Nicobar Islands	26	79	23	29.1	31	237	36	15.2
IV. Central Region	12,969	34,875	16,659	47.8	13,259	82,058	28,791	35.1
Madhya Pradesh	4,412	9,444	5,886	62.3	4,449	23,299	11,986	51.4
Uttar Pradesh	8,557	25,431	10,773	42.4	8,810	58,760	16,805	28.6
V. Western Region	9,371	83,503	49,021	58.7	9,944	1,57,276	1,02,961	65.5
Goa	260	1,988	608	30.6	291	4,556	1,120	24.6
Gujarat	3,425	16,145	8,461	52.4	3,562	34,823	16,792	48.2
Maharashtra	5,669	65,257	39,929	61.2	6,071	1,17,551	84,977	72.3
Dadra and Nagar Haveli	7	29	8	27.6	7	100	21	21.0
Daman and Diu	10	84	15	17.9	13	245	51	20.8
VI. Southern Region	16,343	58,182	43,386	74.6	17,461	1,30,959	94,680	72.3
Andhra Pradesh	4,678	13,896	11,117	80.0	4,965	31,619	22,810	72.1
Karnataka	4,334	13,367	10,032	75.1	4,572	31,882	21,753	68.2
Kerala	2,885	11,727	5,707	48.7	3,165	27,201	12,045	44.3
Tamil Nadu	4,368	18,745	16,335	87.1	4,676	39,259	37,723	96.1
Lakshadweep	8	14	1	7.1	9	32	3	9.4
Pondicherry	70	434	194	44.7	74	967	347	35.9
All-India	61,235	2,74,068	1,65,836	60.5	64,267	5,92,068	3,28,637	55.5

Note : Data are inclusive of those relating to RRBs.**Source** : Reserve Bank of India.

Table XI-11: Per Office Bank Deposits and Credit (As on last Friday of March)

(Rupees crore)

Sr. No.	States/Union Territories	Bank Deposits		Bank Credit	
		1993	1998	1993	1998
	1	2	3	4	5
1.	Andhra Pradesh	3.0	6.4	2.4	4.6
2.	Arunachal Pradesh	3.0	6.1	0.4	0.8
3.	Assam	2.2	4.9	1.1	1.6
4.	Bihar	2.3	5.2	0.9	1.4
5.	Goa	7.6	15.7	2.3	3.8
6.	Gujarat	4.7	9.8	2.5	4.7
7.	Haryana	3.9	8.6	2.2	3.7
8.	Himachal Pradesh	2.5	5.7	0.8	1.2
9.	Jammu and Kashmir	2.8	7.2	1.3	2.7
10.	Karnataka	3.1	7.0	2.3	4.8
11.	Kerala	4.1	8.6	2.0	3.8
12.	Madhya Pradesh	2.1	5.2	1.3	2.7
13.	Maharashtra	11.5	19.4	7.0	14.0
14.	Manipur	1.2	3.3	1.0	2.0
15.	Meghalaya	2.6	5.7	0.4	0.9
16.	Mizoram	1.5	2.7	0.3	0.6
17.	Nagaland	3.5	7.7	1.4	1.4
18.	Orissa	1.7	4.1	1.1	1.8
19.	Punjab	5.8	1.3	2.5	4.4
20.	Rajasthan	2.3	5.2	1.3	2.5
21.	Sikkim	3.7	6.7	0.9	1.4
22.	Tamil Nadu	4.3	8.4	3.7	8.1
23.	Tripura	1.9	4.6	1.1	1.6
24.	Uttar Pradesh	3.0	6.7	1.3	1.9
25.	West Bengal	5.6	10.2	2.9	4.7
26.	Andaman and Nicobar Islands	3.0	7.6	0.9	1.2
27.	Chandigarh	16.9	31.7	8.6	18.4
28.	Dadra and Nagar Haweli	4.1	14.3	1.1	3.0
29.	Daman and Diu	8.4	18.8	1.5	3.9
30.	Delhi	20.3	47.6	18.1	29.5
31.	Lakshadweep	1.8	3.6	0.1	0.3
32.	Pondicherry	6.2	13.1	2.8	4.7
	All-India	4.5	9.2	2.7	5.1

Source : Reserve Bank of India.

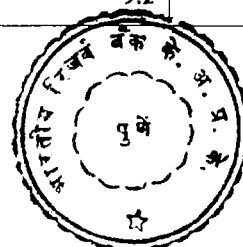


**Table XI-12: Share of Rural to Total Offices, Deposits and Credit of Scheduled Commercial Banks
(As on last Friday of March)**

(Per cent)

States/Union Territories	Rural/Total Offices		Rural/Total Deposits		Rural/Total Credit	
	1993	1998	1993	1998	1993	1998
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 : 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 1993 and 1998			Credit Deposit Ratio as on Last Friday of	
	No. of Offices	Bank Deposits	Bank Credit	March 1993	March 1998
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 : 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 1995	March 1996	March 1997
1	2	3	4
I. Northern Region	25.7	26.5	29.7
Haryana	67.2	59.9	60.8
Himachal Pradesh	55.1	56.9	60.1
Jammu and Kashmir	27.4	35.6	32.4
Punjab	49.8	51.5	54.1
Rajasthan	48.7	50.8	54.3
Chandigarh	11.3	9.4	14.9
Delhi	12.8	13.5	15.4
II. North-Eastern Region	58.2	56.8	66.4
Arunachal Pradesh	48.5	52.9	56.8
Assam	56.5	54.5	68.6
Manipur	73.7	62.5	65.3
Meghalaya	45.7	53.2	45.0
Mizoram	71.4	65.4	63.3
Nagaland	71.4	83.3	61.5
Sikkim	38.9	40.0	42.9
Tripura	67.9	63.9	72.4
III. Eastern Region	37.2	35.2	38.7
Bihar	58.8	54.4	52.2
Orissa	54.5	52.4	62.2
West Bengal	27.9	26.4	30.2
Andaman and Nicobar Islands	52.4	48.0	53.3
IV. Central Region	54.6	51.5	53.5
Madhya Pradesh	47.2	44.7	48.1
Uttar Pradesh	59.1	56.0	57.1
V. Western Region	22.4	22.7	25.2
Goa	29.0	31.2	30.9
Gujarat	36.6	34.9	35.5
Maharashtra	19.5	20.1	23.0
Dadra and Nagar Haveli	55.6	58.3	73.3
Daman and Diu	90.0	79.5	40.0
VI. Southern Region	39.0	37.8	39.5
Andhra Pradesh	40.1	40.9	41.3
Karnataka	41.1	38.4	40.7
Kerala	43.6	44.2	47.3
Tamil Nadu	35.8	33.8	35.3
Lakshadweep	36.9	35.3	100.0
Pondicherry	100.0	133.3	35.8
All-India	32.0	31.5	34.3

Source : Reserve Bank of India.

Table XI-15: Priority Sector Advances for Agriculture and Allied Activities – March 1997

(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	5,308	57,699	9.2
Haryana	1,024	4,180	24.5
Himachal Pradesh	125	814	15.4
Jammu and Kashmir	120	1,771	6.8
Punjab	1,987	8,887	22.4
Rajasthan	1,308	5,797	22.6
Chandigarh	232	3,574	6.5
Delhi	512	32,676	1.6
II. North-Eastern Region	556	2,248	24.7
Arunachal Pradesh	10	37	27.0
Assam	428	1,594	26.9
Manipur	17	147	11.6
Meghalaya	15	111	13.5
Mizoram	4	30	13.3
Nagaland	28	117	23.9
Sikkim	7	42	16.7
Tripura	47	170	27.6
III. Eastern Region	3,210	26,589	12.1
Bihar	1,058	5,738	18.4
Orissa	629	3,071	20.5
West Bengal	1,517	17,750	8.5
Andaman and Nicobar Islands	6	30	20.0
IV. Central Region	4,770	22,455	21.2
Madhya Pradesh	1,996	8,878	22.5
Uttar Pradesh	2,774	13,577	20.4
V. Western Region	5,377	84,932	6.3
Goa	75	958	7.8
Gujarat	1,713	14,221	12.0
Maharashtra	3,587	69,693	5.1
Dadra and Nagar Haveli	1	15	6.7
Daman and Diu	1	45	2.2
VI. Southern Region	13,213	79,813	16.6
Andhra Pradesh	4,117	18,942	21.7
Karnataka	2,984	17,782	16.8
Kerala	1,701	10,345	16.4
Tamil Nadu	4,358	32,417	13.4
Lakshadweep	0	3	0.0
Pondicherry	53	324	16.4
All-India	32,434	2,73,736	11.8

Source : Reserve Bank of India.

Table XI-16: State-wise Financial Assistance Sanctioned and Disbursed by All India Financial Institutions* and IDBI

(Rupees crore)

Sr. No	States/Union Territories	All India Financial Institutions (AIFIs)								Industrial Development Bank of India (IDBI)							
		1992-93		1995-96		1996-97		Cumulative upto end - March 1997		1992-93		1995-96		1996-97		Cumulative upto end-March 1997**	
		S	D	S	D	S	D	S	D	S	D	S	D	S	D	S	D
	I	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1.	Andhra Pradesh	1,410.2	1,165.8	3,827.7	2,272.5	2,977.1	2,414.7	21,579.8	15,107.2	771.3	636.7	1,443.8	875.0	1,111.5	910.5	10,087.8	7,261.8
2.	Arunachal Pradesh	1.4	1.1	4.3	2.5	9.4	0.9	39.2	25.2	0.4	0.7	1.6	0.4	..	..	18.4	14.0
3.	Assam	94.3	90.3	640.3	121.4	103.9	246.7	1,785.6	1,183.7	11.7	50.7	70.5	43.8	16.8	25.3	600.5	511.4
4.	Bihar	540.9	432.6	433.8	249.5	543.9	235.6	4,390.3	3,147.8	134.2	223.9	261.7	79.4	120.4	59.1	1,923.7	1,265.0
5.	Goa	108.0	87.9	236.4	116.4	271.9	105.8	1,982.2	1,294.7	38.4	27.4	86.8	29.6	115.1	24.9	886.7	570.2
6.	Gujarat	3,951.5	2,689.6	9,132.3	4,582.8	8,616.9	6,059.6	51,372.0	30,206.0	1,392.4	1,095.8	2,849.4	1,716.8	3,386.8	1,956.1	19,202.7	11,915.7
7.	Haryana	815.7	407.0	1,408.6	855.3	1,346.9	1,031.4	7,869.0	5,423.4	237.5	134.4	446.7	287.3	546.4	349.4	3,421.6	2,303.3
8.	Himachal Pradesh	252.4	232.6	855.0	256.2	264.0	343.9	3,338.6	2,221.5	71.6	118.1	394.2	111.1	48.5	171.7	1,734.2	1,276.7
9.	Jammu and Kashmir	10.3	11.9	39.1	30.4	22.0	17.7	581.4	479.7	3.6	4.0	24.7	11.7	11.2	8.4	419.2	344.6
10.	Karnataka	1,567.5	878.1	5,273.5	2,375.0	4,121.8	2,487.3	22,637.8	13,572.5	537.9	346.2	1,621.6	733.5	1,441.4	848.6	8,576.0	5,461.4
11.	Kerala	402.3	288.3	643.0	354.3	594.4	617.6	4,514.9	3,561.3	157.9	113.4	185.7	112.0	199.2	166.6	2,247.6	1,718.3
12.	Madhya Pradesh	1,278.9	867.5	3,016.5	1,777.1	1,598.4	1,698.4	15,162.7	10,942.6	447.6	356.8	1,120.3	607.8	671.1	739.3	6,551.5	5,102.3
13.	Maharashtra	7,544.7	4,735.4	12,159.8	7,143.2	8,870.1	8,381.9	72,412.7	50,477.4	2,065.8	1,111.6	3,418.1	2,002.7	2,442.8	1,940.7	22,993.7	15,131.6
14.	Manipur	1.5	1.4	2.3	4.3	62.1	2.1	106.9	44.1	..	..	..	..	..	..	31.2	26.2
15.	Meghalaya	2.1	1.7	2.1	2.0	8.6	4.4	111.0	91.8	0.2	0.2	..	..	..	..	75.1	62.4
16.	Mizoram	1.1	0.4	0.5	0.6	0.9	0.9	34.3	31.1	1.0	0.3	..	..	..	..	27.5	24.2
17.	Nagaland	1.4	3.7	5.4	6.1	10.5	9.3	63.5	59.1	0.1	2.7	..	1.1	0.1	0.2	33.1	30.7
18.	Orissa	379.1	301.4	511.2	255.0	1,553.7	395.9	6,491.5	3,660.3	149.5	156.7	166.4	123.6	1,080.1	170.6	3,327.7	2,062.2
19.	Punjab	612.8	378.1	960.2	680.0	922.4	616.9	7,304.9	5,208.9	222.8	101.4	358.6	222.4	315.2	243.3	3,164.0	2,150.6
20.	Rajasthan	1,036.0	1,010.5	2,271.4	1,718.5	2,398.7	1,469.0	13,303.7	9,677.4	539.0	505.7	567.4	476.5	1,135.7	758.3	5,736.6	4,334.9
21.	Sikkim	1.4	1.2	3.9	10.0	8.5	2.6	48.4	43.6	..	..	..	..	..	..	24.7	20.9
22.	Tamil Nadu	1,982.2	1,427.0	6,257.9	3,280.7	4,723.9	3,298.7	30,837.2	19,936.7	684.5	562.7	1,613.4	1,281.0	1,577.2	999.5	11,883.3	8,311.6
23.	Tripura	1.4	1.0	3.9	8.1	4.7	4.7	49.8	43.5	..	..	..	..	..	..	27.2	20.1
24.	Uttar Pradesh	1,455.7	1,063.7	4,317.6	2,772.7	3,527.2	2,961.5	24,101.7	17,133.9	537.1	430.0	1,528.2	861.7	1,378.1	1,303.5	10,530.8	7,600.0
25.	West Bengal	1,130.6	635.9	2,607.6	1,064.6	2,107.9	1,233.9	14,887.8	8,802.1	586.0	240.0	706.2	309.6	562.3	326.9	5,596.4	3,480.7
26.	Delhi	955.0	653.3	1,446.5	1,550.7	2,333.3	1,274.3	11,253.7	7,406.2	174.2	127.3	650.7	529.9	664.3	263.6	3,298.9	2,194.0
27.	Union Territories	129.4	100.9	894.9	382.9	624.1	451.7	3,382.6	1,831.7	64.9	33.4	180.3	176.3	181.5	128.2	1,195.5	800.7
28.	Multi-State non-specific areas \$	5,091.7	3,746.4	2,711.5	2,920.5	3,319.4	3,041.2	21,525.5	16,891.2	..	..	..	..	..	..	..	..
	Total	30,759.5	21,216.4*	59,667.2	34,793.3	50,946.6	38,408.6	3,41,232.0@	2,28,506.3*	8,829.6	6,380.1	17,696.3	10,593.2	17,005.7	11,394.7	1,23,615.6	83,995.5

\$ Sanctioned. D Disbursed.

All-India Financial Institutions refer to All-India Development Banks viz., IDBI, IFCI, ICICI, SIDBI, IRBI and SCICI, Specialised Financial Institutions viz., RCTC, TDICI and TFCI and investment institutions viz., LIC, UTI and GIC.

* Includes assistance of Rs 1.7 crore disbursed by ICICI to Malaysia.

@ Includes assistance of Rs 63.3 sanctioned by ICICI to Malaysia and Saudi Arabia.

** Inclusive of assistance to small scale sector up to end - March 1990

\$ Data relate to LIC and UTI.

Note: Constituent items may not add up to total due to rounding off.

Source: Industrial Development Bank of India.

Table XI-17: State-wise Share of Financial Assistance Sanctioned and Disbursed by All-India Financial Institutions

(Per cent)

Sr. No.	States/Union Territories	1992-93		1995-96		1996-97		Cumulative upto end- March 1997	
		S	D	S	D	S	D	S	D
	1	2	3	4	5	6	7	8	9
1.	Andhra Pradesh	4.6	5.5	6.4	6.5	5.8	6.3	6.3	6.6
2.	Arunachal Pradesh	—	—	—	—	—	—	—	—
3.	Assam	0.3	0.4	1.1	0.3	0.2	0.6	0.5	0.5
4.	Bihar	1.8	2.0	0.7	0.7	1.1	0.6	1.3	1.4
5.	Goa	0.4	0.4	0.4	0.3	0.5	0.3	0.6	0.6
6.	Gujarat	12.8	12.7	15.3	13.2	16.9	15.8	15.1	13.2
7.	Haryana	2.7	1.9	2.4	2.5	2.6	2.7	2.3	2.4
8.	Himachal Pradesh	0.8	1.1	1.4	0.7	0.5	0.9	1.0	1.0
9.	Jammu and Kashmir	—	0.1	0.1	0.1	—	—	0.2	0.2
10.	Karnataka	5.1	4.1	8.8	6.8	8.1	6.5	6.6	5.9
11.	Kerala	1.3	1.4	1.1	1.0	1.2	1.6	1.3	1.6
12.	Madhya Pradesh	4.2	4.1	5.1	5.1	3.1	4.4	4.4	4.8
13.	Maharashtra	24.5	22.3	20.4	20.5	17.4	21.8	21.2	22.1
14.	Manipur	—	—	—	—	0.1	—	—	—
15.	Meghalaya	—	—	—	—	—	—	—	—
16.	Mizoram	—	—	—	—	—	—	—	—
17.	Nagaland	—	—	—	—	—	—	—	—
18.	Orissa	1.2	1.4	0.9	0.7	3.0	1.0	1.9	1.6
19.	Punjab	2.0	1.8	1.6	2.0	1.8	1.6	2.1	2.3
20.	Rajasthan	3.4	4.8	3.8	4.9	4.7	3.8	3.9	4.2
21.	Sikkim	—	—	—	—	—	—	—	—
22.	Tamil Nadu	6.4	6.7	10.5	9.4	9.3	8.6	9.0	8.7
23.	Tripura	—	—	—	—	—	—	—	—
24.	Uttar Pradesh	4.7	5.0	7.2	8.0	6.9	7.7	7.1	7.5
25.	West Bengal	3.7	3.0	4.4	3.1	4.1	3.2	4.4	3.9
26.	Delhi	3.1	3.1	2.4	4.5	4.6	3.3	3.3	3.2
27.	Union Territories	0.4	0.5	1.5	1.1	1.2	1.2	1.0	0.8

S Sanctioned.

D Disbursed.

Table XI-18: State-wise Share of Financial Assistance Sanctioned and Disbursed by IDBI

(Per cent)

Sr. No.	States/Union Territories	1992-93		1995-96		1996-97		Cumulative upto end- March 1997	
		S	D	S	D	S	D	S	D
	1	2	3	4	5	6	7	8	9
1.	Andhra Pradesh	8.7	10.0	8.2	8.3	6.5	8.0	8.2	8.6
2.	Arunachal Pradesh	—	—	—	—	—	—	—	—
3.	Assam	0.1	0.8	0.4	0.4	0.1	0.2	0.5	0.6
4.	Bihar	1.5	3.5	1.5	0.7	0.7	0.5	1.6	1.5
5.	Goa	0.4	0.4	0.5	0.3	0.7	0.2	0.7	0.7
6.	Gujarat	15.8	17.2	16.1	16.2	19.9	17.2	15.5	14.2
7.	Haryana	2.7	2.1	2.5	2.7	3.2	3.1	2.8	2.7
8.	Himachal Pradesh	0.8	1.9	2.2	1.0	0.3	1.5	1.4	1.5
9.	Jammu and Kashmir	—	—	0.1	0.1	0.1	0.1	0.3	0.4
10.	Karnataka	6.1	5.4	9.2	6.9	8.5	7.4	6.9	6.5
11.	Kerala	1.8	1.8	1.0	1.1	1.2	1.5	1.8	2.0
12.	Madhya Pradesh	5.1	5.6	6.3	5.7	3.9	6.5	5.3	6.1
13.	Maharashtra	23.4	17.4	19.3	18.9	14.4	17.0	18.6	18.0
14.	Manipur	—	—	—	—	—	—	—	—
15.	Meghalaya	—	—	—	—	—	—	0.1	0.1
16.	Mizoram	—	—	—	—	—	—	—	—
17.	Nagaland	—	—	—	—	—	—	—	—
18.	Orissa	1.7	2.5	0.9	1.2	6.4	1.5	2.7	2.5
19.	Punjab	2.5	1.6	2.0	2.1	1.9	2.1	2.6	2.6
20.	Rajasthan	6.1	7.9	3.2	4.5	6.7	6.7	4.6	5.2
21.	Sikkim	—	—	—	—	—	—	—	—
22.	Tamil Nadu	7.8	8.8	9.1	12.1	9.3	8.8	9.6	9.9
23.	Tripura	—	—	—	—	—	—	—	—
24.	Uttar Pradesh	6.1	6.7	8.6	8.1	8.1	11.4	8.5	9.0
25.	West Bengal	6.6	3.8	4.0	2.9	3.3	2.9	4.5	4.1
26.	Delhi	2.0	2.0	3.7	5.0	3.9	2.3	2.7	2.6
27.	Union Territories	0.7	0.5	1.0	1.7	1.1	1.1	1.0	1.0

S Sanctioned.

D Disbursed.

Table XI-19: State-wise Financial Assistance Sanctioned and Disbursed by State Financial Corporations

(Rupees crore)

Sr. No.	States/Union Territories	1992-93		1995-96		1996-97		Cumulative upto end- March 1997	
		S	D	S	D	S	D	S	D
	1	2	3	4	5	6	7	8	9
1.	Andhra Pradesh	189.0	126.2	180.7	116.8	153.1	112.5	1,763.3	1,631.3
2.	Assam	8.8	8.9	1.1	3.7	0.5	2.2	106.8	98.3
3.	Bihar	11.1	6.5	22.4	4.1	18.6	8.5	756.3	420.0
4.	Gujarat	219.7	180.6	306.4	240.0	228.5	167.8	2,777.5	1,941.2
5.	Haryana	110.0	91.8	255.2	231.6	108.3	130.2	1,227.3	995.7
6.	Himachal Pradesh	11.6	14.1	22.5	20.0	15.5	15.5	197.7	181.8
7.	Jammu and Kashmir	5.3	18.9	2.0	0.8	2.9	1.0	315.2	293.9
8.	Karnataka	328.2	299.8	613.7	484.6	645.8	556.8	3,576.8	3,245.4
9.	Kerala	90.9	65.1	234.1	139.7	196.0	186.9	1,207.5	922.7
10.	Madhya Pradesh	52.3	45.5	95.1	61.8	92.3	68.2	752.1	659.6
11.	Maharashtra	247.4	154.7	788.5	603.8	298.9	323.0	3,334.6	2,412.2
12.	Orissa	55.2	49.3	84.4	54.4	80.5	67.1	842.0	764.9
13.	Punjab	87.5	70.9	72.6	69.2	75.5	73.9	848.0	742.5
14.	Rajasthan	164.5	107.5	159.6	131.7	162.8	122.1	1,443.0	1,266.3
15.	Tamil Nadu	205.8	130.1	632.7	320.7	426.8	341.1	3,290.8	2,215.2
16.	Uttar Pradesh	159.2	127.6	590.7	389.3	677.8	422.7	2,808.9	2,314.6
17.	West Bengal	41.3	31.6	68.0	47.9	60.5	50.7	590.9	512.2
18.	Delhi	27.5	28.3	58.8	41.0	60.3	28.2	467.0	278.2
	Total	2,015.3	1,557.4	4,188.5	2,961.1	3,304.6	2,678.4	26,305.7	20,896.0

S Sanctioned.

D Disbursed.

Table XI-20: Small Savings Collections

(Rupees crore)

Sr. No.	States/Union Territories	1994-95			1997-98		
		Target * Collections	Gross Collections	Net Collections	Target* Collections	Gross Collections	Net Collections
	1	2	3	4	5	6	7
1.	Andhra Pradesh	700.0	1,991.5	920.5	800.0	2,090.2	625.2
2.	Arunachal Pradesh	4.0	12.8	7.4	5.0	16.8	10.5
3.	Assam	175.0	969.0	637.2	280.0	833.3	255.4
4.	Bihar	500.0	1,934.4	659.4	550.0	2,713.5	1,217.1
5.	Goa	30.0	78.1	21.1	45.0	98.6	38.5
6.	Gujarat	1,000.0	2,226.4	820.4	1,300.0	3,881.5	1,754.1
7.	Haryana	300.0	1,038.3	414.9	400.0	1,383.7	666.0
8.	Himachal Pradesh	150.0	870.8	598.7	150.0	1,942.5	924.7
9.	Jammu and Kashmir	200.0	304.7	152.6	200.0	410.9	196.7
10.	Karnataka	500.0	2,125.8	1,244.5	350.0	1,771.9	318.6
11.	Kerala	350.0	1,198.8	633.4	400.0	1,136.8	246.2
12.	Madhya Pradesh	420.0	1,100.0	398.0	600.0	1,631.2	722.1
13.	Maharashtra	800.0	3,395.1	606.2	2,000.0	5,185.5	2,922.4
14.	Manipur	9.0	18.8	10.5	15.0	30.1	10.7
15.	Meghalaya	20.0	40.3	18.4	20.0	50.4	-17.4
16.	Mizoram	3.0	13.7	8.1	5.0	22.8	4.4
17.	Nagaland	3.0	8.0	3.1	5.0	15.4	7.4
18.	Orissa	200.0	755.6	334.1	300.0	852.8	355.1
19.	Punjab	500.0	1,401.7	651.6	750.0	2,158.4	1,139.2
20.	Rajasthan	500.0	1,402.4	652.1	550.0	2,247.5	1,023.4
21.	Sikkim	3.0	7.7	5.7	5.0	11.3	7.7
22.	Tamil Nadu	500.0	2,650.4	710.0	500.0	2,156.4	295.7
23.	Tripura	20.0	90.8	28.9	40.0	141.4	108.1
24.	Uttar Pradesh	1,200.0	5,109.7	2,235.2	2,000.0	5,975.7	2,612.0
25.	West Bengal	1,200.0	4,182.1	1,976.0	2,000.0	6,268.8	3,668.9
26.	Andaman and Nicobar Islands	3.0	9.8	4.8	2.0	11.4	4.3
27.	Chandigarh	30.0	108.3	26.6	20.0	95.0	11.8
28.	Daman and Diu	2.0	—	—	2.0	—	—
29.	Delhi	400.0	1,328.5	683.6	700.0	1,797.4	989.6
30.	Lakshadweep	1.0	0.3	—	1.0	0.4	—
31.	Base @	—	51.1	-40.5	—	93.5	23.0
32.	Pondicherry	5.0	13.1	3.2	5.0	20.5	7.9
	Total	9,728.0	34,438.0	14,425.7	14,000.0	45,045.6	20,149.3

* The target relates to net collections.

@ Base stands for collections through Army Post Offices.

Source : Ministry of Finance, Government of India.

Table XI-21: Minor Irrigation Facilities

(Area: Lakh hectares)

Sr. No.	States / Union Territories	Total Cropped Area		Area Covered by Minor Irrigation Facilities		Percentage of col.		Number of					
						(4 to 2)	(5 to 3)	Wells		Tube wells		Canals	
		1990-91	1996-97	1990-91	1996-97	1990-91	1996-97	1990-91	1996-97	1990-91	1996-97	1990-91	1996-97
	I	2	3	4	5	6	7	8	9	10	11	12	13
1.	Andhra Pradesh	131.9	134.1	30.6	35.8	23.2	26.7	12,55,239	12,65,320	1,30,914	3,63,467	93	66
2.	Arunachal Pradesh	1.8	1.9	0.7	0.9	38.9	47.4	..	..	..	..	..	..
3.	Assam	34.5	34.0	1.4	3.0	4.1	8.8	..	58 *	..	222	..	154 *
4.	Bihar	104.9	..	46.1	55.6	43.9	..	91,085	1,24,474	6,85,659	9,78,212	2,729	3,122 *
5.	Goa	1.5	1.7 *	0.2	0.2 *	12.6	12.7 *	7	5 *	30	24 *	—	4 *
6.	Gujarat	106.4	..	24.8	..	23.3	..	7,88,841	..	18,893	..	1169	..
7.	Haryana	59.2	59.7 *	12.6	13.9 *	21.3	23.3	..	..	4,57,856	5,49,296 *	..	..
8.	Karnataka	117.6	123.5	15.1	17.0	12.8	13.8	4,57,326	4,72,819	79,954	2,45,431	109	128
9.	Kerala	30.2	23.3	1.4	2.4 *	4.6	10.3	12,409	14,029	411	1,588	..	..
10.	Madhya Pradesh	240.0	251.6 *	26.7	42.9 *	11.1	17.1	11,93,688	14,19,324 *	65,774	1,68,288 *	3,032	3,785 *
11.	Maharashtra	218.6	216.6	5.6	6.2 *	2.6	3.0	..	..	..	..	..	..
12.	Manipur	2.0	2.2	1.6	1.7	80.0	77.3	..	..	..	..	..	..
13.	Mizoram	0.9	0.9	..	0.1	..	11.1	..	..	..	..	..	..
14.	Nagaland	2.0	2.3	0.6	0.6	30.0	26.1	..	..	..	..	..	..
15.	Orissa	95.9	82.2	3.7	9.9	3.9	12.0	..	5,471	8	8,947	3,257	..
16.	Punjab	75.0	78.2	..	..	..	..	..	..	..	..	..	..
17.	Rajasthan	193.8	206.9	46.5	67.4	24.0	32.6	11,98,013	13,45,791	..	1,16,341	..	..
18.	Sikkim	0.5	0.5	0.2	0.3 *	40.0	60.0	..	..	82,993	..	..	..
19.	Tamil Nadu	66.3	64.6	22.8	26.3	34.4	40.7	16,80,393	16,44,946	89,747	1,43,207	2,290	2,315
20.	Tripura	4.6	..	0.5	..	10.9	..	..	..	240	..	..	..
21.	Uttar Pradesh	254.8	257.0	140.2	197.2	55.0	76.7	1,93,000	2,06,000	4,44,000	5,59,000	8,827	11,044
22.	West Bengal	84.0 **	87.5	26.4 *	30.9	31.4	35.3	4,306	7,170	6,753	9,436	3,248	..
23.	Chandigarh	..	0.3	..	..	..	..	..	..	39	42	..	..
24.	Delhi	0.8	0.5	0.5	0.4	62.5	80.0	34,868	34,698	34,694	33,481	3,140	2,102
25.	Lakshadweep	0.3	0.4	..	..	..	..	..	..	..	..	..	..
26.	Pondicherry	0.4	0.5	0.2	0.2	50.0	40.0	..	..	5,880	5,794	88	..

* Data relates to 1995-96.

** Data relates to 1991-92.

.. Not available.

Table XI-22: Educational Institutions and Students' Enrolment in Schools

Sr. No.	States / Union Territories	Number of Schools						Students Enrolment in Schools					
		Primary		Middle		Secondary / Higher Secondary		Primary		Middle		Secondary / Higher Secondary	
		1990-91	1997-98	1990-91	1997-98	1990-91	1997-98	1990-91	1997-98	1990-91	1997-98	1990-91	1997-98
	1	2	3	4	5	6	7	8	9	10	11	12	13
1.	Andhra Pradesh	48,731	48,899 *	6,118	7,733 *	6,979	8,271 *	58,26,000	56,35,000 *	19,87,000	21,30,000	31,86,000	36,05,000
2.	Arunachal Pradesh	1,122	1,256	255	309	114	160	1,25,071	1,41,904	26,089	39,812	15,696	23,413
3.	Assam	28,876	30,140 @	5,703	7,237 @	3,432	3,980 @	29,17,200	30,49,954 @	11,47,500	12,96,767 @	10,35,868	13,92,541 @
4.	Goa	1,266	1,275	440	447	381	438	1,95,173	1,03,458	83,708	75,070	86,933	86,885
5.	Gujarat	13,720	14,593	17,559	19,739	5,122	5,909	14,04,840	15,78,268	55,84,665	58,80,820	16,52,285	19,69,421
6.	Haryana	5,109	5,707 *	1,399	1,671	2,356	3,269	16,15,000	19,95,000 *	7,26,000	8,41,000 *	3,97,000	5,11,000 *
7.	Himachal Pradesh	7,471	10,484	1,066	1,214	1,125	1,404	65,69,000	..	33,12,000	..	21,43,000	..
8.	Jammu and Kashmir	9,242	..	2,438	..	1,220	..	4,34,000	..	3,96,000	..	4,20,000	..
9.	Karnataka	23,695	23,116	16,512	23,810	5,020	7,851	48,32,000	54,24,000	21,19,000	28,19,000	13,34,000	17,27,000
10.	Kerala	6,767	6,717	2,915	2,964	2,452	2,584	24,72,403	20,78,207	19,29,806	17,61,045	14,98,892	15,97,839
11.	Madhya Pradesh	68,167	78,694 *	14,719	19,328 *	4,500	6,788 *	76,11,000	96,14,000 *	26,08,000	31,87,000 *	16,37,000	19,47,000
12.	Maharashtra	57,744	64,178	10,026	13,685	1,708	3,365	1,04,24,000	1,22,11,000	57,43,000	70,70,000	3,42,000	10,99,000
13.	Manipur	3,189	2,547	687	611	431	576	1,89,238	1,77,051	74,932	1,29,663	1,29,262	2,16,893
14.	Meghalaya	4,273	4,257 @	805	913 @	447	443 @	2,42,339	3,80,408 @	56,897	73,720 @	73,354	87,256 @
15.	Mizoram	1,109	1,318	545	733	202	363	1,03,686	1,15,652	44,138	51,546	27,287	41,700
16.	Nagaland	1,287	1,416 *	341	425 *	149	263 *	1,42,631	1,35,624 *	61,166	88,770 *	82,166	1,45,192 *
17.	Orissa	40,293	42,104 *	9,562	11,510 *	4,475	5,969 *	36,11,000	39,45,000 *	10,18,000	12,96,000 *	7,73,000	8,66,000
18.	Punjab	12,400	12,613 *	1,421	2,545 *	2,759	3,293 *	18,11,000	20,82,000 *	1,84,000	9,69,000 *	14,03,000	7,51,000 *
19.	Rajasthan	29,817	33,648	9,230	12,939	3,956	5,247	30,85,149	39,32,160 *	21,55,389	33,50,639 *	16,33,113	22,05,837 *
20.	Sikkim	510	514	122	122	75	99	34,543	35,678	22,797	31,987	38,680	51,378
21.	Tamil Nadu	29,979	30,976	5,624	5,473	5,144	6,740	55,58,000	46,47,000	29,88,000	25,72,000	40,12,000	54,05,000
22.	Tripura	2,067	2,065 *	427	411 *	455	585 *	3,94,931	4,40,886	1,31,995	1,28,182	70,388	83,550
23.	Uttar Pradesh	76,732	91,093 *	14,667	19,917 *	5,999	7,003 *	1,35,11,000	1,30,47,000 *	30,95,000	30,31,000 *	47,68,000	54,52,000 *
24.	West Bengal	51,019	51,521	3,157	2,775	6,727	7,922	92,05,000	87,58,000	43,56,000	30,85,000	18,67,000	15,81,000
25.	Delhi	1,911	2,184 *	485	559 *	1,130	1,333	6,99,243	11,46,691 *	1,29,159	5,39,511 *	10,54,400	11,16,543
26.	Chandigarh	54	53	27	28	77	104	15,582	15,356	11,542	14,912	80,473	1,24,054
27.	Lakshadweep	19	19 *	4	4 *	12	12 *	7,073	7,091 *	3,778	3,061 *	2,645	6,310 *
28.	Pondicherry	341	352 *	107	121 *	105	147 *	50,930	43,547 *	50,235	44,497	86,701	1,20,740 *

@ Data relates to 1995-96.

* Data relates to 1996-97.

.. Not Available.

Table XI-23: Rural Roads Length

Sr. No.	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
		1990-91	1997-98	1990-91	1997-98	1990-91	1997-98
	1	2	3	4	5	6	7
1.	Andhra Pradesh	1,32,403	1,52,441 *	88,954	1,05,674 *	67.2	69.3
2.	Arunachal Pradesh	10,369	12,652	972	1,700	9.4	13.4
3.	Assam	31,528 @	33,110 **	1,658 @	2,366 **	5.3	7.1
4.	Goa	4,419	4,892	3,140	3,622	71.1	74.0
5.	Gujarat	67,065	72,165	16,399	19,584	24.5	27.1
6.	Haryana	21,797	22,657 *	16,419	17,279	75.3	76.3
7.	Jammu and Kashmir	11,838	12,901	3,802	4,025 *	32.1	31.2
8.	Karnataka	1,30,924	1,39,520	94,981	93,102 *	72.5	66.7
9.	Kerala	1,32,541	1,45,218	99,023	1,09,058 *	74.7	75.1
10.	Madhya Pradesh	90,782	1,00,056	60,215	69,236	66.3	69.2
11.	Maharashtra	1,72,965	1,87,575 *	61,522	70,134 *	35.6	37.4
12.	Manipur	5,034	7,081	5,034	7,081	100.0	100.0
13.	Meghalaya	5,687	6,572	..	..	..	..
14.	Mizoram	2,781	4,099	334	1,630	12.0	39.8
15.	Nagaland	7,922	7,960 **	4,723	4,751 **	59.6	59.7
16.	Orissa	2,08,350	2,18,625	1,76,369	1,85,645	84.7	84.9
17.	Punjab	38,500	39,950 *	30,217	..	78.5	..
18.	Rajasthan	58,350	79,147	29,672	45,511	50.9	57.5
19.	Tamil Nadu	1,07,431	1,27,177	50,070	61,970	46.6	48.7
20.	Uttar Pradesh	71,773 @	90,700	24,844 @	41,870 *	..	46.2
21.	West Bengal	14,818	15,204	8,569	8,894	57.8	58.5
22.	Chandigarh	1,462	1,613	42	72	2.9	4.5
23.	Lakshadweep	18	58 *	18	58 *	100.0	100.0
24.	Pondicherry	2,303	2,251	1,492	1,162 *	64.8	51.6

@ Data relates to 1992-93.

* Data relates to 1996-97.

** Data Not available.

Table XI-24: Expenditure on Employment Schemes

(Rupees crore)

Sr. No.	States/ Union Territories	Expenditure on Employment Schemes		Expenditure on Jawahar Rojgar Yojana	
		1990-91	1997-98	1990-91	1997-98
	1	2	3	4	5
1.	Andhra Pradesh	270.1	663.6	193.2	193.7
2.	Arunachal Pradesh	..	0.3	2.3	2.4
3.	Assam	..	127.6	10.6	55.5
4.	Bihar	102.2	429.0	426.5	361.7
5.	Goa	340.7	151.1	37.3	424.2
6.	Gujarat	..	66.8	80.8	70.0
7.	Haryana	..	4.2	4.2	6.5
8.	Karnataka	..	226.8	106.9	125.8
9.	Kerala	88.6	43.7	68.2	78.5
10.	Madhya Pradesh	93.1	713.7	242.3	245.7
11.	Maharashtra	235.0	183.7	192.1	169.3 *
12.	Manipur	1.4	3.9	4.9	0.7
13.	Meghalaya	5.3	4.9	3.5	0.5
14.	Mizoram	0.2	0.5	8.3	1.2
15.	Nagaland	..	29.2	6.2	3.8
16.	Orissa	37.0	188.6	128.4	150.7
17.	Punjab	33.4	106.0 *	12.2	5.9 *
18.	Rajasthan	..	187.3	170.9	104.8
19.	Sikkim	3.9	8.7	2.0	5.5
20.	Tamil Nadu	..	292.6	196.6	207.0
21.	Tripura	4.6	23.8	5.2	5.7
22.	Uttar Pradesh	..	406.7	457.6	865.9
23.	West Bengal	9.7	73.9	170.2	86.6
24.	Lakshadweep	..	0.3	1.0 *	1.6
25.	Pondicherry	..	3.7	1.6	0.8

* Data relates to 1996-97.

APPENDIX - I

IMPORTANT EXPORT CONTROL/PROMOTION ANNOUNCEMENTS
(April 1997- March 1998)

Sr. No.	Items	Month	Details
1	2	3	4
1.	Sugar from the free sale quota of 1996-97 sugar season (October-September)	April 1997	It was decided to enhance the quantity of 20,000 MTs of sugar earmarked for export by M/s. Indian Sugar and General Industry Export Import Corporation (ISGIEIC) Ltd. to a quantity of 35,000 MTs for export to European Union and USA under the preferential arrangements, i.e., White sugar- 10,000 MTs and Raw sugar- 10,500 MTs to EU and Raw sugar 15,000 MTs to USA.
2.	Bones and bone products (excl. bone meal), horn and horn products (excl. horn meal), and hooves and hoof meal when exported to the European Union	May 1997	Export was allowed subject to production of certificate from Chemicals and Allied Products Export Promotion Council(CAPEXIL) regarding production process followed by the establishment of production in respect of the exported item.
3.	Non-basmati rice	June 1997	Export was allowed subject to registration of contracts with the Agricultural and Processed Food Export Development Authority (APEDA), New Delhi.
4.	Sugar from the free sale quota of 1996-97 sugar season (October-September)	June 1997	It was decided to enhance the quantity of 35,000 MTs of sugar for export by M/s. ISGIEIC Ltd., to a quantity of 36,300 MTS for export to EU and USA. ISGIEIC was sole agency authorised to export Raw/White sugar.
5.	HPS groundnut, sesame seeds, sunflower seeds, rapeseeds and mustard seeds	July 1997	The export of HPS groundnut was allowed freely without any requirement of export licences. However, regarding the export of sesame seeds, sunflower seeds, safflower seeds, rapeseeds and mustard seeds, the exporter had to apply to Directorate General of Foreign trade (DGFT) for grant of export licences as per procedure prescribed in Hand Book of Procedures, (Vol-I)1997-2002.
6.	Engineering product Export (Replenishment of Iron and Steel Intermediates) Scheme of Exim Policy, 1992-97	July 1997	The relaxation was granted for the provisions of the policy/procedures and notified the arrangements to enable the exporters of engineering goods to source the goods indigenously.
7.	Sandalwood in the form of heartwood chips (mixed Chips, flakes)	July 1997	The export was permitted only against an export licence to be issued by the DGFT. The DGFT would grant the licences after considering quantitative ceiling, minimum Export Price and size/weight stipulating in respect of heartwood chips not exceeding 50 gms, mixed chips not exceeding 30 gms and flakes not exceeding 20 gms of the sandalwood classes.
8.	Sugar from the free sale quota of 1996-97 sugar season (October-September)	July 1997	In the partial modification of the notice issued in June 1997, it was decided to release a quantity of 10,500 MTs of Raw cane sugar for export to EU against a preferential quota for the delivery period 1997-98 by M/S ISGIEIC Ltd., during the period October 1996 to September 1997.
9.	Sesame seeds	August 1997	It was decided that for the licensing year of 1997-98, in addition to HPS-groundnut, the export of sesame seeds was allowed freely, without any requirements of export licences. The exporter was asked to furnish to DGFT within 30 days from the date of export, a statement alongwith a copy of shipping bill indicating the quantity of sesame seeds that they have exported.
10.	Manufactured Articles/ Shavings of Shed articles of Sambhar and Chital during 1997-98.	August 1997	It was decided to allow the export of manufactured Articles/Shavings of shed antlers of Chital and Sambhar within the prescribed ceiling during the period 1997-98. The Jt. DGFT, Mumbai, Calcutta, Madras and New Delhi were empowered to grant export licences to the eligible exporters in terms of the procedures.
11.	Powdered Milk (Skimmed or Full Cream)/ Whole and Infant Milk Food	August 1997	It was decided to release a maximum of 5,000 MTs of Powder Milk (Skimmed or Full Cream)/ Whole or Infant Milk Food for export during the licensing year 1997-98. Of the ceiling of 5,000 MTs, a quantity of 1,250 MTs of SMP was earmarked for issue to Registration-cum-Allocation-certificate's to eligible exporter holding EPCG licence with an export obligation to be fulfilled against the same by exporting powder milk. The ceiling was placed at the disposal of APEDA who will issue the RCAC.

1	2	3	4
12.	Grain and Flour of Barley, Maize, Bajra, Ragi and Jowar (Excl. Hybrid Jowar grown as Kharif Crop) during the licensing year 1997-98	August 1997	It was decided to release a maximum of 50,000 MTs for export of grain and flour of barley, bajra, maize, ragi and jowar (excl. hybrid jowar grown as Kharif Crop) during the licensing year 1997-98 and placed it at the disposal of APEDA who was to allocate the ceiling as per procedure specified by them. However, out of the total quantity of 50,000 MTs of coarse grains as above, 30,000 MTs was earmarked for exporters and the balance 20,000 MTs was earmarked for PSUs.
13.	Handmade Woollen carpets	September 1997	Export of handmade carpets including other coverings lime woollen durries, druggets gabbas and namdhas was not allowed on the basis of documents against acceptance unless backed by bank guarantees and exporters having their own subsidiaries / trading companies / office-cum-warehouse opened after due approval of the Reserve Bank of India, were exempted from the conditions subject to the fulfilment of Reserve Bank rules concerning the terms of payment.
14.	Ban on exports to Iraq	September 1997	The ban was partially lifted to the export of item to Iraq in cases where the prior approval of the sanction committee of the United Nation's Security Council is obtained.
15.	Peacock tail feathers including handicrafts items and articles thereof.	September 1997	It was decided to allow export of peacock tail feathers, handicrafts/articles made thereof within a limited ceiling of 20 lakh pieces during 1997-98 and distributed among DGFT - Mumbai, Madras, Calcutta and New Delhi.
16.	SIL on export to Specified Countries	October 1997	It was decided to give Special Imprest Licence to export houses, trading houses, star trading houses and super star trading houses, 2 per cent additional entitlement on the export of products to countries listed in the Hand Book of Procedures. The Government removed the condition that the weightage of these countries should be more than 10 per cent of the export during the period.
17.	Brown Sea Weeds	October 1997	It was decided to release a ceiling of 200 MTs of Brown Sea Weeds and Agarophytes excluding G-edulis of Tamil Nadu Coast Origin in processed form for export during the licensing year 1997-98 subject to production of a certificate of pre-shipment Inspection before actual export the Regional and Sub-regional offices of Marine Products Export Development Authority. The ceiling was placed at the disposal of JDGFT, Mumbai and Chennai.
18.	Yarn, Fabrics and madeups of all fibres not under quota restriction	January 1998	Export was allowed against certification on Shipping Bills of the Cotton Textiles Export Promotion and Synthetic and Rayon Textile Export Promotion Council.

APPENDIX - II

**IMPORTANT ANNOUNCEMENTS WITH REGARD TO IMPORT CONTROL POLICY
(April 1997- March 1998)**

Sr. No.	Items	Month	Details
1	2	3	4
1.	Rough diamonds	May 1997	In the case of HDCL/MMTC, the value of bulk licence was fixed at 1.5 times the total value of rough diamonds imported by them against bulk licence in the preceding licencing year.
2.	Service sector	May 1997	Export Promotion Capital Goods (EPCG) Scheme was extended to the service sector, whereby companies were allowed to import equipments worth Rs.5 crore and above under zero duty EPCG scheme.
3.	Imports under quantity based advance licences	May 1997	Imports under quantity based advance licences issued with actual user condition under the previous as well as present import policy were exempted from the whole of anti-dumping duty.
4.	Hazardous wastes	May 1997	The Supreme Court of India passed an order prohibiting import of hazardous waste into India which have been banned by law in India and banned under the Basel Convention or to be banned by December 31, 1997.
5.	Common/coarse varieties of rice	June 1997	Free import of common/coarse varieties of rice and rice with 50 per cent or more broken grains was allowed.
6.	DEPB credit for imports under SIL	June 1997	It was decided that credit under Duty Exemption Pass Book (DEPB) scheme may be utilised for payment of duty against imports made under Special Import Licence (SIL).
7.	Gold import against replenishment licences	June 1997	Gold of specified description was exempted from the payment of whole of customs duty and from whole of special duty for import against replenishment licences for gem and jewellery exports.
8.	Crude petroleum	June 1997	Import of crude petroleum was exempted from additional customs duty.
9.	Non-edible industrial grade crude palm stearin	June 1997	Import of crude palm stearin was allowed without an import licence subject to actual user and certain other conditions.
10.	Jobbing under Duty Exemption Scheme.	June 1997	In order to permit jobbing operations by importers undertaking jobbing in cottage or house-hold sector who are not under excise control, they were required to execute a bond with surety / security for complying with conditions specified in the notification.
11.	Special industrial adhesives, etc.	June 1997	Exemption from duty was provided on special industrial adhesives, gums and solutions and synthetic diamond powder up to 1 per cent of the free on board (FOB) value of the export of cut and polished diamonds when imported by exporters of cut and polished diamonds operating under the diamond credit book scheme.
12.	ARO for transferee of duty free licence	June 1997	Benefit of Advance Release Order (ARO) for getting goods in India against duty free licence could also be availed by transferee of duty free licence.
13.	Building stone	June 1997	It was decided for other monumental or building stone and articles thereof; simply cut or sawn with a flat or even surface that imports would not to be allowed except against a licence or in accordance with a public notice issued on this behalf.
14.	Furnace oil and fuel lubricants for 100 per cent EOUs	July 1997	Fuel lubricants and other consumable required for the captive power plants including captive generating sets by 100 per cent Export Oriented Units (EOUs) could be imported duty free on the approval of the commissioner of customs or the recommendation of the development commissioner, which could be treated as a licence.
15.	Wheat	August 1997	State trading corporation of India Ltd. and Projects equipment corporations were permitted to import wheat on behalf of Roller flour mills under certain conditions.
16.	Units registered with KVIC and KVIBs	August 1997	It was decided that the manufacturing units registered with Khadi and Village Industrial Corporation (KVIC) and Khadi and Village Industry Boards (KVIBs) would be granted SIL at the rate of 6 per cent of the FOB value of exports directly made by them with effect from August 15, 1997.

1	2	3	4
17. Zero duty EPCG scheme	September 1997	10 per cent additional customs duty was imposed on imports under zero duty EPCG scheme except in case of machinery required for the manufacture of leather garments, textile garments (including knitwear) agro products and products of horticulture and floriculture.	
18. Commercial samples	October 1997	The upper ceiling value of imported commercial samples was raised from Rs. 10,000 or 10 units in number within a period of 12 months to Rs. 36,000 in value or 10 units in number within period of 12 months. In addition to being imported for the purpose of being shown in India for the guidance of the exporter, it had been added that import would also be allowed for securing or executing an export order.	
19. Cassia, cinnamon bark	October 1997	It was decided that import would be permitted against SIL and in such cases, cost insurance freight (c.i.f.) value of surrendered SIL would be five times the c.i.f value of imported goods. However, NAFED and STCL could import without surrender of SIL.	
20. Imports under UN projects	November 1997	It was decided to exempt from the whole of customs duty, the import of all goods into India by the UN or an international organization for the execution of projects financed by them and approved by the Government of India on production of certificate from concerned Government of India Ministry in support of the exemption.	
21. Naphtha	December 1997	Import was permitted without a licence provided the importer sold the return stream only to crude oil refineries. Import was also permitted as fuel in power sector by independent power producers subject to actual user condition and would require licence from DGFT.	
22. Edible oils	December 1997	It was decided that all edible oils would be freely importable subject to the condition that the importer would have to intimate in advance of 30 days to the Directorate of vanaspati, vegetable oil and fats with a copy to the customs by registered post, indicating information as regards to type of oil, date of contract and actual import, quantity, price and origin.	
23. Goods for reconditioning, repair and re-engineering	December 1997	EOU/EPZ/EHTP/STP units were permitted to import goods of any origin to carry out reconditioning repair and re-engineering activities for export in freely convertible currency.	
24. Components for motor vehicle	December 1997	Imports of components of motor vehicles in CKD/SKD form was allowed for importation against a licence which would be issued only to joint venture automobile manufacturing companies on the basis of an MOU to be signed by these companies.	
25. Export of imported goods	February 1998	Goods imported in accordance with the EXIM policy, could be exported in the same or substantially the same form, without a licence, provided that the item is not in the negative list of imports except items imported under SIL, or negative list of exports. If imported against freely convertible currency export would be permitted against payment in the same. If exported against payment in Indian rupees they would be subject to minimum value addition of 100 per cent provided item to be exported is not under negative list of imports except items under SIL or negative list of exports.	
26. Rough diamonds	February 1998	Bulk licence for rough diamonds would be issued for import from any source, with an obligation to supply such diamonds to the holder of valid REP/ diamond imprest licence, EOU/EPZ units or to re-export the same and this obligation to be fulfilled within a year from the date of issuance of licence.	

	Page No.		Page No.
A			
Advances to Priority Sector	V-9	Cotton	III-7
Agricultural Production	III-1, XI-2	Credit Analysis and Research Ltd.	VI-25
Availability – Foodgrains	III-3	Credit Rating Agencies	VI-25
		Credit Rating Information Services of India Ltd.	VI-25
		Current Account	X-1
B		D	
Balance of Payments and International Finance	X-1	Debt Position of State Governments	VIII-14
Bank Credit	V-6	Deemed Exports	IX-19
Banking Developments	V-7, XI-4	Development Banks	VI-21
Budgetary Operations		Developments relating to Exchange Control	X-16
Central Government	VIII-1	Disinvestment by Public Sector Enterprises	VI-12
States	VIII-8	Developments in World Economy	X-17
Bullion Prices		Developments in Trade Policy	IX-16
Gold	VII-5	Developments in Foreign Exchange Reserves	X-13
Silver	VII-7	Desert Development Programme	III-14
C		Diamond, Gems and Jewellery Export Promotion Schemes	IX-8
Call / Notice Money Market	VI-2	Direction of Trade	IX-5
Capital Account	X-2	Domestic Activity	X-18
Capital Market	VI-7	Drought Prone Area Programme	III-14
Cement	IV-11	Duty Exemption Scheme	IX-8
Certificates of Deposit	VI-3		
Coal	IV-11	E	
Coarse Cereals	III-6	Electricity	IV-10
Coffee	III-11	Employment in Organised Sector	IV-18
Combined Budgetary Operations of Centre and States	VIII-15	Exchange Rate Developments	X-14
Commercial Borrowings	X-3	Export Control / Promotion – Important Announcements	IX-A-1
Commercial Paper	VI-4	Export Credit	V-9
Commodity-wise Performance of Imports	IX-4	Export Houses / Trading Houses / Star Trading Houses and Super Star Trading Houses	IX-10
Commodity-wise Performance of Exports	IX-1	Export-Import Bank of India	VI-24
Commodity / Group-wise Trend	VII-2	Export Oriented Units and Units in Export Processing Zones, etc.	IX-9
Composition, Maturity and Ownership Pattern of Domestic Debt	VIII-12	Export Promotion Capital Goods Scheme	IX-7
Commodity and Bullion Prices	VII-1	External Assistance	X-2
Comprehensive Crop Insurance Scheme	V-21		
Consumption of Fertilisers	XI-3		
Consumer Price Indices	VII-3		

	Page No.		Page No.
External Debt	X-11	Industrial Credit and Investment Corporation of India	VI-21
External Debt Situation	X-21	Industrial Development Bank of India	VI-21
F		Industrial Finance Corporation of India	VI-22
Factors Affecting Prices	VII-4	Industrial Investment Bank of India	VI-22
Fertilisers	III-12	Industrial Sickness	IV-7
Finances of Departmental Undertakings	VIII-16	Industrial Security Market	VI-15
– Railways	VIII-16	Information Technology	IV-12
– Posts	VIII-17	Infrastructure Services	IV-12
– Telecommunications	VIII-18	Infrastructure Leasing and Financial Services Ltd.	VI-24
Financial Assets	II-4	Institutional Finance for Agriculture and Allied Activities	V-13
Financial Liabilities	II-5	Interest Rate Revision	V-12
Financial Markets	VI-1	International Bank for Reconstruction and Development	X-23
Fiscal Developments	VIII-1	International Development Association	X-24
Foreign Banks operating in India	V-10	International Finance Corporation	X-24
Foreign Direct Investment Policy	IV-6	International Monetary Fund	X-21
Foreign Exchange Market	VI-32	International Reserves	X-20
Foreign Institutional Investors	VI-12	International Trade and Payments	V-19
Foreign Investment : Emerging Trends	X-4	Investment Institutions	VI-23
Foreign Trade	IX-1	Investments Information and Credit Rating Agency of India Ltd.	VI-25
G		Invisibles	X-1
General Insurance Corporation of India	VI-24	Iron and Steel	IV-12
Government Securities Market	VI-26	Irrigation Schemes	III-14
H		Issue of Coins and Notes	V-6
Housing Development Finance Corporation Ltd.	VI-26	L	
Housing Finance-Policy Measures	VI-25	Life Insurance Corporation of India	VI-23
Household Saving in Financial Instruments	II-4	Lost, Destroyed and Mutilated Notes	V-6
Housing and Urban Development Corporation Ltd.	VI-26	M	
High Yielding Varieties Programme	III-12	Major Developments in States and Union Territories	XI-1
I		Manufacturing Sector	IV-9
Import Control Policy-Important Announcements	IX-A-3	Merchandise Trade	X-1
Indian Banks Abroad	V-10	Measures to Promote Production	III-12
India's Financial Assistance to Other Countries	X-3	Mergers and Acquisitions	IV-7
Industry	IV-1		
Industrial Licencing	IV-1		

	Page No.		Page No.
Minimum Support Prices	III-4	Production of Foodgrains	III-1
Monetary Developments	V-1	Production of Major Crops	III-5
Monetary Survey	V-1	Production of Non-foodgrains	III-3
Money Market	VI-1	Public Sector Bonds	VI-13
Money Market Mutual Funds	VI-4	Pulses	III-6
Multilateral Investment Guarantee Agency	X-25		
Mumbai Stock Exchange – Operations	VI-17	R	
Mutual Funds	VI-15	Raw Jute and Mesta	III-8
		Regional Rural Banks	V-10
N		Rice	III-5
NABARD	V-15	Rural Infrastructure Development Fund	V-19
National Co-operative Development Corporation	V-20		
National Housing Bank	VI-25	S	
National Income, Saving and Investment	II-1	Scheduled Commercial Banks	V-14
National Stock Exchange	VI-17	SDR Allocation and SDR Interest Rates	X-22
New Issues Market	VI-13	Secondary Market	VI-15
Non-Banking Companies	VI-5	Sectoral and Industry-wise Deployment of Credit	V-8
Note Forgeries	V-7	Sectoral Growth Rates	XI-1
		Seeds	III-12
O		Selective Credit Controls	V-12
Off-take	III-5	Shipping Credit and Investment Company of India Ltd.	VI-22
Oilseeds	III-6	Small Industries Development Bank of India	VI-21
Open Market Operations	VI-31	Small Savings Collections	XI-7
Operations of All Financial Institutions	VI-20	Small-Scale Industries	IV-5
Over the Counter Exchange of India	VI-20	Small-Scale Sector – Performance	IV-14
		Socio-Economic Indicators	XI-7
P		Specialised Financial Institutions	VI-23
Performance of Industrial Sector	IV-8	State Domestic Product	XI-1
Performance of Infrastructure Industries	IV-10	State Financial Corporations	VI-24
Petroleum Crude and Petroleum Products	IV-11	State Level Institutions	VI-24
Plant Protection and Pesticides	III-13	State Industrial Development Corporations	VI-24
Primary Market	VI-12, 26	Stock Holding Corporation of India Ltd.	VI-20
Primary (Urban) Co-operative Banks	V-10	Structural Transformation of Industrial Sector	IV-6
Priority Sector Advances	XI-5	Sugar Production	IV-16
Public Debt of the Central Government	VIII-1	Sugarcane	III-9
Public Distribution System	III-4		
Public Sector Enterprises	IV-5		
Procurement	III-4		

	Page No.		Page No.
		T	
Tea	III-10	Use of IMF Resources	X-21
Tobacco	III-11	Use-based classification	IV-9
Treasury Bills	V-30	W	
Trends in Domestic Saving and Investment	II-2	Ways and Means Advances and Overdrafts of State Governments	VIII-11
Trends in National Product	II-1	Weighted Contribution of Major Groups	VII-12
		Wheat	III-6
		World Bank Group	X-23
U		World Trade Organisation	X-25
Unit Trust of India	VI-23		

